

BOROUGH
OF
MENDHAM

Borough of Mendham
County of Morris
Mendham, New Jersey

Comprehensive Annual Financial Report
For the Year Ended December 31, 2019

Comprehensive Annual
Financial Report

of the

BOROUGH OF MENDHAM

Mendham, New Jersey

YEAR ENDED DECEMBER 31, 2019

Prepared by

Borough of Mendham
Finance Department

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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

August 18, 2020

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, 2019, 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 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*. 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 respective 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 2019 population is an estimated 4,978 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 \$8,564,900 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 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 522 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 95% 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 4,978. 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:

The Mayor and Council once again delivered a balanced municipal budget which resulted in a very minimal tax increase to the Borough's portion of the tax bill.

The Borough continued its street maintenance program in 2019, with paving done on Hillcrest, Adams, Sterling and Emery Avenues, and Quimby Lane.

A new surveillance system was installed at the Public Works Facility.

N.J. American Water Company replaced a water main on Hilltop Road.

Preparation began for the construction of various capital improvement projects at the Borough's Wastewater Treatment Facility. Funding will be through the New Jersey Infrastructure Bank (NJIB).

AED (Automated External Defibrillators) were installed in all Borough buildings.

The Borough's Emergency Operation Plan was revamped by its new Office of Emergency Management Coordinator and was certified by the N.J. State Police/Office of Emergency Management.

A new police contract was negotiated with the Mendham Borough PBA Local 384. The agreement is in effect from January 1, 2020 through December 31, 2026.

The Borough signed an agreement with Washington Township (Morris) to share municipal court services effective October 1, 2020.

A Branch Office Virtual Private Network (BOVPN) was installed along with new firewalls by the Borough's IT services provider.

Tax and Sewer payment modules were deployed on the Borough's website, enabling residents to make tax and utility payments on-line.

A Telephone and Internet service audit was conducted. Several POTS lines were cancelled, and e-mail addresses no longer in use were deleted.

A Historic Preservation Grant application is being prepared for stabilization and exterior work on the Phoenix House for submission in 2020.

The Borough held its second annual Food Truck and Music Festival in June which was very well attended.

Attendance at the popular Mendham Summer Day Camp increased by 11% in 2019.

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 the comprehensive annual financial report 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.

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 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 another 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, 2019, the Borough had bonded debt as a result of a refunding bond sale in 2015 of \$2,080,000. The Borough also has temporary debt of \$655,756 in the form of bond anticipation notes. The Borough also has \$38,621 in a loan from the State Green Acres Loan Program. In addition, the Borough has unissued capital debt of \$107,881 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, 2019, 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 2018</u>	<u>Percent of Increase/ (Decrease)</u>
Fund Balance Anticipated	\$ 1,860,386	5.30%	\$ 76,214	4.27%
Sewer Rents	1,564,116	4.46%	(17,092)	-1.08%
Miscellaneous Revenue	860,665	2.45%	60,262	7.53%
Receipts from Delinquent Taxes	116,213	0.33%	7,330	6.73%
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	6,716,455	19.14%	(23,968)	-0.36%
Municipal Budget Totals-Revenue	11,117,835	31.68%	102,746	0.93%
Nonbudget Revenue	509,031	1.45%	127,451	33.40%
Other Credits to Income	961,755	2.74%	163,268	20.45%
Taxes Allocated to Schools, County and Open Space Trust	22,510,995	64.13%	116,322	0.52%
Total	<u>\$ 35,099,616</u>	<u>100.00%</u>	<u>\$ 509,787</u>	1.47%

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 a decrease in the fund balance anticipated and miscellaneous revenue in 2019. 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, 2019 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 2018</u>	<u>Percent of Increase/ (Decrease)</u>
Current:				
General Government	\$ 2,410,004	7.25%	\$ 79,323	3.40%
Public Safety	2,253,232	6.77%	130,827	6.16%
Streets and Roads	1,097,972	3.30%	40,047	3.79%
Health and Welfare	98,688	0.30%	(2,080)	-2.06%
Recreation and Education	273,250	0.82%	113,350	70.89%
Deferred Charges and Statutory Expenditures	791,834	2.38%	13,341	1.71%
Utility Operating	1,317,565	3.96%	(19,140)	-1.43%
Capital	450,000	1.35%	(40,000)	-8.16%
Debt Service:				
Principal	816,264	2.45%	(125,001)	-13.28%
Interest	81,669	0.25%	(19,763)	-19.48%
Reserve for Uncollected Taxes	<u>745,705</u>	<u>2.24%</u>	<u>7,310</u>	0.99%
Municipal Budget Totals-Expenditures	10,336,183	31.07%	178,214	1.75%
County Taxes	3,564,076	10.71%	(18,212)	-0.51%
Local and Regional School Taxes	18,836,937	56.63%	134,321	0.72%
Municipal Open Space Taxes	109,982	0.33%	213	0.19%
Other Expenditures	<u>416,573</u>	<u>1.25%</u>	<u>(236,399)</u>	-36.20%
Total	<u>\$33,263,751</u>	<u>100.00%</u>	<u>\$ 58,137</u>	0.18%

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

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 *Government Auditing Standards*, issued by the Comptroller General of the United States, the Uniform Guidance and New Jersey's OMB Circular 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,

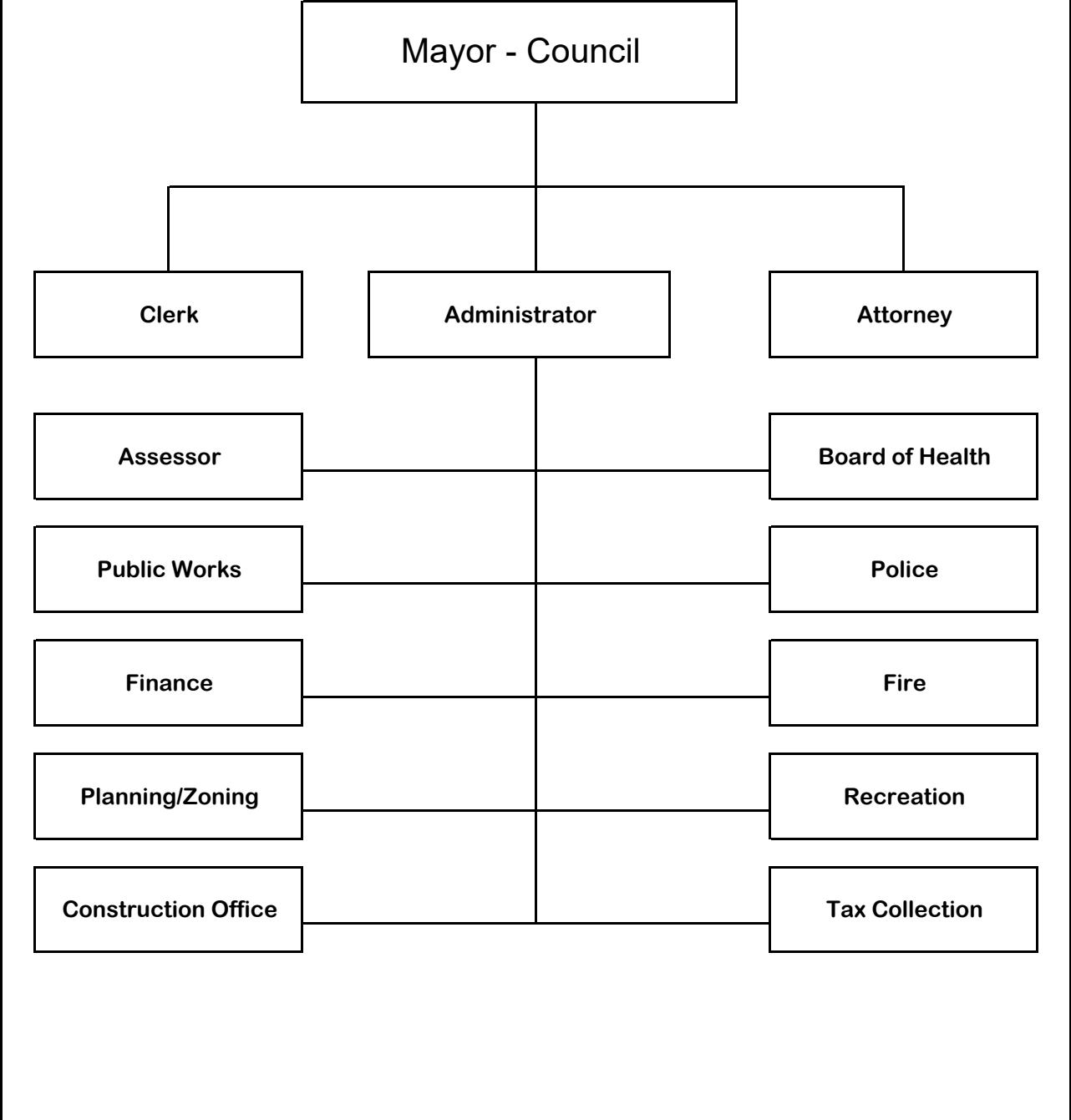
Joyce Bushman

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	Christine Serrano-Glassner
Councilman	Steven Andrew
Councilman	John Andrews
Councilman	J. Bradley Badal
Councilwoman	James R. Kelly
Councilman	Brennan Reilly
Councilman	David C. Sharkey

