

**BOROUGH
OF
MENDHAM**

Borough of Mendham
County of Morris
Mendham, New Jersey

Comprehensive Annual Financial Report
For the Year Ended December 31, 2014

Comprehensive Annual
Financial Report

of the

BOROUGH OF MENDHAM

Mendham, New Jersey

YEAR ENDED DECEMBER 31, 2014

Prepared by

Borough of Mendham
Finance Department

BOROUGH OF MENDHAM
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2014

INTRODUCTORY SECTION (Unaudited)

Letter of Transmittal	1
Organizational Chart	7
Roster of Officials	8
Consultants and Advisors	9

FINANCIAL SECTION 10

Independent Auditors' Report	11-13
------------------------------	-------

FINANCIAL STATEMENTS 14

Combined Balance Sheet - All Fund Types and Account Groups	15
Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - Current and Utility Operating Funds	16
Notes to Financial Statements	17-33

COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUP STATEMENTS
AND SCHEDULES 34

Current Fund:	35
A Comparative Balance Sheet	36
A-1 Comparative Statement of Operations and Change in Fund Balance	37
A-2 Statement of Revenue	38-39
A-3 Statement of Expenditures	40-46
A-4 Schedule of Taxes Receivable and Analysis of Property Tax Levy	47
A-5 Schedule of 2013 Appropriation Reserves	48-49
General Capital Fund:	50
B Comparative Balance Sheet	51
B-1 Analysis of Cash	52
B-2 Schedule of Deferred Charges to Future Taxation - Unfunded	53
B-3 Schedule of Improvement Authorizations	54
B-4 Schedule of Green Acres Loan Payable	55
B-5 Schedule of Bond Anticipation Notes Payable	56
B-6 Schedule of Serial Bonds Payable	57
B-7 Schedule of Bonds and Notes Authorized but not Issued	58
Trust Funds:	59
C Combining Balance Sheet	60
C-1 Schedule of Reserve for Animal Control Fund Expenditures	61
C-2 Schedule of Other Trust Reserves	62
C-3 Schedule of Reserve for Public Assistance	63
C-4 Statement of Changes in Assets and Liabilities - Payroll Fund	64
Utility Operating Funds:	65
D Comparative Balance Sheet	66
D-1 Comparative Statement of Operations and Changes in Fund Balance	67
D-2 Statement of Revenues	68
D-3 Statement of Expenditures	69
D-4 Schedule of Consumer Accounts Receivable - Sewer Utility Operating Fund	70
D-5 Schedule of 2013 Appropriation Reserves - Sewer Utility Operating Fund	71
D-6 Schedule of Accrued Interest on Bonds and Notes - Sewer Utility Operating Fund	72

BOROUGH OF MENDHAM
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2014
 (Continued)

	<u>Page</u>
<u>FINANCIAL SECTION</u> (Cont'd)	
COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUP STATEMENTS AND SCHEDULES (Cont'd)	
Utility Capital Funds:	73
E Comparative Balance Sheet	74
E-1 Analysis of Cash - Sewer Utility Capital Fund	75
E-2 Schedule of Serial Bonds Payable - Sewer Utility Capital Fund	76
E-3 Schedule of Bond Anticipation Notes Payable - Sewer Utility Capital Fund	77
E-4 Schedule of Improvement Authorization - Sewer Utility Capital Fund	78
E-5 Schedule of Deferred Reserve for Amortization - Sewer Utility Capital Fund	79
E-6 Schedule of Bonds and Notes Authorized but not Issued - Sewer Utility Capital Fund (Not Applicable)	
General Fixed Assets Account Group:	80
F Schedule of General Fixed Assets (Unaudited)	81
F-1 Schedule of Changes in General Fixed Assets (Unaudited)	82
 <u>STATISTICAL SECTION</u> (Unaudited)	 83
Table	
1 Governmental Fund Expenditures by Function	84
2 Governmental Fund Revenue by Source	85
3 Property Tax Levies and Collections	86
4 Property Tax Rates - Direct and Overlapping Governments	87
5 Assessed and Estimated Actual Value of Property	88
6 Ten Largest Taxpayers	89
7 Computation of Legal Debt Margin	90
8 Ratio of Net General Obligation Debt to Assessed Value and Net General Obligation Debt Per Capita	91
9 Ratio of Debt Service for Bonded Debt (including Bond Anticipation Notes) to Government Expenditures	92
10 Demographic Statistics	93
11 Miscellaneous Statistics	94
 <u>SINGLE AUDIT SECTION</u>	 95
Schedule A - Schedule of Expenditures of Federal Awards	96
Schedule B - Schedule of Expenditures of State Awards	96
Note to Schedules of Expenditures of Federal and State Awards	97
Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	98-99
Schedule of Findings and Responses	100-101
Summary Schedule of Prior Audit Findings	102
 <u>COMMENTS AND RECOMMENDATIONS SECTION</u>	 103
Comments and Recommendations	104-107
Summary of Recommendations	108

INTRODUCTORY SECTION



The Phoenix House circa 1820

The Borough of Mendham

2 West Main Street, Mendham, New Jersey 07945

Incorporated May 15, 1906

Telephone: 973-543-7152

Fax: 973-543-7202

June 19, 2015

The Honorable Mayor and Members
of the Borough Council
Borough of Mendham
County of Morris, New Jersey

The comprehensive annual financial report of the Borough of Mendham for the fiscal year ended December 31, 2014, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Borough of Mendham. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Borough. All disclosures necessary to enable the reader to gain an understanding of the Borough's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Borough's organizational chart and a roster of officials. The financial section includes the financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information generally presented on a multi-year basis. The Borough may be required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and the State Treasury Circular Letter 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report. The Borough was not subject to the requirements of the two circulars as federal and state assistance expenditures were each below the circulars' thresholds.

REPORTING ENTITY AND ITS SERVICES: The Borough of Mendham is an independent reporting entity within the criteria adopted by the Division of Local Government Services, State of New Jersey. All funds and account groups of the Borough are included in this report. The Borough of Mendham constitutes the Borough's reporting entity.

Mendham Borough is in scenic southern Morris County, adjacent to Bernardsville and Mendham Township. Morristown is 7 miles east and New York City is 40 miles east. State Route 24 and several county roads service the community. Interstate 287 is three miles southeast, Interstate 78 is nine miles south, and Interstate 80 is eight miles north.

The 2014 population is an estimated 4,981 in an area of six square miles. Of 1,500 housing units, 300 are townhouse units predominantly single family, owner-occupied residences, rental property is a very small portion of Borough housing which includes 40 senior citizen rental units. The range of assessed value of homes is \$274,100 to \$6,430,800 with a median value of \$574,900. In accordance with the Master Plan, current zoning consists of 1/4, 1/2, 1, 3 and 5 acre residential zones, business, limited business, and historic business districts. The water supply is available to the entire community from a private company, and 80% of the population in the denser zoned areas are sewered.

Other community services include six churches, a public library, a municipal ice skating area, athletic fields, tennis courts, picnic area, outdoor basketball courts, a senior citizen center, fire department, first aid squad, police force, a medical building, and a professional plaza. Most of the daily consumer goods and services are available in a shopping center which grosses an estimated \$20,000,000 annually, with other shops being located in the center of town. The municipality is served by the Peapack-Gladstone Bank, Provident Bank, Wells Fargo Bank, and Lakeland Hills Bank.

While some residents work in local businesses, the Borough of Mendham is primarily a commuter community served by railroad from Morristown and Bernardsville, and express buses into Manhattan on a daily basis. While many large companies are located in this general area, Mendham remains a bedroom community. Many residents are professionals employed nearby at Atlantic Health Systems, Alcatel Lucent, Honeywell, Novartis, Verizon and AT&T.

LOCAL SCHOOL DISTRICT: About 620 students are enrolled at the two elementary schools (K-4 and Grades 5-8). The Mendham Borough School District is committed to education of the highest quality and the continuous improvement of programs and instruction. This is accomplished through individual and group instruction, guidance services, programs for the gifted and talented, and through utilization of up-to-date educational technology in classrooms and computer labs. Also included in the curriculum are related arts (K-8) and a well-rounded co-curricular program. In addition, specialized services are provided to students in need. A positive working and learning environment is fostered by securing the cooperation of parents and community groups. Teachers of the highest quality are recruited and opportunities are provided for teaching staff members, students, and parents to make recommendations concerning the operation of the schools. Borough students continue to score above the state and national averages on the California Test of Basic Skills.

REGIONAL HIGH SCHOOL DISTRICT: Students in Grades 9-12 attend the West Morris Mendham High School, which is part of the West Morris Regional High School District. The West Morris Regional High School District continues to rank high on state and national tests, with students scoring well above the state and nation in S.A.T. scores. Over 88% of its students continue their formal education at two- or four-year colleges. Each of its two high schools has been accredited by the New Jersey State Department of Education, the Gilder Lehrman Institute of American History, and the International Baccalaureate Program. In addition, the District has been recognized by the national firm, School Match, as being in the top nine percent of the nation's schools in meeting parents' needs.

Through the years both District high schools have expanded/upgraded to meet the changing academic and technical needs of growing student populations and NJ State graduation requirements. A major renovation and expansion program completed in 2008 allows the District to continue fulfilling its mission.

UTILITIES:

Water is supplied by a private company, New Jersey American Water Company. The water supply is adequate and is supplied by a half-million gallon commitment from the Morris County Municipal Utilities Authority and other sources. Sewer service is a municipal utility and operated on a self-supporting basis. Treatment is supplied by a modern activated sludge treatment plant of .45 million gallons per day permitted capacity, constructed in 1965. Gas is supplied by Public Service Electric & Gas Company under the jurisdiction of the State Board of Public Utilities. Electricity is supplied by Jersey Central Power & Light also under the jurisdiction of the Board of Public Utilities.

ECONOMIC CONDITION AND OUTLOOK: Mendham Borough has a population of about 4,981. It extends 6.7 square miles, and the Township of Mendham forms a horseshoe around it. It is primarily residential, except for the Mendham Village Shopping Center on Main Street and several small specialty stores and antique shops.

MAJOR INITIATIVES:

A shared services agreement was entered into with Chester Borough for municipal court services.

A Preservation Planning Grant application was submitted to the County of Morris for the preparation of a Preservation Plan update for the Phoenix House.

The Borough's Office of Emergency Management Coordinator was authorized to establish and oversee a Community Emergency Response Team (CERT) program to educate residents about disaster preparedness and to offer training in basic disaster response skills.

The Borough's property maintenance code was amended to provide the Borough with the authority and the mechanism to ensure that all properties within the Borough are properly maintained.

The Borough's road resurfacing program continued with the paving of Maple Avenue, Park Avenue, Village Circle and Mountain Avenue.

Drainage improvements were completed at the Borough's lower baseball field.

Protective rubberized coatings were applied to the clarifiers, and to the walls, flooring and piping inside the grit house at the Wastewater Treatment Plant.

INTERNAL ACCOUNTING CONTROLS: Management of the Borough is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Borough are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with an other comprehensive basis of accounting as required state statute and regulation. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. As a recipient of federal and state assistance, the Borough also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by Borough management and would be tested if a single audit was required.

BUDGETARY CONTROLS: In addition to internal accounting controls, the Borough maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the governing body of the municipality. An annual appropriated budget is adopted for the current fund and the sewer utility operating fund. Project-length budgets are approved for the capital improvements accounted for in the general and sewer utility capital funds. The original and final budget amount as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are considered part of the statutory appropriation reserve balance on the Borough's balance sheet.

ACCOUNTING SYSTEM AND REPORTS: The Borough's accounting records reflect an other comprehensive basis of accounting as required by state statute and regulation. The accounting system of the Borough is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements," Note 1.

DEBT ADMINISTRATION: At December 31, 2014, the Borough had bonded debt as a result of a bond sale in 2006 of \$4,612,000. The Borough also has temporary debt of \$2,744,372 in the form of bond anticipation notes. The Borough also has \$159,345 in a loan from the State Green Acres Loan Program. In addition, the Borough has unissued capital debt of \$135,601 some of which the Borough plans to be issued as bond anticipation notes or to be funded through annual budget appropriations.

CASH MANAGEMENT: The investment policy of the Borough is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The Borough has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

RISK MANAGEMENT: The Borough carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The Borough obtains the bulk of their insurance coverage through their participation in a risk-sharing public entity risk pool, the Morris County Municipal Joint Insurance Fund. This Fund is described in more detail in Note 9 "Risk Management" to the financial statements.

FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the Borough continues to meet its responsibility for sound financial management. The following schedule presents a summary of the current fund and sewer utility operating fund revenue for the fiscal year ended December 31, 2014, and the amount and percentage of increases or decreases in relation to prior year revenue.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2013</u>	<u>Percent of Increase/ (Decrease)</u>
Fund Balance Anticipated	\$ 1,756,787	5.49%	\$ 134,591	8.30%
Sewer Rents	1,604,590	5.01%	12,765	0.80%
Miscellaneous Revenue	835,347	2.61%	(43,009)	-4.90%
Receipts from Delinquent Taxes	176,378	0.55%	41,575	30.84%
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	6,172,724	19.29%	124,442	2.06%
Municipal Budget Totals-Revenue	10,545,826	32.95%	270,364	2.63%
Nonbudget Revenue	533,802	1.67%	120,452	29.14%
Other Credits to Income	641,454	2.00%	27,720	4.52%
Taxes Allocated to Schools, County and Open Space Trust	20,285,285	63.38%	711,837	3.64%
Total	<u>\$ 32,006,367</u>	<u>100.00%</u>	<u>\$ 1,130,373</u>	

Generally, the revenue of the Borough has remained relatively stable with minor changes reflecting program or project changes to maintain service levels while keeping the cost to provide those services at a consistent rate.

The slight increase in fund balance reflects the Borough's conservative approach in anticipating fund balance and the Borough's attempt to stabilize and improve their fund balance position, while establishing and maintaining reserves and the Borough's strong financial position. The increase in budgeted revenue is primarily attributable to an increase in the Borough's collection of taxes and utilization of fund balance in 2014. The increase in the other credits to income is the result of the Borough's conservative budgeting and expenditure policies and the unexpended balance of the operating budgets over the prior year. The increase in taxes allocated to schools, county and open space trust reflect increases in the required collections of

property taxes, which are remitted to those entities. Non-budget revenue increased as a result of reimbursements received in 2014.

