

# Comprehensive Annual Financial Report

of the

## BOROUGH OF MENDHAM

### Mendham, New Jersey

YEAR ENDED DECEMBER 31, 2017

Prepared by

Borough of Mendham  
Finance Department

BOROUGH  
OF  
MENDHAM

Borough of Mendham  
County of Morris  
Mendham, New Jersey

Comprehensive Annual Financial Report  
For the Year Ended December 31, 2017

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**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**

April 2, 2018

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 year ended December 31, 2017, 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 auditors' 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and State Treasury Circular Letter 15-08, *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 system 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 Single Audit Act as federal and state award expenditures were each below the 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 2017 population is an estimated 4,988 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 \$575,300. 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

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 sewerred.

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 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 597 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 4,988. 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: The Borough accomplished much this past year. Among those accomplishments are the following:

- ❖ Main Street: Councilman Sharkey will serve as liaison to the Planning Board and will have an active role in the potential hearing of an application for a new Dunkin Donuts on Main Street.
- ❖ Efficiency Improvements: We have included but not limited to assessing inter-department software which can automate all aspects of a municipal operation, software that will automate the tracking of Vacation, Sick and Personal Time, outside management of Special Police Details, and identification of additional shared services with our neighboring communities.
- ❖ Administration: Joyce Bushman was appointed as the new Borough Administrator. She is a graduate from Ohio State University. We feel very lucky to have secured Joyce as our next administrator as we feel her strong, extensive experience and fresh perspective from outside New Jersey will greatly benefit Mendham Borough.
- ❖ Balanced Municipal Budget: The Mayor and Council once again delivered a balanced budget which resulted in a very minimal tax increase in the municipal portion of the tax bill.
- ❖ Other Items:
  - A bid was awarded to Grade Construction for dam rehabilitation and dredging at Mountain Valley Park.
  - The Borough initiated participation in a Governmental Energy Aggregation (GEA) program by participating in the Morris Area Energy Cooperative (MAEC) to offer its residents the opportunity to reduce their electric bills through the bulk purchase of energy from a third-party energy supplier.
  - Verizon Wireless was granted permission to install cell nodes in certain areas of the Borough to enhance cell phone transmission.
  - The Borough's property maintenance code was amended to clarify and expand regulations related to vacant and abandoned properties.
  - Two new police officers were sworn in on June 15, 2017.
  - The Borough supported the efforts of the County of Morris in their designation of the Borough of Mendham as a Stigma-Free Community.
  - Plans for accessible parking spaces were completed for Westfield athletic field.
  - A Municipally Approved Farmland Preservation Program agreement for a 5.7 acre property located on East Main Street was renewed.
  - An Economic Development Committee was formed as an advocacy group for the Mendham business community with an emphasis on promoting the Borough and making the town more business friendly.
  - The Borough continued its street maintenance program in 2017, with paving done on Cherry Lane, Orchard Street, Coventry Road, Sutton Court and Demarest Drive.
  - The Ultra Violet Disinfection System was replaced at the Wastewater Treatment Facility.

INTERNAL ACCOUNTING CONTROLS: Management of the Borough is responsible for establishing and maintaining an internal control system 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 by state statute and regulation. The internal control system 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 system 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, 2017, the Borough had bonded debt as a result of a refunding bond sale in 2015 of \$2,725,000. The Borough also has temporary debt of \$1,256,936 in the form of bond anticipation notes. The Borough also has \$88,356 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 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 year ended December 31, 2017, 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 2016</u>	<u>Percent of Increase/ (Decrease)</u>
Fund Balance Anticipated	\$ 1,960,109	5.72%	\$ 43,478	2.27%
Sewer Rents	1,589,175	4.64%	27,632	1.77%
Miscellaneous Revenue	884,488	2.58%	(170,443)	-16.16%
Receipts from Delinquent Taxes	167,304	0.49%	(41,751)	-19.97%
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	<u>6,527,993</u>	<u>19.05%</u>	<u>122,462</u>	1.91%
Municipal Budget Totals-Revenue	11,129,069	32.48%	(18,622)	-0.17%
Nonbudget Revenue	369,646	1.08%	542	0.15%
Other Credits to Income	691,567	2.02%	130,918	23.35%
Taxes Allocated to Schools, County and Open Space Trust	<u>22,075,270</u>	<u>64.42%</u>	<u>731,083</u>	3.43%
Total	<u>\$34,265,552</u>	<u>100.00%</u>	<u>\$ 843,921</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 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 decrease in budgeted revenue is primarily attributable to an decrease in the Borough's collection of delinquent taxes and construction fees in 2017. The increase in the other credits to income is the result of the Borough's conservative budgeting and expenditure policies and the cancellation of a prior year reserve. 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.

The following schedule presents a summary of current fund and utility operating funds expenditures for the year ended December 31, 2017 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 2016</u>	<u>Percent of Increase/ (Decrease)</u>
Current:				
General Government	\$ 2,335,896	7.22%	\$ (34,758)	-1.47%
Public Safety	2,101,259	6.50%	28,918	1.40%
Streets and Roads	1,017,440	3.15%	(10,057)	-0.98%
Health and Welfare	102,786	0.32%	4,840	4.94%
Recreation and Education	77,169	0.24%	(4,362)	-5.35%
Deferred Charges and Statutory Expenditures	732,113	2.26%	22,070	3.11%
Utility Operating	1,324,932	4.10%	29,732	2.30%
Capital	395,000	1.22%	50,000	14.49%
Debt Service:				
Principal	1,153,249	3.57%	6,358	0.55%
Interest	129,925	0.40%	(19,216)	-12.88%
Reserve for Uncollected Taxes	731,085	2.26%	7,200	0.99%
Municipal Budget Totals-Expenditures	10,100,854	31.24%	80,725	0.81%
County Taxes	3,581,575	11.08%	79,008	2.26%
Local and Regional School Taxes	18,383,927	56.86%	651,901	3.68%
Municipal Open Space Taxes	109,769	0.34%	175	0.16%
Other Expenditures	155,735	0.48%	(124,337)	-44.39%
Total	<u>\$32,331,860</u>	<u>100.00%</u>	<u>\$ 687,472</u>	2.17%

The primary reason for the increase in expenditures was the increase in school and county taxes.

**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 "Uniform Guidance" and State Treasury Circular Letter 15-08. The auditors' 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,

*Joyce Bushman*

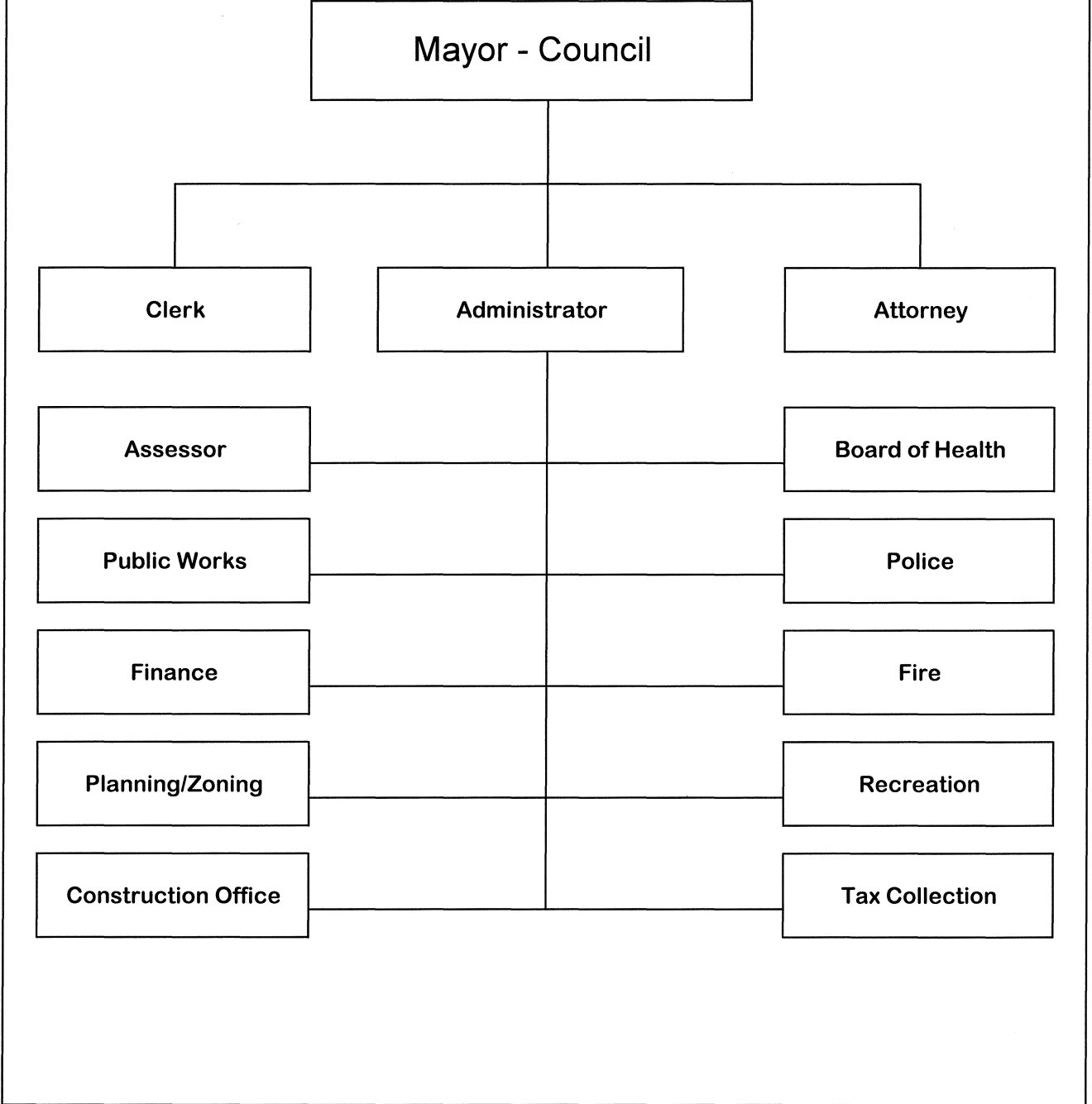
Joyce Bushman  
Borough Administrator

*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 Andrews
Councilman	John Andrus
Councilman	J. Bradley Badal
Councilwoman	Christine Serrano-Glassner
Councilman	David C. Sharkey
Councilman	Stanley Witzak, III

Appointed Officials

Administrator	Richard A. Merkt 1/1/17 to 9/30/17
Clerk	Margot Kaye 1/1/17 to 12/27/17
Tax Collector/Tax Search Officer/ Deputy Public Utilities Clerk	Karen Ferrone
Treasurer/Chief Financial Officer	Susan Giordano
Public Utilities Clerk/Deputy Tax Collector	Karen Orgera
Tax Assessor	Scott J. Holzhauer
Magistrate	Brian J. Levine
Court Administrator/Violations Clerk	Sharon Alpaugh 1/1/17 to 4/30/17
Court Administrator/Violations Clerk	Lisa Conover from 5/15/17
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, 2017 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; this includes 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  
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***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, 2017, 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. 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, 2017 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 and account group of the Borough at December 31, 2017, 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***

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Borough's financial statements. The supplementary data 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *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  
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***Other Matters***

***Other Information***

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 April 2, 2018 on our consideration of the Borough'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's internal control over financial reporting and compliance.