Appointed Officials

Administrator	Joyce Bushman
Clerk	Robin R. Kline
Tax Collector/Tax Search Officer/ Deputy Public Utilities Clerk	Judi O'Brien
Treasurer/Chief Financial Officer	Susan Giordano
Public Utilities Clerk/Deputy Tax Collector	Karen Orgera
Tax Assessor	Scott J. Holzhauer
Magistrate	Brian J. Levine to 9/30/19
Magistrate	Frank P. Leanza from 10/1/19
Court Administrator/Violations Clerk	Amanda Elsayed to 9/30/19
Court Administrator/Violations Clerk	Jan Simonetti from 10/1/19
Building Inspector/Construction Code Official	Robert Rosendale

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
Provident Bank

FINANCIAL SECTION



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973.298.8500

11 Lawrence Road
Newton, NJ 07860
973.383.6699

nisivoccia.com

Independent Member
BKR International

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 years ended December 31, 2019 and 2018 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, 2019 and 2018, 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, 2019 and 2018 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, 2019 and 2018, 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 August 18, 2020 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 solely 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 the effectiveness of the Borough's 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
August 18, 2020

NISIVOCIA LLP

Francis Jones of 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, 2019
(With Comparative Totals for 2018)

	General				Utility Funds		Account Group General Fixed Assets		Totals (Memorandum Only)	
	Current Fund	Capital Fund	Trust Fund	Operating	Capital	(Unaudited)	2019	As Restated 2018		
ASSETS AND OTHER DEBITS:										
Assets:										
Cash and Cash Equivalents	\$ 4,162,204	\$ 888,078	\$ 1,978,540	\$ 699,114	\$ 1,140,740		\$ 8,868,676	\$ 8,325,996		
Investments	655,756						655,756	572,436		
Receivables and Other Assets:										
Property Taxes Receivable	160,344			126,740			160,344	118,482		
Consumer Accounts Receivable	20,222						126,740	128,436		
Federal and State Receivables	415,834	100,600	254,070	122,076			20,222	74,961		
Interfund Receivables	39,705						892,580	626,961		
Other Receivables							39,705	29,512		
Property Acquired for Taxes at Assessed Valuation	2,900						2,900	2,900		
Fixed Assets in General Fixed Assets						\$ 8,095,999	8,095,999	8,095,999		
Account Group (Unaudited)										
Total Assets	5,456,965	988,678	2,232,610	947,930	1,140,740	8,095,999	18,862,922	17,975,683		
Other Debits:										
Deferred Charges:										
Deferred Charges to Future Taxation		1,648,258						1,648,258	2,019,773	
Fixed Capital					19,617,076			19,617,076	14,542,076	
Total Other Debits		1,648,258			19,617,076			21,265,334	16,561,849	
Total Assets and Other Debits	5,456,965	2,636,936	2,232,610	947,930	20,757,816	8,095,999	40,128,256	34,537,532		
LIABILITIES, RESERVES AND FUND BALANCE:										
Appropriation Reserves	\$ 826,235			\$ 236,587			\$ 1,062,822	\$ 970,403		
Improvement Authorizations		\$ 946,247			\$ 5,125,956		6,072,203	602,992		
Payroll Deductions And Withholdings			\$ 593,353				593,353	457,088		
Accounts Payable - Vendors	127,343	16,015		27,297			170,655	172,896		
Interfund Payables	354,670	1,328	6		536,576		892,580	681,961		
Reserves for Amortization					13,978,077		13,978,077	13,710,077		
Various Liabilities and Reserves	1,562,895	132,296	1,639,251	13,046	355,544	\$ 8,095,999	11,799,031	11,797,781		
Serial Bonds, Bond Anticipation Notes and Loans Payable		1,540,377			564,000		2,104,377	2,716,172		
Reserve for Receivables and Other Assets	618,783			126,740			745,523	694,048		
Fund Balance	1,967,039	673		544,260	197,663		2,709,635	2,734,114		
Total Liabilities, Reserves and Fund Balances	5,456,965	2,636,936	2,232,610	947,930	20,757,816	8,095,999	40,128,256	34,537,532		

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

757,467

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, 2019

	Current Fund			Utility Operating Fund		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES:						
Fund Balance Anticipated	\$ 1,685,712	\$ 1,685,712		\$ 174,674	\$ 174,674	
Sewer Rents				1,555,403	1,564,116	\$ 8,713
Miscellaneous Revenue	787,052	824,650	\$ 37,598	18,000	36,015	18,015
Receipts from Delinquent Taxes	75,000	116,213	41,213			
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	6,142,801	6,716,455	573,654			
Municipal Budget Totals - Revenue	8,690,565	9,343,030	652,465	1,748,077	1,774,805	26,728
Non-budget Revenues		509,031	509,031			
Other Credits to Income		757,509	757,509		204,288	204,288
Taxes Allocated to Schools, County and Open Space	22,510,995	22,510,995				
TOTAL REVENUES	31,201,560	33,120,565	1,919,005	1,748,077	1,979,093	231,016
EXPENDITURES:						
Current:						
General Government	2,510,004	2,410,004	100,000			
Public Safety	2,253,232	2,253,232				
Streets and Roads	1,097,972	1,097,972				
Health and Welfare	98,688	98,688				
Recreation and Education	273,250	273,250				
Deferred Charges and Statutory Expenditures	733,622	733,622		58,212	58,212	
Utility Operating				1,317,565	1,317,565	
Capital	375,000	375,000		75,000	75,000	
Debt Service:						
Principal	548,265	548,264	1	268,000	268,000	
Interest	54,827	54,827		29,300	26,842	2,458
Reserve for Uncollected Taxes	745,705	745,705				
Municipal Budget Totals - Expenditures	8,690,565	8,590,564	100,001	1,748,077	1,745,619	2,458
County Taxes	3,564,076	3,564,076				
Local and Regional School Taxes	18,836,937	18,836,937				
Municipal Open Space Taxes	109,982	109,982				
Other Expenditures		416,573	(416,573)			
TOTAL EXPENDITURES	\$ 31,201,560	31,518,132	(316,572)	\$ 1,748,077	1,745,619	2,458
Excess/(Deficit) of Revenues over Expenditures		1,602,433	\$ 1,602,433		233,474	\$ 233,474
Fund Balances January 1, 2019 As Restated		2,050,318			485,460	
Less: Utilized as Anticipated Revenue		1,685,712			174,674	
Fund Balances December 31, 2019		\$ 1,967,039			\$ 544,260	

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

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019
 (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, 2019
(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, net OPEB 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, 2019
 (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, 2019
(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, 2019
(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, 2019, 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	\$ 2,291,836	\$ 655,756	\$ 1,870,138	\$ 4,817,960
General Capital		530,408		357,670	888,078
Trust and Agency		604,337		1,374,203.00	1,978,540
Utility Operating	100	423,073		275,941	699,114
Utility Capital		953,268		187,472	1,140,740
	<u>\$ 330</u>	<u>\$ 4,802,922</u>	<u>\$ 655,756</u>	<u>\$ 4,065,424</u>	<u>\$ 9,524,432</u>

The carrying amount of the Borough's cash and cash equivalents and investments at year end was \$9,524,432 and the bank balance was \$9,363,392. During 2018 the Borough invested funds by purchasing Bond Anticipation Notes from its own Capital Funds. There was an investment of \$572,436 from the Current Fund in Bond Anticipation Notes issued by the Borough's General Capital Fund, which has been renewed in 2019 at 1.60% interest, due on July 3, 2020. During 2019 the Borough invested an additional

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

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

Investments (Cont'd)

\$45,600 by purchasing another Bond Anticipation Note from its own Capital Fund at 1.40% interest, due on July 3, 2020.

Note 3: Interfunds

The following interfund receivable and payable balances appear on the combined balance sheet as of December 31, 2019:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 415,834	\$ 354,670
General Capital Fund	100,600	1,328
Other Trust Funds	254,070	6
Sewer Utility Operating Fund	122,076	
Sewer Utility Capital Fund		536,576
	<u>\$ 892,580</u>	<u>\$ 892,580</u>

The primary interfund activity for 2019 was due to the prior year interfund being turned over to Compensated Absences and Tax Sale Premium 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>2019</u>	<u>2018</u>	<u>2017</u>
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 1,540,378	\$ 1,884,172	\$ 2,565,792
Sewer Utility:			
Bonds, Loans and Notes	564,000	832,000	1,504,500
Total Issued	<u>2,104,378</u>	<u>2,716,172</u>	<u>4,070,292</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	107,881	135,601	135,601
Less: Reserve to Pay Debt Service	29,900	29,900	29,900
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 2,182,359</u>	<u>\$ 2,821,873</u>	<u>\$ 4,175,993</u>

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(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 revised Annual Debt Statement and indicates a statutory net debt of .12%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local and Regional School District Debt	\$ 3,745,000	\$ 3,745,000	
Sewer Utility Debt	564,000	564,000	
General Debt	<u>1,648,259</u>	<u>29,900</u>	<u>\$1,618,359</u>
	<u>\$ 5,957,259</u>	<u>\$ 4,338,900</u>	<u>\$1,618,359</u>

Net Debt \$1,618,359 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$1,369,192,024 = .12%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 47,921,721
Net Debt	<u>1,618,359</u>
Remaining Borrowing Power	<u>\$ 46,303,362</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	\$ 1,774,805
Deductions:	
Operating, Maintenance and Debt Service Costs	<u>1,670,619</u>
Excess in Revenue	<u>\$ 104,186</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>12/31/2018</u>	<u>Additions</u>	<u>Defeased/ Retirements</u>	<u>Balance</u> <u>12/31/2019</u>
General Capital Fund:				
Serial Bonds	\$ 1,248,000		\$ 402,000	\$ 846,000
Bond Anticipation Notes	572,436	\$ 655,756	572,436	655,756
Green Acres Loan	63,736		25,115	38,621
Sewer Utility Capital Fund:				
Serial Bonds	832,000		268,000	564,000
Total	<u>\$ 2,716,172</u>	<u>\$ 655,756</u>	<u>\$ 1,267,551</u>	<u>\$ 2,104,377</u>

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

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

The Borough had the following outstanding debt at December 31, 2019.