The following schedule presents a summary of current fund and utility operating funds expenditures for the fiscal year ended December 31, 2014 and the percentage of increases or decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2013</u>	<u>Percent of Increase/ (Decrease)</u>
Current:				
General Government	\$ 2,380,996	7.87%	\$ 38,986	1.66%
Public Safety	2,049,109	6.78%	38,147	1.90%
Streets and Roads	874,333	2.89%	15,950	1.86%
Health and Welfare	101,482	0.34%	2,025	2.04%
Recreation and Education	103,971	0.34%	(6,316)	-5.73%
Deferred Charges and Statutory Expenditures	775,254	2.56%	43,288	5.91%
Utility Operating	1,252,384	4.14%	8,204	0.66%
Capital	208,000	0.69%		0.00%
Debt Service:				
Principal	945,997	3.13%	62,959	7.13%
Interest	234,748	0.78%	(6,079)	-2.52%
Reserve for Uncollected Taxes	709,685	2.35%		0.00%
Municipal Budget Totals-Expenditures	<u>9,635,959</u>	<u>31.86%</u>	<u>197,164</u>	<u>2.09%</u>
County Taxes	3,488,056	11.53%	68,049	1.99%
Local and Regional School Taxes	16,687,635	55.18%	643,788	4.01%
Municipal Open Space Taxes	109,594	0.36%		0.00%
Other Expenditures	<u>320,393</u>	<u>1.06%</u>	<u>41,175</u>	<u>14.75%</u>
Total	<u><u>\$30,241,637</u></u>	<u><u>100.00%</u></u>	<u><u>\$ 950,176</u></u>	<u><u>3.24%</u></u>

The primary reason for the increase in expenditures was the increase in school and county taxes along with the provisions for trust and capital reserves.

OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, RMAs, was selected by the Borough Council. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the *Government Auditing Standards*, issued by the Comptroller General of the United States, the Single Audit Act of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

ACKNOWLEDGMENTS: We would like to express our appreciation to the Mayor and Members of the Borough Council for their concern in providing fiscal accountability to the citizens and taxpayers of the Borough and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our staff.

Respectfully submitted,

Richard A. Merkt _____

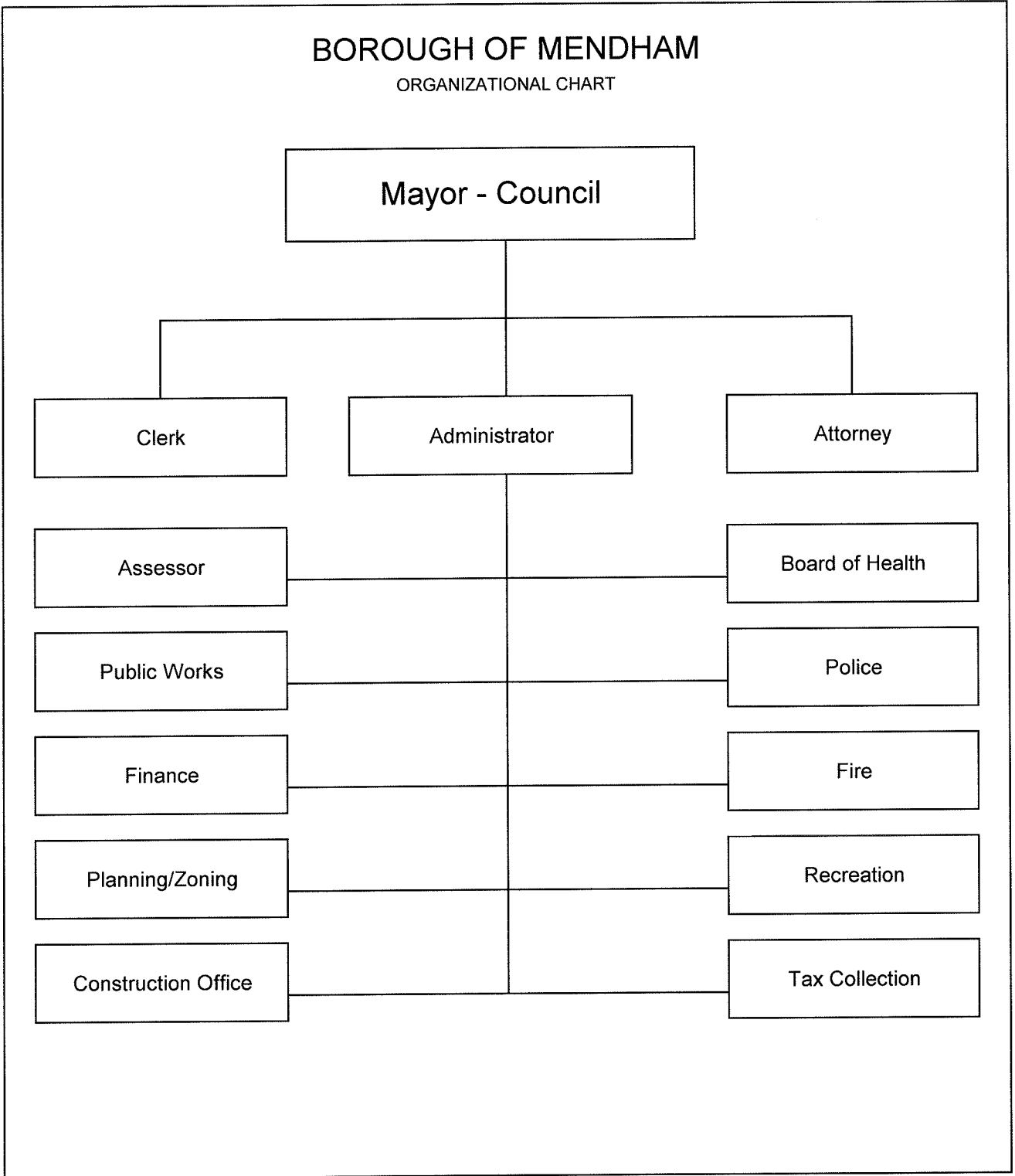
Richard A. Merkt
Borough Administrator

Susan Giordano _____

Susan Giordano
Chief Financial Officer

BOROUGH OF MENDHAM

ORGANIZATIONAL CHART



BOROUGH OF MENDHAM
ROSTER OF OFFICIALS

Elected Officials

Mayor	Neil J. Henry, Jr.
Councilman	John Andrus
Councilman	J. Bradley Badal
Councilwoman	Mary Veronica Daly
Councilman	Louis Garubo
Councilman	David C. Sharkey
Councilman	Stanley Witzcak, III

Appointed Officials

Administrator/Purchasing Agent/Deputy Clerk	Ellen Sandman (to June 2014) Richard A. Merkt (from November 2014)
Clerk/Deputy Treasurer Assessment Search Officer	Maureen Massey
Tax Collector/Tax Search Officer/ Deputy Public Utilities Clerk	Donna M. Cummins (to June 2014) Karen Ferrone (from September 2014)
Treasurer/Chief Financial Officer	Susan Giordano
Public Utilities Clerk/Deputy Tax Collector	Karen Orgera
Tax Assessor	Scott J. Holzhauer
Magistrate	C. William Bowkley, Jr.
Court Administrator/Violations Clerk	Sharon Alpaugh
Building Inspector/Construction Code Official	Russell Heiney

BOROUGH OF MENDHAM
Consultants and Advisors

AUDIT FIRM
Nisivoccia LLP, CPA's
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, New Jersey 07856

ATTORNEY
Dorsey & Semrau LLC
714 Main Street
Boonton, New Jersey 07005

BOND COUNSEL
Hawkins, Delafield & Wood, LLP
One Gateway Center
Newark, NJ 07102

OFFICIAL DEPOSITORIES
Peapack-Gladstone Bank
Wells Fargo Bank
Bank of America
TD Bank
Provident Bank

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

The Honorable Mayor and Members
 of the Borough Council
 Borough of Mendham
 Mendham, New Jersey

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* - of the various funds of the Borough of Mendham, in the County of Morris (the "Borough") as of and for the year ended December 31, 2014 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed or permitted by the Division, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable Mayor and Members
of the Borough Council
Borough of Mendham
Page 2

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, these financial statements have been prepared by the Borough on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund and account group of the Borough as of December 31, 2014, or the changes in financial position or where applicable, cash flows thereof for the year then ended.

Basis for Qualified Opinion

The Borough's general fixed assets account group is stated at historical cost or estimated historical cost in the accompanying financial statements. The basis of accounting is not in conformity with U. S. generally accepted accounting principles but is in accordance with the accounting practices prescribed or permitted by the Division. We were unable to obtain sufficient evidence to support the cost of the fixed assets of the general fixed assets account group. As more fully described in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. Therefore, based upon the underlying accounting records, we have not audited the general fixed assets account group.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects on the December 31, 2014 financial statements of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above, present fairly, in all material respects, the financial position of the various funds of the Borough of Mendham at December 31, 2014, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the year then ended, on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's financial statements. The combining and individual fund and account group statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Honorable Mayor and Members
of the Borough Council
Borough of Mendham
Page 3

The combining and individual fund and account group statements and schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund and account group statements and schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.


The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2015 on our consideration of the Borough of Mendham's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Mendham's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
June 19, 2015


NISIVOCCIA LLP


Francis J. Jones

Certified Public Accountant
Registered Municipal Accountant No. 442

GENERAL PURPOSE FINANCIAL STATEMENTS

The general purpose financial statements provide a financial overview of the Borough's operations. These financial statements present the financial position and operating results of all funds and account groups.

BOROUGH OF MENDHAM
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS-REGULATORY BASIS
 DECEMBER 31, 2014
 (With Comparative Totals for 2013)

ASSETS AND OTHER DEBITS:	Current	General Capital	Trust	Utility Funds		Account Group	Totals	
				Operating	Capital	General Fixed Assets (Unaudited)	(Memorandum Only)	
							2014	2013
Assets:								
Cash and Cash Equivalents	\$ 4,888,624	\$ 994,660	\$ 1,783,440	\$ 1,074,148	\$ 1,131,106		\$ 9,871,978	\$ 9,810,041
Receivables and Other Assets:								
Property Taxes Receivable	162,390						162,390	176,378
Consumer Accounts Receivable				125,674			125,674	133,070
Federal and State Receivables	21,323						21,323	16,623
Interfund Receivables	127		37,422	144			37,693	279,363
Other Receivables	8,857						8,857	9,214
Property Acquired for Taxes at Assessed Valuation	2,900						2,900	2,900
Fixed Assets in General Fixed Assets Account Group (Unaudited)						\$ 8,095,999	8,095,999	8,095,999
Total Assets	5,084,221	994,660	1,820,862	1,199,966	1,131,106	8,095,999	18,326,814	18,523,588
Other Debits:								
Deferred Charges:								
Emergency Authorizations								13,500
Deferred Charges to Future Taxation		4,667,567					4,667,567	5,222,326
Fixed Capital					14,895,635		14,895,635	14,825,635
Total Other Debits		4,667,567			14,895,635		19,563,202	20,061,461
Total Assets and Other Debits	\$ 5,084,221	\$ 5,662,227	\$ 1,820,862	\$ 1,199,966	\$ 16,026,741	\$ 8,095,999	\$ 37,890,016	\$ 38,585,049
LIABILITIES, RESERVES AND FUND BALANCE:								
Appropriation Reserves	\$ 746,839			\$ 317,299			\$ 1,064,138	\$ 1,014,208
Improvement Authorizations		\$ 590,565			\$ 737,943		1,328,508	1,950,692
Payroll Deductions And Withholdings			\$ 97,992				97,992	60,175
Accounts Payable - Vendors	152,374			27,297			179,671	166,520
Interfund Payables	37,422	127			144		37,693	279,363
Reserves for Amortization					11,911,885		11,911,885	11,392,135
Various Liabilities and Reserves	1,639,468	527,895	1,722,870	31,398	218,417	\$ 8,095,999	12,236,047	11,878,968
Serial Bonds, Bond Anticipation Notes and Loans Payable		4,531,966			2,983,750		7,515,716	8,310,951
Reserve for Receivables and Other Assets	174,274			125,674			299,948	321,562
Fund Balance	2,333,844	11,674		698,298	174,602		3,218,418	3,210,475
Total Liabilities, Reserves and Fund Balances	\$ 5,084,221	\$ 5,662,227	\$ 1,820,862	\$ 1,199,966	\$ 16,026,741	\$ 8,095,999	\$ 37,890,016	\$ 38,585,049

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF MENDHAM
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CURRENT AND UTILITY OPERATING FUNDS-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Current Fund			Utility Operating Funds		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES:						
Fund Balance Anticipated	\$ 1,323,918	\$ 1,323,918		\$ 432,869	\$ 432,869	
Sewer Rents				1,481,000	1,604,590	\$ 123,590
Miscellaneous Revenue	757,015	807,587	\$ 50,572	18,000	27,760	9,760
Receipts from Delinquent Taxes	115,000	176,378	61,378			
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	5,616,978	6,172,724	555,746			
Municipal Budget Totals - Revenue	7,812,911	8,480,607	667,696	1,931,869	2,065,219	133,350
Non-budget Revenues		533,802	533,802			
Other Credits to Income		372,002	372,002		269,452	269,452
Taxes Allocated to Schools, County and Open Space	20,285,285	20,285,285				
TOTAL REVENUES	28,098,196	29,671,696	1,573,500	1,931,869	2,334,671	402,802
EXPENDITURES:						
Current:						
General Government	2,480,996	2,380,996	100,000			
Public Safety	2,049,109	2,049,109				
Streets and Roads	874,333	874,333				
Health and Welfare	101,482	101,482				
Recreation and Education	103,971	103,971				
Deferred Charges and Statutory Expenditures	721,738	721,738		53,516	53,516	
Utility Operating				1,252,384	1,252,384	
Capital	133,000	133,000		75,000	75,000	
Debt Service:						
Principal	496,247	496,247		449,750	449,750	
Interest	142,350	142,347	3	101,219	92,401	8,818
Reserve for Uncollected Taxes	709,685	709,685				
Municipal Budget Totals - Expenditures	7,812,911	7,712,908	100,003	1,931,869	1,923,051	8,818
County Taxes	3,488,056	3,488,056				
Local and Regional School Taxes	16,687,635	16,687,635				
Municipal Open Space Taxes	109,594	109,594				
Other Expenditures		320,393	(320,393)			
TOTAL EXPENDITURES	\$ 28,098,196	28,318,586	(220,390)	\$ 1,931,869	1,923,051	8,818
Excess/(Deficit) of Revenues over Expenditures		1,353,110	\$ 1,353,110		411,620	\$ 411,620
Fund Balances January 1, 2014		2,304,652			719,547	
Less: Utilized as Anticipated Revenue		1,323,918			432,869	
Fund Balances December 31, 2014		\$ 2,333,844			\$ 698,298	

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Mendham include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Mendham, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Borough of Mendham do not include the operations of the volunteer fire company and rescue squad.

Governmental Accounting Standards Board ("GASB") codification section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources, and significance) should be included in the financial reporting entities. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of the GASB were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Borough of Mendham conform to the accounting practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Mendham accounts for its financial transactions through the following separate funds:

Current Fund - Resources and expenditures for governmental operations of a general nature, including federal and state grant funds which are not accounted for in another fund.

Trust Funds - Receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund - Receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

Utility Operating Fund - Account for the operations of the municipally owned Sewer Utility.

Utility Capital Fund - Account for the acquisition of capital facilities of the Sewer Utility.

General Fixed Asset Account Group (Unaudited) - These accounts were established with estimated values of land, buildings and certain fixed assets of the Borough as discussed under the caption "Basis of Accounting".

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The more significant accounting policies in New Jersey follow.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey. Federal and state grants are generally recognized on the cash basis except for certain assistance which is not realized until anticipated in the Borough's budget. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations generally based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

The cash basis of accounting is followed in the Trust and Capital Funds.