Mount Arlington, New Jersey  
April 2, 2018

  
NISIVOCCIA LLP



Francis 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, 2017

(With Comparative Totals for 2016)

	Current	General Capital	Trust	Utility Funds		Account Group General Assets (Unaudited)	Totals (Memorandum Only)	
				Operating	Capital		2017	2016
<b>ASSETS AND OTHER DEBITS:</b>								
<b>Assets:</b>								
Cash and Cash Equivalents	\$ 7,593,207	\$ 492,357	\$ 2,234,888	\$ 678,204	\$ 1,113,435	\$	\$ 12,112,091	\$ 10,056,637
Investments	1,256,936						1,256,936	
Receivables and Other Assets:								
Property Taxes Receivable	119,113						119,113	169,452
Consumer Accounts Receivable				123,963			123,963	135,774
Federal and State Receivables	21,059	116,250					137,309	113,169
Interfund Receivables	82		93,852	5,837			99,771	322,944
Other Receivables	24,011						24,011	18,057
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
<b>Total Assets</b>	<b>9,017,308</b>	<b>608,607</b>	<b>2,328,740</b>	<b>808,004</b>	<b>1,113,435</b>	<b>8,095,999</b>	<b>21,972,093</b>	<b>18,914,932</b>
<b>Other Debits:</b>								
Deferred Charges:								
Deferred Charges to Future Taxation		2,701,393					2,701,393	3,375,763
Fixed Capital					15,108,435		15,108,435	15,015,635
<b>Total Other Debits</b>		<b>2,701,393</b>			<b>15,108,435</b>		<b>17,809,828</b>	<b>18,391,398</b>
<b>Total Assets and Other Debits</b>	<b>\$ 9,017,308</b>	<b>\$ 3,310,000</b>	<b>\$ 2,328,740</b>	<b>\$ 808,004</b>	<b>\$ 16,221,870</b>	<b>\$ 8,095,999</b>	<b>\$ 39,781,921</b>	<b>\$ 37,306,330</b>
<b>LIABILITIES, RESERVES AND FUND BALANCE:</b>								
Appropriation Reserves	\$ 786,557	\$	\$	\$ 330,560	\$	\$	\$ 1,117,117	\$ 957,067
Improvement Authorizations		613,284			739,839		1,353,123	1,418,041
Payroll Deductions And Withholdings			332,145				332,145	233,331
Accounts Payable - Vendors	134,812			27,297			162,109	162,109
Interfund Payables	93,852	82			5,837		99,771	322,944
Reserves for Amortization					13,603,935		13,603,935	13,034,385
Various Liabilities and Reserves	5,291,709	130,169	1,996,595	19,721	181,953	\$ 8,095,999	15,716,146	12,528,155
Serial Bonds, Bond Anticipation Notes and Loans Payable		2,565,792			1,504,500		4,070,292	5,221,412
Reserve for Receivables and Other Assets	146,106			123,963			270,069	326,255
Fund Balance	2,564,272	673		306,463	185,806		3,057,214	3,102,631
<b>Total Liabilities, Reserves and Fund Balances</b>	<b>\$ 9,017,308</b>	<b>\$ 3,310,000</b>	<b>\$ 2,328,740</b>	<b>\$ 808,004</b>	<b>\$ 16,221,870</b>	<b>\$ 8,095,999</b>	<b>\$ 39,781,921</b>	<b>\$ 37,306,330</b>

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, 2017

	Current Fund			Utility Operating Funds		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
<b>REVENUES:</b>						
Fund Balance Anticipated	\$ 1,508,817	\$ 1,508,817		\$ 451,292	\$ 451,292	
Sewer Rents				1,516,215	1,589,175	\$ 72,960
Miscellaneous Revenue	718,589	834,866	\$ 116,277	18,000	49,622	31,622
Receipts from Delinquent Taxes	75,000	167,304	92,304			
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	5,916,443	6,527,993	611,550			
Municipal Budget Totals - Revenue	8,218,849	9,038,980	820,131	1,985,507	2,090,089	104,582
Non-budget Revenues		369,646	369,646			
Other Credits to Income		509,741	509,741		181,826	181,826
Taxes Allocated to Schools, County and Open Space	22,075,270	22,075,270				
<b>TOTAL REVENUES</b>	<b>30,294,119</b>	<b>31,993,637</b>	<b>1,699,518</b>	<b>1,985,507</b>	<b>2,271,915</b>	<b>286,408</b>
<b>EXPENDITURES:</b>						
Current:						
General Government	2,435,896	2,335,896	100,000			
Public Safety	2,101,259	2,101,259				
Streets and Roads	1,017,440	1,017,440				
Health and Welfare	102,786	102,786				
Recreation and Education	77,170	77,170				
Deferred Charges and Statutory Expenditures	675,879	675,879		56,234	56,234	
Utility Operating				1,324,932	1,324,932	
Capital	320,000	320,000		75,000	75,000	
Debt Service:						
Principal	676,499	676,499		476,750	476,750	
Interest	80,835	80,833	2	52,591	49,092	3,499
Reserve for Uncollected Taxes	731,085	731,085				
Municipal Budget Totals - Expenditures	8,218,849	8,118,847	100,002	1,985,507	1,982,008	3,499
County Taxes	3,581,574	3,581,574				
Local and Regional School Taxes	18,383,927	18,383,927				
Municipal Open Space Taxes	109,769	109,769				
Other Expenditures		155,735	(155,735)			
<b>TOTAL EXPENDITURES</b>	<b>\$ 30,294,119</b>	<b>30,349,852</b>	<b>(55,733)</b>	<b>\$ 1,985,507</b>	<b>1,982,008</b>	<b>3,499</b>
Excess/(Deficit) of Revenues over Expenditures		1,643,785	\$ 1,643,785		289,907	\$ 289,907
Fund Balances January 1, 2017		2,429,304			467,848	
Less: Utilized as Anticipated Revenue		1,508,817			451,292	
Fund Balances December 31, 2017		\$ 2,564,272			\$ 306,463	

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 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.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
 (Continued)

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

B. Description of Funds (Cont'd)

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 Assets 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".

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.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
 (Continued)

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

C. Basis of Accounting (Cont'd)

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, investments would generally be recorded at fair value, and the Borough's net pension liability and related deferred inflows and outflows would be recorded.

- 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.

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.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)

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

E. Other significant accounting policies include:

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 (Unaudited) - 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 and are not adjusted for dispositions and abandonments. The Utility Fund does not record depreciation.

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. 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.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
 (Continued)

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

GASB 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 credit risk is the risk that in the event of a 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.

Custodial Credit Risk – The Borough's policy with respect to custodial credit risk requires that the Borough ensures that Borough funds are only deposited in financial institutions in which New Jersey municipalities are permitted to invest their funds.

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.

Deposits

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; on deposit, and

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least 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;

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)

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

Investments (Cont'd)

- (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, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
  - (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 section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2017, cash and cash equivalents and investments of the Borough consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Money Market</u>	<u>Investment</u>	<u>Checking Accounts</u>	<u>Total</u>
Current	\$ 230	\$ 4,276,517	\$ 1,256,936	\$ 3,316,459	\$ 8,850,143
General Capital		129,662		362,695	492,357
Trust and Agency		646,889		1,587,999	2,234,888
Utility Operating	100	122,372		555,732	678,204
Utility Capital		947,431		166,004	1,113,435
	<u>\$ 330</u>	<u>\$ 6,122,872</u>	<u>\$ 1,256,936</u>	<u>\$ 5,988,889</u>	<u>\$ 13,369,027</u>

The carrying amount of the Borough's cash and cash equivalents and investments at year end was \$13,369,027 and the bank balance was \$13,414,934. During 2017 the Borough invested funds by purchasing Bond Anticipation Notes from its own Capital Funds. There was an investment of \$1,256,936 from the Current Fund in Bond Anticipation Notes issued by the Borough's General Capital and Sewer Capital Funds at 1.20% interest, due on July 6, 2018.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)

Note 3: Interfunds

The following interfund receivable and payable balances appear on the combined balance sheet as of December 31, 2017:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 82	\$ 93,852
General Capital Fund		82
Other Trust Funds	93,852	
Sewer Utility Operating Fund	5,837	
Sewer Utility Capital Fund		5,837
	<u>\$ 99,771</u>	<u>\$ 99,771</u>

The primary interfund activity for 2017 was due to the prior year interfund being turned over to the Storm Recovery, Compensated Absences and Self Insurance Trust accounts. The remaining balances are due to older monies not yet turned over. In addition, the Borough's operating funds generally transfer Capital Improvement Fund budget appropriations to the respective Capital Fund.

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

	<u>December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 2,565,792	\$ 3,240,162	\$ 3,901,697
Sewer Utility:			
Bonds, Loans and Notes	1,504,500	1,981,250	2,464,000
Total Issued	<u>4,070,292</u>	<u>5,221,412</u>	<u>6,365,697</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	<u>135,601</u>	<u>135,601</u>	<u>135,601</u>
Less: Reserve to Pay Debt Service	<u>29,900</u>	<u>29,900</u>	<u>39,900</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 4,175,993</u>	<u>\$ 5,327,113</u>	<u>\$ 6,461,398</u>



BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)

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

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition, below, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .19%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local and Regional School District Debt	\$ 7,038,209	\$ 7,038,209	
Sewer Utility Debt	1,504,500	1,504,500	
General Debt	2,701,393	29,900	\$2,671,493
	<u>\$11,244,102</u>	<u>\$ 8,572,609</u>	<u>\$2,671,493</u>

Net Debt \$2,671,493 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$1,371,169,631 = .19%.

Borrowing Power Under N.J.S. 40A:2-6 As Amended

3-1/2% Average Equalized Valuation of Real Property	\$ 47,990,937
Net Debt	<u>2,671,493</u>
Remaining Borrowing Power	<u>\$ 45,319,444</u>

Calculation of "Self-Liquidating Purpose", Sewer Utility Per N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 2,090,089
Deductions:	
Operating, Maintenance and Debt Service Costs	<u>1,907,008</u>
Excess in Revenue	<u>\$ 183,081</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

	<u>Balance</u> <u>12/31/2016</u>	<u>Additions</u>	<u>Defeased/ Retirements</u>	<u>Balance</u> <u>12/31/2017</u>
General Capital Fund:				
Serial Bonds	\$ 2,013,000		\$ 378,000	\$ 1,635,000
Bond Anticipation Notes	1,114,670	\$ 1,114,670	1,386,904	842,436
Green Acres Loan	112,492		24,136	88,356
Sewer Utility Capital Fund:				
Serial Bonds	1,342,000		252,000	1,090,000
Bond Anticipation Notes	639,250	414,500	639,250	414,500
Total	<u>\$ 5,221,412</u>	<u>\$ 1,529,170</u>	<u>\$ 2,680,290</u>	<u>\$ 4,070,292</u>

**BOROUGH OF MENDHAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
(Continued)

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

The Borough had the following outstanding debt at December 31, 2017.