Schedule of General Capital Bond Anticipation Notes

<u>Improvement Description</u>	<u>Date of</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2019</u>
	<u>Original Note</u>	<u>Maturity</u>		
Various Improvements	7/12/2013	7/3/2020	1.60%	\$ 452,436
Various Improvements	7/11/2014	7/3/2020	1.60%	27,720
Various Improvements	5/8/2019	7/3/2020	1.60%	130,000
Acquisition of New Vehicle	10/7/2019	7/3/2020	1.40%	45,600
				<u>\$ 655,756</u>

General Capital - Serial Bonds Payable

<u>Improvement Description</u>	<u>Maturities at December 31, 2019</u>				<u>Balance</u>		<u>Balance</u>	
	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Dec. 31, 2018</u>	<u>Matured</u>	<u>Dec. 31, 2019</u>	
Bond Refunding of 2015	10/29/15	08/15/20	\$ 414,000	4.0%				
		08/15/21	432,000	4.0%	\$ 1,248,000	\$ 402,000	\$ 846,000	

Sewer Utility Capital - Serial Bonds Payable

<u>Improvement Description</u>	<u>Maturities at December 31, 2019</u>				<u>Balance</u>		<u>Balance</u>	
	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Dec. 31, 2018</u>	<u>Matured</u>	<u>Dec. 31, 2019</u>	
Sewer Bond Refunding of 2015	10/29/15	08/15/20	276,000	4.0%				
		08/15/21	288,000	4.0%	\$ 832,000	\$ 268,000	\$ 564,000	

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

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

The Borough had the following outstanding debt at December 31, 2019 (Cont'd):

	Date of Final <u>Maturity</u>	Interest <u>Rate</u>	Balance <u>Dec. 31, 2019</u>
Green Acres Loan	2/18/2021	2.00%	<u>\$ 38,621</u>

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

General Capital:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 414,000	\$ 33,840	\$ 447,840
2021	432,000	17,280	449,280
	<u>\$ 846,000</u>	<u>\$ 51,120</u>	<u>\$ 897,120</u>

Sewer Utility Capital:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 276,000	\$ 22,560	\$ 298,560
2021	288,000	11,520	299,520
	<u>\$ 564,000</u>	<u>\$ 34,080</u>	<u>\$ 598,080</u>

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$2,975,580 at June 30, 2019. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$4,582,622 at June 30, 2019. See Note 5 for further information on the PERS and PFRS.

Net OPEB Liability

The Borough's Net OPEB liability related to the State Health Benefit Local Government Retired Employees Plan at June 30, 2019 was calculated to be \$3,512,767. Additionally, the State's proportionate share of the net OPEB liability attributable to the Borough at June 30, 2019 was \$2,594,933. See Note 6 for further information on these net OPEB liabilities.

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, 2019
 (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/financial-reports.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.

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.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

Note 5: Pension Plans (Cont'd)

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

Contributions (Cont'd)

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 payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$184,519 for 2019.

The employee contribution rate was 7.50% effective July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2019, the Borough's liability was \$2,975,580 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. 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, 2019, the Borough's proportion was 0.016%, which was a decrease of 0.001% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Borough recognized actual pension expense in the amount of \$184,519.

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

<u>Inflation Rate:</u>	
Price	2.75%
Wage	3.25%
<u>Salary Increases:</u>	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Management Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20 Bond

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
 (Continued)

Note 5: Pension Plans (Cont'd)

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

Discount Rate (Cont'd)

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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, 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 June 30, 2019 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:

	June 30, 2019		
	At 1% Decrease (5.28%)	At Current Discount Rate (6.28%)	At 1% Increase (7.28%)
Borough 's proportionate share of the Net Pension Liability	\$ 3,784,789	\$ 2,975,580	\$ 2,331,850

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/financial-reports.shtml.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
 (Continued)

Note 5: Pension Plans (Cont'd)

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

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:

<u>Tier</u>	<u>Definition</u>
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, 2019
(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 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.

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, 2019 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, 2019 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2019. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Borough contributions to PFRS amounted to \$335,345 for the year ended December 31, 2019. During the fiscal year ended June 30, 2019, the State of New Jersey contributed \$48,756 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$84,077.

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, 2019
(Continued)

Note 5: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense

At June 30, 2019, the Borough’s liability for its proportionate share of the net pension liability was \$4,582,622. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. 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, 2019, the Borough's proportion was 0.037%, which was a increase of 0.003% from its proportion measured as of June 30, 2018.

Additionally, the State’s proportionate share of the net pension liability attributable to the Borough is \$723,605 as of June 30, 2019. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. 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, 2019, the State's proportion was 0.037%, which was a increase of 0.003% from its proportion measured as of June 30, 2018 which is the same proportion as the Borough’s.

Borough's Proportionate Share of the Net Pension Liability	\$	4,582,622
State's Proportionate Share of the Net Pension Liability Associated with the Borough		723,605
 Total Net Pension Liability	 \$	 <u><u>5,306,227</u></u>

For the year ended December 31, 2019, the Borough recognized pension expense of \$335,345.

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:		
Price		2.75%
Wage		3.25%
Salary Increases:		
Through all future years		3.25 – 15.25% based on years of service
Investment Rate of Return		7.00%

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
 (Continued)

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

Pre-retirement mortality rates were based on the RP-2010 Safety Employee Mortality Table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted Retiree mortality table with a 96.7% adjustment for males and a 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) 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, 2019 are summarized in the following table:

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(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>
Risk Management Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 6.85% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 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 70% of the actuarially contributions for the State employer and 100% of actuarially determined contributions for the local employers. 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 2076. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2076, 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, 2019
(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 June 30, 2019 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:

	June 30, 2019		
	1% Decrease (5.85%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
Borough's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Borough	\$ 7,172,085	\$ 5,306,227	\$ 3,761,960

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 2019 and did not recognize pension expense for 2019. There were also no employee contributions to DCRP for 2019.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 6: Postemployment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost sharing multiple employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

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.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 6: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Contributions

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Special Funding Situation

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. For New Jersey local governments who report under the regulatory basis of accounting, the net OPEB liability and related deferred inflows are not recorded in the financial statements and there is only note disclosure of this information. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources, or deferred inflows of resources 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 OPEB liability that is associated with the local participating employer.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB (benefit)/expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit)/expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2018 through June 30, 2019. Employer and nonemployer allocation percentages were rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

OPEB Expense

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019.

At June 30, 2019, the Borough had a liability of \$3,512,767 for its proportionate share of the net OPEB liability. At June 30, 2019, the Borough's proportion was .026% which was a decrease of .002% from its proportion measured as of June 30, 2018. Additionally, the State's proportionate share of the net OPEB liability attributable to the Borough at June 30, 2019 was \$2,594,933. At June 30, 2019, the State's

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

Note 6: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)
State Health Benefit Local Government Retired Employees Plan (Cont'd)
OPEB Expense Related to OPEB (Cont'd)

proportion related to the Borough was .026%. This is the percentage of the total State Share of the net OPEB liability of the Plan.

For the year ended June 30, 2019 the Borough’s OPEB expense as determined by the State of New Jersey Division of Pensions and Benefits was \$132,180. Additionally, during the year ended June 30, 2019, the State of New Jersey’s OPEB expense related to the Borough was \$34,396.

The Borough’s actual post retirement payments in 2019 for 10 retiree employees were \$61,003.78.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases*:	
Public Employees’ Retirement System (PERS)	
Initial fiscal year applied	
Rate through 2026	2.00% - 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen’s Retirement System (PFRS)	
Rate for all future years	3.25% to 15.25%

* - Salary increases are based on years of service within the respective plan.

Mortality:

PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 – June 30, 2018, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially is 5.7% and decreases to a 4.5% long term trend rate after eight years. For post 65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term rate after eight years.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

Note 6: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Discount Rate

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the Net OPEB Liability Attributable to the Borough to Changes in the Discount Rate

The following presents the net OPEB Liability of the Borough as of June 30, 2019, calculated using the discount rate as disclosed in this note, as well as what the net OPEB Liability of the Borough 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:

	June 30, 2019		
	At 1% Decrease (2.50%)	At Discount Rate (3.50%)	At 1% Increase (4.50%)
Net OPEB Liability Attributable to the Borough	<u>\$ 4,061,652</u>	<u>\$ 3,512,767</u>	<u>\$ 3,066,725</u>

Sensitivity of the Net OPEB Liability Attributable to the Borough to Changes in the Healthcare Trend Rate

The following presents the net OPEB Liability of the Borough as of June 30, 2019, calculated using the healthcare trend rate as disclosed in this note, as well as what the net OPEB Liability of the Borough would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability Attributable to the Borough	<u>\$ 2,964,342</u>	<u>\$ 3,512,767</u>	<u>\$ 4,212,375</u>

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

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

Note 8: Selected Tax Information (Cont'd)

prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1.

A ten-day grace period is usually granted before the taxes are considered to be delinquent and the imposition of interest charges is made. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate</u>	\$ 2.247	\$ 2.215	\$ 2.183
<u>Apportionment of Tax Rate</u>			
Municipal	.481	.469	.461
County	.280	.279	.280
Local School	.894	.878	.862
Regional High School	.584	.581	.572
Municipal Open Space	.008	.008	.008
<u>Assessed Valuations</u>			
2019	<u>\$ 1,274,837,156</u>		
2018		<u>\$ 1,282,969,973</u>	
2017			<u>\$ 1,282,412,388</u>

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>
2019	\$ 28,754,548	\$ 28,481,745	99.05%
2018	28,519,981	28,396,701	99.56%
2017	28,042,759	27,872,178	99.39%

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 Morris County Municipal Joint Insurance Fund as described below.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

Note 9: Risk Management (Cont'd)

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.