Had the Borough's financial statements been prepared under generally accepted accounting principles, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when received, and inventories would not be reflected as expenditures at the time of purchase.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

D. Deferred Charges to Future Taxation – The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds or loans have been issued and are being paid off on a serial basis. Unfunded means that debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, by collecting a grant, or by selling bonds.

E. Other significant accounting policies include:

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments, if any, are stated at cost or amortized cost, which approximates market.

Grants Receivable – Grants receivable represent total grant awards less amounts collected to date. Because the amount of grants funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

Foreclosed Property - Foreclosed Property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories are not included on the various balance sheets.

Fixed Assets - Property and equipment purchased by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized. Property and equipment purchased by the Sewer Utility Fund is recorded in the Sewer Utility Capital Fund at cost.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
 (Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

General Fixed Assets Account Group (Unaudited)

General fixed assets are recorded at cost except for land and buildings which are recorded at estimated historical cost. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided on general fixed assets. The total value recorded for general fixed assets is offset by a "Reserve for General Fixed Assets". When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Fixed assets may also be recorded in the Current Fund and Capital Funds. The values recorded in the General Fixed Asset Account Group and the Current and Capital Funds may not always agree due to differences in valuation methods, timing of recognition of assets, and the recognition of infrastructures. Fixed assets are reviewed for impairment.

- F. Budget/Budgetary Control – Annual appropriated budgets are usually prepared in the first quarter for Current, operating utility, and Open Space Trust Funds. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Borough during the year.

Note 2: Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, amounts in deposit, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Borough classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40 *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures* requires disclosure of the level of custodial credit risk assumed by the Borough in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Borough ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Borough limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed below.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

Note 2: Cash and Cash Equivalents and Investments (Cont'd)

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds; and in addition

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments

New Jersey statutes permit the Borough to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to (1) and (3) above;

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

Note 2: Cash and Cash Equivalents and Investments (Cont'd)

Investments (Cont'd)

- (b) the custody of collateral is transferred to a third party,
- (c) the maturity of the agreement is not more than 30 days;
- (d) the underlying securities are purchased through a public depository as defined in statute;
- (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2014, cash and cash equivalents of the Borough of Mendham consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Money Market</u>	<u>Checking Accounts</u>	<u>Total</u>
Current	\$ 230	\$ 4,668,440	\$ 219,954	\$4,888,624
General Capital		969,357	25,303	994,660
Trust and Agency		1,201,016	582,424	1,783,440
Utility Operating	100	742,695	331,353	1,074,148
Utility Capital		944,593	186,513	1,131,106
	<u>\$ 330</u>	<u>\$ 8,526,101</u>	<u>\$ 1,345,547</u>	<u>\$9,871,978</u>

The carrying amount of the Borough's cash and cash equivalents at year end was \$9,871,978 and the bank balance was \$10,661,377. The Borough did not hold any other investments during the year.

Note 3: Interfunds

The following interfund receivable and payable balances appear on the combined balance sheet as of December 31, 2014:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 127	\$ 37,422
General Capital Fund		127
Other Trust Funds	37,422	
Sewer Utility Operating Fund	144	
Sewer Utility Capital Fund		144
	<u>\$ 37,693</u>	<u>\$ 37,693</u>

The primary interfund activity for 2014 were Current Fund budget appropriations for an increase to the Capital Improvement Fund of \$133,000 in the General Capital Fund and provisions for Deferred Charges to Future Taxation – Unfunded of \$62,040 also in the General Capital Fund.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

Note 4: Long-Term Debt

The Local Bond Law governs the issuance of bonds to finance general Borough capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds. The Borough's full faith and credit and taxing power have been pledged to the payment of general obligation debt principal and interest.

Summary of Municipal Debt

	December 31,		
	2014	2013	2012
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 4,531,966	\$ 4,877,451	\$ 4,129,326
Sewer Utility:			
Bonds, Loans and Notes	2,983,750	3,433,500	3,873,250
Total Issued	<u>7,515,716</u>	<u>8,310,951</u>	<u>8,002,576</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	135,601	344,875	1,532,311
Total authorized but not Issued	<u>135,601</u>	<u>344,875</u>	<u>1,532,311</u>
Less:			
Reserve to Pay Debt Service	47,981	57,981	72,981
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 7,603,336</u>	<u>\$ 8,597,845</u>	<u>\$ 9,461,906</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .34%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local and Regional School District Debt	\$ 10,037,754	\$ 10,037,754	
Sewer Utility Debt	2,983,750	2,983,750	
General Debt	4,667,567	47,981	\$ 4,619,586
	<u>\$ 17,689,071</u>	<u>\$ 13,069,485</u>	<u>\$ 4,619,586</u>

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

Note 4: Long-Term Debt (Cont'd)

Net Debt \$4,619,586 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$1,370,213,405 = .34%.

<u>Borrowing Power Under N.J.S. 40A:2-6 As Amended</u>	
3-1/2% Average Equalized Valuation of Real Property	\$ 47,957,469
Net Debt	4,619,586
Remaining Borrowing Power	<u>\$ 43,337,883</u>

<u>Calculation of "Self-Liquidating Purpose", Sewer Utility Per N.J.S. 40A:2-45</u>	
Cash Receipts from Fees, Rents or Other Charges for Year	\$ 2,065,219
Deductions:	
Operating, Maintenance and Debt Service Costs	1,848,051
Excess in Revenue	<u>\$ 217,168</u>

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

Green Acres Loan Payable

The Borough has entered into a loan agreement with the State of New Jersey for its Green Acres Loan Program. The Borough has "drawn-down" all of its Green Acres funds at this time.

Schedule of Changes in Debt Issued

	Balance 12/31/2013	Additions	Retirements	Balance 12/31/2014
General Capital Fund:				
Serial Bonds	\$ 3,042,000		\$ 325,000	\$ 2,717,000
Bond Anticipation Notes	1,653,370	\$ 147,234	144,982	1,655,622
Green Acres Loan	182,081		22,737	159,344
Sewer Utility Capital Fund:				
Serial Bonds	2,120,000		225,000	1,895,000
Bond Anticipation Notes	1,313,500		224,750	1,088,750
Total	<u>\$ 8,310,951</u>	<u>\$ 147,234</u>	<u>\$ 942,469</u>	<u>\$ 7,515,716</u>

Schedule of General Capital Bond Anticipation Notes

<u>Improvement Description</u>	<u>Date of</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2014</u>
	<u>Original Note</u>	<u>Maturity</u>		
Various Improvements	7/21/2006	7/11/2015	0.45%	\$ 39,200
Acquisition of Land	7/18/2008	7/11/2015	0.45%	241,752
Paving Various Roads	7/16/2009	7/11/2015	0.45%	40,000
Various Improvements	7/12/2013	7/11/2015	0.45%	1,187,436
Various Improvements	7/11/2014	7/11/2015	0.45%	147,234
				<u>\$ 1,655,622</u>

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

Note 4: Long-Term Debt (Cont'd)

Schedule of Sewer Capital Bond Anticipation Notes

<u>Improvement Description</u>	<u>Date of</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2014</u>
	<u>Original Note</u>	<u>Maturity</u>		
Sanitary Sewer System	7/18/2008	7/11/2015	0.45%	\$ 115,000
Sanitary Sewer System	7/16/2009	7/11/2015	0.45%	973,750
				<u>\$ 1,088,750</u>

General Capital - Serial Bonds Payable

<u>Improvement Description</u>	<u>Maturities at December 31, 2014</u>				<u>Balance Dec. 31, 2013</u>	<u>Matured</u>	<u>Balance Dec. 31, 2014</u>
	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>			
General Bonds of 2006	8/15/06	08/01/15	\$ 340,000	4.0%	\$ 3,042,000	\$ 325,000	\$ 2,717,000
		08/01/16	355,000	4.0%			
		08/01/17	370,000	4.0%			
		08/01/18	385,000	4.0%			
		08/01/19	405,000	4.0%			
		08/01/20	420,000	4.0%			
	08/01/21	442,000	4.0%				

Sewer Utility Capital - Serial Bonds Payable

<u>Improvement Description</u>	<u>Maturities at December 31, 2014</u>				<u>Balance Dec. 31, 2013</u>	<u>Matured</u>	<u>Balance Dec. 31, 2014</u>
	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>			
Sewer Bonds of 2006	8/15/06	08/01/15	\$ 235,000	4.0%	\$ 2,120,000	\$ 225,000	\$ 1,895,000
		08/01/16	250,000	4.0%			
		08/01/17	260,000	4.0%			
		08/01/18	270,000	4.0%			
		08/01/19	280,000	4.0%			
		08/01/20	295,000	4.0%			
	08/01/21	305,000	4.0%				

	<u>Date of Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2014</u>
	Green Acres Loan	2/18/2021	2.00%

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

Note 4: Long-Term Debt (Cont'd)

Schedule of Annual Debt Service for Principal and Interest for the Next Five Years and Five Year Increments for Bonded Debt Issued and Outstanding

General Capital:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 340,000	\$ 108,680	\$ 448,680
2016	355,000	95,080	450,080
2017	370,000	80,880	450,880
2018	385,000	66,080	451,080
2019	405,000	50,680	455,680
2020-2021	862,000	52,160	914,160
	<u>\$ 2,717,000</u>	<u>\$ 453,560</u>	<u>\$ 3,170,560</u>

Sewer Utility Capital:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 235,000	\$ 75,800	\$ 310,800
2016	250,000	66,400	316,400
2017	260,000	56,400	316,400
2018	270,000	46,000	316,000
2019	280,000	35,200	315,200
2020-2021	600,000	36,200	636,200
	<u>\$ 1,895,000</u>	<u>\$ 316,000</u>	<u>\$ 2,211,000</u>

Note 5: Pension Plans

Borough employees are enrolled in one of two cost sharing multiple-employer public employee retirement systems: the Public Employees' Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS) of New Jersey; or the Defined Contribution Retirement Program (DCRP). The State of New Jersey sponsors and administers these two plans which cover substantially all Borough employees. Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. As a general rule, all full-time employees are eligible to join one of the two public employees' retirement systems. However, if an employee is ineligible to enroll in the PERS or the PFRS, the employee may be eligible to enroll in the DCRP.

Employees who are members of PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service. Enrolled PFRS members may retire at age 55 with a minimum of 10 years of service required for vesting. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

Note 5: Pension Plans (Cont'd)

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined. For PERS, the contribution rate was 6.64% of base salary effective July 1, 2012 and increased to 6.78% effective July 1, 2013. Increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in both funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Borough contributions to PFRS amounted to \$282,910, \$299,572 and \$268,853 for 2014, 2013, and 2012, respectively.

Borough contributions to PERS amounted to \$160,582, \$151,325, and \$149,467 for 2014, 2013, and 2012, respectively.

Note 6: Other Post-Employment Benefits

In addition to the pension benefits described in Note 5, the Borough provides other post-employment benefits to certain employees after retirement, substantially similar in nature to the health benefits provided to employees presently working

The Borough contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP.

In accordance with the Borough's resolution, Borough employees are entitled to the following benefits:

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

Note 6: Other Post-Employment Benefits (cont'd)

Municipal and Police Employees:

Married Borough employees retiring at age 62 or older who have accumulated 15 years or more of uninterrupted service, or under age 62 with 25 years or more, are entitled to fifty percent of the premium for hospital and surgical health insurance family coverage to be paid by the Borough. Single employees retiring at age 62 or older who have accumulated 15 years or more of uninterrupted service, or under age 62 with 25 years or more, are entitled to one hundred percent of the premium for hospital and surgical insurance individual coverage to be paid by the Borough. All years of qualifying service must be with the Borough of Mendham.

Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to:

State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Borough on a monthly basis. The Borough's portion of post-retirement benefits is funded on a pay-as-you-go basis from the Current Fund operating budget.

In the event an employee qualifying under these conditions is eligible for Medicare coverage with supplemental coverage, the total cost of which amounts to less than fifty percent of the cost of the premium for hospital and surgical health insurance family coverage, or less than the cost of the premiums for hospital and surgical insurance individual coverage presently supplied by the Borough to its employees, such employee will be required to enroll in the Medicare supplemental coverage program, the cost of which will be reimbursable by the Borough.

The Borough's portion of post-retirement benefits is funded on a pay-as-you-go basis from the Current Fund operating budget. During 2014 the Borough had nine retirees who met the eligibility requirements and recognized expenditures in the amount of \$75,799.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

Note 7: Accrued Sick and Vacation Benefits

The Borough of Mendham does not permit its employees to accrue unused vacation and sick pay. However, the Borough does permit certain employees to accrue compensatory time off up to 60 hours for a lifetime total. This compensatory time is not eligible to be paid to the employee at separation of employment.

Note 8: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered to be delinquent and the imposition of interest charges is made. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year.

Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Tax Rate</u>	\$ 2.016	\$ 1.957	\$ 1.919
<u>Apportionment of Tax Rate</u>			
Municipal	.437	.430	.422
County	.272	.267	.263
Local School	.782	.767	.758
Regional High School	.517	.485	.467
Municipal Open Space	.008	.008	.009
<u>Assessed Valuations</u>			
2014	<u>\$1,284,514,035</u>		
2013		<u>\$1,282,175,833</u>	
2012			<u>\$1,289,110,375</u>

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

Note 8: Selected Tax Information (cont'd)

Comparison of Tax Levies and Collections Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2014	\$ 25,946,411	\$ 25,748,324	99.23%
2013	25,151,774	24,912,045	99.04%
2012	24,742,237	24,551,030	99.22%

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 9: Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Borough obtains property, general and automotive liability, and workers' compensation coverage through its participation in the joint insurance fund as described below.

The Borough of Mendham is currently a member of the Morris County Municipal Joint Insurance Fund (the "Fund"). The Fund provides its members with Liability, Property, Environmental, Public Officials and Employer Practices, and Workers' Compensation Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self-administered group of governmental entities established for the purpose of providing low-cost insurance coverage for their respective members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of the Fund, the Borough could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

Note 9: Risk Management (Cont'd)

Selected, summarized financial information for the Fund at December 31, 2014 is as follows:

	<u>Morris County Municipal Joint Insurance Fund</u>
Total Assets	\$ 23,194,903
Net Position	\$ 9,573,823
Total Revenue	\$ 14,823,626
Total Expenses	\$ 17,170,545
Change in Net Position	\$ (2,346,919)
Member Dividends	\$ -0-

Financial statements for the Fund are available at the offices of the Fund's Executive Director:

Morris County Municipal Joint Insurance Fund
PERMA Risk Management Services
9 Campus Drive, Suite 216
Parsippany, NJ 07054
(201) 881-7632

New Jersey Unemployment Compensation Insurance

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following is a summary of Borough contributions, employee contributions, interest earned, reimbursements to the State for benefits paid and the ending balance of the Borough's expendable trust fund for the current and previous two years.