Schedule of General Capital Bond Anticipation Notes

<u>Improvement Description</u>	<u>Date of</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2017</u>
	<u>Original Note</u>	<u>Maturity</u>		
Various Improvements	7/12/2013	7/6/2018	1.20%	\$ 827,766
Various Improvements	7/11/2014	7/6/2018	1.20%	14,670
				<u>\$ 842,436</u>

Schedule of Sewer Capital Bond Anticipation Notes

<u>Improvement Description</u>	<u>Original</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2017</u>
	<u>Note</u>	<u>Maturity</u>		
Sanitary Sewer System	7/18/2008	7/6/2018	1.20%	\$ 25,000
Sanitary Sewer System	7/16/2009	7/6/2018	1.20%	389,500
				<u>\$ 414,500</u>

General Capital - Serial Bonds Payable

<u>Improvement Description</u>	<u>Maturities at December 31, 2017</u>				<u>Balance Dec. 31, 2016</u>	<u>Balance Matured</u>	<u>Balance Dec. 31, 2017</u>
	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>			
Bond Refunding of 2015	10/29/15	08/15/18	\$ 387,000	3.0%			
		08/15/19	402,000	2.5%			
		08/15/20	414,000	4.0%			
		08/15/21	432,000	4.0%			
					<u>\$ 2,013,000</u>	<u>\$ 378,000</u>	<u>\$ 1,635,000</u>

Sewer Utility Capital - Serial Bonds Payable

<u>Improvement Description</u>	<u>Maturities at December 31, 2017</u>				<u>Balance Dec. 31, 2016</u>	<u>Balance Matured</u>	<u>Balance Dec. 31, 2017</u>
	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>			
Sewer Bond Refunding of 2015	10/29/15	08/15/18	\$ 258,000	3.0%			
		08/15/19	268,000	2.5%			
		08/15/20	276,000	4.0%			
		08/15/21	288,000	4.0%			
					<u>\$ 1,342,000</u>	<u>\$ 252,000</u>	<u>\$ 1,090,000</u>

BOROUGH OF MENDHAM  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2017  
 (Continued)

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

The Borough had the following outstanding debt at December 31, 2017 (Cont'd):

	Date of Final Maturity	Interest Rate	Balance Dec. 31, 2017
Green Acres Loan	2/18/2021	2.00%	\$ 88,356

Schedule of Annual Debt Service for Principal and Interest for the Next Four  
 Years for Bonded Debt Issued and Outstanding

General Capital:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 387,000	\$ 55,560	\$ 442,560
2019	402,000	43,950	445,950
2020	414,000	33,840	447,840
2021	432,000	17,280	449,280
	<u>\$ 1,635,000</u>	<u>\$ 150,630</u>	<u>\$ 1,785,630</u>

Sewer Utility Capital:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 258,000	\$ 37,040	\$ 295,040
2019	268,000	29,300	297,300
2020	276,000	22,560	298,560
2021	288,000	11,520	299,520
	<u>\$ 1,090,000</u>	<u>\$ 100,420</u>	<u>\$ 1,190,420</u>

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$5,417,515 at December 31, 2016. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$7,117,076 at December 31, 2016. See Note 5 for further information on the PERS and PFRS.

Note 5: Pension Plans

Substantially all of the Borough's employees participate in one of two contributory, defined benefit public employee retirement systems, Police and Firemen's Retirement System (PFRS) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a).

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
 (Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members enrolled prior to July 1, 2007
2	Members eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions (Cont'd)

employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$149,816 for 2017.

The employee contribution rate was 7.20% effective July 1, 2016 and increased to 7.34% effective July 1, 2017. Subsequent 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.

Pension Liabilities and Pension Expense

At December 31, 2016, the Borough's liability was \$5,417,515 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the Borough's proportion was 0.018%, which was a decrease of 0.001% from its proportion measured as of June 30, 2015. The Borough has rolled forward the net pension liability to December 31, 2016 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS) valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2016 pension information in the Notes to the Financial Statements as the June 30, 2017 pension information has not been released as of the date of this audit.

For the year ended December 31, 2017, the Borough recognized actual pension expense in the amount of \$149,816.

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2016 are summarized in the following table:

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017  
(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Borough's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Borough's proportionate share of the collective net pension liability as of December 31, 2016 calculated using the discount rate as disclosed below, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017  
(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

	December 31, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Borough's proportionate share of the Net Pension Liability	\$ 6,638,533	\$ 5,417,515	\$ 4,409,460

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Police and Firemen's Retirement System (PFRS)

Plan Description

The State of New Jersey, State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service. The following represents the membership tiers for PFRS:

Tier	Definition
1	Members enrolled prior to May 22, 2010
2	Members eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.



BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017  
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual amounts over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

Borough contributions to PFRS amounted to \$303,773 for the year ended December 31, 2017. During the fiscal year ended June 30, 2016, the State of New Jersey contributed \$69,025 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$76,335.

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. The June 30, 2016 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense for the fiscal year ended June 30, 2016 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2016. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017  
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen’s Retirement System (PFRS) (Cont’d)

Pension Liabilities and Pension Expense

At December 31, 2016, the Borough’s liability for its proportionate share of the net pension liability was \$7,117,076. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the Borough's proportion was 0.037%, which was a decrease of 0.003% from its proportion measured as of June 30, 2015. The Borough has rolled forward the net pension liability to December 31, 2016 with no adjustments. The State of New Jersey Police and Firemen’s Retirement System (PFRS)’ valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2016 pension information in the Notes to the Financial Statements as the June 30, 2017 pension information has not been released as of the date of this audit.

Additionally, the State’s proportionate share of the net pension liability attributable to the Borough is \$597,658 as of June 30, 2016. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The State's proportionate share of the net pension liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the State's proportion was 0.037%, which was a decrease of 0.003% from its proportion measured as of June 30, 2015 which is the same proportion as the Borough’s. The Borough has rolled forward the net pension liability to December 31, 2016 with no adjustments. The State of New Jersey Police and Firemen’s Retirement System (PFRS)’ valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation.

Borough's Proportionate Share of the Net Pension Liability	\$ 7,117,076
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>597,658</u>
Total Net Pension Liability	<u>\$ 7,714,734</u>

For the year ended December 31, 2017, the Borough recognized pension expense of \$303,773.

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017  
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Actuarial Assumptions (Cont'd)

Inflation Rate	3.08%
Salary Increases:	
Through 2026	2.10% - 8.98% based on age
Thereafter	3.10% - 9.98% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Pre-retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability retirement rates were based on the special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2016 are summarized in the following table:

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017

(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017  
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen’s Retirement System (PFRS) (Cont’d)

Sensitivity of the Total Net Pension Liability (including the State’s proportionate share of the net pension liability attributable to the Borough) to Changes in the Discount Rate

The following presents the total net pension liability (including the State’s proportionate share of the net pension liability attributable to the Borough) as of December 31, 2016 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	December 31, 2016		
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
Borough's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Borough	\$ 9,947,584	\$ 7,714,734	\$ 5,893,980

Pension Plan Fiduciary Net Position - PFRS

Detailed information about the PFRS's fiduciary net position is available in the separately issued PFRS financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. 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.

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

Employers are required to contribute at an actuarially determined rate. 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.

For DCRP, the Borough had no employees covered during 2017 and did not recognize pension expense for 2017. There were also no employee contributions to DCRP for 2017.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017  
 (Continued)

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:

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.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)

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

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 2017 the Borough had nine retirees who met the eligibility requirements and recognized expenditures in the amount of \$90,436.44.

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.

	2017	2016	2015
<u>Tax Rate</u>	\$ 2.183	\$ 2.117	\$ 2.070
<u>Apportionment of Tax Rate</u>			
Municipal	.461	.453	.444
County	.280	.274	.274
Local School	.862	.836	.810
Regional High School	.572	.546	.534
Municipal Open Space	.008	.008	.008
<u>Assessed Valuations</u>			
2017	\$ 1,282,412,388		
2016		\$ 1,283,106,098	
2015			\$ 1,283,810,435

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(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>
2017	\$ 28,042,759	\$ 27,872,178	99.39%
2016	27,195,334	27,025,833	99.37%
2015	26,604,349	26,359,672	99.08%

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, 2017  
(Continued)

Note 9: Risk Management (Cont'd)

The December 31, 2017 audit report of the Morris County Municipal Joint Insurance Fund is not filed as of the date of this audit. Selected, summarized, financial information for the Fund at December 31, 2016 is as follows:

Total Assets	<u>\$ 27,753,863</u>
Net Position	<u>\$ 12,178,035</u>
Total Revenue	<u>\$ 19,261,910</u>
Total Expenses	<u>\$ 15,715,706</u>
Change in Net Position	<u>\$ 3,546,204</u>
Member Dividends	<u>\$ -0-</u>

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</u> <u>Year</u>	<u>Borough</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Interest</u> <u>Earned</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending Balance</u>
2017	\$ 8,000	\$ 4,594	\$ 44	\$ 7,170	\$ 32,652
2016	8,000	4,237	37	5,795	27,184
2015	8,000	4,040	25	5,863	20,705

Note 10: Fund Balances Appropriated

Fund balances as December 31, 2017, which have been appropriated and included as anticipated revenue for the year ending December 31, 2018 are \$1,627,630 for the Current Fund and \$156,542 for the Sewer Utility Operating Fund.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)

Note 11: Fixed Assets (Unaudited)

The following schedule is a summarization of general fixed assets for the year ended December 31, 2017:

	Balance Dec. 31, 2016	Additions	Balance Dec. 31, 2017
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, 2017 in the amount of \$430,421. 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, 2017.

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 \$333 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.

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 associated reserve was cancelled during 2017.

BOROUGH OF MENDHAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
 (Continued)

Note 14: Other Reserves

Reserves on the balance sheet of the Current Fund at December 31, 2017, consisted of the following:

Litigation	\$	430,421
Unappropriated Reserves		70,650
Master Plan		2,541
Sale of Municipal Assets		337,757
Revaluation		11,319
Pending Tax Appeals		485,225
		485,225
	\$	1,337,913

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 Reserve at December 31, 2017 was \$565,898.

**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  
2017  
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.

MENDHAM BOROUGH  
CURRENT FUND  
COMPARATIVE BALANCE SHEET

	December 31,	
	2017	2016
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 7,592,977	\$ 5,337,191
Investments	1,256,936	
Change Fund	230	230
	<u>8,850,143</u>	<u>5,337,421</u>
Due from State of New Jersey:		
Veterans and Senior Citizens Deductions	21,059	20,669
	<u>8,871,202</u>	<u>5,358,090</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	119,113	169,452
Tax Title Liens Receivable	20,724	15,233
Property Acquired for Taxes - Assessed Valuation	2,900	2,900
Revenue Accounts Receivable	3,287	2,824
Interfund Receivable	82	72
	<u>146,106</u>	<u>190,481</u>
Total Receivables and Other Assets with Full Reserves	146,106	190,481
<b>TOTAL ASSETS</b>	<u><u>\$ 9,017,308</u></u>	<u><u>\$ 5,548,571</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Appropriation Reserves:		
Encumbered	\$ 77,338	\$ 47,605
Unencumbered	709,218	645,115
Total Appropriation Reserves	<u>786,556</u>	<u>692,720</u>
Prepaid Taxes	3,939,077	230,747
Tax Overpayments	8,615	3,118
Accounts Payable - Vendors	134,812	134,812
Other Liabilities	6,104	6,103
Interfund Payable	93,852	317,372
Other Reserves	1,337,913	1,543,914
	<u>6,306,930</u>	<u>2,928,786</u>
Reserve for Receivables and Other Assets	146,106	190,481
Fund Balance	<u>2,564,272</u>	<u>2,429,304</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>	<u><u>\$ 9,017,308</u></u>	<u><u>\$ 5,548,571</u></u>