Selected financial information for the Fund as of December 31, 2019 is as follows:

Total Assets	<u>\$ 35,348,941</u>
Net Position	<u>\$ 12,793,902</u>
Total Revenue	<u>\$ 21,031,442</u>
Total Expenses	<u>\$ 21,821,417</u>
Change in Net Position	<u>\$ (789,975)</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 Year</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2019	\$ 7,000	\$ 4,889	\$ 30	\$ 15,568	\$ 38,178
2018	8,000	4,570	57	3,452	41,827
2017	8,000	4,594	44	7,170	32,652

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

Note 10: Fund Balances Appropriated

Fund balances as December 31, 2019, which have been appropriated and included as anticipated revenue for the year ending December 31, 2020 are \$1,713,212 for the Current Fund and \$206,146 for the Sewer Utility Operating Fund.

Note 11: Fixed Assets (Unaudited)

The following schedule is a summarization of general fixed assets for the year ended December 31, 2019:

	Balance Dec. 31, 2018	Additions	Balance Dec. 31, 2019
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, 2019 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, 2019.

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 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.

Various tax appeals on assessed valuation have been filed against the Borough and are awaiting tax court decisions. The ultimate outcome and effect of such appeals have not been determined; however, the Tax Assessor will aggressively defend the Borough's assessments. The Borough has established a reserve, which it feels is sufficient, for this contingency in the amount of \$394,875.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

Note 13: Other Reserves

Reserves on the balance sheet of the Current Fund at December 31, 2019, consisted of the following:

Litigation	\$	430,421
Unappropriated Reserves		32,197
Master Plan		2,541
Sale of Municipal Assets		337,757
Revaluation		11,319
Pending Tax Appeals		394,874
		<u>394,874</u>
	<u>\$</u>	<u>1,209,109</u>

Note 14: 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 15: 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, 2019 was \$332,667.

Note 16: Subsequent Event

The COVID-19 outbreak in the United States and specifically in New Jersey has caused disruption of the Township's normal financial operations with the municipal office closed to the public and minimal staff working on site. Though the impact on the Township's operations cannot be reasonably estimated at this date, it is likely that there will be an impact on tax collections as well as other revenue in the Operating Funds.

Note 17: Restatement

The Borough made a prior year adjustment to the Current Fund Financial Statements to restate the amounts Due to General Capital Fund for Grant Received in Prior Years.

	Balance 6/30/18 as Previously Reported	Retroactive Adjustments	Balance 6/30/18 as Restated
<u>Statement of Net Assets:</u>			
<u>Governmental Activities:</u>			
Statement of Net Position:			
Liabilities:			
Interfund Payable	\$ 84,755	\$ 55,000	\$ 139,755
Total Liabilities	2,522,598	55,000	2,577,598
Net Position:			
Unrestricted/(Deficit)	2,105,318	(55,000)	2,050,318
Total Net Position	<u>\$ 2,105,318</u>	<u>\$ (55,000)</u>	<u>\$ 2,050,318</u>

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

Note 17: Restatement (Cont'd)

	<u>Balance 6/30/18 as Previously Reported</u>	<u>Retroactive Adjustments</u>	<u>Balance 6/30/18 as Restated</u>
<u>Statement of Net Assets:</u>			
<u>General Capital:</u>			
Statement of Net Position:			
Assets:			
Interfund Receivable		\$ 55,000	\$ 55,000
State Grant Receivable	\$ 55,000	(55,000)	
Total Assets	<u>\$ 2,636,936</u>		<u>\$ 2,636,936</u>

**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
2019
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.

A

MENDHAM BOROUGH
CURRENT FUND
COMPARATIVE BALANCE SHEET

	December 31,	
	2019	2018 As Restated
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 4,161,974	\$ 4,035,289
Investments	655,756	572,436
Change Fund	230	230
	<u>4,817,960</u>	<u>4,607,955</u>
Due from State of New Jersey:		
Veterans and Senior Citizens Deductions	20,222	19,961
	<u>4,838,182</u>	<u>4,627,916</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	160,344	118,482
Tax Title Liens Receivable	20,724	26,044
Property Acquired for Taxes - Assessed Valuation	2,900	2,900
Revenue Accounts Receivable	2,439	3,468
Grants Receivable	16,542	
Interfunds Receivable	415,834	414,718
	<u>618,783</u>	<u>565,612</u>
Total Receivables and Other Assets with Full Reserves		
	<u>618,783</u>	<u>565,612</u>
TOTAL ASSETS	<u><u>\$ 5,456,965</u></u>	<u><u>\$ 5,193,528</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Appropriation Reserves:		
Encumbered	\$ 121,233	\$ 75,212
Unencumbered	705,002	598,740
Total Appropriation Reserves	<u>826,235</u>	<u>673,952</u>
Prepaid Taxes	322,514	328,720
Tax Overpayments	19,253	22
Accounts Payable - Vendors	127,343	129,584
Other Liabilities	6,104	6,104
Interfund Payable	354,670	139,755
Reserve for Distractive Driving Grant	5,915	
Other Reserves	1,209,109	1,299,461
	<u>2,871,143</u>	<u>2,577,598</u>
Reserve for Receivables and Other Assets	618,783	565,612
Fund Balance	<u>1,967,039</u>	<u>2,050,318</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u><u>\$ 5,456,965</u></u>	<u><u>\$ 5,193,528</u></u>

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

	Year Ended December 31,	
	2019	2018 As Restated
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 1,685,712	\$ 1,627,630
Miscellaneous Revenue Anticipated	824,650	763,343
Receipts from:		
Delinquent Taxes	116,213	108,883
Current Taxes	28,481,745	28,396,701
Nonbudget Revenue	509,031	381,580
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	342,791	549,794
Other Credits	414,718	82
Total Income	<u>32,374,860</u>	<u>31,828,013</u>
 <u>Expenditures</u>		
Budget Appropriations - Municipal Purposes	7,844,859	7,611,692
County Taxes	3,564,076	3,582,288
Local School District Taxes	11,387,081	11,259,109
Regional School Taxes	7,449,856	7,443,507
Municipal Open Space Tax	109,982	109,769
Other Debits	739	238,254
Interfunds Advanced	415,834	414,718
Total Expenditures	<u>30,772,427</u>	<u>30,659,337</u>
 Excess in Revenue	1,602,433	1,168,676
 <u>Fund Balance</u>		
Balance January 1	<u>2,050,318</u>	<u>2,509,272</u>
	3,652,751	3,677,948
Decreased by:		
Utilized as Anticipated Revenue	<u>1,685,712</u>	<u>1,627,630</u>
Balance December 31	<u>\$ 1,967,039</u>	<u>\$ 2,050,318</u>

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2019

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 1,685,712		\$ 1,685,712	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	6,300		6,300	
Interest and Costs on Taxes	38,000		21,091	\$ 16,909 *
Interest on Investments and Deposits	14,000		41,794	27,794
Energy Receipts Tax	501,147		501,147	
Uniform Construction Code Fees	121,500		148,213	26,713
Public and Private Revenue				
Offset with Appropriations:				
Clean Communities Program	9,000	\$ 2,998	11,998	
Body Armor Fund	1,592		1,592	
Other Trust Fund - Open Space Trust	26,265		26,265	
Other Trust Fund - Open Space Maintenance	66,250		66,250	
Total Miscellaneous Revenue	784,054	2,998	824,650	37,598
Receipts from Delinquent Taxes	75,000		116,213	41,213
Amount to be Raised by Taxes for Support of Municipal Budget	6,142,801		6,716,455	573,654
Budget Totals	8,687,567	2,998	9,343,030	\$ 652,465
Nonbudget Revenue			509,031	
	\$ 8,687,567	\$ 2,998	\$ 9,852,061	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2019
(Continued)

Analysis of Realized Revenue

Allocation of Current Tax Collections:	
Collection of Current Taxes	\$ 28,481,745
Allocated to:	
School, County, and Open Space Taxes	22,510,995
	<u>5,970,750</u>
Add: Appropriation "Reserve for Uncollected Taxes"	745,705
	<u>745,705</u>
Realized for Support of Municipal Budget	<u>\$ 6,716,455</u>

Analysis of Delinquent Tax Collections

Delinquent Taxes	\$ 116,213
	<u>\$ 116,213</u>

Analysis of Nonbudget Revenue

Revenue Accounts Receivable:	
Fees and Permits	\$ 66,926
Clerk	4,513
Police	17,613
Special Duty	35,112
Board of Adjustment	10,575
Planning Board	3,950
Board of Health	11,665
Municipal Court Fines and Costs	37,203
Rents on Borough-Owned Properties	18,040
Cable Television Franchise Fees	77,496
High School Resource Officer Reimbursement	138,504
FEMA Reimbursement	45,294
State of New Jersey-Vet and Senior Citizen 2% Admin Fee	570
Alarm Fees	50
Smoke Detector	6,093
Miscellaneous	33,915
	<u>\$ 507,519</u>

Analysis of Interest on Investments:

Due from Animal Control	\$ 6
Due from Other Trust Fund	1,506
	<u>\$ 1,512</u>

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2019

	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	\$ 185,000	\$	183,290	180,733	\$ 2,557	
Other Expenses	27,950		27,950	21,685	6,265	
Mayor and Council:						
Salaries and Wages	22,000		22,000	21,500	500	
Other Expenses	21,590		21,590	20,831	759	
Municipal Clerk:						
Salaries and Wages	99,000		100,710	100,702	8	
Other Expenses	27,500		27,500	25,884	1,616	
Financial Administration:						
Salaries and Wages	89,300		89,300	89,251	49	
Other Expenses	26,930		26,930	8,529	18,401	
Annual Audit	38,722		38,722	18,500	20,222	
Computerized Data Processing	84,000		84,000	82,884	1,116	
Zoning:						
Salaries and Wages	29,042		31,542	29,977	1,565	
Other Expenses	13,630		9,130	5,935	3,195	
Tax Assessment Administration:						
Salaries and Wages	59,494		59,494	58,990	504	
Other Expenses	15,350		15,350	13,390	1,960	
Revenue Administration (Tax Collection):						
Salaries and Wages	36,500		34,000	30,573	3,427	
Other Expenses	7,610		7,610	5,481	2,129	
Legal Services and Costs:						
Other Expenses	105,000		117,000	109,399	7,601	
Engineering Services and Costs:						
Other Expenses	46,500		60,700	55,622	5,078	
Historic Preservation:						
Other Expenses	9,275		9,275	4,209	5,066	
Public Buildings and Grounds:						
Other Expenses	138,200		138,200	105,665	32,535	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2019
(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	\$ 24,200	\$	14,700	9,562	\$ 5,138	
Board of Adjustment:						
Other Expenses						
Insurance:						
Employee Group Health	664,000		564,000	556,855	7,145	
Unemployment Compensation Insurance	7,000		7,000	7,000		
General Liability Insurance	83,648		83,648	81,984	1,664	
Workmen's Compensation Insurance	78,438		78,438	78,438		
Public Safety:						
Police:						
Salaries and Wages	1,612,435		1,607,435	1,566,283	41,152	
Other Expenses	116,338		121,338	78,908	42,430	
Contractual Radio Dispatch	125,059		125,059		125,059	
Emergency Management Services	7,700		9,200	8,960	240	
Aid to Volunteer Fire Company	101,200		101,200	92,407	8,793	
Aid to Volunteer Ambulance Company	38,500		38,500	32,088	6,412	
Fire:						
Salaries and Wages	24,457		26,657	24,861	1,796	
Other Expenses	118,300		118,300	100,335	17,965	
Municipal Prosecutor:						
Other Expenses - Fees	10,000		10,000		10,000	
Municipal Court:						
Other Expenses	80,953		80,953		80,953	
Public Defender - Other Expenses	1,000		1,000		1,000	
Streets and Roads:						
Road Repairs and Maintenance:						
Salaries and Wages	616,872		610,872	547,733	63,139	
Other Expenses	190,100		190,100	183,486	6,614	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Appropriations		Budget After Modification	Expended By		Un-expended Balance Cancelled
	Budget			Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):						
Streets and Roads (Cont'd):						
Shade Trees:						
Other Expenses	\$ 22,000	\$ 13,800	\$	5,703	\$ 8,097	
Kelley Act - Mendham Commons	7,000	7,000		6,664	336	
Landfill/Solid Waste Disposal Costs:						
Salaries and Wages	15,000	15,000		14,463	537	
Other Expenses	256,300	256,300		230,985	25,315	
Other Expenses - Monitor Well Testing	4,900	4,900		4,900		
Health and Welfare:						
Board of Health:						
Salaries and Wages	4,600	5,100		4,800	300	
Other Expenses - Miscellaneous	51,623	51,623		51,101	522	
Visiting Nurse	5,675	5,675		5,487	188	
Environmental Commission:						
Other Expenses	2,620	2,620		650	1,970	
Animal Control:						
Other Expenses	15,000	15,000		10,629	4,371	
Contributions to Social Service Agency:						
MASH Van	18,670	18,670		18,670		
Recreation and Education:						
Recreation:						
Salaries and Wages	30,000	30,000		30,000		
Other Expenses	32,650	132,650		125,358	7,292	
Parks and Playgrounds:						
Other Expenses	110,600	110,600		109,396	1,204	
Construction Code Official:						
Salaries and Wages	114,000	111,800		95,795	16,005	
Other Expenses	8,125	8,125		5,822	2,303	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2019
(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	185,000	185,000	\$ 157,779	\$ 27,221	
Total Operations Within "CAPS"	5,966,556	5,966,556	5,236,842	629,714	100,000
Contingency	2,000	2,000	880	1,120	
Total Operations Including Contingent Within "CAPS"	5,968,556	5,968,556	5,237,722	630,834	100,000
Detail:					
Salaries and Wages	3,037,700	3,027,200	2,795,661	131,539	100,000
Other Expenses	2,930,856	2,941,356	2,442,061	499,295	
Deferred Charges and Statutory Expenditures- Municipal Within "CAPS":					
Contributions to PERS	166,067	166,067	166,067		
Contributions to Social Security System (O.A.S.I.)	226,000	226,000	215,963	10,037	
Contributions to PFRS	335,345	335,345	335,345		
Defined Contribution Retirement Plan	6,210	6,210		6,210	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	733,622	733,622	717,375	16,247	
Total General Appropriations for Municipal Purposes Within "CAPS"	6,702,178	6,702,178	5,955,097	647,081	100,000

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Appropriations		Budget After Modification	Expended By		Un- expended Balance Cancelled
	Budget			Paid or Charged	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 + \$2,998)	9,000		11,998	5,669	6,329	
Body Armor Fund	1,592		1,592		1,592	
Total Operations Excluded from "CAPS"	261,592		264,590	206,669	57,921	
Detail:						
Other Expenses	261,592		264,590	206,669	57,921	
Capital Improvements-Excluded from "CAPS" :						
Capital Improvement Fund	375,000		375,000	375,000		
Total Capital Improvements Excluded from "CAPS"	375,000		375,000	375,000		
Municipal Debt Service Excluded from "CAPS":						
Payment of Bond Principal	402,000		402,000	402,000		
Payment of Bond Anticipation Notes	120,000		120,000	120,000		
Interest on Bonds	43,950		43,950	43,950		
Interest on Notes	10,877		10,877	10,877		
Green Trust Loan Program - Principal and Interest	26,265		26,265	26,264		1
Total Municipal Debt Service Excluded from "CAPS"	603,092		603,092	603,091		1

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Total General Appropriations Excluded from "CAPS"	\$ 1,239,684	\$ 1,242,682	\$ 1,184,760	\$ 57,921	\$ 1
Subtotal General Appropriations	7,941,862	7,944,860	7,139,857	705,002	100,001
Reserve for Uncollected Taxes	745,705	745,705	745,705		
Total General Appropriations	\$ 8,687,567	\$ 8,690,565	\$ 7,885,562	\$ 705,002	\$ 100,001

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Analysis of Budget After Modification</u>	<u>Analysis of Paid or Charged</u>
Cash Disbursed		\$ 7,162,061
Reserve for Uncollected Taxes		745,705
Outstanding Encumbrances		121,233
Adopted Budget	\$ 8,687,567	
Adopted by NJSA 40A:4-87	2,998	
	<u>8,690,565</u>	<u>8,028,999</u>
Less: Appropriation Refunds		143,437
	<u>\$ 8,690,565</u>	<u>\$ 7,885,562</u>

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

Year	Balance Dec. 31, 2018	2019 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Balance Dec. 31, 2019
			2018	2019			
2018	\$ 118,482		\$ 328,720	\$ 116,213	\$ (739)	\$ 3,008	
2019	\$ 118,482	\$ 28,754,548	\$ 328,720	\$ 28,123,525	\$ 29,500	\$ 157,336	
	\$ 118,482	\$ 28,754,548	\$ 328,720	\$ 28,239,738	\$ 28,761	\$ 160,344	

Analysis of 2019 Property Tax Levy

Tax Yield:	
General Purpose Tax	\$ 28,597,885
Business Personal Property Taxes	47,707
Added and Omitted Taxes	108,956
	<u>\$ 28,754,548</u>
Tax Levy:	
Regional High School Taxes	7,449,856
Local School District Taxes	11,387,081
County Taxes	3,550,495
Due County for Added and Omitted Taxes	13,581
Municipal Open Space Tax	3,564,076
	109,982
	<u>22,510,995</u>
Local Tax for Municipal Purposes Levied	6,142,801
Add: Additional Tax Levied	100,752
	<u>6,243,553</u>
	<u>\$ 28,754,548</u>

MENDHAM BOROUGH
CURRENT FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2019