<u>Fiscal Year</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2014	\$ 5,000	\$ 3,969	\$ 38	\$ 19,051	\$ 14,503
2013	4,000	4,040	39	9,901	24,547
2012	3,500	3,945	67	21,688	26,369

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

Note 10: Fund Balances Appropriated

Fund balances at December 31, 2014, which were appropriated and included as anticipated revenue for the year ending December 31, 2015 are as follows:

Current Fund	\$1,423,918
Sewer Utility Operating Fund	426,607

Note 11: Fixed Assets (Unaudited)

The following schedule is a summarization of general fixed assets for the year ended December 31, 2014:

	Balance Dec. 31, 2013	Additions	Balance Dec. 31, 2014
Land	\$ 1,767,500		\$ 1,767,500
Buildings and Building Improvements	3,535,152		3,535,152
Machinery and Equipment	2,793,347		2,793,347
	\$ 8,095,999	\$ -0-	\$ 8,095,999

Note 12: Commitments and Contingencies

Claims and Other Legal Proceedings

The Borough is periodically involved in lawsuits arising in the normal course of business, including claims for property damage, personnel litigation, personal injury, disputes over contract awards and property tax assessment appeals. The Borough is involved in property tax assessment appeals which are pending at the Tax Court of New Jersey. The Borough has established a reserve for litigation at December 31, 2014 in the amount of \$380,000. In the opinion of management, the ultimate outcome of these lawsuits will not have a material adverse effect on the Borough's financial position as of December 31, 2014.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Borough as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Borough officials expect such amounts, if any, to be immaterial.

The Borough has received approval by the New Jersey Department of Environmental Protection for the closure of the Borough's sanitary landfill. The landfill has not received municipal waste for several years. The Borough has set aside \$1,177 in the Other Trust Funds. Ultimate costs of the closure of the landfill will likely exceed the funds held; however no estimate can be made at this time, it is expected that this project will be funded by a capital ordinance when the Borough proceeds with the project.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
 (Continued)

Note 13: Sale of Water Utility Assets

During 1993, the Borough sold the fixed assets of the Water Utility to New Jersey American Water Company, Inc. (the "Company"). The Company operates the water system as a private water company. The Borough liquidated the assets of the Water Utility and dissolved the Fund in 1998. The assets of the water utility were divided between the current fund and the sewer utility operating fund. The Current Fund has a reserve for escrow deposits-sale of water utility assets of \$176,421 on its balance sheet at December 31, 2014.

Note 14: Other Reserves

Reserves on the balance sheet of the Current Fund at December 31, 2014, consisted of the following:

Litigation	\$	380,000
Unappropriated Reserves		70,523
Master Plan		24,706
Sale of Municipal Assets		367,757
Revaluation		11,319
Pending Tax Appeals		450,000
Escrow Deposits - Sale of Water Utility Assets		176,421
	\$	1,480,726

Note 15: Economic Dependency

The Borough receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Borough's programs and activities.

Note 16: Open Space Trust Fund

The Borough created an Open Space Trust Fund with a maximum tax levy of \$.02 per \$100 of assessed valuation in 1999. The funds collected are used to acquire and maintain open space, historical preservation and farm land property in the Borough. The balance in the Open Space Trust Fund at December 31, 2014 was \$800,965.

**COMBINING AND INDIVIDUAL FUND AND ACCOUNT
GROUP STATEMENTS AND SCHEDULES**

The combining and individual fund and account group statements and schedules present more detailed information for the individual funds in a format that segregates information by fund type.

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2014
CURRENT FUND

The current fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

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MENDHAM BOROUGH
CURRENT FUND
COMPARATIVE BALANCE SHEET

	December 31,	
	2014	2013
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 4,888,394	\$ 4,811,495
Change Fund	230	230
	<u>4,888,624</u>	<u>4,811,725</u>
Due from State of New Jersey:		
Veterans and Senior Citizens Deductions	21,323	16,623
	<u>4,909,947</u>	<u>4,828,348</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	162,390	176,378
Tax Title Liens Receivable	6,809	6,809
Property Acquired for Taxes - Assessed Valuation	2,900	2,900
Revenue Accounts Receivable	2,048	2,048
Interfunds Receivable	127	
	<u>174,274</u>	<u>188,135</u>
Total Receivables and Other Assets with Full Reserves		
Deferred Charges:		
Special Emergency Authorization		13,500
		<u>13,500</u>
TOTAL ASSETS	<u>\$ 5,084,221</u>	<u>\$ 5,029,983</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Appropriation Reserves:		
Encumbered	\$ 109,156	\$ 73,533
Unencumbered	637,683	604,631
Total Appropriation Reserves	<u>746,839</u>	<u>678,164</u>
Prepaid Taxes	147,699	131,280
Accounts Payable - Vendors	152,374	139,223
Other Liabilities	11,043	8,354
Interfund Payable	37,422	279,218
Other Reserves	1,480,726	1,300,957
	<u>2,576,103</u>	<u>2,537,196</u>
Reserve for Receivables and Other Assets	174,274	188,135
Fund Balance	<u>2,333,844</u>	<u>2,304,652</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 5,084,221</u>	<u>\$ 5,029,983</u>

A-1

MENDHAM BOROUGH
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

<u>Revenue and Other Income Realized</u>	Year Ended December 31,	
	2014	2013
Fund Balance Utilized	\$ 1,323,918	\$ 1,206,487
Miscellaneous Revenue Anticipated	807,587	852,044
Receipts from:		
Delinquent Taxes	176,378	134,803
Current Taxes	25,748,324	24,912,045
Nonbudget Revenue	533,802	413,350
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	372,002	353,246
Other Credits		29,418
Total Income	28,962,011	27,901,393
 <u>Expenditures</u>		
Budget Appropriations - Municipal Purposes	7,003,223	6,814,520
County Taxes	3,488,056	3,420,007
Local School District Taxes	10,039,688	9,821,492
Regional School Taxes	6,647,947	6,222,355
Municipal Open Space Tax	109,594	109,594
Other Debits	320,393	279,219
Total Expenditures	27,608,901	26,667,187
Excess in Revenue	1,353,110	1,234,206
 <u>Fund Balance</u>		
Balance January 1	2,304,652	2,276,933
	3,657,762	3,511,139
Decreased by:		
Utilized as Anticipated Revenue	1,323,918	1,206,487
Balance December 31	\$ 2,333,844	\$ 2,304,652

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2014

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 1,323,918		\$ 1,323,918	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	6,300		6,300	
Interest and Costs on Taxes	41,000		41,872	\$ 872
Interest on Investments and Deposits	10,000		10,970	970
Energy Receipts Tax	501,147		501,147	
Uniform Construction Code Fees	120,000		168,113	48,113
Public and Private Revenue				
Offset with Appropriations:				
Clean Communities Program	8,500	\$ 814	9,931	617
Body Armor Fund	1,756		1,756	
Drunk Driving Enforcement Fund	1,233		1,233	
Reserve for Sale of Municipal Assets	15,000		15,000	
Fletcher Trust Fund	15,000		15,000	
Reserve to Pay Debt Service	10,000		10,000	
Other Trust Fund - Open Space Trust	26,265		26,265	
Total Miscellaneous Revenue	756,201	814	807,587	50,572
Receipts from Delinquent Taxes	115,000		176,378	61,378
Amount to be Raised by Taxes for Support of Municipal Budget	5,616,978		6,172,724	555,746
Budget Totals	7,812,097	814	8,480,607	\$ 667,696
Nonbudget Revenue			533,802	
	<u>\$ 7,812,097</u>	<u>\$ 814</u>	<u>\$ 9,014,409</u>	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2014
(Continued)

Analysis of Realized Revenue

Allocation of Current Tax Collections:	
Collection of Current Taxes	\$ 25,748,324
Allocated to:	
School, County, and Open Space Taxes	20,285,285
	<u>5,463,039</u>
Add: Appropriation "Reserve for Uncollected Taxes"	709,685
	<u>709,685</u>
Realized for Support of Municipal Budget	<u>\$ 6,172,724</u>

Analysis of Delinquent Tax Collections

Delinquent Taxes	\$ 176,378
	<u>\$ 176,378</u>

Analysis of Nonbudget Revenue

Revenue Accounts Receivable:	
Fees and Permits	\$ 60,929
Municipal Court Fines and Costs	30,551
Rents on Borough-Owned Properties	18,340
Cable Television Franchise Fees	71,946
Non-vested LOSAP Returned	17,736
High School Resource Officer reimbursement	39,765
FEMA Reimbursement	252,067
State of New Jersey-Vet and Senior Citizen 2% Admin Fee	810
Other Miscellaneous Income	41,658
	<u>41,658</u>
	<u>\$ 533,802</u>

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2014

	<u>Appropriations</u>		<u>Expended By</u>		<u>Un- expended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "Caps":					
General Government:					
General Administration:					
Salaries and Wages	\$ 234,968	\$ 213,168	\$ 196,977	\$ 16,191	
Other Expenses	56,925	78,725	78,032	693	
Mayor and Council:					
Salaries and Wages	22,932	22,932	21,500	1,432	
Other Expenses	24,590	24,590	24,360	230	
Municipal Clerk:					
Salaries and Wages	71,330	71,330	71,270	60	
Financial Administration:					
Salaries and Wages	80,613	80,613	80,050	563	
Other Expenses	21,820	21,820	8,266	13,554	
Annual Audit	37,000	37,000	3,500	33,500	
Computerized Data Processing	29,000	29,000	22,567	6,433	
Tax Assessment Administration:					
Salaries and Wages	51,292	51,292	51,230	62	
Other Expenses	11,450	13,450	13,227	223	
Revenue Administration (Tax Collection):					
Salaries and Wages	31,992	30,992	23,840	7,152	
Other Expenses	8,660	8,660	5,586	3,074	
Legal Services and Costs:					
Other Expenses	75,000	75,000	65,811	9,189	
Engineering Services and Costs:					
Salaries and Wages	24,250	24,250	24,250		
Other Expenses	61,665	61,665	36,536	25,129	
Historic Preservation:					
Other Expenses	7,450	7,450	6,383	1,067	
Public Buildings and Grounds:					
Salaries and Wages	109,128	108,028	91,441	16,587	
Other Expenses	56,000	56,000	28,923	27,077	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2014
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
General Government (continued):					
Municipal Land Use Law(N.J.S.A.40:55D-1):					
Planning Board:					
Other Expenses	\$ 30,000	\$ 26,000	\$ 21,504	\$ 4,496	
Board of Adjustment:					
Other Expenses	9,000	15,000	13,867	1,133	
Insurance:					
Employee Group Health	643,760	643,760	630,790	12,970	
Unemployment Compensation Insurance	4,000	4,000	4,000		
General Liability Insurance	43,690	43,690	43,190	500	
Workmen's Compensation Insurance	67,910	67,910	67,909	1	
Public Safety:					
Police:					
Salaries and Wages	1,384,647	1,379,847	1,353,769	26,078	
Other Expenses	103,284	108,084	102,585	5,499	
Contractual Radio Dispatch	114,215	114,215	114,214	1	
Emergency Management Services	3,200	3,200	282	2,918	
Aid to Volunteer Fire Company	97,000	97,000	97,000		
Aid to Volunteer Ambulance Company	38,000	38,000	30,143	7,857	
Fire:					
Salaries and Wages	20,536	20,536	17,654	2,882	
Other Expenses	111,400	111,400	97,399	14,001	
Municipal Prosecutor:					
Other Expenses - Fees	14,000	14,000	4,200	9,800	
Municipal Court:					
Salaries and Wages	93,524	93,524	41,243	52,281	
Other Expenses	55,000	55,000	23,611	31,389	
Public Defender - Other Expenses	2,000	2,000	2,000		
Streets and Roads:					
Road Repairs and Maintenance:					
Salaries and Wages	436,078	429,868	347,144	82,724	
Other Expenses	157,265	157,265	131,918	25,347	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2014
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
Streets and Roads (Cont'd):					
Shade Trees:					
Other Expenses	\$ 12,000	\$ 18,210	\$ 13,127	\$ 5,083	
Kelley Act - Mendham Commons	7,000	7,000	3,524	3,476	
Landfill/Solid Waste Disposal Costs:					
Salaries and Wages	10,596	13,396	10,990	2,406	
Other Expenses	244,994	244,994	198,201	46,793	
Other Expenses - Monitor Well Testing	3,600	3,600	2,806	794	
Health and Welfare:					
Board of Health:					
Salaries and Wages	3,871	3,911	3,910	1	
Other Expenses - Miscellaneous	48,685	48,645	48,154	491	
Visiting Nurse	5,626	5,626	5,626		
Environmental Commission:					
Other Expenses	2,300	2,300		2,300	
Animal Control:					
Other Expenses	16,000	16,000	8,573	7,427	
Contributions to Social Service Agency:					
MASH Van	25,000	25,000	18,295	6,705	
Recreation and Education:					
Recreation:					
Salaries and Wages	18,676	18,676	16,845	1,831	
Other Expenses	32,000	31,000	27,884	3,116	
Parks and Playgrounds:					
Salaries and Wages	30,995	27,795	27,500	295	
Other Expenses	25,000	26,500	26,293	207	
Construction Code Official:					
Salaries and Wages	99,176	99,176	95,284	3,892	
Other Expenses	7,175	7,175	6,842	333	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2014
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
Unclassified:					
Salary Adjustment Account	\$ 100,000	\$ 100,000			\$ 100,000
Utilities	200,000	198,000	\$ 177,047	\$ 20,953	
Total Operations Within "CAPS"	5,337,268	5,337,268	4,689,072	548,196	100,000
Contingency	2,000	2,000	1,955	45	
Total Operations Including Contingent Within "CAPS"	5,339,268	5,339,268	4,691,027	548,241	100,000
Detail:					
Salaries and Wages	2,824,604	2,789,334	2,474,897	214,437	100,000
Other Expenses	2,514,664	2,549,934	2,216,130	333,804	
Deferred Charges and Statutory Expenditures- Municipal Within "CAPS":					
Contributions to PERS	143,987	145,597	145,596	1	
Contributions to Social Security System (O.A.S.I.)	219,300	217,690	189,084	28,606	
Contributions to PFRS	282,910	282,910	282,910		
Defined Contribution Retirement Plan	1	1		1	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	646,198	646,198	617,590	28,608	
Total General Appropriations for Municipal Purposes Within "CAPS"	5,985,466	5,985,466	5,308,617	576,849	100,000

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2014
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS"					
Insurance:					
Employee Group Health	\$ 7,420	\$ 7,420	\$ 7,420		
Aid to Library	200,900	200,900	200,900		
Length of Service Award Program	50,000	50,000		\$ 50,000	
Public and Private Programs Offset by Revenue:					
Clean Communities (N.J.S.A. 40A:4-87 +\$814)	8,500	9,314	236	9,078	
Body Armor Fund	1,756	1,756		1,756	
Drunk Driving Enforcement Fund	1,233	1,233	1,233		
Total Operations Excluded from "CAPS"	269,809	270,623	209,789	60,834	
Detail:					
Other Expenses	269,809	270,623	209,789	60,834	
Capital Improvements-Excluded from "CAPS" :					
Capital Improvement Fund	133,000	133,000	133,000		
Total Capital Improvements Excluded from "CAPS"	133,000	133,000	133,000		
Municipal Debt Service Excluded from "CAPS":					
Payment of Bond Principal	325,000	325,000	325,000		
Payment of Bond Anticipation Notes	144,982	144,982	144,982		
Interest on Bonds	121,680	121,680	121,680		
Interest on Notes	20,670	20,670	20,667		\$ 3
Green Trust Loan Program - Principal and Interest	26,265	26,265	26,265		
Total Municipal Debt Service Excluded from "CAPS"	638,597	638,597	638,594		3