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

<u>Revenue and Other Income Realized</u>	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Fund Balance Utilized	\$ 1,508,817	\$ 1,517,024
Miscellaneous Revenue Anticipated	834,866	1,032,109
Receipts from:		
Delinquent Taxes	167,304	209,055
Current Taxes	27,872,178	27,025,833
Nonbudget Revenue	369,646	369,104
Other Credits to Income:		
Cancellation of Reserve Balance- Sale of Water Utility	176,421	
Unexpended Balance of Appropriation Reserves	333,249	418,121
Other Credits	72	87
Total Income	<u>31,262,554</u>	<u>30,571,333</u>
 <u>Expenditures</u>		
Budget Appropriations - Municipal Purposes	7,387,763	7,380,838
County Taxes	3,581,574	3,502,567
Local School District Taxes	11,049,948	10,725,880
Regional School Taxes	7,333,979	7,006,146
Municipal Open Space Tax	109,769	109,594
Other Debits	155,735	280,072
Total Expenditures	<u>29,618,768</u>	<u>29,005,097</u>
 Excess in Revenue	 1,643,785	 1,566,236
 <u>Fund Balance</u>		
Balance January 1	<u>2,429,304</u>	<u>2,380,092</u>
	4,073,089	3,946,328
Decreased by:		
Utilized as Anticipated Revenue	<u>1,508,817</u>	<u>1,517,024</u>
 Balance December 31	 <u>\$ 2,564,272</u>	 <u>\$ 2,429,304</u>

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2017

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 1,508,817		\$ 1,508,817	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	6,300		6,300	
Interest and Costs on Taxes	41,000		43,378	\$ 2,378
Interest on Investments and Deposits	10,000		10,849	849
Energy Receipts Tax	501,147		501,147	
Uniform Construction Code Fees	121,500		234,468	112,968
Public and Private Revenue				
Offset with Appropriations:				
Clean Communities Program	9,000	\$ 1,995	10,995	
Body Armor Fund	1,382		1,464	82
Other Trust Fund - Open Space Trust	26,265		26,265	
Total Miscellaneous Revenue	716,594	1,995	834,866	116,277
Receipts from Delinquent Taxes	75,000		167,304	92,304
Amount to be Raised by Taxes for Support of Municipal Budget	5,916,444		6,527,993	611,549
Budget Totals	8,216,855	1,995	9,038,980	\$ 820,130
Nonbudget Revenue			369,646	
	<u>\$ 8,216,855</u>	<u>\$ 1,995</u>	<u>\$ 9,408,626</u>	



MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2017  
(Continued)

Analysis of Realized Revenue

Allocation of Current Tax Collections:		
Collection of Current Taxes	\$	27,872,178
Allocated to:		
School, County, and Open Space Taxes		22,075,270
		<u>5,796,908</u>
Add: Appropriation "Reserve for Uncollected Taxes"		731,085
		<u>731,085</u>
Realized for Support of Municipal Budget	\$	<u>6,527,993</u>

Analysis of Delinquent Tax Collections

Delinquent Taxes	\$	167,304
	\$	<u>167,304</u>

Analysis of Nonbudget Revenue

Revenue Accounts Receivable:		
Fees and Permits	\$	75,085
Clerk		3,015
Police		4,307
Special Duty		14,394
Board of Adjustment		9,600
Planning Board		6,255
Board of Health		10,195
Municipal Court Fines and Costs		33,073
Rents on Borough-Owned Properties		17,640
Cable Television Franchise Fees		80,296
High School Resource Officer Reimbursement		41,780
FEMA Reimbursement		18,574
State of New Jersey-Vet and Senior Citizen 2% Admin Fee		624
Alarm Fees		2,600
Smoke Detector		6,750
Miscellaneous		45,458
	\$	<u>369,646</u>

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2017

	Appropriations		Budget After Modification	Expended By		Un- expended Balance Cancelled
	Budget			Paid or Charged	Reserved	
Operations Within "Caps":						
General Government:						
General Administration:						
Salaries and Wages	\$ 220,083	\$	216,583	\$ 177,162	\$	39,421
Other Expenses	44,825		44,825	36,525		8,300
Mayor and Council:						
Salaries and Wages	23,859		23,859	21,500		2,359
Other Expenses	21,590		21,590	19,356		2,234
Municipal Clerk:						
Salaries and Wages	75,696		75,696	67,641		8,055
Financial Administration:						
Salaries and Wages	85,547		85,547	84,950		597
Other Expenses	21,030		21,030	2,859		18,171
Annual Audit	38,000		38,000	9,500		28,500
Computerized Data Processing	29,000		29,000	22,156		6,844
Zoning:						
Salaries and Wages	25,735		27,435	27,045		390
Other Expenses	2,530		2,530	2,530		
Tax Assessment Administration:						
Salaries and Wages	54,586		54,586	54,501		85
Other Expenses	13,000		13,000	8,218		4,782
Revenue Administration (Tax Collection):						
Salaries and Wages	33,951		33,951	29,421		4,530
Other Expenses	7,660		7,660	4,321		3,339
Legal Services and Costs:						
Other Expenses	89,000		89,000	66,860		22,140
Engineering Services and Costs:						
Other Expenses	51,000		51,000	45,953		5,047
Historic Preservation:						
Other Expenses	12,000		9,000	1,647		7,353
Public Buildings and Grounds:						
Other Expenses	71,000		68,000	27,254		40,746

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2017  
(Continued)

	Appropriations		Budget After Modification	Expended By		Un-expended Balance Cancelled
	Budget			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	\$ 32,700	\$	32,700	\$ 9,119	\$	23,581
Board of Adjustment:						
Other Expenses	11,100		11,100	2,962		8,138
Insurance:						
Employee Group Health	664,000		664,000	664,906		9,094
Unemployment Compensation Insurance	7,000		7,000	7,000		
General Liability Insurance	75,930		75,930	73,835		2,095
Workmen's Compensation Insurance	72,953		72,953	72,953		
Public Safety:						
Police:						
Salaries and Wages	1,482,583		1,482,583	1,402,085		80,498
Other Expenses	106,000		106,000	113,835		2,165
Contractual Radio Dispatch	118,045		118,045	118,045		
Emergency Management Services	8,700		8,700	4,784		3,916
Fire - Other Expenses	9,060		9,060	9,060		
Aid to Volunteer Fire Company	90,000		90,000	86,456		3,544
Aid to Volunteer Ambulance Company	28,000		31,000	28,591		2,409
Fire:						
Salaries and Wages	21,794		25,294	22,208		3,086
Other Expenses	112,200		112,200	101,307		10,893
Municipal Prosecutor:						
Other Expenses - Fees	14,000		14,000			14,000
Municipal Court:						
Other Expenses	80,000		80,000	75,838		4,162
Public Defender - Other Expenses	2,000		2,000	400		1,600
Streets and Roads:						
Road Repairs and Maintenance:						
Salaries and Wages	590,480		585,480	504,002		81,478
Other Expenses	172,500		172,500	120,212		52,288

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2017  
(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	22,000	22,000	7,424	\$ 14,576	
Kelley Act - Mendham Commons	7,000	7,000	2,098	4,902	
Landfill/Solid Waste Disposal Costs:					
Salaries and Wages	13,260	18,260	13,083	5,177	
Other Expenses	207,300	207,300	184,051	23,249	
Other Expenses - Monitor Well Testing	4,900	4,900	3,980	920	
Health and Welfare:					
Board of Health:					
Salaries and Wages	4,149	4,149	4,068	81	
Other Expenses - Miscellaneous	51,623	51,623	51,118	505	
Visiting Nurse	5,675	5,675	5,675		
Environmental Commission:					
Other Expenses	2,620	2,620	600	2,020	
Animal Control:					
Other Expenses	15,000	15,000	7,522	7,478	
Contributions to Social Service Agency:					
MASH Van	20,720	23,720	21,949	1,771	
Recreation and Education:					
Recreation:					
Salaries and Wages	19,820	19,820	18,150	1,670	
Other Expenses	30,350	30,350	24,153	6,197	
Parks and Playgrounds:					
Other Expenses	27,000	27,000	18,925	8,075	
Construction Code Official:					
Salaries and Wages	105,296	103,596	97,180	6,416	
Other Expenses	7,825	7,825	4,320	3,505	
Special Project	21,500	21,500	15,269	6,231	

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2017  
(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	174,000	174,000	\$ 149,694	\$ 24,306	
Total Operations Within "CAPS"	5,469,175	5,469,175	4,746,256	622,919	100,000
Contingency	2,000	2,000	1,547	453	
Total Operations Including Contingent Within "CAPS"	5,471,175	5,471,175	4,747,803	623,372	100,000
Detail:					
Salaries and Wages	2,866,839	2,856,839	2,522,996	233,843	100,000
Other Expenses	2,604,336	2,614,336	2,224,807	389,529	
Deferred Charges and Statutory Expenditures-					
Municipal Within "CAPS":					
Contributions to PERS	150,345	150,345	149,816	529	
Contributions to Social Security System (O.A.S.I.)	218,000	218,000	195,178	22,822	
Contributions to PFRS	306,034	306,034	306,034		
Defined Contribution Retirement Plan	1,500	1,500		1,500	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	675,879	675,879	651,028	24,851	
Total General Appropriations for Municipal Purposes Within "CAPS"	6,147,054	6,147,054	5,398,831	648,223	100,000

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2017  
(Continued)

	Appropriations		Paid or Charged	Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification		Reserved		
Operations Excluded from "CAPS"						
Aid to Library	\$ 201,000	\$ 201,000	\$ 201,000			
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 +\$1,995)	9,000	10,995		10,995		
Body Armor Fund	1,382	1,382	1,382			
Total Operations Excluded from "CAPS"	261,382	263,377	202,382	60,995		
Detail:						
Other Expenses	261,382	263,377	202,382	60,995		
Capital Improvements-Excluded from "CAPS":						
Capital Improvement Fund	320,000	320,000	320,000			
Total Capital Improvements Excluded from "CAPS"	320,000	320,000	320,000			
Municipal Debt Service Excluded from "CAPS":						
Payment of Bond Principal	378,000	378,000	378,000			
Payment of Bond Anticipation Notes	272,234	272,234	272,234			
Interest on Bonds	66,900	66,900	66,900			
Interest on Notes	13,935	13,935	13,935			
Green Trust Loan Program - Principal and Interest	26,265	26,265	26,265			
Total Municipal Debt Service Excluded from "CAPS"	757,334	757,334	757,332			2

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2017  
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
Budget	Budget After Modification	Paid or Charged	Reserved		
\$ 1,338,716	\$ 1,340,711	\$ 1,279,714	\$ 60,995	\$ 2	
7,485,770	7,487,765	6,678,545	709,218	100,002	
731,085	731,085	731,085			
\$ 8,216,855	\$ 8,218,850	\$ 7,409,630	\$ 709,218	\$ 100,002	
Total General Appropriations Excluded from "CAPS"					
Subtotal General Appropriations					
Reserve for Uncollected Taxes					
Total General Appropriations					

MENDHAM BOROUGH  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2017  
(Continued)

	<u>Analysis of Budget After Modification</u>	<u>Analysis of Paid or Charged</u>
Cash Disbursed		\$ 6,798,638
Reserve for Uncollected Taxes		731,085
Outstanding Encumbrances		77,338
Adopted Budget	\$ 8,216,855	
Adopted by NJSA 40A:4-87	1,995	
	<u>8,218,850</u>	<u>7,607,061</u>
Less: Appropriation Refunds		197,431
	<u>\$ 8,218,850</u>	<u>\$ 7,409,630</u>



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

Year	Balance		2017 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Trans- ferred to Tax Title Liens	Balance Dec. 31, 2017
	Dec. 31, 2016	2016		2016	2017				
2016	\$ 169,452	\$ 230,747	\$ 28,042,759	\$ 167,554	\$ (250)	\$ 2,148		\$ 119,113	
2017	\$ 169,452	\$ 230,747	\$ 28,042,759	\$ 27,609,583	\$ 31,848	\$ 48,503	\$ 2,965	\$ 119,113	
	\$ 169,452	\$ 230,747	\$ 28,042,759	\$ 27,777,137	\$ 31,598	\$ 50,651	\$ 2,965	\$ 119,113	