	Balance Dec. 31, 2018	Balance After Modi- fication	Paid or Charged	Balance Lapsed
General Administration:				
Salaries and Wages	\$ 28,003	\$ 23,403	\$ 3,072	\$ 20,331
Other Expenses	14,486	14,486	5,952	8,534
Mayor and Council:				
Salaries and Wages	500	500		500
Other Expenses	2,987	2,987	1,450	1,537
Municipal Clerk:				
Salaries and Wages	6,189	189	188	1
Annual Audit	27,000	27,000	20,240	6,760
Computerized Data Processing	9,297	9,297	670	8,627
Financial Administration:				
Salaries and Wages	26	26		26
Other Expenses	17,866	17,866	10,143	7,723
Zoning:				
Salaries and Wages	1,067	1,067	949	118
Other Expenses	7,325	4,825	165	4,660
Assessment of Taxes:				
Salaries and Wages	1,409	1,409		1,409
Other Expenses	583	583	44	539
Collection of Taxes:				
Salaries and Wages	4,276	4,276	1,307	2,969
Other Expenses	4,984	4,724	326	4,398
Legal Services and Costs	2,623	13,623	12,218	1,405
Engineering Services and Costs:				
Other Expenses	13,112	11,112	2,633	8,479
Historic Preservation:				
Other Expenses	2,696	2,696	1,244	1,452
Public Buildings and Grounds:				
Other Expenses	12,870	12,870	8,467	4,403
Municipal Land Use Law (N.J.S.A. 40:55D-1):				
Planning Board:				
Other Expenses	12,698	7,198	2,874	4,324
Insurance:				
Workmen's Compensation	415	415		415
Employee Group Health	19,860	19,860	1,549	18,311
General Liability Insurance	257	257		257
Aid to Volunteer Ambulance Company	8,427	12,427	8,073	4,354
Aid to Volunteer Fire Company	41,050	39,050	20,205	18,845
Fire:				
Salaries and Wages	6,657	6,657	1,737	4,920
Other Expenses	19,938	19,938	16,791	3,147
Police:				
Salaries and Wages	30,262	17,262	4,329	12,933
Other Expenses	36,220	49,220	38,152	11,068
Contractual Radio Disbatch	42	42		42
Municipal Court:				
Salaries and Wages	35,523	41,023	39,671	1,352
Other Expenses	1,537	1,537		1,537
Office of Emergency Management:				
Other Expenses	2,705	2,705		2,705
Municipal Prosecutor	6,862	6,862		6,862
Board of Health:				
Salaries and Wages	350	350		350
Other Expenses	288	288	20	268

BOROUGH OF MENDHAM
CURRENT FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Balance Dec. 31, 2018	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Roads Repairs and Maintenance:				
Salaries and Wages	\$ 66,541	\$ 64,041	\$ 1,391	\$ 62,650
Other Expenses	49,872	49,872	32,688	17,184
Kelley Act - Mendham Commons	3,728	3,728	1,425	2,303
Animal Control:				
Other Expenses	10,614	10,614	4,567	6,047
Landfill/Solid Waste Disposal:				
Salaries and Wages	2,833	2,833	590	2,243
Other Expenses	11,233	11,233	4,593	6,640
Environmental Commission:				
Other Expenses	2,620	2,620		2,620
Services of Visiting Nurses - Contractual	188	188		188
Parks and Playgrounds:				
Other Expenses	4,206	6,206	3,171	3,035
Contributions to Social Services Agency:				
MASH Van	2,258	2,258	-2,286	4,544
Recreation:				
Salaries and Wages	125	125		125
Other Expenses	2,983	2,983	396	2,587
Shade Tree:				
Other Expenses	18,703	18,703	17,200	1,503
State Uniform Construction Code:				
Salaries and Wages	13,371	13,371	4,012	9,359
Other Expenses	4,015	4,015	826	3,189
Utilities	16,557	19,417	14,552	4,865
Contingent	752	752	295	457
Contribution to:				
Social Security System (O.A.S.I.)	20,959	20,959	232	20,727
Defined Contribution Retirement Plan	2,000	2,000	2,000	
Length of Service Award Program	50,000	50,000	34,500	15,500

BOROUGH OF MENDHAM
CURRENT FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Balance Dec. 31, 2018	Balance After Modi- fication	Paid or Charged	Balance Lapsed
<u>Public and Private Programs Offset by Revenue:</u>				
Clean Communities Grant	\$ 8,540	\$ 8,540	\$ 8,540	
Body Armor Fund	1,464	1,464		\$ 1,464
	<u>\$ 673,952</u>	<u>\$ 673,952</u>	<u>\$ 331,161</u>	<u>\$ 342,791</u>
<u>Analysis of Beginning Balance/Paid or Charged:</u>				
Unencumbered	\$ 598,740			
Encumbered	75,212			
Cash Disbursed			\$ 360,488	
Refunds			-29,327	
	<u>\$ 673,952</u>		<u>\$ 331,161</u>	

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2019
GENERAL CAPITAL FUND

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

B

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

	December 31,	
	2019	As Restated 2018
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 888,078	\$ 525,537
Due from Current Fund	100,600	55,000
Deferred Charges to Future Taxation:		
Funded	884,621	1,311,736
Unfunded	763,637	708,037
TOTAL ASSETS	\$ 2,636,936	\$ 2,600,310
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 846,000	\$ 1,248,000
Bond Anticipation Notes Payable	655,756	572,436
Green Acres Loan Payable	38,621	63,736
Improvement Authorizations:		
Funded	662,766	491,155
Unfunded	283,481	107,881
Accounts Payable	16,015	16,015
Due to Current Fund	1,328	218
Capital Improvement Fund	32,306	206
Reserve For:		
Purchase of Fire Truck	70,000	70,000
Payment of Debt Service	29,900	29,900
Improvements	90	90
Fund Balance	673	673
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$ 2,636,936	\$ 2,600,310

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
ANALYSIS OF CASH

As Restated Balance/ (Deficit) Dec. 31, 2018	Receipts			Disbursements			Transfers		Balance/ (Deficit) Dec. 31, 2019	
	Budget Appropriation	Serial Bonds	Bond Anticipation Notes	Miscel- laneous	Improvement Authori- zations	Bond Anticipation Notes	Miscel- laneous	From		To
Fund Balance	\$ 673									\$ 673
Capital Improvement Fund	206									32,306
Due To/(From) Current Fund	(54,782)			\$ 103,346			\$ 2,236	\$ 342,900		(99,272)
Due Other Trust Fund				90,000				90,000		
Accounts Payable	16,015									16,015
Reserve for Purchase of Fire Truck	70,000									70,000
Reserve to Pay Debt Service	29,900									29,900
Reserve for Improvements	90									90
					\$ 20,501					
								50,000		
									\$ 10,000	
								90,000	420,500	
									48,000	
									290,000	
										\$ 888,078
	\$ 525,537	\$ 375,000	\$ -0-	\$ 157,720	\$ 193,346	\$ 361,289	\$ 2,236	\$ 768,500	\$ 768,500	\$ 888,078

<u>Improvement Authorizations:</u>	
No.	Improvement Description
06-06	Various Improvements 381
11-12	Road Improvements 22,803
13-12	Various Improvements (27,720)
05-15	Various Improvements 59,252
07-16	Improvement of Taimage Road and Orchard Street 78,316
10-16	Various Improvements 52,556
06-17	Various Improvements 133,093
04-18	Various Improvements 144,754
04-19	Various Improvements
05-19	Various Improvements
10-19	Acquisition of New Vehicle
12-19	Improvement of Tennis Courts

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

Ord. No.	Improvement Description	Balance		Notes Paid		Analysis of Balance at December 31, 2019	
		Dec. 31, 2018	2019 Authorizations	By Budget Appropriation	Dec. 31, 2019 Balance	Financed by Bond Anticipation Notes	Unexpended Improvement Authorizations
9-02	Various Improvements	\$ 49,170			\$ 49,170		\$ 49,170
17-04	Various Improvements	16,431			16,431		16,431
13-12	Various Improvements	642,436		\$ 120,000	522,436	\$ 480,156	42,280
04-19	Acquisition of Vehicles		\$ 130,000		130,000	130,000	
10-19	Acquisition of New Vehicle		45,600		45,600	45,600	
		<u>708,037</u>	<u>175,600</u>	<u>120,000</u>	<u>763,637</u>	<u>655,756</u>	<u>107,881</u>
Improvement Authorizations Unfunded \$ 283,481 Less: Unexpended Proceeds of Bond Anticipation Notes Issued: Ord. No 04-19 \$ 130,000 Ord. No. 10-19 45,600 <u>175,600</u> <u>\$ 107,881</u>							

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2018		2019 Authorizations Capital Improvement Fund	Other Financing Sources	Deferred Charges to Future Taxation- Unfunded	Transfers	Paid or Charged	Balance Dec. 31, 2019	
		Date	Amount	Funded	Unfunded						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
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
05-15	Various Improvements	06/15/15	678,000		59,252					\$	20,501	38,751
07-16	Improvement of Talmage Road and Orchard Street	06/20/16	600,000		78,316							78,316
10-16	Various Improvements	06/20/16	217,000		52,556				\$	(50,000)		2,556
06-17	Various Improvements	03/30/17	738,100		133,093					118		132,975
04-18	Various Improvements	05/31/18	415,900		144,754					90,864		3,890
04-19	Acquisition of Vehicles	5/8/19	140,000			\$	10,000	\$	130,000			10,000
05-19	Various Improvements	5/8/19	420,500			330,500	\$	90,000	(90,000)	236,996		93,504
10-19	Acquisition of New Vehicle	09/11/19	48,000			2,400		45,600				2,400
12-19	Improvement of Tennis Courts	11/13/19	290,000				100,000		190,000	12,810		277,190
						\$ 491,155	\$ 107,881	\$ 175,600	\$ -0-	\$ 361,289	\$ 662,766	\$ 283,481
Recreation Budget							\$ 100,000					
Open Space Trust Fund							90,000					
							\$ 190,000					

B-4

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

Balance December 31, 2018	\$	63,736
Less: Principal matured		25,115
Balance December 31, 2019	\$	38,621

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

Due	Principal	Interest	Loan Balance
			\$ 38,621
2/18/2020	\$ 12,746	\$ 386	25,875
8/18/2020	12,874	258	13,001
2/18/2021	13,001	131	
	\$ 38,621	\$ 776	