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2014
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Un- expended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Deferred Charges - Municipal - Special Emergency Authorization	\$ 13,500	\$ 13,500	\$ 13,500		
Deferred Charges to Future Taxation-Unfunded:					
Ordinance #4-02/9-02	8,471	8,471	8,471		
Ordinance #17-04	53,569	53,569	53,569		
Total Deferred Charges-Municipal- Excluded from "CAPS"	<u>75,540</u>	<u>75,540</u>	<u>75,540</u>		
Total General Appropriations Excluded from "CAPS"	<u>1,116,946</u>	<u>1,117,760</u>	<u>1,056,923</u>	<u>\$ 60,834</u>	<u>\$ 3</u>
Subtotal General Appropriations	7,102,412	7,103,226	6,365,540	637,683	100,003
Reserve for Uncollected Taxes	<u>709,685</u>	<u>709,685</u>	<u>709,685</u>		
Total General Appropriations	<u>\$ 7,812,097</u>	<u>\$ 7,812,911</u>	<u>\$ 7,075,225</u>	<u>\$ 637,683</u>	<u>\$ 100,003</u>

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2014
(Continued)

	<u>Analysis of Budget After Modification</u>	<u>Analysis of Paid or Charged</u>
Cash Disbursed		\$ 6,470,138
Reserve for Uncollected Taxes		709,685
Deferred Charges		13,500
Outstanding Encumbrances		109,156
Adopted Budget	\$ 7,812,097	
Adopted by NJSA 40A:4-87	<u>814</u>	
	7,812,911	<u>7,302,479</u>
		227,254
Less: Appropriation Refunds		<u>227,254</u>
	<u>\$ 7,812,911</u>	<u>\$ 7,075,225</u>

MENDHAM BOROUGH
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance	2014 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Balance
	Dec. 31, 2013		2013	2014			Dec. 31, 2014
2013	\$ 176,378			\$ 176,378			
2014		\$ 25,946,411	\$ 134,794	25,571,280	\$ 42,250	\$ 35,697	\$ 162,390
	<u>\$ 176,378</u>	<u>\$ 25,946,411</u>	<u>\$ 134,794</u>	<u>\$ 25,747,658</u>	<u>\$ 42,250</u>	<u>\$ 35,697</u>	<u>\$ 162,390</u>

Analysis of 2014 Property Tax Levy

Tax Yield:

General Purpose Tax	\$ 25,856,940
Business Personal Property Taxes	38,863
Added and Omitted Taxes	<u>50,608</u>
	<u>\$ 25,946,411</u>

Tax Levy:

Regional High School Taxes	6,647,947
Local School District Taxes	<u>10,039,688</u>
	\$ 16,687,635
County Taxes	3,481,228
Due County for Added and Omitted Taxes	<u>6,828</u>
	3,488,056
Municipal Open Space Tax	<u>109,594</u>
	20,285,285
Local Tax for Municipal Purposes Levied	5,616,978
Add: Additional Tax Levied	<u>44,148</u>
	5,661,126
	<u>\$ 25,946,411</u>

MENDHAM BOROUGH
CURRENT FUND
SCHEDULE OF 2013 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2014

	Balance Dec. 31, 2013	Balance After Modi- fication	Paid or Charged	Balance Lapsed
General Administration:				
Salaries and Wages	\$ 3,287	\$ 3,287	\$ 220	\$ 3,067
Other Expenses	14,672	14,672	4,272	10,400
Mayor and Council:				
Salaries and Wages	1,093	1,093		1,093
Other Expenses	14,661	14,661	11,658	3,003
Municipal Clerk:				
Other Expenses	506	506		506
Annual Audit	27,000	27,000	22,000	5,000
Computerized Data Processing	1,577	1,577	578	999
Financial Administration:				
Salaries and Wages	577	577		577
Other Expenses	14,876	14,876	3,000	11,876
Assessment of Taxes:				
Salaries and Wages	434	434		434
Other Expenses	878	578		578
Collection of Taxes:				
Salaries and Wages	54	54		54
Other Expenses	774	1,074	1,066	8
Legal Services and Costs	11,961	11,961	11,330	631
Engineering Services and Costs:				
Other Expenses	308	308	308	
Historic Preservation:	31,716	30,716	1,325	29,391
Other Expenses				
Public Buildings and Grounds:	4,850	4,850	380	4,470
Other Expenses	6,082	6,082	547	5,535
Municipal Land Use Law (N.J.S.A. 40:55D-1):				
Planning Board:				
Salaries and Wages	17,062	20,062	18,735	1,327
Other Expenses	20,188	9,178	1,478	7,700
Shade Trees:				
Other Expenses	2,764	2,764	1,271	1,493
Insurance:				
Workmen's Compensation	1	1		1
Group Insurance Plan for Employees	17,746	17,746	7,874	9,872
Other Insurance Premiums	237	237		237
Aid to Volunteer Ambulance Company	9,921	9,921	4,775	5,146
Fire:				
Other Expenses	27,648	33,848	32,196	1,652
Police:				
Salaries and Wages	34,511	34,511	468	34,043
Other Expenses	17,103	17,103	15,709	1,394
Municipal Court:				
Salaries and Wages	28,242	28,242		28,242
Other Expenses	14,508	14,508		14,508
Office of Emergency Management:				
Other Expenses	10,500	10,500	9,412	1,088
Municipal Prosecutor	3,500	3,500	3,500	
Roads Repairs and Maintenance:				
Salaries and Wages	86,291	86,291	1,168	85,123
Other Expenses	39,668	39,668	38,940	728
Street Lighting	4,610	2,610	1,781	829

BOROUGH OF MENDHAM
CURRENT FUND
SCHEDULE OF 2013 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2014
(Continued)

	Balance Dec. 31, 2013	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Board of Health:				
Salaries and Wages	\$ 14	\$ 14		\$ 14
Other Expenses	140	140		140
Kelley Act - Mendham Commons	4,777	4,777	\$ 3,424	1,353
Animal Control:				
Other Expenses	7,129	7,129	748	6,381
Landfill/Solid Waste Disposal:				
Salaries and Wages	705	705		705
Other Expenses	45,801	45,801	15,680	30,121
Other Expenses - Monitor Well Testing	648	648	600	48
Environmental Commission:				
Other Expenses	2,459	2,459		2,459
Parks and Playgrounds:				
Salaries and Wages	3,482	3,482		3,482
Other Expenses	1,881	1,881	1,005	876
Recreation:				
Salaries and Wages	900	900		900
Other Expenses	1,581	1,581	131	1,450
Senior Citizens Transportation	3,770	3,770	2,412	1,358
Shade Tree:				
Other Expenses	799	799		799
State Uniform Construction Code:				
Salaries and Wages	5,106	5,106	498	4,608
Other Expenses	3,327	3,327	819	2,508
Fire Official:				
Salaries and Wages	3,383	3,383	841	2,542
Other Expenses	1,683	1,683	839	844
Telephone	4,739	4,739	3,661	1,078
Water	1,481	1,481	751	730
Natural Gas	6,316	6,316	4,292	2,024
Gasoline	5,097	5,097	3,322	1,775
Contingent	13,728	13,728	7,603	6,125
Contribution to:	1,617	1,617	1,064	553
Social Security System (O.A.S.I.)		2,370	2,369	1
Police and Firemen's Retirement System of NJ	24,830	21,630	228	21,402
System of NJ		5,640	5,638	2
Length of Service Award Program	50,000	50,000	44,050	5,950
Public and Private Programs Offset by Revenue:				
Drunk Driving Enforcement Fund	1,741	1,741	1,273	468
Body Armor Fund	1,463	1,463	1,463	
Clean Communities Grant	9,761	9,761	9,460	301
	<u>\$ 678,164</u>	<u>\$ 678,164</u>	<u>\$ 306,162</u>	<u>\$ 372,002</u>
<u>Analysis of Beginning Balance/Paid or Charged:</u>				
Unencumbered	\$ 604,631			
Encumbered	73,533			
Expenditures			\$ 301,762	
Accounts Payable			8,151	
Refunds			(3,751)	
	<u>\$ 678,164</u>		<u>\$ 306,162</u>	

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2014
GENERAL CAPITAL FUND

The general capital fund is used to account for the acquisition of capital facilities, other than those acquired in the current, utility operating, or utility capital funds

B

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

	December 31,	
	2014	2013
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 994,660	\$ 1,235,653
Due from Current Fund		199,846
Deferred Charges to Future Taxation:		
Funded	2,876,344	3,224,081
Unfunded	1,791,223	1,998,245
TOTAL ASSETS	\$ 5,662,227	\$ 6,657,825
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 2,717,000	\$ 3,042,000
Bond Anticipation Notes Payable	1,655,622	1,653,370
Green Acres Loan Payable	159,344	182,081
Improvement Authorizations:		
Funded	434,171	393,060
Unfunded	156,394	854,071
Due to Current Fund	127	
Reserve For:		
Purchase of Fire Truck	70,000	70,000
Payment of Debt Service	47,981	57,981
Improvements	252,403	339,077
Capital Improvement Fund	157,511	54,511
Fund Balance	11,674	11,674
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$ 5,662,227	\$ 6,657,825

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2013	Receipts			Disbursements		Transfers		Balance/ (Deficit) Dec. 31, 2014
		Budget Appropriation	Bond Anticipation Notes	Miscel- laneous	Improvement Authori- zations	Miscel- laneous	From	To	
Fund Balance	\$ 11,674								\$ 11,674
Capital Improvement Fund	54,511	\$ 133,000					\$ 30,000		157,511
Due To/(From) Current Fund	(199,846)			\$ 202,041		\$ 2,068			127
Reserve for Purchase of Fire Truck	70,000								70,000
Reserve to Pay Debt Service	57,981						10,000		47,981
Reserve for Improvements	339,077			8,326			95,000		252,403
<u>Improvement Authorizations:</u>									
<u>No.</u>	<u>Improvement Description</u>								
4-02/									
9-02	Various Improvements	(8,471)	8,471						
17-04	Various Improvements	(53,569)	53,569						
06-06	Various Improvements	381							381
05-10	Various Improvements	851							851
03-11	Various Improvements	28,782							28,782
3-12	Various Improvements	124,404					40,000		84,404
10-12	Road Improvements	12,105							12,105
11-12	Road Improvements	22,803							22,803
13-12	Various Improvements	570,855	\$ 147,234		\$ 697,677				20,412
08-13	Various Improvements	164,115			13,038				151,077
10-13	Various Improvements	40,000			35,075				4,925
04-14	Various Improvements				35,776		\$ 165,000		129,224
	<u>\$ 1,235,653</u>	<u>\$ 195,040</u>	<u>\$ 147,234</u>	<u>\$ 210,367</u>	<u>\$ 781,566</u>	<u>\$ 12,068</u>	<u>\$ 165,000</u>	<u>\$ 165,000</u>	<u>\$ 994,660</u>

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION-UNFUNDED

Ord. No.	Improvement Description	Balance Dec. 31, 2013	Notes Paid By Budget Appropriation	Funded by Budget Appropriation	Balance Dec. 31, 2014	Analysis of Balance at December 31, 2014	
						Financed by Bond Antici- pation Notes	Unexpended Improvement Authori- zations
4-02/							
9-02	Various Improvements	\$ 57,641		\$ 8,471	\$ 49,170		\$ 49,170
17-04	Various Improvements	70,000		53,569	16,431		16,431
06-06	Various Improvements	115,745	\$ 76,545		39,200	\$ 39,200	
21-07	Acquisition of Land	302,189	60,437		241,752	241,752	
8-09	Paving Various Roads	48,000	8,000		40,000	40,000	
13-12	Various Improvements	1,404,670			1,404,670	1,334,670	70,000
		<u>\$ 1,998,245</u>	<u>\$ 144,982</u>	<u>\$ 62,040</u>	<u>\$ 1,791,223</u>	<u>\$ 1,655,622</u>	<u>\$ 135,601</u>

Improvement Authorizations Unfunded		\$ 156,394
Less: Unexpended Proceeds of Bond Anticipation Notes Issued:		
Ord. No. 6-06	\$ 381	
Ord. No. 13-12	20,412	
	<u>20,793</u>	
		<u>\$ 135,601</u>

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2013		2014 Authorizations		Transfers	Paid or Charged	Balance Dec. 31, 2014	
		Date	Amount	Funded	Unfunded	Capital Improve-ment Fund	Other Financing Sources			Funded	Unfunded
4-02/	Various Improvements	06/12/02	\$ 826,960								
9-02	Firefighter Equipment	8/19/02	150,000		\$ 49,170						\$ 49,170
17-04	Various Improvements	09/07/04	171,500		16,431						16,431
06-06	Various Improvements	06/05/06	310,000		381						381
07-06	Various Improvements	06/05/06	102,000								
09-08/	Various										
14-08	Improvements	06/02/08	240,000								
01-10	Paving Various Roads	02/01/10	14,651								
05-10	Various Improvements	05/17/10	527,500	\$ 851						\$ 851	
03-11	Various Improvements	06/06/11	277,325	28,782						28,782	
3-12	Various Improvements	05/21/12	180,000	124,404				\$ (40,000)		84,404	
10-12	Road Improvements	10/01/12	26,000	12,105						12,105	
11-12	Road Improvements	10/15/12	250,000	22,803						22,803	
13-12	Various Improvements	11/19/12	1,875,000		788,089				\$ 697,677		90,412
08-13	Various Improvements	06/03/13	174,000	164,115					13,038	151,077	
10-13	Various Improvements	09/03/13	40,000	40,000					35,075	4,925	
04-14	Various Improvements	05/19/14	165,000			\$ 30,000	\$ 95,000	40,000	35,776	129,224	
				<u>\$ 393,060</u>	<u>\$ 854,071</u>	<u>\$ 30,000</u>	<u>\$ 95,000</u>	<u>\$</u>	<u>\$ 781,566</u>	<u>\$ 434,171</u>	<u>\$ 156,394</u>
							<u>\$ 95,000</u>				

Reserve for Improvements

\$ 95,000

B-4

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
SCHEDULE OF GREEN ACRES LOAN PAYABLE

Balance December 31, 2013	\$	182,081
Less: Principal matured		22,737
Balance December 31, 2014	\$	159,344

Schedule of Principal and Interest Payments Outstanding Green Acres Trust Loan:

Due	Principal	Interest	Loan Balance
			\$ 159,344
2/18/2015	\$ 11,539	\$ 1,593	147,805
8/18/2015	11,654	1,478	136,151
2/18/2016	11,771	1,361	124,380
8/18/2016	11,889	1,243	112,491
2/18/2017	12,007	1,125	100,484
8/18/2017	12,128	1,004	88,356
2/18/2018	12,249	883	76,107
8/18/2018	12,371	761	63,736
2/18/2019	12,495	637	51,241
8/18/2019	12,620	512	38,621
2/18/2020	12,746	386	25,875
8/18/2020	12,874	258	13,001
2/18/2021	13,001	131	
	\$ 159,344	\$ 37,642	