Analysis of 2017 Property Tax Levy

<u>Tax Yield:</u>	
General Purpose Tax	\$ 27,952,721
Business Personal Property Taxes	42,341
Added and Omitted Taxes	47,697
	\$ 28,042,759
<u>Tax Levy:</u>	
Regional High School Taxes	7,333,979
Local School District Taxes	11,049,948
County Taxes	3,575,452
Due County for Added and Omitted Taxes	6,122
Municipal Open Space Tax	3,581,574
	109,769
	22,075,270
Local Tax for Municipal Purposes Levied	5,916,444
Add: Additional Tax Levied	51,045
	5,967,489
	\$ 28,042,759

MENDHAM BOROUGH  
CURRENT FUND  
SCHEDULE OF 2016 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2017

	Balance Dec. 31, 2016	Balance After Modi- fication	Paid or Charged	Balance Lapsed
General Administration:				
Salaries and Wages	\$ 26,726	\$ 11,726		\$ 11,726
Other Expenses	5,882	5,882	\$ 2,969	2,913
Mayor and Council:				
Salaries and Wages	2,359	2,359		2,359
Other Expenses	2,193	2,193	858	1,335
Municipal Clerk:				
Salaries and Wages	7,912	912		912
Annual Audit	35,000	35,000	25,515	9,485
Computerized Data Processing	10,799	10,799	1,195	9,604
Financial Administration:				
Salaries and Wages	585	585		585
Other Expenses	16,396	16,396	25	16,371
Zoning:				
Salaries and Wages	10,376	10,376	910	9,466
Other Expenses	93	93	93	
Assessment of Taxes:				
Salaries and Wages	84	84		84
Other Expenses	2,237	2,237	668	1,569
Collection of Taxes:				
Salaries and Wages	2,605	2,605	1,097	1,508
Other Expenses	3,619	3,619	1,253	2,366
Legal Services and Costs	1,307	4,807	4,319	488
Engineering Services and Costs:				
Other Expenses	10,718	10,718	7,628	3,090
Historic Preservation:				
Other Expenses	4,332	4,332	595	3,737
Public Buildings and Grounds:				
Other Expenses	17,930	12,930	3,097	9,833
Municipal Land Use Law (N.J.S.A. 40:55D-1):				
Planning Board:				
Other Expenses	10,495	9,995	874	9,121
Board of Adjustment:				
Other Expenses	5,644	5,644	188	5,456
Insurance:				
Employee Group Health	8,465	8,465		8,465
General Liability Insurance	1	1		1
Aid to Volunteer Ambulance Company	11,551	11,551	3,687	7,864
Fire:				
Salaries and Wages	2,964	2,964	635	2,329
Other Expenses	12,089	12,089	9,193	2,896
Police:				
Salaries and Wages	38,931	22,931	11,767	11,164
Other Expenses	10,674	13,674	12,190	1,484
Municipal Court:				
Other Expenses	7,376	7,376		7,376
Office of Emergency Management:				
Other Expenses	159	159		159
Municipal Prosecutor	14,000	14,000		14,000
Public Defender				
Other Expenses	1,400	1,400		1,400

BOROUGH OF MENDHAM  
CURRENT FUND  
SCHEDULE OF 2016 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2017  
(Continued)

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Balance</u> <u>After Modi-</u> <u>fication</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Roads Repairs and Maintenance:				
Salaries and Wages	\$ 84,609	\$ 24,609	\$ 5,518	\$ 19,091
Other Expenses	78,383	77,383	27,662	49,721
Board of Health:				
Salaries and Wages	80	80		80
Other Expenses	382	382		382
Kelley Act - Mendham Commons	4,526	4,526	3,340	1,186
Animal Control:				
Other Expenses	10,954	10,954	4,676	6,278
Landfill/Solid Waste Disposal:				
Salaries and Wages	1,535	1,535	680	855
Other Expenses	29,959	16,959	5,836	11,123
Other Expenses - Monitor Well Testing	1,369	1,369		1,369
Environmental Commission:				
Other Expenses	1,683	1,683		1,683
Parks and Playgrounds:				
Other Expenses	4,182	4,182	177	4,005
Contributions to Social Services Agency:				
MASH Van	1,421	1,421	1,403	18
Recreation:				
Salaries and Wages	1,681	1,681		1,681
Other Expenses	3,413	3,413	255	3,158
Shade Tree:				
Other Expenses	6,255	6,255		6,255
State Uniform Construction Code:				
Salaries and Wages	7,496	7,496	450	7,046
Special Project	46,450	46,450	41,752	4,698
Fire Official:				
Other Expenses	1,857	2,857	2,471	386
Utilities	48,718	48,718	32,101	16,617
Contingent	397	397	397	
Contribution to:				
Public Employees Retirement System	1,431	5,431		5,431
Social Security System (O.A.S.I.)	9,118	9,118	236	8,882
Police and Firemen's Retirement System of NJ		4,000		4,000
Defined Contribution Retirement Plan	1	2,001		2,001
Length of Service Award Program	50,000	50,000	36,250	13,750

BOROUGH OF MENDHAM  
CURRENT FUND  
SCHEDULE OF 2016 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2017  
(Continued)

	Balance Dec. 31, 2016	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Capital Improvement Fund		\$ 100,000	\$ 100,000	
Public and Private Programs Offset by Revenue:				
Clean Communities Grant	\$ 11,467	11,467	7,190	\$ 4,277
Body Armor Fund	321	321	321	
Morris Area Freewheelers Foundation	130	130		130
	<u>\$ 692,720</u>	<u>\$ 692,720</u>	<u>\$ 359,471</u>	<u>\$ 333,249</u>
<u>Analysis of Beginning Balance/Paid or Charged:</u>				
Unencumbered	\$ 645,115			
Encumbered	47,605			
Cash Disbursed			<u>\$ 359,471</u>	
	<u>\$ 692,720</u>		<u>\$ 359,471</u>	

BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2017  
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

<u>ASSETS</u>	December 31,	
	2017	2016
Cash and Cash Equivalents	\$ 492,357	\$ 539,767
State Grants Receivable	116,250	92,500
Deferred Charges to Future Taxation:		
Funded	1,723,356	2,125,492
Unfunded	978,037	1,250,271
<b>TOTAL ASSETS</b>	<b>\$ 3,310,000</b>	<b>\$ 4,008,030</b>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 1,635,000	\$ 2,013,000
Bond Anticipation Notes Payable	842,436	1,114,670
Green Acres Loan Payable	88,356	112,492
Improvement Authorizations:		
Funded	505,403	491,870
Unfunded	107,881	108,262
Due to Current Fund	82	72
Reserve For:		
Purchase of Fire Truck	70,000	70,000
Payment of Debt Service	29,900	29,900
Improvements	90	90
Capital Improvement Fund	30,179	48,001
Fund Balance	673	19,673
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>	<b>\$ 3,310,000</b>	<b>\$ 4,008,030</b>

BOROUGH OF MENDHAM  
GENERAL CAPITAL FUND  
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2016	Receipts		Disbursements		Transfers		Balance/ (Deficit) Dec. 31, 2017
		Budget Appropriation	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 19,673							\$ 673
Capital Improvement Fund	48,001	\$ 420,000				19,000		30,179
Due To/(From) Current Fund	72	\$	810	\$	800	437,822		82
State Grant Receivable	(92,500)		221,250			245,000		(116,250)
Reserve for Purchase of Fire Truck	70,000							70,000
Reserve to Pay Debt Service	29,900							29,900
Reserve for Improvements	90							90
<u>Improvement Authorizations:</u>								
No.	Improvement Description							
06-06	Various Improvements							381
03-11	Various Improvements							3,822
10-12	Road Improvements							12,105
11-12	Road Improvements							22,803
13-12	Various Improvements							(27,720)
04-14	Various Improvements					36,279		36,279
05-15	Various Improvements							59,252
07-16	Improvement of Talmage Road and Orchard Street			\$ 161,256				78,316
10-16	Various Improvements			65,481				52,556
06-17	Various Improvements			461,933			\$ 738,101	276,168
		\$ 420,000	\$ 222,060	\$ 688,670	\$ 800	\$ 738,101	\$ 738,101	\$ 492,357

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

Ord. No.	Improvement Description	Analysis of Balance at December 31, 2017				Unexpended Improvement Authorizations
		Balance Dec. 31, 2016	Notes Paid By Budget Appropriation	Balance Dec. 31, 2017	Financed by Bond Anticipation Notes	
9-02	Various Improvements	\$ 49,170	\$	\$ 49,170	\$	\$ 49,170
17-04	Various Improvements	16,431		16,431		16,431
13-12	Various Improvements	1,184,670	\$ 272,234	912,436	\$ 842,436	42,280
		<u>\$ 1,250,271</u>	<u>\$ 272,234</u>	<u>\$ 978,037</u>	<u>\$ 842,436</u>	<u>\$ 107,881</u>



BOROUGH OF MENDHAM  
GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2016		2017 Authorizations			Balance Dec. 31, 2017		
				Funded	Unfunded	Capital Improvement Fund	Other Financing Sources	Paid or Charged	Cancelled	Funded	Unfunded
9-02	Firefighter Equipment	08/19/02	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	
03-11	Various Improvements	06/06/11	277,325	\$ 3,822						3,822	
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		42,280						42,280
04-14	Various Improvements	05/19/14	165,000	36,279							
05-15	Various Improvements	06/15/15	678,000	59,252					\$ 36,279	59,252	
07-16	Improvement of Talmage Road and Orchard Street	06/20/16	600,000	239,572							
10-16	Various Improvements	06/20/16	217,000	118,037				\$ 161,256		78,316	
06-17	Various Improvements	03/30/17	738,100					65,481		52,556	
						\$ 437,822	\$ 300,278	461,932		276,168	
				\$ 491,870	\$ 108,262	\$ 437,822	\$ 300,278	\$ 688,669	\$ 36,279	\$ 505,403	\$ 107,881
				State of New Jersey - Grants Receivable			\$ 245,000				
				Fund Balance - Capital Surplus			19,000				
				Reserve for Improvements			36,278				
							\$ 300,278				

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

Balance December 31, 2016	\$	112,492
Less: Principal matured		24,136
Balance December 31, 2017	\$	88,356

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

Due	Principal	Interest	Loan Balance
			\$ 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	
	\$ 88,356	\$ 4,575	

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

Ord. No.	Improvement Description	Original Amount Issued	Date of		Maturity	Interest Rate	Balance Dec. 31, 2016	Issued	Matured	Balance Dec. 31, 2017
			Issue	Original Note						
13-12	Various Improvements	\$ 1,187,436	07/08/16	07/12/13	07/07/17	1.25%	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 827,766
			07/07/17		07/06/18	1.20%		\$ 827,766		\$ 827,766
13-12	Various Improvements	147,234	07/08/16	07/11/14	07/07/17	1.25%	14,670	14,670	14,670	14,670
			07/07/17		07/06/18	1.20%		14,670		14,670
							\$ 1,114,670	\$ 1,114,670	\$ 1,114,670	\$ 842,436
								\$ 842,436	\$ 842,436	\$ 842,436
									272,234	
									\$ 1,114,670	\$ 1,114,670

Renewals  
Funded by Budget Appropriation

BOROUGH OF MENDHAM  
GENERAL CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE

Improvement Description	Date of Issue	Maturities - December 31, 2017			Interest Rate	Balance Dec. 31, 2016	Matured	Balance Dec. 31, 2017
		Date of Maturity	Amount					
General Refunding Bonds of 2015	10/29/2015	08/15/2018	\$ 387,000		3.000%	\$ 2,013,000	\$ 378,000	\$ 1,635,000
		08/15/2019	402,000		2.515%			
		08/15/2020	414,000		4.000%			
		08/15/2021	432,000		4.000%			
						\$ 2,013,000	\$ 378,000	\$ 1,635,000
						\$ 2,013,000	\$ 378,000	\$ 1,635,000

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

Ord. No.	Improvement Description	Balance Dec. 31, 2016	Balance Dec. 31, 2017
4-02/ 9-02	Various Improvements	\$ 49,170	\$ 49,170
17-04	Various Improvements	16,431	16,431
13-12	Various Improvements	<u>70,000</u>	<u>70,000</u>
		<u>\$ 135,601</u>	<u>\$ 135,601</u>

BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2017  
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, 2017  
 (With Comparative Totals for 2016)

	Animal Control Fund	Other Trust Fund	Public Assistance Fund	Payroll Fund	Totals
					2017      2016
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 4,293	\$ 1,887,518	\$ 10,932	\$ 332,145	\$ 2,234,888
Interfunds Receivable		93,852			317,372
		<u>1,981,370</u>			
<b>TOTAL ASSETS</b>	<u>\$ 4,293</u>	<u>\$ 1,981,370</u>	<u>\$ 10,932</u>	<u>\$ 332,145</u>	<u>\$ 2,511,856</u>
<b>LIABILITIES AND RESERVES</b>					
Due to State of New Jersey Board of Health	\$ 15				15
Payroll Deductions and Withholdings				\$ 332,145	\$ 233,331
Reserve for Animal Control Fund Expenditures	4,278				4,011
Reserve for Other Trust Funds		\$ 1,981,370			2,263,582
Reserve for Public Assistance			\$ 10,932		10,932
				<u>1,981,370</u>	
				<u>10,932</u>	
<b>TOTAL LIABILITIES AND RESERVES</b>	<u>\$ 4,293</u>	<u>\$ 1,981,370</u>	<u>\$ 10,932</u>	<u>\$ 332,145</u>	<u>\$ 2,511,856</u>

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

Balance December 31, 2016	\$	4,011
Increased by:		
License Fees Collected		5,823
		9,834
Decreased by:		
Expenditures Under R.S.4:19-15.11		5,556
		5,556
Balance December 31, 2017	\$	4,278

License Fees Collected

<u>Year</u>	<u>Amount</u>
2015	\$ 5,742
2016	5,704
	11,446
Maximum Allowable Reserve	\$ 11,446



BOROUGH OF MENDHAM  
TRUST FUNDS  
SCHEDULE OF OTHER TRUST RESERVES

	Balance Dec. 31, 2016	Receipts	Disbursements	Balance Dec. 31, 2017
Reserve for:				
Special Deposits	\$ 256,864	\$ 45,378	\$ 27,472	\$ 274,770
Special Engineering Deposits	55,358	55,245	36,087	74,516
Andrew Fletcher Trust Fund	172,243			172,243
State Unemployment Trust Fund	27,184	12,638	7,170	32,652
Phoenix House Trust	3,288			3,288
Parking Offenses Adjudication Act	2,435	1,358		3,793
Police Forfeiture Assets	9,818	15		9,833
Police Special Duty	49,017	94,506	113,814	29,709
Recreation Fund	49,208	68,090	65,816	51,482
Recycling Tonnage Fund	156,509	17,414		173,923
Landfill Closure Escrow	1,057		724	333
Open Space	821,850	110,948	366,900	565,898
Housing Trust	165,889	12,896	4,971	173,814
Other Trust Funds	93,862	99,974	131,719	62,117
Storm Recovery	159,000	39,000		198,000
Compensated Absences	160,000		85,000	75,000
Self Insurance	80,000			80,000
Total	<u>\$ 2,263,582</u>	<u>\$ 557,461</u>	<u>\$ 839,673</u>	<u>\$ 1,981,370</u>

BOROUGH OF MENDHAM  
TRUST FUNDS  
SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

Balance December 31, 2016	\$ 10,932
Increased by Receipts:	
Interest	16
	<hr/> 10,948
Decreased by Disbursements:	
Due to Current Fund	16
	<hr/> 16
Balance December 31, 2017	<u>\$ 10,932</u>

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

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 233,331	\$ 5,020,722	\$ 4,921,908	\$ 332,145
TOTAL ASSETS	<u>\$ 233,331</u>	<u>\$ 5,020,722</u>	<u>\$ 4,921,908</u>	<u>\$ 332,145</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 233,331	\$ 5,020,722	\$ 4,921,908	\$ 332,145
TOTAL LIABILITIES	<u>\$ 233,331</u>	<u>\$ 5,020,722</u>	<u>\$ 4,921,908</u>	<u>\$ 332,145</u>

BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2017  
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,	
	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 678,104	\$ 775,897
Change Fund	100	100
	<u>678,204</u>	<u>775,997</u>
Due from Sewer Utility Capital Fund	5,837	5,500
Receivables with Full Reserves:		
Consumer Accounts Receivable	<u>123,963</u>	<u>135,774</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 808,004</u></b>	<b><u>\$ 917,271</u></b>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Liabilities:		
Appropriation Reserves:		
Unencumbered	\$ 286,019	\$ 244,526
Encumbered	44,541	19,821
Total Appropriation Reserves	<u>330,560</u>	<u>264,347</u>
Accounts Payable - Vendors	27,297	27,297
Accrued Interest on Bonds and Notes	17,238	20,737
Sewer Rent Overpayments	<u>2,483</u>	<u>1,268</u>
	377,578	313,649
Reserve for Receivables	123,963	135,774
Fund Balance	<u>306,463</u>	<u>467,848</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>	<b><u>\$ 808,004</u></b>	<b><u>\$ 917,271</u></b>

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

	Sewer Utility Operating Fund	
	Year Ended December 31,	
	<u>2017</u>	<u>2016</u>
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 451,292	\$ 399,607
Sewer Fees and Charges	1,589,175	1,561,543
Miscellaneous Revenue	49,622	22,822
Other Credits to Income:		
Unexpended Balance of Appropriation		
Reserves	181,826	142,441
Total Income	<u>2,271,915</u>	<u>2,126,413</u>
<u>Expenditures</u>		
Budget Expenditures:		
Operating	1,324,932	1,295,200
Capital Improvements	75,000	25,000
Debt Service	525,842	539,757
Statutory Expenditures	56,234	55,449
Total Expenditures	<u>1,982,008</u>	<u>1,915,406</u>
Excess in Revenue	289,907	211,007
Balance January 1	467,848	656,448
	<u>757,755</u>	<u>867,455</u>
Decreased by:		
Utilized as Anticipated Revenue	451,292	399,607
Balance December 31	<u>\$ 306,463</u>	<u>\$ 467,848</u>

BOROUGH OF MENDHAM  
UTILITY OPERATING FUNDS  
STATEMENT OF REVENUES  
YEAR ENDED DECEMBER 31, 2017

	Sewer Utility Operating Fund	
	Anticipated	Realized
Fund Balance Anticipated	\$ 451,292	\$ 451,292
Sewer Fees and Charges	1,516,215	1,589,175
Miscellaneous Revenue	18,000	49,622
	\$ 1,985,507	\$ 2,090,089

Analysis of Miscellaneous Revenue:

Interest on Investments	\$ 2,536
Interest Due From Sewer Capital	337
Sewer Inspection Fees	5,600
Delinquent Payment Penalties	8,390
Miscellaneous	5,920
Sewer Allocation	26,839
	\$ 49,622

Analysis of Sewer Fees and Charges:

Cash Collected and Overpayments Applied	\$ 1,589,175
	\$ 1,589,175

BOROUGH OF MENDHAM  
UTILITY OPERATING FUNDS  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2017

	Sewer Utility Operating Fund				Unex- pended Balance Cancelled
	Appropriations		Expended by		
	Budget	Budget After Modi- fication	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	\$ 496,187	\$ 496,187	\$ 428,772	\$ 67,415	
Other Expenses	828,745	828,745	615,228	213,517	
Total Operating	<u>1,324,932</u>	<u>1,324,932</u>	<u>1,044,000</u>	<u>280,932</u>	
Capital Improvements:					
Capital Improvement Fund	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>		
Debt Service:					
Payment of Bond Principal	252,000	252,000	252,000		
Payment of Bond Anticipation Notes	224,750	224,750	224,750		
Interest on Bonds	44,600	44,600	41,742		\$ 2,858
Interest on Notes	7,991	7,991	7,350		641
Total Debt Service	<u>529,341</u>	<u>529,341</u>	<u>525,842</u>		<u>3,499</u>
Statutory Expenditures:					
Social Security System (O.A.S.I.)	38,000	38,000	32,913	5,087	
Public Employees' Retirement System	17,234	17,234	17,234		
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et. seq.)	1,000	1,000	1,000		
Total Statutory Expenditures	<u>56,234</u>	<u>56,234</u>	<u>51,147</u>	<u>5,087</u>	
	<u>\$ 1,985,507</u>	<u>\$ 1,985,507</u>	<u>\$ 1,695,989</u>	<u>\$ 286,019</u>	<u>\$ 3,499</u>

Analysis of Paid or Charged:

Cash Disbursed	\$ 1,604,312
Accrued Interest on Debt	49,092
Outstanding Encumbrances	44,541
	<u>1,697,945</u>
Less: Appropriation Refunds	1,956
	<u>\$ 1,695,989</u>



BOROUGH OF MENDHAM  
UTILITY OPERATING FUND  
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance December 31, 2016	\$ 135,774
Increased by:	
Sewer Charges Levied	1,577,364
	<hr/> 1,713,138
Decreased by:	
Collections and Overpayments Applied	1,589,175
	<hr/> \$ 123,963
Balance December 31, 2017	<hr/> <hr/>

BOROUGH OF MENDHAM  
UTILITY OPERATING FUND  
SCHEDULE OF 2016 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2017

	<u>Balance Dec. 31, 2016</u>	<u>Balance After Modification</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Operating:				
Salaries and Wages	\$ 36,772	\$ 36,772	\$ 1,458	\$ 35,314
Other Expenses	224,913	224,913	81,063	143,850
Social Security	2,662	2,662		2,662
	<u>\$ 264,347</u>	<u>\$ 264,347</u>	<u>\$ 82,521</u>	<u>\$ 181,826</u>
 <u>Analysis of Balance:</u>				
Unencumbered	\$ 244,526			
Encumbered	19,821			
	<u>\$ 264,347</u>			
 <u>Analysis of Paid or Charged:</u>				
Cash Disbursed			\$ 82,521	
			<u>\$ 82,521</u>	

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

Balance December 31, 2016	\$ 20,737
Increased by:	
Charged to Current Year Budget and Improvement Authorizations	<u>49,092</u>
	69,829
Decreased by:	
Interest Paid	<u>52,591</u>
Balance December 31, 2017	<u><u>\$ 17,238</u></u>

BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2017  
UTILITY CAPITAL FUNDS

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

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BOROUGH OF MENDHAM  
UTILITY CAPITAL FUNDS  
COMPARATIVE BALANCE SHEET