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ord. No.	Improvement Description	Original Amount Issued	Issue of Original Note	Date of		Interest Rate	Balance Dec. 31, 2013	Issued	Matured	Balance Dec. 31, 2014
				Issue	Maturity					
6-06	Various Improvements	\$ 295,000	07/21/06	07/12/13 07/11/14	07/11/14 07/10/15	1.25% 0.45%	\$ 115,745	\$ 39,200	\$ 115,745	\$ 39,200
21-07	Acquisition of Land	497,000	07/18/08	07/12/13 07/11/14	07/11/14 07/10/15	1.25% 0.45%	302,189	241,752	302,189	241,752
8-09	Paving Various Roads	76,000	07/16/09	07/12/13 07/11/14	07/11/14 07/10/15	1.25% 0.45%	48,000	40,000	48,000	40,000
13-12	Various Improvements	1,187,436	07/12/13	07/12/13 07/11/14	07/11/14 07/10/15	1.25% 0.45%	1,187,436	1,187,436	1,187,436	1,187,436
13-12	Various Improvements	147,234	07/11/14	07/11/14	07/10/15	0.45%		147,234		147,234
							<u>\$ 1,653,370</u>	<u>\$ 1,655,622</u>	<u>\$ 1,653,370</u>	<u>\$ 1,655,622</u>
	Renewals							\$ 1,508,388	\$ 1,508,388	
	New Issues							147,234		
	Funded by Budget Appropriation								144,982	
								<u>\$ 1,655,622</u>	<u>\$ 1,653,370</u>	

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Improvement Description	Date of Issue	<u>Maturities - December 31, 2014</u>			Interest Rate	Balance Dec. 31, 2013	Matured	Balance Dec. 31, 2014
		Date of Maturity	Amount					
General Bonds of 2006	8/15/2006	08/02/2015	\$ 340,000		4.000%			
		08/03/2016	355,000					
		08/04/2017	370,000					
		08/05/2018	385,000					
		08/06/2019	405,000					
		08/07/2020	420,000					
		08/08/2021	442,000					
					\$ 3,042,000	\$ 325,000	\$ 2,717,000	
					<u>\$ 3,042,000</u>	<u>\$ 325,000</u>	<u>\$ 2,717,000</u>	

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2013</u>	<u>Funded by Budget Appropriation</u>	<u>Bond Antici- pation Notes Issued</u>	<u>Balance Dec. 31, 2014</u>
4-02/ 9-02	Various Improvements	\$ 57,641	\$ 8,471		\$ 49,170
17-04	Various Improvements	70,000	53,569		16,431
13-12	Various Improvements	<u>217,234</u>		<u>\$ 147,234</u>	<u>70,000</u>
		<u>\$ 344,875</u>	<u>\$ 62,040</u>	<u>\$ 147,234</u>	<u>\$ 135,601</u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2014
TRUST FUNDS

Receipt, custodianship and disbursement of funds in accordance
with the purpose for which each reserve was created.

BOROUGH OF MENDHAM
TRUST FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014
(With Comparative Totals for 2013)

	Animal Control Fund	Other Trust Fund	Public Assistance Fund	Payroll Fund	Totals	
					2014	2013
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 4,694	\$ 1,669,822	\$ 10,932	\$ 97,992	\$ 1,783,440	\$ 1,506,119
Interfunds Receivable		37,422			37,422	79,372
TOTAL ASSETS	\$ 4,694	\$ 1,707,244	\$ 10,932	\$ 97,992	\$ 1,820,862	\$ 1,585,491
<u>LIABILITIES AND RESERVES</u>						
Due to State of New Jersey Board of Health	\$ 4				\$ 4	\$
Payroll Deductions and Withholdings				\$ 97,992	97,992	60,175
Reserve for Animal Control Fund Expenditures	4,690				4,690	5,662
Reserve for Other Trust Funds		\$ 1,707,244			1,707,244	1,508,718
Reserve for Public Assistance			\$ 10,932		10,932	10,936
TOTAL LIABILITIES AND RESERVES	\$ 4,694	\$ 1,707,244	\$ 10,932	\$ 97,992	\$ 1,820,862	\$ 1,585,491

BOROUGH OF MENDHAM
TRUST FUNDS
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

Balance December 31, 2013	\$	5,662
Increased by:		
License Fees Collected		5,865
		11,527
Decreased by:		
Expenditures Under R.S.4:19-15.11		6,837
		6,837
Balance December 31, 2014	\$	4,690

License Fees Collected

<u>Year</u>	<u>Amount</u>
2012	\$ 6,169
2013	6,255
	12,424
Maximum Allowable Reserve	\$ 12,424

BOROUGH OF MENDHAM
TRUST FUNDS
SCHEDULE OF OTHER TRUST RESERVES

	Balance Dec. 31, 2013	Receipts	Disbursements	Balance Dec. 31, 2014
Reserve for:				
Special Deposits	\$ 47,352	\$ 1,012	\$ 1,011	\$ 47,353
Special Engineering Deposits	18,576		5,133	13,443
Andrew Fletcher Trust Fund	249,743		52,500	197,243
State Unemployment Trust Fund	24,547	9,006	19,050	14,503
Phoenix House Trust	3,288			3,288
Parking Offenses Adjudication Act	2,577		170	2,407
Police Assets Forfeiture	1,521	2	2	1,521
Police Special Duty	51,508	100,167	101,906	49,769
Recreation Fund	95,734	69,027	68,132	96,629
Recycling Tonnage Fund	144,597	4,406		149,003
Landfill Closure Escrow	1,177			1,177
Open Space	616,476	220,259	35,770	800,965
Housing Trust	99,866	55,100	28,940	126,026
Other Trust Funds	26,455	162,462	104,000	84,917
Snow Removal	119,000			119,000
Total	<u>\$ 1,502,417</u>	<u>\$ 621,441</u>	<u>\$ 416,614</u>	<u>\$ 1,707,244</u>

C-3

BOROUGH OF MENDHAM
TRUST FUNDS
SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

Balance December 31, 2013	\$ 10,932
Increased by Receipts:	
Interest	16
	<hr/> 10,948
Decreased by Disbursements:	
Due to Current Fund	16
	<hr/> 16
Balance December 31, 2014	<u>\$ 10,932</u>

BOROUGH OF MENDHAM
PAYROLL FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2014</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 60,175	\$ 4,385,292	\$ 4,347,475	\$ 97,992
TOTAL ASSETS	<u>\$ 60,175</u>	<u>\$ 4,385,292</u>	<u>\$ 4,347,475</u>	<u>\$ 97,992</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 60,175	\$ 4,385,292	\$ 4,347,475	\$ 97,992
TOTAL LIABILITIES	<u>\$ 60,175</u>	<u>\$ 4,385,292</u>	<u>\$ 4,347,475</u>	<u>\$ 97,992</u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2014
UTILITY OPERATING FUNDS

Accounts for the operation of the municipally owned Sewer Utility.

BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
COMPARATIVE BALANCE SHEET

		Sewer Utility Operating Fund December 31,	
		2014	2013
<u>ASSETS</u>			
Cash and Cash Equivalents	\$	1,074,048	\$ 1,124,719
Change Fund		100	100
		1,074,148	1,124,819
Due from Sewer Utility Capital Fund		144	145
Receivables with Full Reserves:			
Consumer Accounts Receivable		125,674	133,070
		125,674	133,070
TOTAL ASSETS	\$	1,199,966	\$ 1,258,034
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Liabilities:			
Appropriation Reserves:			
Unencumbered	\$	286,317	\$ 321,944
Encumbered		30,982	14,100
Total Appropriation Reserves		317,299	336,044
Accounts Payable - Vendors		27,297	27,297
Accrued Interest on Bonds and Notes		30,980	39,798
Sewer Rent Overpayments		418	2,278
		375,994	405,417
Reserve for Receivables		125,674	133,070
Fund Balance		698,298	719,547
		698,298	719,547
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$	1,199,966	\$ 1,258,034

BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

	Sewer Utility Operating Fund Year Ended December 31,	
	<u>2014</u>	<u>2013</u>
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 432,869	\$ 415,709
Sewer Fees and Charges	1,604,590	1,591,825
Miscellaneous Revenue	27,760	26,312
Other Credits to Income:		
Unexpended Balance of Appropriation		
Reserves	<u>269,452</u>	<u>231,070</u>
Total Income	<u>2,334,671</u>	<u>2,264,916</u>
<u>Expenditures</u>		
Budget Expenditures:		
Operating	1,252,384	1,244,180
Capital Improvements	75,000	75,000
Debt Service	542,151	542,841
Statutory Expenditures	<u>53,516</u>	<u>52,569</u>
Total Expenditures	<u>1,923,051</u>	<u>1,914,590</u>
Excess in Revenue	411,620	350,326
Balance January 1	<u>719,547</u>	<u>784,930</u>
	1,131,167	1,135,256
Decreased by:		
Utilized as Anticipated Revenue	<u>432,869</u>	<u>415,709</u>
Balance December 31	<u>\$ 698,298</u>	<u>\$ 719,547</u>

BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
STATEMENT OF REVENUES
YEAR ENDED DECEMBER 31, 2014

	Sewer Utility Operating Fund	
	Anticipated	Realized
Fund Balance Anticipated	\$ 432,869	\$ 432,869
Sewer Fees and Charges	1,481,000	1,604,590
Miscellaneous Revenue	18,000	27,760
	\$ 1,931,869	\$ 2,065,219

Analysis of Miscellaneous Revenue:

Interest on Investments	\$ 3,265
Sewer Inspection Fees	5,475
Delinquent Payment Penalties	8,516
Miscellaneous	10,504
	\$ 27,760

Analysis of Sewer Fees and Charges:

Cash Collected and Overpayments Applied	\$ 1,604,590
	\$ 1,604,590

BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2014

Sewer Utility Operating Fund					
	Appropriations		Expended by		Unex- pended Balance Cancelled
	Budget	Budget After Modi- fication	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	\$ 463,505	\$ 463,505	\$ 412,610	\$ 50,895	
Other Expenses	788,879	788,879	559,356	229,523	
Total Operating	1,252,384	1,252,384	971,966	280,418	
Capital Improvements:					
Capital Improvement Fund	75,000	75,000	75,000		
Debt Service:					
Payment of Bond Anticipation Notes	224,750	224,750	224,750		
Payment of Bond Principal	225,000	225,000	225,000		
Interest on Bonds	84,800	84,800	81,397		\$ 3,403
Interest on Notes	16,419	16,419	11,004		5,415
Total Debt Service	550,969	550,969	542,151		8,818
Statutory Expenditures:					
Social Security System (O.A.S.I.)	36,000	36,000	31,631	4,369	
Public Employeers' Retirement System	16,516	16,516	14,986	1,530	
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et. seq.)	1,000	1,000	1,000		
Total Statutory Expenditures	53,516	53,516	47,617	5,899	
	\$ 1,931,869	\$ 1,931,869	\$ 1,636,734	\$ 286,317	\$ 8,818
<u>Analysis of Paid or Charged:</u>					
Cash Disbursed			\$ 1,513,351		
Accrued Interest on Debt			92,401		
Outstanding Encumbrances			30,982		
			\$ 1,636,734		

BOROUGH OF MENDHAM
UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance December 31, 2013	\$ 133,070
Increased by:	
Sewer Charges Levied	<u>1,597,194</u>
	1,730,264
Decreased by:	
Collections and Overpayments Applied	<u>1,604,590</u>
Balance December 31, 2014	<u><u>\$ 125,674</u></u>

BOROUGH OF MENDHAM
UTILITY OPERATING FUND
SCHEDULE OF 2013 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2014

	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>Balance</u> <u>After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Salaries and Wages	\$ 27,659	\$ 27,659	\$ 868	\$ 26,791
Other Expenses	305,037	305,037	65,724	239,313
Social Security	3,348	3,348		3,348
	<u>\$ 336,044</u>	<u>\$ 336,044</u>	<u>\$ 66,592</u>	<u>\$ 269,452</u>
 <u>Analysis of Balance:</u>				
Unencumbered	\$ 321,944			
Encumbered	<u>14,100</u>			
	<u>\$ 336,044</u>			
 <u>Analysis of Paid or Charged:</u>				
Cash Disbursed			<u>\$ 66,592</u>	
			<u>\$ 66,592</u>	

BOROUGH OF MENDHAM
UTILITY OPERATING FUND
SCHEDULE OF ACCRUED INTEREST ON BONDS AND NOTES

Balance December 31, 2013	\$ 39,798
Increased by:	
Charged to Current Year Budget	<u>92,401</u>
	132,199
Decreased by:	
Interest Paid	<u>101,219</u>
Balance December 31, 2014	<u><u>\$ 30,980</u></u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2014
UTILITY CAPITAL FUNDS

Accounts for the acquisition of capital facilities of the
municipally owned sewer utility

E

BOROUGH OF MENDHAM
UTILITY CAPITAL FUNDS
COMPARATIVE BALANCE SHEET

	Sewer Utility Capital Fund December 31,	
	2014	2013
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,131,106	\$ 1,131,725
Fixed Capital	12,900,635	12,900,635
Fixed Capital Authorized and Uncompleted	1,995,000	1,925,000
 TOTAL ASSETS	 \$ 16,026,741	 \$ 15,957,360
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 1,895,000	\$ 2,120,000
Bond Anticipation Notes Payable	1,088,750	1,313,500
Due to Sewer Utility Operating Fund	144	145
Improvement Authorizations:		
Funded	176,738	152,356
Unfunded	561,205	591,205
Reserve for:		
Amortization	11,005,635	10,780,635
Deferred Amortization	906,250	611,500
Capital Improvement Fund	218,417	213,417
Fund Balance	174,602	174,602
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE	 \$ 16,026,741	 \$ 15,957,360

BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
ANALYSIS OF CASH

	Receipts			Disbursements		Transfers		Balance Dec. 31, 2014	
	Balance Dec. 31, 2013	Miscel- laneous	Budget Appropriation	Improvement Authori- zations	Miscel- laneous	From	To		
Capital Fund Balance	\$ 174,602							\$ 174,602	
Capital Improvement Fund	213,417		\$ 75,000			\$ 70,000		218,417	
Due (from)/to Sewer Utility Operating Fund	145	\$ 1,687			\$ 1,688			144	
<u>Improvement Authorizations:</u>									
Ord.									
<u>No.</u>	<u>Improvement Description</u>								
07-08	Tempe Wick Pump Station	148,848						148,848	
09-09	Improvement of Sanitary Sewer System	446,205						446,205	
04-10	Improvement of Sanitary Sewer System	103,508		\$ 75,618				27,890	
09-13	Acquisition of New and Additional Sewer Equipment	45,000						45,000	
05-14	Acquisition of New and Additional Sewer Equipment						\$ 70,000	70,000	
		<u>\$ 1,131,725</u>	<u>\$ 1,687</u>	<u>\$ 75,000</u>	<u>\$ 75,618</u>	<u>\$ 1,688</u>	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ 1,131,106</u>