<u>ASSETS</u>	Sewer Utility Capital Fund December 31,	
	2017	2016
Cash and Cash Equivalents	\$ 1,113,435	\$ 1,208,968
Fixed Capital	13,020,635	12,900,635
Fixed Capital Authorized and Uncompleted	2,087,800	2,115,000
 TOTAL ASSETS	 \$ 16,221,870	 \$ 16,224,603
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 1,090,000	\$ 1,342,000
Bond Anticipation Notes Payable	414,500	639,250
Due to Sewer Utility Operating Fund	5,837	5,500
Improvement Authorizations:		
Funded	325,339	292,046
Unfunded	414,500	525,863
Reserve for:		
Amortization	11,930,635	11,558,635
Deferred Amortization	1,673,300	1,475,750
Payment of Debt Service	1,336	1,336
Capital Improvement Fund	180,617	198,417
Fund Balance	185,806	185,806
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE	 \$ 16,221,870	 \$ 16,224,603

BOROUGH OF MENDHAM  
UTILITY CAPITAL FUND  
ANALYSIS OF CASH

Ord. No.	Improvement Description	Receipts		Disbursements		Transfers		Balance Dec. 31, 2017
		Balance Dec. 31, 2016	Miscellaneous	Budget Appropriation	Improvement Authorizations	Miscellaneous	From	
	Capital Fund Balance	\$ 185,806						\$ 185,806
	Capital Improvement Fund	198,417		\$ 75,000				180,617
	Due (from)/to Sewer Utility Operating Fund	5,500	\$ 1,759		\$ 1,422	\$ 92,800		5,837
	Reserve to Pay Debt Service	1,336						1,336
	<u>Improvement Authorizations:</u>							
Ord.								
No.	Improvement Description							
07-08	Tempe Wick Pump Station	138,580						138,580
09-09	Improvement of Sanitary Sewer System	446,205						446,205
04-10	Improvement of Sanitary Sewer System	27,890						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
11-16	Acquisition of New and Additional Sewer Equipment	90,234						
02-17	Acquisition of New UV System			\$ 90,234				2,701
05-17	Copper Study			65,099			\$ 67,800	9,463
				15,537			25,000	
		<u>\$ 1,208,968</u>	<u>\$ 1,759</u>	<u>\$ 75,000</u>	<u>\$ 170,870</u>	<u>\$ 92,800</u>	<u>\$ 92,800</u>	<u>\$ 1,113,435</u>

MENDHAM BOROUGH  
UTILITY CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE

Improvement Description	Date of Issue	Maturities - December 31, 2017			Interest Rate	Balance	
		Date of Maturity	Amount	Dec. 31, 2016		Dec. 31, 2017	
Sewer Refunding Bonds of 2015	10/29/2015	08/15/2018	\$ 258,000	\$ 1,342,000	3.000%		
		08/15/2019	268,000		2.515%		
		08/15/2020	276,000		4.000%		
		08/15/2021	288,000	\$ 252,000	4.000%	\$ 1,090,000	
				\$ 1,342,000		\$ 1,090,000	

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

Ord. No.	Improvement Description	Ordinance	Date of		Maturity	Interest Rate	Balance Dec. 31, 2016	Issued	Matured	Balance Dec. 31, 2017	
			Issue of Original Note	Issue							
07-08	Tempe Wick Pump Station	08/18/03	07/18/08	07/08/16	07/07/17	1.25%	\$ 55,000	\$ 25,000	\$ 55,000	\$ 25,000	
			07/07/17	07/07/17	07/06/18	1.20%					
09-09	Improvement of Sanitary Sewer System	06/15/09	07/16/09	07/08/16	07/07/17	1.25%	584,250	389,500	584,250	389,500	
			07/07/17	07/07/17	07/06/18	1.20%					
							<u>\$ 639,250</u>	<u>\$ 414,500</u>	<u>\$ 639,250</u>	<u>\$ 414,500</u>	
							Renewals	\$ 414,500	\$ 414,500		
							Funded by Budget Appropriation		224,750		
							<u>\$ 414,500</u>	<u>\$ 639,250</u>			



BOROUGH OF MENDHAM  
UTILITY CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2016		Capital Improvement Fund	Paid or Charged	Balance Dec. 31, 2017	
				Funded	Unfunded			Funded	Unfunded
07-08	Tempe Wick Pump Station	06/02/08	\$ 220,000	\$ 58,922	\$ 79,658		\$	113,580	\$ 25,000
09-09	Improvement of Sanitary Sewer System	06/15/09	1,600,000		446,205			56,705	389,500
04-10	Improvement of Sanitary Sewer System	05/01/10	171,000	27,890				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	
11-16	Acquisition of New and Additional Sewer Equipment	06/20/16	120,000	90,234			\$ 90,234		
02-17	Acquisition of New UV System	02/21/17	67,800		\$ 67,800		65,099	2,701	
05-17	Copper Study	04/17/17	25,000		25,000		15,537	9,463	
				\$ 292,046	\$ 525,863	\$ 92,800	\$ 170,870	\$ 325,339	\$ 414,500

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

Ord. No.	Improvement Description	Date of Ordinance	Balance Dec. 31, 2016	Fixed Capital Authorized	To Reserve for Amorti- zation	Notes Paid From Operating Budget	Balance Dec. 31, 2017
07-08	Tempe Wick Pump Station	06/02/08	\$ 165,000			\$ 30,000	\$ 195,000
09-09	Improvement of Sanitary Sewer System	06/15/09	1,015,750			194,750	1,210,500
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
11-16	Acquisition of New and Additional Sewer Equipment	06/20/16	120,000		\$ 120,000		
02-17	Acquisition of New UV System	02/21/17		\$ 67,800			67,800
05-17	Copper Study	04/17/17		25,000			25,000
			<u>\$ 1,475,750</u>	<u>\$ 92,800</u>	<u>\$ 120,000</u>	<u>\$ 224,750</u>	<u>\$ 1,673,300</u>

BOROUGH OF MENDHAM  
UTILITY CAPITAL FUND  
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
YEAR ENDED DECEMBER 31, 2017

Not Applicable

BOROUGH OF MENDHAM  
COUNTY OF MORRIS  
2017  
GENERAL FIXED ASSETS ACCOUNT GROUP  
(Unaudited)

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

<u>GENERAL FIXED ASSETS:</u>	December 31,	
	2017	2016
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

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

	Balance <u>Dec. 31, 2016</u>	Balance <u>Dec. 31, 2017</u>
Current 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**

Table 1

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

EXPENDITURES	Year Ended December 31,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Current Fund:</b>										
General Government	\$ 2,011,180	\$ 2,263,399	\$ 2,299,768	\$ 2,295,163	\$ 2,355,920	\$ 2,342,010	\$ 2,380,996	\$ 2,263,847	\$ 2,370,654	\$ 2,335,896
Public Safety	1,833,375	1,922,738	2,009,073	2,018,122	2,057,970	2,010,962	2,049,109	2,057,174	2,072,341	2,101,259
Streets and Roads	864,861	779,013	796,301	821,402	799,895	858,383	874,333	971,423	1,027,497	1,017,440
Health and Welfare	121,322	111,891	107,670	97,537	98,385	99,457	101,482	98,277	97,946	102,786
Recreation and Education	122,130	132,696	131,778	132,072	130,285	110,287	103,971	91,350	81,531	77,170
Deferred Charges and Statutory Expenditures	519,274	574,955	606,028	694,226	656,305	679,397	721,738	624,886	654,594	675,879
Capital	200,000	170,000	110,000	50,000	133,000	133,000	133,000	320,000	320,000	320,000
Debt Service	491,596	505,100	503,353	583,437	578,777	581,024	638,594	752,471	756,275	757,332
Reserve for Uncollected Taxes	675,000	675,000	675,000	688,500	695,770	709,685	709,685	709,685	723,885	731,085
<b>Current Fund Budget Totals</b>	<b>6,838,738</b>	<b>7,134,792</b>	<b>7,238,971</b>	<b>7,380,459</b>	<b>7,506,307</b>	<b>7,524,205</b>	<b>7,712,908</b>	<b>7,889,113</b>	<b>8,104,723</b>	<b>8,118,847</b>
<b>Utility Operating Funds:</b>										
Utility Operations	1,083,058	1,196,618	1,226,933	1,249,545	1,284,788	1,244,180	1,252,384	1,256,641	1,295,200	1,324,932
Deferred Charges and Statutory Expenditures	30,500	31,000	35,000	36,000	36,000	52,569	53,516	53,516	55,449	56,234
Capital	125,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	25,000	75,000
Debt Service	304,473	311,703	361,235	340,847	539,201	542,841	542,151	523,312	539,757	525,842
<b>Utility Operating Fund Budget Totals</b>	<b>1,543,031</b>	<b>1,614,321</b>	<b>1,698,168</b>	<b>1,701,392</b>	<b>1,934,989</b>	<b>1,914,590</b>	<b>1,923,051</b>	<b>1,908,469</b>	<b>1,915,406</b>	<b>1,982,008</b>
<b>County Taxes</b>	<b>3,506,129</b>	<b>3,555,631</b>	<b>3,445,658</b>	<b>3,322,900</b>	<b>3,374,677</b>	<b>3,420,007</b>	<b>3,488,056</b>	<b>3,507,990</b>	<b>3,502,567</b>	<b>3,581,574</b>
Local and Regional School Taxes	14,700,147	15,393,815	15,775,535	15,740,236	15,787,280	16,043,847	16,687,635	17,255,946	17,732,026	18,383,927
Municipal Open Space Taxes	109,594	109,594	109,594	109,594	109,594	109,594	109,594	109,594	109,594	109,769
Other Expenditures	235,133	1,238	319,194	285,368	40,053	279,218	320,393	140,000	280,072	155,735
<b>TOTAL EXPENDITURES</b>	<b>\$ 26,932,772</b>	<b>\$ 27,809,391</b>	<b>\$ 28,587,120</b>	<b>\$ 28,539,949</b>	<b>\$ 28,752,900</b>	<b>\$ 29,291,461</b>	<b>\$ 30,241,637</b>	<b>\$ 30,811,112</b>	<b>\$ 31,644,388</b>	<b>\$ 32,331,860</b>

Source: Borough records.



Table 2

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

REVENUE	Year Ended December 31,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Current Fund:										
Fund Balance Anticipated	\$ 700,000	\$ 783,500	\$ 1,003,885	\$ 1,080,500	\$ 1,206,487	\$ 1,206,487	\$ 1,323,918	\$ 1,423,918	\$ 1,517,024	\$ 1,508,817
Miscellaneous Revenue	1,222,480	1,142,359	996,491	872,577	860,841	852,044	807,587	799,084	1,032,109	834,866
Receipts from Delinquent Taxes	128,816	164,576	150,158	148,338	132,788	134,794	176,378	159,645	209,055	167,304
Receipts from Current Taxes	5,301,961	5,599,810	5,810,505	5,993,387	5,975,249	6,048,282	6,172,724	6,195,828	6,405,531	6,527,993
Current Fund Budget Totals	<u>7,353,257</u>	<u>7,690,245</u>	<u>7,961,039</u>	<u>8,094,802</u>	<u>8,175,365</u>	<u>8,241,607</u>	<u>8,480,607</u>	<u>8,578,475</u>	<u>9,163,719</u>	<u>9,038,980</u>
Utility Operating Funds:										
Fund Balance Anticipated	150,000	200,000	200,000	215,000	440,092	415,709	432,869	426,607	399,607	451,292
Water and Sewer Rents	1,605,808	1,601,824	1,570,868	1,584,600	1,578,650	1,591,825	1,604,590	1,596,432	1,561,543	1,589,175
Miscellaneous Revenue	28,152	25,513	29,196	22,938	20,503	26,312	27,760	19,900	22,822	49,622
Utility Operating Fund Budget Totals	<u>1,783,960</u>	<u>1,827,337</u>	<u>1,800,064</u>	<u>1,822,538</u>	<u>2,039,245</u>	<u>2,033,846</u>	<u>2,065,219</u>	<u>2,042,939</u>	<u>1,983,972</u>	<u>2,090,089</u>
Non-Budget Revenues	347,193	292,742	350,511	317,324	414,249	413,122	533,802	409,761	369,104	369,646
Other Credits to Income	484,484	258,096	502,504	614,802	398,683	613,969	641,454	761,330	560,649	515,146
Taxes Allocated to School, County and Open Space	18,315,870	19,059,040	19,330,787	19,172,730	19,271,551	19,573,448	20,285,285	20,873,530	21,344,187	22,075,270
TOTAL REVENUE	<u>\$ 28,284,764</u>	<u>\$ 29,127,460</u>	<u>\$ 29,944,905</u>	<u>\$ 30,022,196</u>	<u>\$ 30,299,093</u>	<u>\$ 30,875,992</u>	<u>\$ 32,006,367</u>	<u>\$ 32,666,035</u>	<u>\$ 33,421,631</u>	<u>\$ 34,089,131</u>

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
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%
2015	26,604,349	26,359,673	99.08%	159,645	26,519,318	99.68%	211,430	0.79%
2016	27,195,334	27,025,833	99.37%	209,055	27,234,888	100.15%	169,452	0.62%
2017	28,042,759	27,872,178	99.39%	167,304	28,039,482	99.99%	119,113	0.42%

Source: Tax Collector.

Table 4

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

Year	West Morris Regional High School	Mendham School District	Mendham Borough	Morris County	Municipal Open Space	Total
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
2015	0.535	0.809	0.444	0.273	0.009	2.070
2016	0.546	0.836	0.453	0.274	0.008	2.117
2017	0.572	0.862	0.461	0.280	0.008	2.183

\* - Revaluation year

Source: Tax Collector.

Table 5

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

<u>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>
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%
2015	1,283,810,435	1,403,066,919	91.50%
2016	1,283,106,098	1,370,993,717	93.59%
2017	1,282,412,388	1,377,174,538	93.12%

\* - Revaluation year

Source: Abstract of Ratables, County Board of Taxation

Table 6

BOROUGH OF MENDHAM  
TEN LARGEST TAXPAYERS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
UNAUDITED

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2017 Assessed Valuation</u>	<u>Percentage of Net Assessed Valuation</u>
V-Fee Realty	Shopping Center	\$ 22,000,000	1.72%
Roxiticus Golf Club	Golf and Tennis Club	9,955,300	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	5,000,000	0.39%
Individual Taxpayer #4	Individual	4,398,200	0.34%
Individual Taxpayer #5	Individual	4,100,700	0.32%
Individual Taxpayer #6	Individual	4,046,100	0.32%
MTWOL Associates LLC	New Jersey Parcels	4,000,000	0.31%
Total		<u>\$ 74,142,200</u>	<u>5.78%</u>

Source: Tax Collector.

Table 7

BOROUGH OF MENDHAM  
COMPUTATION OF LEGAL DEBT MARGIN  
DECEMBER 31, 2017  
UNAUDITED

<u>Year Ended</u> <u>December 31,</u>	<u>Equalized</u> <u>Valuation Basis</u>
2017	\$ 1,372,572,409
2016	1,373,594,939
2015	<u>1,367,341,547</u>
	<u>\$ 4,113,508,895</u>
Average equalized valuation of taxable property	\$ 1,371,169,632
Borough borrowing margin (3.5% of \$1,371,169,632 )	\$ 47,990,937
Net debt as of December 31, 2017	<u>2,671,493</u>
Borough borrowing margin available	<u>\$ 45,319,444</u>

Source: Equalized valuation bases were provided by the Annual report of the State of New Jersey, Department of Treasury, Division of Taxation for 2017, 2016, and 2015.

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>
2008	5,076	\$ 1,589,321,867	\$ 5,088,236	0.32%	\$ 1,002
2009	5,080	1,582,998,674	4,970,653	0.31%	978
2010	4,998	1,296,664,611	4,901,297	0.38%	981
2011	5,021	1,291,640,675	4,547,857	0.35%	906
2012	5,031	1,289,110,375	5,588,656	0.43%	1,111
2013	5,025	1,282,175,833	5,164,345	0.40%	1,028
2014	5,013	1,284,514,035	4,531,966	0.35%	904
2015	5,000	1,283,810,435	3,901,697	0.30%	780
2016	4,988	1,283,106,098	3,240,162	0.26%	699
2017 *	4,988	1,282,412,388	2,565,792	0.20%	514

Source: Borough of Mendham Records

(\*) Information provided by U.S. Bureau of the Census, Population Division, 2017 numbers not available, used 2016 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**

Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
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%
2015	1,096,091	179,692	1,275,783	30,811,112	4.14%
2016	1,146,891	149,141	1,296,032	31,644,388	4.10%
2017	1,153,249	129,925	1,283,174	32,331,861	3.97%

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>
2008	1.80 %	\$ 74,210	5,076
2009	3.20 %	71,361	5,080
2010	3.20 %	74,473	4,998
2011	7.00 %	77,213	5,021
2012	7.10 %	80,013	5,031
2013	6.30 %	80,783	5,025
2014	4.70 %	83,876	5,013
2015	3.70 %	86,582	5,000
2016	3.80	86,582	4,988
2017	N/A	86,582	4,988

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 2017, and 2016 used 2015 as an estimate  
 (\*\*\*\*) Information not available for 2017, used 2016 as an estimate  
 N/A Information unavailable

Table 11

BOROUGH OF MENDHAM  
MISCELLANEOUS STATISTICS  
December 31, 2017  
UNAUDITED

Date of Incorporation		May 15, 1906
Form of Government		Borough
Number of Employees	Full Time	31
	Part Time	27
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		53
Number of calls answered		242
Number of inspections conducted		374
Emergency medical services:		
Number of Stations		1
Number of Emergency medical personnel and officers		34
Number of calls answered		406
Police protection:		
Number of stations		1
Number of police personnel and officers		14
Number of patrol units		9
Number of law violations		
Physical Arrests		58
Traffic violations		734
Parking violations		48
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		24

Source - Various Borough offices and servicing entities

**SINGLE AUDIT SECTION**

BOROUGH OF MENDHAM  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2017

Name of Federal Agency or Department	Name of Program	CFDA Number	Grant Period From	Grant Period To	State Grant #	Amount to Subrecipients	Grant Award	Amount Received	Amount of Expenditures	Cumulative Amount of Expenditures
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	12/31/2016	N/A	Not Applicable	\$ 18,465	\$ 18,465	\$ 18,465 *	\$ 18,465
U.S. Department of Transportation (Passed through New Jersey Department of Transportation)	DOT Grant-Tailmage and Orchard Street DOT Grant-Cherry Lane	20.205 20.205	1/1/2016 1/1/2016	12/31/2017 12/31/2018	N/A N/A	Not Applicable Not Applicable	370,000 245,000 615,000	37,500 183,750 221,250	245,000 245,000	360,428 245,000 605,428
<b>TOTAL FEDERAL AWARDS</b>							<b>\$ 633,465</b>	<b>\$ 239,715</b>	<b>\$ 263,465</b>	<b>\$ 623,893</b>

BOROUGH OF MENDHAM  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2017

New Jersey Agency or Department	Name of Program	State Grant Award Number	Grant Period From	Grant Period To	Amount to Subrecipients	Grant Award	Amount Received	Amount of Expenditures	Cumulative Amount of Expenditures
Department of Law and Public Safety	Body Armor Replacement Fund	98-718-066-1020-001	01/01/16 01/01/17	12/31/17 12/31/18	Not Applicable Not Applicable	\$ 1,426 1,464	\$ 1,464	\$ 321 1,382	\$ 1,426 1,382
Subtotal - Department of Law and Public Safety						1,464	1,464	1,703	2,808
Department of Environmental Protection	Clean Communities Act	765-042-4900 004-178910	01/01/15 01/01/16	12/31/17 12/31/18	Not Applicable Not Applicable	11,318 12,943 10,995		1,611 5,579 7,190	11,318 7,151 7,190
Subtotal - Department of Environmental Protection						10,995	10,995	14,380	25,659
<b>TOTAL STATE AWARDS</b>						<b>\$ 12,460</b>	<b>\$ 16,083</b>	<b>\$ 28,467</b>	

\* - expenditures occurred in prior year.  
N/A - not available

BOROUGH OF MENDHAM  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED DECEMBER 31, 2017

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, 2017. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *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 in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. . The Borough has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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, 2017:

Green Acres Program	\$88,356
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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, 2017 and the related notes to the financial statements and have issued our report thereon dated April 2, 2018. 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2017-01, and 2017-02 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*.

### **The Borough's Responses to the Findings**


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

### **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  
April 2, 2018

  
NISIVOCCIA LLP

  
Francis Jones  
Certified Public Accountant  
Registered Municipal Accountant No. 442

BOROUGH OF MENDHAM  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2017

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 the Uniform Guidance and New Jersey OMB's Circular 15-08 for the year ended December 31, 2017 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000.

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 2017-01 Segregation of Duties

Criteria

Concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Condition

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.

Cause

This is due, in part, to the limited number of personnel of the Borough and the decentralized nature of governmental collection procedures.



BOROUGH OF MENDHAM  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2017  
 (Continued)

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

Finding 2017-01 Segregation of Duties (Cont'd)

Effect or Potential Effect

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.

Recommendation

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.

Management's Response

The finding was evaluated, however due to budgetary constraints no resolution can be made at this time.

Finding 2017-02 Fixed Assets

Criteria

A fixed assets accounting and reporting system is required to be in compliance with the New Jersey Administrative Code Accounting Requirements.

Condition

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.

Cause

Sufficient Borough personnel and/or financial resources are not available to perform the initial inventory of the Borough's fixed assets.

Effect or Potential Effect

The Borough is not in compliance with the New Jersey Administrative Code Accounting Requirements. Borough fixed assets records are not available which could be possibly used to aid in the planning for replacement of assets.

Management's Response

The finding was evaluated, however, due to budgetary constraints, no resolution can be made at this time.

BOROUGH OF MENDHAM  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2017  
(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, 2017

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 2017, 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, 2017. 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>
2017	2
2016	2
2015	2

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 2017 Taxes	25
Payments of 2018 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, 2017. 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, 2017, 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 2017 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Balance</u> Dec. 31, 2016	<u>Receipts</u>	<u>Dis-</u> <u>bursements</u>	<u>Balance</u> Dec. 31, 2017
State of New Jersey	\$ 2,845	\$ 25,643	\$ 26,545	\$ 1,943
County	1,768	13,952	14,197	1,523
Municipality	2,895	33,465	33,073	3,287
Municipality POAA		16	12	4
Conditional Discharge	145	305	450	
Public Defender		1,600	1,400	200
Weights and Measures	2,200	8,231	10,431	
	<u>\$ 9,853</u>	<u>\$ 83,212</u>	<u>\$ 86,108</u>	<u>\$ 6,957</u>

Management Suggestions

Governmental Accounting Standards Board Statements

The next Governmental Accounting Standards Board ("GASB") statement which may have a significant impact on the Borough will be GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, will be effective for the year ending December 31, 2018. This standard replaces GASB No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. It is similar to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in that successful implementation of this standard will require the provision of certain key financial and non-financial information from the State of New Jersey.

Dedication by Rider

We suggest that the Borough review all trust funds to reflect that a proper dedication by rider is passed for every trust reserve fund, and pass a resolution in 2018 if one is needed.

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2016 audit report. The recommendations regarding segregation of duties and fixed assets are repeated from the 2016 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.

\* \* \* \* \*