MENDHAM BOROUGH
UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Improvement Description	Date of Issue	Maturities - December 31, 2014			Interest Rate	Balance Dec. 31, 2013	Matured	Balance Dec. 31, 2014
		Date of Maturity	Amount					
Sewer Bonds of 2006	8/15/2006	08/02/2015	\$ 235,000		4.000%			
		08/03/2016	250,000					
		08/04/2017	260,000					
		08/05/2018	270,000					
		08/06/2019	280,000					
		08/07/2020	295,000					
		08/08/2021	305,000					
					\$ 2,120,000	\$ 225,000	\$ 1,895,000	
					\$ 2,120,000	\$ 225,000	\$ 1,895,000	

BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ord. No.	Improvement Description	Ordi- nance	Date of		Interest Rate	Balance Dec. 31, 2013	Issued	Matured	Balance Dec. 31, 2014
			Issue of Original Note	Issue					
07-08	Improvement of Sanitary Sewer System	08/18/03	07/18/08	07/12/13 07/11/14	07/11/14 07/10/15	1.25% 1.25%	\$ 145,000	\$ 145,000 \$ 115,000	\$ 115,000
09-09	Improvement of Sanitary Sewer System	06/15/09	07/16/09	07/12/13 07/11/14	07/11/14 07/10/15	1.25% 1.25%	1,168,500	1,168,500 973,750	973,750
							<u>\$ 1,313,500</u>	<u>\$ 1,088,750</u>	<u>\$ 1,088,750</u>
								Renewals \$ 1,088,750	\$ 1,088,750
								Funded by Budget Appropriation 224,750	
							<u>\$ 1,088,750</u>	<u>\$ 1,313,500</u>	

BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2013		2014 Authorizations		Balance Dec. 31, 2014	
		Date	Amount	Funded	Unfunded	Capital Improvement Fund	Paid or Charged	Funded	Unfunded
07-08	Tempe Wick Pump Station	06/02/08	\$ 220,000	3,848	\$ 145,000			\$ 33,848	\$ 115,000
09-09	Improvement of Sanitary Sewer System	06/15/09	1,600,000		446,205				446,205
04-10	Improvement of Sanitary Sewer System	05/01/10	171,000	\$ 103,508			\$ 75,618	27,890	
09-13	Acquisition of New and Additional Sewer Equipment	06/03/13	105,000	45,000				45,000	
05-14	Acquisition of New and Additional Sewer Equipment	05/19/14	70,000			\$ 70,000		70,000	
				<u>\$ 152,356</u>	<u>\$ 591,205</u>	<u>\$ 70,000</u>	<u>\$ 75,618</u>	<u>\$ 176,738</u>	<u>\$ 561,205</u>

BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

Ord. No.	Improvement Description	Date of Ordinance	Balance Dec. 31, 2013	Fixed Capital Authorized	Notes Paid From Operating Budget	Balance Dec. 31, 2014
07-08	Tempe Wick Pump Station	06/02/08	\$ 75,000		\$ 30,000	\$ 105,000
09-09	Improvement of Sanitary Sewer System	06/15/09	431,500		194,750	626,250
09-13	Acquisition of New and Additional Sewer Equipment	06/03/13	105,000			105,000
05-14	Acquisition of New and Additional Sewer Equipment	05/19/14		\$ 70,000		70,000
			<u>\$ 611,500</u>	<u>\$ 70,000</u>	<u>\$ 224,750</u>	<u>\$ 906,250</u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2014
GENERAL FIXED ASSETS ACCOUNT GROUP
(Unaudited)

BOROUGH OF MENDHAM
GENERAL FIXED ASSETS ACCOUNT GROUP
SCHEDULE OF GENERAL FIXED ASSETS
 (Unaudited)

	December 31,	
<u>GENERAL FIXED ASSETS:</u>	2014	2013
Assets:		
Land	\$ 1,767,500	\$ 1,767,500
Buildings and building improvements	3,535,152	3,535,152
Machinery and equipment	2,793,347	2,793,347
Total Assets	\$ 8,095,999	\$ 8,095,999
RESERVES:		
Reserve for General Fixed Assets	\$ 8,095,999	\$ 8,095,999

F-1

BOROUGH OF MENDHAM
GENERAL FIXED ASSETS ACCOUNT GROUP
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
 (Unaudited)

	Balance <u>Dec. 31, 2013</u>	Balance <u>Dec. 31, 2014</u>
General Fund	\$ 6,417,568	\$ 6,417,568
General Capital Fund	1,513,312	1,513,312
Sewer Utility Operating Fund	10,664	10,664
Sewer Utility Capital Fund	<u>154,455</u>	<u>154,455</u>
Total	<u>\$ 8,095,999</u>	<u>\$ 8,095,999</u>

STATISTICAL SECTION

BOROUGH OF MENDHAM
 GOVERNMENTAL FUND EXPENDITURES BY FUNCTION
 LAST TEN YEARS
 UNAUDITED

EXPENDITURES	Year Ended December 31,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Current Fund:										
General Government	\$ 2,006,152	\$ 1,907,578	\$ 1,990,096	\$ 2,011,180	\$ 2,263,399	\$ 2,299,768	\$ 2,295,163	\$ 2,355,920	\$ 2,342,010	\$ 2,380,996
Public Safety	1,509,741	1,657,036	1,788,725	1,833,375	1,922,738	2,009,073	2,018,122	2,057,970	2,010,962	2,049,109
Streets and Roads	778,251	777,010	856,237	864,861	779,013	796,301	821,402	799,895	858,383	874,333
Health and Welfare	92,578	102,193	104,143	121,322	111,891	107,670	97,537	98,385	99,457	101,482
Recreation and Education	107,650	154,124	140,553	122,130	132,696	131,778	132,072	130,285	110,287	103,971
Deferred Charges and Statutory Expenditures	223,822	333,748	386,310	519,274	574,955	606,028	694,226	656,305	679,397	721,738
Capital	51,000	299,500	222,000	200,000	170,000	110,000	50,000	133,000	133,000	133,000
Debt Service	484,720	128,265	492,440	491,596	505,100	503,353	583,437	578,777	581,024	638,594
Reserve for Uncollected Taxes	358,500	408,500	408,500	675,000	675,000	675,000	688,500	695,770	709,685	709,685
Current Fund Budget Totals	<u>5,612,414</u>	<u>5,767,954</u>	<u>6,389,004</u>	<u>6,838,738</u>	<u>7,134,792</u>	<u>7,238,971</u>	<u>7,380,459</u>	<u>7,506,307</u>	<u>7,524,205</u>	<u>7,712,908</u>
Utility Operating Funds:										
Utility Operations	1,121,382	1,098,416	1,125,916	1,083,058	1,196,618	1,226,933	1,249,545	1,284,788	1,244,180	1,252,384
Deferred Charges and Statutory Expenditures	28,370	28,370	28,370	30,500	31,000	35,000	36,000	36,000	52,569	53,516
Capital	200,000		125,000	125,000	75,000	75,000	75,000	75,000	75,000	75,000
Debt Service	72,411	97,510	305,960	304,473	311,703	361,235	340,847	539,201	542,841	542,151
Utility Operating Fund Budget Totals	<u>1,422,163</u>	<u>1,224,296</u>	<u>1,585,246</u>	<u>1,543,031</u>	<u>1,614,321</u>	<u>1,698,168</u>	<u>1,701,392</u>	<u>1,934,989</u>	<u>1,914,590</u>	<u>1,923,051</u>
County Taxes	3,249,425	3,260,505	3,483,249	3,506,129	3,555,631	3,445,658	3,322,900	3,374,677	3,420,007	3,488,056
Local and Regional School Taxes	12,792,306	13,396,736	14,028,609	14,700,147	15,393,815	15,775,535	15,740,236	15,787,280	16,043,847	16,687,635
Municipal Open Space Taxes	109,594	109,594	109,594	109,594	109,594	109,594	109,594	109,594	109,594	109,594
Other Expenditures	70,610	66,344	85,412	235,133	1,238	319,194	285,368	40,053	279,218	320,393
TOTAL EXPENDITURES	<u>\$ 23,256,512</u>	<u>\$ 23,825,429</u>	<u>\$ 25,681,114</u>	<u>\$ 26,932,772</u>	<u>\$ 27,809,391</u>	<u>\$ 28,587,120</u>	<u>\$ 28,539,949</u>	<u>\$ 28,752,900</u>	<u>\$ 29,291,461</u>	<u>\$ 30,241,637</u>

Source: Borough records.

BOROUGH OF MENDHAM
 GOVERNMENTAL FUND REVENUE BY SOURCE
 LAST TEN YEARS
 UNAUDITED

REVENUE	Year Ended December 31,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Current Fund:										
Fund Balance Anticipated	\$ 900,000	\$ 600,000	\$ 600,000	\$ 700,000	\$ 783,500	\$ 1,003,885	\$ 1,080,500	\$ 1,206,487	\$ 1,206,487	\$ 1,323,918
Miscellaneous Revenue	1,304,971	1,394,093	1,524,493	1,222,480	1,142,359	996,491	872,577	860,841	852,044	807,587
Receipts from Delinquent Taxes	199,894	126,782	151,948	128,816	164,576	150,158	148,338	132,788	134,794	176,378
Receipts from Current Taxes	3,644,734	4,176,930	4,501,722	5,301,961	5,599,810	5,810,505	5,993,387	5,975,249	6,048,282	6,172,724
Current Fund Budget Totals	6,049,599	6,297,805	6,778,163	7,353,257	7,690,245	7,961,039	8,094,802	8,175,365	8,241,607	8,480,607
Utility Operating Funds:										
Fund Balance Anticipated	459,317	175,296	175,000	150,000	200,000	200,000	215,000	440,092	415,709	432,869
Water and Sewer Rents	1,019,487	1,048,869	1,370,880	1,605,808	1,601,824	1,570,868	1,584,600	1,578,650	1,591,825	1,604,590
Miscellaneous Revenue	64,069	54,087	52,030	28,152	25,513	29,196	22,938	20,503	26,312	27,760
Utility Operating Fund Budget Totals	1,542,873	1,278,252	1,597,910	1,783,960	1,827,337	1,800,064	1,822,538	2,039,245	2,033,846	2,065,219
Non-Budget Revenues	201,400	205,839	345,170	347,193	292,742	350,511	317,324	414,249	413,122	533,802
Other Credits to Income	220,891	289,638	348,908	484,484	258,096	502,504	614,802	398,683	613,969	641,454
Taxes Allocated to School, County and Open Space	16,151,325	16,766,835	17,621,452	18,315,870	19,059,040	19,330,787	19,172,730	19,271,551	19,573,448	20,285,285
TOTAL REVENUE	\$ 24,166,088	\$ 24,838,369	\$ 26,691,603	\$ 28,284,764	\$ 29,127,460	\$ 29,944,905	\$ 30,022,196	\$ 30,299,093	\$ 30,875,992	\$ 32,006,367

Source: Borough records.

Table 3

BOROUGH OF MENDHAM
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS
UNAUDITED

Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2005	\$ 19,585,156	\$ 19,437,559	99.24%	\$ 199,894	\$ 19,637,453	100.27%	\$ 126,782	0.65%
2006	20,846,498	20,535,265	98.50%	126,782	20,662,047	99.12%	151,948	0.73%
2007	22,138,875	21,714,674	98.08%	151,948	21,866,622	98.77%	231,075	1.04%
2008	23,219,554	22,942,831	98.80%	128,816	23,071,647	99.36%	164,327	0.71%
2009	24,234,855	23,983,850	98.96%	164,576	24,148,426	99.64%	150,317	0.62%
2010	24,650,522	24,466,292	99.25%	150,158	24,616,450	99.86%	148,765	0.60%
2011	24,658,051	24,477,617	99.26%	148,338	24,625,955	99.87%	133,089	0.54%
2012	24,742,237	24,551,030	99.22%	132,788	24,683,818	99.76%	135,128	0.55%
2013	25,151,774	24,912,045	99.04%	134,803	25,046,848	99.58%	176,378	0.70%
2014	25,946,411	25,748,324	99.23%	176,378	25,924,702	99.92%	162,390	0.63%

Source: Tax Collector.

Table 4

BOROUGH OF MENDHAM
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS
UNAUDITED

<u>Year</u>	<u>West Morris Regional High School</u>	<u>Mendham School District</u>	<u>Mendham Borough</u>	<u>Morris County</u>	<u>Municipal Open Space</u>	<u>Total</u>
2005	\$ 0.804	\$ 1.242	\$ 0.517	\$ 0.518	\$ 0.019	\$ 3.100
2006	* 0.321	0.516	0.244	0.202	0.007	1.290
2007	0.340	0.538	0.278	0.218	0.006	1.380
2008	0.361	0.566	0.305	0.222	0.006	1.460
2009	0.386	0.587	0.321	0.225	0.006	1.525
2010	* 0.485	0.732	0.408	0.266	0.008	1.899
2011	0.472	0.746	0.423	0.259	0.008	1.908
2012	0.467	0.758	0.422	0.263	0.009	1.919
2013	0.485	0.767	0.430	0.267	0.008	1.957
2014	0.517	0.782	0.437	0.272	0.008	2.016

* - Revaluation year

Source: Tax Collector.

Table 5

BOROUGH OF MENDHAM
ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY
LAST TEN YEARS
UNAUDITED

<u>Fiscal Year</u>	<u>Net Assessed Valuation Taxable</u>	<u>Estimated Full Cash Valuations</u>	<u>Percent of Net Assessed to Estimated Full Cash Valuations</u>
2005	\$ 626,250,185	\$ 1,211,658,055	51.69%
2006 *	1,601,473,771	1,293,530,174	123.81%
2007	1,600,887,548	1,465,301,236	109.25%
2008	1,589,321,867	1,517,455,547	104.74%
2009	1,582,998,674	1,572,214,282	100.69%
2010 *	1,296,664,611	1,511,328,993	85.80%
2011	1,291,640,675	1,410,302,723	91.59%
2012	1,289,110,375	1,377,289,533	93.60%
2013	1,282,175,833	1,354,282,340	94.68%
2014	1,284,514,035	1,361,837,683	94.32%

* - Revaluation year

Source: Abstract of Ratables, County Board of Taxation

Table 6.

BOROUGH OF MENDHAM
TEN LARGEST TAXPAYERS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2014 Assessed Valuation</u>	<u>Percentage of Net Assessed Valuation</u>
V-Fee Realty	Shopping Center	\$ 22,000,000	1.71%
Roxiticus Golf Club	Golf and Tennis Club	10,003,700	0.78%
Holly Manor	Nursing Home	8,558,600	0.67%
Individual Taxpayer #1	Individual	6,430,800	0.50%
Individual Taxpayer #2	Individual	5,652,500	0.44%
Individual Taxpayer #3	Individual	5,379,200	0.42%
Individual Taxpayer #4	Individual	5,224,100	0.41%
MTWOL Associates, LLC	Individual	4,552,900	0.35%
Individual Taxpayer #5	Individual	4,398,200	0.34%
Individual Taxpayer #6	Individual	4,294,900	0.33%
Total		<u>\$ 76,494,900</u>	<u>5.96%</u>

Source: Tax Collector.

Table 7

BOROUGH OF MENDHAM
COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2014
UNAUDITED

<u>Year Ended</u> <u>December 31,</u>		<u>Equalized</u> <u>Valuation Basis</u>
2014	\$	1,399,439,498
2013		1,354,522,277
2012		<u>1,356,678,440</u>
	\$	<u><u>4,110,640,215</u></u>
Average equalized valuation of taxable property		\$ 1,370,213,405
Borough borrowing margin (3.5% of \$1,370,213,405)	\$	47,957,469
Net debt as of December 31, 2014		<u>4,619,586</u>
Borough borrowing margin available	\$	<u><u>43,337,883</u></u>

Source: Equalized valuation bases were provided by the Annual report of the State of New Jersey, Department of Treasury, Division of Taxation for 2014, 2013, and 2012.

Table 8

BOROUGH OF MENDHAM
RATIO OF NET GENERAL OBLIGATION DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION DEBT PER CAPITA
LAST TEN YEARS
UNAUDITED

<u>Year</u>	<u>Population (*)</u>	<u>Assessed Value</u>	<u>Net General Obligation Debt</u>	<u>Ratio of Debt to Assessed Value</u>	<u>Net General Obligation Debt Per Capita</u>
2005	5,109	\$ 626,250,185	\$ 3,672,019	0.59%	\$ 719
2006	5,079	1,601,473,771	5,255,019	0.33%	1,035
2007	5,031	1,600,887,548	6,086,449	0.38%	1,210
2008	5,054	1,589,321,867	5,088,236	0.32%	1,007
2009	5,058	1,582,998,674	4,970,653	0.31%	983
2010	4,986	1,296,664,611	4,901,297	0.38%	983
2011	5,008	1,291,640,675	4,547,857	0.35%	908
2012	5,026	1,289,110,375	5,588,656	0.43%	1,112
2013	5,020	1,282,175,833	5,164,345	0.40%	1,029
2014	* 5,020	1,284,514,035	4,619,586	0.36%	920

Source: Borough of Mendham Records

(*) Information provided by U.S. Bureau of the Census, Population Division, 2014 numbers not available, used 2013 as an estimate.

Table 9

BOROUGH OF MENDHAM
RATIO OF DEBT SERVICE FOR BONDED DEBT
(INCLUDING BOND ANTICIPATION NOTES) TO GOVERNMENTAL EXPENDITURES
LAST TEN YEARS
UNAUDITED

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
2005	\$ 419,808	\$ 137,323	\$ 557,131	\$ 23,256,512	2.40%
2006	26,265	102,000	128,265	23,825,429	0.54%
2007	447,265	351,135	798,400	25,681,114	3.11%
2008	451,265	201,453	652,718	26,932,772	2.42%
2009	488,583	322,538	811,121	27,809,391	2.92%
2010	538,265	326,323	864,588	28,587,120	3.02%
2011	644,287	279,997	924,284	28,539,949	3.24%
2012	858,037	259,941	1,117,978	28,752,900	3.89%
2013	883,038	240,991	1,124,029	29,291,461	3.84%
2014	945,997	234,748	1,180,745	30,241,637	3.90%

Source: Borough of Mendham Records

Table 10

BOROUGH OF MENDHAM
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
UNAUDITED

<u>Year</u>	<u>Unemployment Rate(**),(***)</u>	<u>Per Capita Income *,(***)</u>	<u>Population(*),(***)</u>
2005	1.50 %	\$ 62,930	5,109
2006	1.50 %	67,918	5,079
2007	1.40 %	71,191	5,031
2008	1.80 %	74,025	5,054
2009	3.20 %	67,614	5,058
2010	3.20 %	69,811	4,986
2011	3.20 %	69,811	5,008
2012	3.10 %	71,933	5,026
2013	3.30 %	74,057	5,020
2014	3.30 %	74,057	5,020

Source: Borough of Mendham Records

* Indicates County information from the U.S. Department of Commerce
 (*) Information provided by U.S. Bureau of Census, Population Division
 (**) Information provided by N.J. Department of Labor
 (***) Information not available for 2014, used 2013 as an estimate
 N/A Information unavailable

Table 11

BOROUGH OF MENDHAM
MISCELLANEOUS STATISTICS
DECEMBER 31, 2014
UNAUDITED

Date of Incorporation		May 15, 1906
Form of Government		Borough
Number of Employees	Full Time	33
	Part Time	29
Area in square miles		6
Borough of Mendham Facilities and Services :		
Miles of streets		33.66
Number of street lights		205
Culture and Recreation:		
Community Centers		2
Parks		9
Park acreage		245
Tennis courts		4
Fire protection:		
Number of Stations		1
Number of Fire personnel and officers		52
Number of calls answered		264
Number of inspections conducted		293
Emergency medical services:		
Number of Stations		1
Number of Emergency medical personnel and officers		34
Number of calls answered		387
Police protection:		
Number of stations		1
Number of police personnel and officers		13
Number of patrol units		7
Number of law violations		
Physical Arrests		39
Traffic violations		521
Parking violations		72
Sewerage System:		
Miles of sanitary sewers		32
Number of Lift Stations		4
Number of treatment plants		1
Number of service connections		1,673
Daily average treatment in gallons		325,000
Permitted daily capacity of treatment plant in gallons		450,000
Water System		Privately Owned
Facilities and services not included in the primary government:		
Cable Television System:		
Miles of service		20
Number of satellite receiving stations		25
Education:		
Number of elementary schools		2
Employees:		
Certified		68
Other		26

Source - Various Borough offices and servicing entities

SINGLE AUDIT SECTION

BOROUGH OF MENDHAM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

Name of Federal Agency or Department	Name of Program	CFDA Number	Grant Period		State Grant #	Grant Award	Amount Received	Amount of Expenditures
			From	To				
U.S. Department of Homeland Security: (Passed through New Jersey State Police)	Disaster Grants - Public Assistance - F.E.M.A.	97.036	1/1/2012	12/31/2014	N/A	\$ 252,067	\$ 252,067 *	\$ 252,067
U.S. Department of Transportation (Passed through New Jersey Department of Transportation)	DOT Grant-Pleasant Valley Road	20.205	1/1/2012	12/31/2015	N/A	250,000		
TOTAL FEDERAL AWARDS						\$ 502,067	\$ 252,067	\$ 252,067

BOROUGH OF MENDHAM
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2014

New Jersey Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Amount of Expenditures
			From	To				
Department of Law and Public Safety	Body Armor Replacement Fund	98-718-066-	01/01/13	12/31/15	\$ 1,756		\$ 1,463	\$ 1,463
		1020-001	01/01/14	12/31/15	1,756	\$ 1,756		
	Drunk Driving Enforcement Fund	100-066-1110-	01/01/13	12/31/14	1,273		1,273	1,273
		260-YYYY	01/01/14	12/31/14	1,233	1,233	1,233	1,233
Subtotal - Department of Law and Public Safety						2,989	3,969	3,969
Department of Environmental Protection	Clean Communities Act	765-042-4900	01/01/13	12/31/15	9,931		9,460	9,631
		004-178910	01/01/14	12/31/15	9,931	9,931	236	236
Subtotal - Department of Environmental Protection						9,931	9,696	9,867
TOTAL STATE AWARDS						\$ 12,920	\$ 13,665	\$ 13,836

* - expenditures occurred in prior year.

N/A - not available

See Accompanying Notes to the Schedules of Expenditures of Federal and State Awards

BOROUGH OF MENDHAM
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2014

A. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Borough of Mendham under programs of the federal and state governments for the year ended December 31, 2014. The information in these schedules is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Borough, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Borough

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying Schedules of Expenditures of Federal and State Awards are presented using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

C. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

D. STATE LOAN OUTSTANDING

The Borough has the following loan outstanding as of December 31, 2014:

Green Acres Program	\$159,344
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The Borough is in the process of repaying this loan. There were no loan receipts or expenditures in the current year. The project related to the loan is complete.



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax
 Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Report on Internal Control Over
 Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable Mayor and Members
 of the Borough Council
 Borough of Mendham
 Mendham, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - *regulatory basis* - of the various funds of the Borough of Mendham, in the County of Morris (the "Borough") as of, and for the year ended, December 31, 2014 and the related notes to the financial statements and have issued our report thereon dated June 19, 2015. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. That qualified report also indicated that we did not audit the general fixed assets account group.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Borough's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal

The Honorable Mayor and Members
of the Borough Council
Borough of Mendham
Page 2

control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2014-01, and 2014-02 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management in the comments and recommendations section of this report.

The Borough's Response to the Findings


The Borough's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey
June 19, 2015


NISIVOCCIA LLP



Francis J. Jones
Certified Public Accountant
Registered Municipal Accountant No. 442

BOROUGH OF MENDHAM
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2014

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the Borough's financial statements, prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as the general fixed assets account group was not audited.
- Significant deficiencies disclosed during the audit of the financial statements are reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Borough which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Borough was not subject to the single audit provisions of Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04 for the year ended December 31, 2014 as both state and federal grant expenditures were less than the single audit thresholds of \$500,000 identified in the Circulars.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit disclosed the following significant deficiencies required to be reported under Generally Accepted Government Auditing Standards:

Finding 2014-1

The Borough does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time. The various departments/offices of the Borough are responsible for the issuance of permits and licenses; collection of taxes, and permit and license fees; recording of collections; and processing of payroll. This is due, in part, to the limited number of personnel of the Borough and the decentralized nature of governmental collection procedures. Accordingly, the duties of personnel involved with both the recording and treasury functions should be reviewed to determine whether duties can be reassigned to existing personnel in order to improve the segregation of duties.

Finding 2014-2

The Borough does not maintain a fixed assets accounting and reporting system. A fixed asset accounting and reporting system is required to be in compliance with the Division's accounting requirements. A fixed assets accounting and reporting system would be used to identify assets held by the Borough, their cost, acquisition date, location, and other pertinent information. In addition to maintaining records of acquisitions, disposals and movement of fixed assets, the system could possibly be used to aid in the planning for replacement of assets.

Management's Response

The findings were evaluated, however due to budgetary constraints no resolution can be made at this time. We will continue to monitor these two areas and look for ways to make improvements using the funds available to the Borough.

BOROUGH OF MENDHAM
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2014
(Continued)

Findings and Questioned Costs for Federal Awards:

- Not applicable since expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not applicable since expenditures were below the single audit threshold.

BOROUGH OF MENDHAM
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014

The Borough had two findings in the prior year and those findings are repeated for the current year as listed on the Schedule of Findings and Responses.

**COMMENTS AND RECOMMENDATIONS
SECTION**

BOROUGH OF MENDHAM
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4

N.J.S. 40A:11-3 states:

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1071, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A: 11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L.1971, c.198 (C.40A11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S. 40A: 11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective January 1, 2011, the bid threshold in accordance with N.J.S. 40A:11-4 is \$17,500.

The governing body of the Borough of Mendham has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year and where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

BOROUGH OF MENDHAM
COMMENTS AND RECOMMENDATIONS
(Continued)

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4 (Cont'd)

The minutes indicated that bids were requested by public advertising per N.J.S. 40A:11-4. The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per N.J.S. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent. In January 2014, the governing body adopted a resolution authorizing interest to be charged on delinquent taxes including the following:

BE IT RESOLVED by the Mayor and Council of the Borough of Mendham, County of Morris, and State of New Jersey, that the rate of interest on unpaid taxes shall be eight percent (8%) per annum on the first One Thousand Five Hundred (\$1,500) Dollars of delinquency and 18 percent (18%) per annum on any amount of delinquency in excess of One Thousand Five Hundred (\$1,500) Dollars to be calculated from the date the tax was payable until the date of actual payment; and

BE IT FURTHER RESOLVED, that the rate of interest on unpaid sewer bills shall be eight percent (8%) per annum to be calculated from the date the tax was payable until the date of actual payment, provided that no interest shall be charged if payment of any bill is made within thirty (30) days following the billing date, and

BE IT FURTHER RESOLVED, that in addition to the interest provided above, on all delinquencies of taxes and municipal charges in excess of Ten Thousand (\$10,000) Dollars and which are not paid prior to the end of the fiscal year; the Tax Collector shall also collect a penalty of six percent (6%) of the amount of the delinquency in addition to the interest herein above provided.

It appears from a test examination of the Collector's records that interest was generally collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

A tax sale was held during the year ended December 31, 2014. All eligible properties were included in the sale.

BOROUGH OF MENDHAM
COMMENTS AND RECOMMENDATIONS
(Continued)

Delinquent Taxes and Tax Title Liens (Cont'd)

The following comparison is made of the number of tax title liens receivable on December 31 of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2014	2
2013	2
2012	3

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, including the mailing of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2014 Taxes	25
Payments of 2015 Taxes	25
Delinquent Taxes	10
Payments of Sewer Utility Charges	5
Delinquent Sewer Utility Charges	10

Verification notices were mailed to confirm balances as of December 31, 2014. The items that were returned were checked and in agreement with the Borough's records. For items not returned, alternative procedures were performed, as appropriate.

New Jersey Administrative Code Accounting Requirements

The Division of Local Government Services has established three (3) accounting requirements which are prescribed in the New Jersey Administrative Code. They are as follows:

1. Maintenance of an encumbrance accounting system.
2. Fixed asset accounting and reporting system.
3. General ledger accounting and recording system.

The Borough is in compliance with the New Jersey Administrative Code accounting requirements at December 31, 2014, except for the fixed assets records more fully described in the preceding Schedule of Findings and Responses.

BOROUGH OF MENDHAM
COMMENTS AND RECOMMENDATIONS
(Continued)

Municipal Court

The transactions for the year 2014 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

	Balance Dec. 31, 2013	Receipts	Dis- bursements	Balance Dec. 31, 2014
State of New Jersey	\$ 5,539	\$ 44,776	\$ 45,901	\$ 4,414
County	1,097	15,125	14,881	1,341
Municipality	2,048	29,981	29,710	2,319
Conditional Discharge		725	725	
Restitution		787	787	
Public Defender		1,250	1,050	200
Municipality POAA	4	22	26	
	<u>\$ 8,688</u>	<u>\$ 92,666</u>	<u>\$ 93,080</u>	<u>\$ 8,274</u>

Management Suggestions

The Borough has a fiduciary responsibility to its employees related to the deferred compensation plan offered by the Borough. The Borough should consider a periodic review of the benefits, features, costs, and performance of its deferred compensation plan and make that information available to employees to assist employees in making suitable choices for investing their retirement funds while fulfilling the Borough's fiduciary responsibilities.

The Borough should consider reviewing the status of "Independent Contractors" utilized by the Borough with Internal Revenue Service guidelines for determination of employment status. The IRS has been reviewing employers, including governments, to determine compliance. A proactive approach may help to minimize or eliminate potential penalties related to incorrect employment status determination.

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2013 audit report. The recommendations regarding segregation of duties and fixed assets are repeated from the 2013 report.

BOROUGH OF MENDHAM
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An adequate segregation of duties be maintained with respect to the recording and treasury functions.
2. The Borough implement a fixed assets accounting and reporting system.

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