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

Ord. No.	Improvement Description	Original Amount Issued	Date of			Interest Rate	Balance Dec. 31, 2018	Issued	Matured	Balance Dec. 31, 2019
			Issue of Original Note	Issue	Maturity					
13-12	Various Improvements	\$ 1,187,436	07/12/13	07/06/18 07/03/19	07/05/19 07/03/20	1.90% 1.60%	\$ 557,766	\$ 452,436	\$ 557,766	\$ 452,436
13-12	Various Improvements	147,234 27,720	07/11/14 07/03/19	07/06/18 07/03/19	07/05/19 07/03/20	1.90% 1.60%	14,670	27,720	14,670	27,720
2-19	Acquisition of New Vehicle	45,600	10/07/19	10/07/19	07/03/20	1.40%		45,600		45,600
4-19	Various Improvements	130,000	05/08/19	07/03/19	07/03/20	1.60%		130,000		130,000
							<u>\$ 572,436</u>	<u>\$ 655,756</u>	<u>\$ 572,436</u>	<u>\$ 655,756</u>
						Renewals		\$ 452,436	\$ 452,436	
						New Issues		203,320		
						Funded by Budget Appropriation			120,000	
							<u>\$ 655,756</u>	<u>\$ 572,436</u>	<u>\$ 572,436</u>	

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Improvement Description	Date of Issue	Maturities - December 31, 2019			Interest Rate	Balance Dec. 31, 2018	Matured	Balance Dec. 31, 2019
		Date of Maturity	Amount					
General Refunding Bonds of 2015	10/29/2015	08/15/2020	\$ 414,000	4.000%				
		08/15/2021	432,000	4.000%				
					\$ 1,248,000	\$ 402,000	\$ 846,000	
					<u>\$ 1,248,000</u>	<u>\$ 402,000</u>	<u>\$ 846,000</u>	

B-7

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

Ord. No.	Improvement Description	Balance Dec. 31, 2018	2019 Authori- zations	Bond Antici- pation Notes Issued	Balance Dec. 31, 2019
4-02/ 9-02	Various Improvements	\$ 49,170			\$ 49,170
17-04	Various Improvements	16,431			16,431
13-12	Various Improvements	70,000		\$ 27,720	42,280
04-19	Acquisition of Vehicles		\$ 130,000	130,000	
10-19	Acquisition of New Vehicle		45,600	45,600	
		<u>\$ 135,601</u>	<u>\$ 175,600</u>	<u>\$ 203,320</u>	<u>\$ 107,881</u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2019
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, 2019
 (With Comparative Totals for 2018)

	Animal Control Fund	Other Trust Fund	Public Assistance Fund	Payroll Fund	Totals
					2019
ASSETS					
Cash and Cash Equivalents	\$ 5,777	\$ 1,368,478	\$ 10,932	\$ 593,353	\$ 1,978,540
Interfunds Receivable		254,070			254,070
TOTAL ASSETS	\$ 5,777	\$ 1,622,548	\$ 10,932	\$ 593,353	\$ 2,232,610

					2018
LIABILITIES AND RESERVES					
Due to State of New Jersey Board of Health Interfunds Payable	\$ 6			\$ 6	\$ 7
Payroll Deductions and Withholdings Reserve for Animal Control Fund Expenditures	5,765		\$ 593,353	593,353	457,088
Reserve for Other Trust Funds		\$ 1,622,548		5,765	3,240
Reserve for Public Assistance			\$ 10,932	1,622,548	1,612,515
TOTAL LIABILITIES AND RESERVES	\$ 5,777	\$ 1,622,548	\$ 10,932	\$ 2,232,610	\$ 2,083,782

C-1

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

Balance December 31, 2018		\$	3,240
Increased by:			
License Fees Collected	\$	5,287	
Late Fees		160	
Miscellaneous		95	5,542
			<u>8,782</u>
Decreased by:			
Expenditures Under R.S.4:19-15.11			<u>3,017</u>
Balance December 31, 2019		\$	<u><u>5,765</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2017	\$ 5,823
2018	5,273
	<u>11,096</u>
Maximum Allowable Reserve	<u><u>\$ 11,096</u></u>

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BOROUGH OF MENDHAM
TRUST FUNDS
SCHEDULE OF OTHER TRUST RESERVES

	Balance Dec. 31, 2018	Receipts	Disbursements	Balance Dec. 31, 2019
Reserve for:				
Special Deposits	\$ 261,228	\$ 303	\$ 255,826	\$ 5,705
Special Engineering Deposits	43,174	22,359	38,664	26,869
Andrew Fletcher Trust Fund	172,243			172,243
State Unemployment Trust Fund	41,827	12,096	15,745	38,178
Phoenix House Trust	3,288			3,288
Parking Offenses Adjudication Act	2,469	14		2,483
Police Forfeiture Assets	6,488	30		6,518
Police Special Duty	41,247	273,013	277,666	36,594
Recreation Fund	48,531	79,160	72,287	55,404
Recycling Tonnage Fund	173,923	9,945	2,526	181,342
Open Space	246,850	300,405	214,588	332,667
Housing Trust	190,494	94,637	15,610	269,521
Other Trust Funds	58,053	54,469	42,886	69,636
Tax Sale Premiums	12,200	100,200	800	111,600
Storm Recovery	198,000			198,000
Compensated Absences	32,500			32,500
Self Insurance	80,000			80,000
Total	<u>\$ 1,612,515</u>	<u>\$ 946,631</u>	<u>\$ 936,598</u>	<u>\$ 1,622,548</u>

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BOROUGH OF MENDHAM
TRUST FUNDS
SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

Balance December 31, 2018	\$ 10,932
Increased by Receipts:	
Interest	45
	<hr/> 10,977
Decreased by Disbursements:	
Due to Current Fund	45
	<hr/>
Balance December 31, 2019	<u><u>\$ 10,932</u></u>

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

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 457,088	\$ 2,120,502	\$ 1,984,237	\$ 593,353
TOTAL ASSETS	<u>\$ 457,088</u>	<u>\$ 2,120,502</u>	<u>\$ 1,984,237</u>	<u>\$ 593,353</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 457,088	\$ 2,120,502	\$ 1,984,237	\$ 593,353
TOTAL LIABILITIES	<u>\$ 457,088</u>	<u>\$ 2,120,502</u>	<u>\$ 1,984,237</u>	<u>\$ 593,353</u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2019
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>ASSETS</u>	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 699,014	\$ 694,661
Change Fund	100	100
	<u>699,114</u>	<u>694,761</u>
Due from Sewer Utility Capital Fund	122,076	127,488
Receivables with Full Reserves:		
Consumer Accounts Receivable	126,740	128,436
	<u>126,740</u>	<u>128,436</u>
TOTAL ASSETS	<u>\$ 947,930</u>	<u>\$ 950,685</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Liabilities:		
Appropriation Reserves:		
Unencumbered	\$ 197,503	\$ 261,724
Encumbered	39,084	34,727
Total Appropriation Reserves	<u>236,587</u>	<u>296,451</u>
Accounts Payable - Vendors	27,297	27,297
Accrued Interest on Bonds and Notes	8,529	10,987
Sewer Rent Overpayments	4,517	2,054
	<u>276,930</u>	<u>336,789</u>
Reserve for Receivables	126,740	128,436
Fund Balance	544,260	485,460
	<u>544,260</u>	<u>485,460</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 947,930</u>	<u>\$ 950,685</u>

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

	Sewer Utility Operating Fund	
	Year Ended December 31,	
	<u>2019</u>	<u>2018</u>
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 174,674	\$ 156,542
Sewer Fees and Charges	1,564,116	1,581,208
Miscellaneous Revenue	36,015	37,060
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	204,288	248,611
Total Income	<u>1,979,093</u>	<u>2,023,421</u>
<u>Expenditures</u>		
Budget Expenditures:		
Operating	1,317,565	1,336,705
Capital Improvements	75,000	120,000
Debt Service	294,842	293,763
Statutory Expenditures	<u>58,212</u>	<u>57,414</u>
Total Expenditures	<u>1,745,619</u>	<u>1,807,882</u>
Excess in Revenue	233,474	215,539
Adjustments Before Fund Balance:		
Expenditures Included Above Which Are by Statue		
Deferred Charges to Budget of Succeeding Year		120,000
	<u>233,474</u>	<u>335,539</u>
<u>Fund Balance</u>		
Balance January 1	<u>485,460</u>	<u>306,463</u>
	718,934	642,002
Decreased by:		
Utilized as Anticipated Revenue	<u>174,674</u>	<u>156,542</u>
Balance December 31	<u><u>\$ 544,260</u></u>	<u><u>\$ 485,460</u></u>

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BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
STATEMENT OF REVENUES
YEAR ENDED DECEMBER 31, 2019

	Sewer Utility Operating Fund	
	Anticipated	Realized
Fund Balance Anticipated	\$ 174,674	\$ 174,674
Sewer Fees and Charges	1,547,497	1,564,116
Miscellaneous Revenue	18,000	36,015
Additional Sewer Fees and Charges	7,906	
	\$ 1,748,077	\$ 1,774,805

Analysis of Miscellaneous Revenue:

Interest on Investments	\$ 2,717
Interest Due From Sewer Capital	5,228
Sewer Inspection Fees	5,925
Delinquent Payment Penalties	7,927
Miscellaneous	966
Sewer Allocation	13,252
	\$ 36,015

Analysis of Sewer Fees and Charges:

Cash Collected and Overpayments Applied	\$ 1,564,116
	\$ 1,564,116

BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2019

	Sewer Utility Operating Fund				Unex- pended Balance Cancelled
	Appropriations		Expended by		
	Budget	Budget After Modi- fication	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	\$ 489,710	\$ 489,710	\$ 471,285	\$ 18,425	
Other Expenses	827,855	827,855	650,336	177,519	
Total Operating	1,317,565	1,317,565	1,121,621	195,944	
Capital Improvements:					
Capital Improvement Fund	75,000	75,000	75,000		
Total Capital Improvements	75,000	75,000	75,000		
Debt Service:					
Payment of Bond Principal	268,000	268,000	268,000		
Interest on Bonds	29,300	29,300	26,842		\$ 2,458
Total Debt Service	297,300	297,300	294,842		2,458
Statutory Expenditures:					
Social Security System (O.A.S.I.)	38,760	38,760	38,201	559	
Public Employees' Retirement System	18,452	18,452	18,452		
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et. seq.)	1,000	1,000		1,000	
Total Statutory Expenditures	58,212	58,212	56,653	1,559	
	\$ 1,748,077	\$ 1,748,077	\$ 1,548,116	\$ 197,503	\$ 2,458

Analysis of Paid or Charged:

Cash Disbursed	\$ 1,509,652
Accrued Interest on Debt	26,842
Outstanding Encumbrances	39,084
	1,575,578
Less: Appropriation Refunds	27,462
	\$ 1,548,116

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BOROUGH OF MENDHAM
UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance December 31, 2018	\$ 128,436
Increased by:	
Sewer Charges Levied	<u>1,562,420</u>
	1,690,856
Decreased by:	
Collections and Overpayments Applied	<u>1,564,116</u>
Balance December 31, 2019	<u><u>\$ 126,740</u></u>

BOROUGH OF MENDHAM
UTILITY OPERATING FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2019

	<u>Balance Dec. 31, 2018</u>	<u>Balance After Modification</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Operating:				
Salaries and Wages	\$ 10,806	\$ 10,806	\$ 1,636	\$ 9,170
Other Expenses	267,321	267,321	79,887	187,434
Capital Outlay	17,075	17,075	10,640	6,435
Social Security	1,249	1,249		1,249
	<u>\$ 296,451</u>	<u>\$ 296,451</u>	<u>\$ 92,163</u>	<u>\$ 204,288</u>
 <u>Analysis of Balance:</u>				
Unencumbered	\$ 261,724			
Encumbered	34,727			
	<u>\$ 296,451</u>			
 <u>Analysis of Paid or Charged:</u>				
Cash Disbursed			\$ 81,523	
Due Sewer Capital			10,640	
			<u>\$ 92,163</u>	

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

Balance December 31, 2018	\$ 10,987
Increased by:	
Charged to Current Year Budget	<u>26,842</u>
	37,829
Decreased by:	
Interest Paid	<u>29,300</u>
Balance December 31, 2019	<u><u>\$ 8,529</u></u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2019
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

	Sewer Utility Capital Fund	
	December 31,	
	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,140,740	\$ 1,071,152
Fixed Capital	19,349,276	14,274,276
Fixed Capital Authorized and Uncompleted	<u>267,800</u>	<u>267,800</u>
 TOTAL ASSETS	 <u>\$ 20,757,816</u>	 <u>\$ 15,613,228</u>
 <u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 564,000	\$ 832,000
Bond Anticipation Notes Payable		
Improvement Authorizations:		
Funded	50,956	3,956
Unfunded	5,075,000	
Due to Current Fund	414,500	414,500
Due to Sewer Utility Operating Fund	122,076	127,488
Capital Improvement Fund	354,208	326,208
Reserve for:		
Amortization	13,710,277	13,442,277
Deferred Amortization	267,800	267,800
Payment of Debt Service	1,336	1,336
Fund Balance	<u>197,663</u>	<u>197,663</u>
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE	 <u>\$ 20,757,816</u>	 <u>\$ 15,613,228</u>

BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
ANALYSIS OF CASH

	Receipts		Disbursements		Transfers		Balance Dec. 31, 2019
	Balance Dec. 31, 2018	Miscel- laneous	Budget Appropriation	Improvement Authori- zations	Miscel- laneous	From	
Capital Fund Balance	\$ 197,663						\$ 197,663
Capital Improvement Fund	326,208		\$ 75,000			\$ 47,000	354,208
Due (from)/to Current Fund	414,500						414,500
Due (from)/to Sewer Utility Operating Fund	127,488	\$ 5,228		\$ 10,640			122,076
Reserve to Pay Debt Service	1,336						1,336
<u>Improvement Authorizations:</u>							
Ord.							
No.							
05-18	Improvement of the Sanitary Sewerage System	3,957				\$ 47,000	3,957
09-19	Acquisition of New Vehicle					\$ 47,000	47,000
		\$ 1,071,152	\$ 5,228	\$ 75,000	\$ -0-	\$ 47,000	\$ 1,140,740

MENDHAM BOROUGH
UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Improvement Description	Date of Issue	Maturities - December 31, 2019			Interest Rate	Balance Dec. 31, 2018	Matured	Balance Dec. 31, 2019
		Date of Maturity	Amount					
Sewer Refunding Bonds of 2015	10/29/2015	08/15/2020	\$ 276,000	4.000%	\$ 832,000	\$ 268,000	\$ 564,000	
		08/15/2021	288,000	4.000%				
					\$ 832,000	\$ 268,000	\$ 564,000	

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

NOT APPLICABLE

BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Date	Ordinance Amount	Balance Dec. 31, 2018		2019 Authorizations		Balance Dec. 31, 2019	
				Funded	Unfunded	Capital Improvement Fund	Deferred Charges to Future Taxation Unfunded	Funded	Unfunded
05-18	Improvement of the Sanitary Sewerage System	06/07/18	\$ 140,000	\$ 3,956		\$		3,956	
09-19	Acquisition of New Vehicle	08/26/19	47,000		\$	47,000		47,000	
11-19	Improvement of Sewerage System	09/23/19	5,075,000				\$ 5,075,000		\$ 5,075,000
				\$ 3,956	\$ -0-	\$	\$ 47,000	\$ 50,956	\$ 5,075,000

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

Ord. No.	Improvement Description	Date of Ordinance	Balance Dec. 31, 2018	Balance Dec. 31, 2019
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
02-17	Acquisition of New UV System	02/21/17	67,800	67,800
05-17	Copper Study	04/17/17	<u>25,000</u>	<u>25,000</u>
			<u>\$ 267,800</u>	<u>\$ 267,800</u>

BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2019

Not Applicable

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2019
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>	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Assets:		
Land	\$ 1,767,500	\$ 1,767,500
Buildings and Building Improvements	3,535,152	3,535,152
Machinery and Equipment	<u>2,793,347</u>	<u>2,793,347</u>
Total Assets	<u>\$ 8,095,999</u>	<u>\$ 8,095,999</u>
 RESERVES:		
Reserve for General Fixed Assets	<u>\$ 8,095,999</u>	<u>\$ 8,095,999</u>

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

	Balance Dec. 31, 2018	Balance Dec. 31, 2019
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	154,455	154,455
	<hr/>	<hr/>
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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Current Fund:										
General Government	\$ 2,299,768	\$ 2,295,163	\$ 2,355,920	\$ 2,342,010	\$ 2,380,996	\$ 2,263,847	\$ 2,370,654	\$ 2,335,896	\$ 2,330,681	\$ 2,410,004
Public Safety	2,009,073	2,018,122	2,057,970	2,010,962	2,049,109	2,057,174	2,072,341	2,101,259	2,122,405	2,253,232
Streets and Roads	796,301	821,402	799,895	858,383	874,333	971,423	1,027,497	1,017,440	1,057,925	1,097,972
Health and Welfare	107,670	97,537	98,385	99,457	101,482	98,277	97,946	102,786	100,768	98,688
Recreation and Education	131,778	132,072	130,285	110,287	103,971	91,350	81,531	77,170	159,900	273,250
Deferred Charges and Statutory Expenditures	606,028	694,226	656,305	679,397	721,738	624,886	654,594	675,879	721,079	733,622
Capital	110,000	50,000	133,000	133,000	133,000	320,000	320,000	320,000	370,000	375,000
Debt Service	503,353	583,437	578,777	581,024	638,594	752,471	756,275	757,332	748,934	603,091
Reserve for Uncollected Taxes	675,000	688,500	695,770	709,685	709,685	709,685	723,885	731,085	738,395	745,705
Current Fund Budget Totals	7,238,971	7,380,459	7,506,307	7,524,205	7,712,908	7,889,113	8,104,723	8,118,847	8,350,087	8,590,564
Utility Operating Funds:										
Utility Operations	1,226,933	1,249,545	1,284,788	1,244,180	1,252,384	1,256,641	1,295,200	1,324,932	1,336,705	1,317,565
Deferred Charges and Statutory Expenditures	35,000	36,000	36,000	52,569	53,516	53,516	55,449	56,234	57,414	58,212
Capital	75,000	75,000	75,000	75,000	75,000	75,000	25,000	75,000	120,000	75,000
Debt Service	361,235	340,847	539,201	542,841	542,151	523,312	539,757	525,842	293,763	294,842
Utility Operating Fund Budget Totals	1,698,168	1,701,392	1,934,989	1,914,590	1,923,051	1,908,469	1,915,406	1,982,008	1,807,882	1,745,619
County Taxes	3,445,658	3,322,900	3,374,677	3,420,007	3,488,056	3,507,990	3,502,567	3,581,574	3,582,288	3,564,076
Local and Regional School Taxes	15,775,535	15,740,236	15,787,280	16,043,847	16,687,635	17,255,946	17,732,026	18,383,927	18,702,616	18,836,937
Municipal Open Space Taxes	109,594	109,594	109,594	109,594	109,594	109,594	109,594	109,769	109,769	109,982
Other Expenditures	319,194	285,368	40,053	279,218	320,393	140,000	280,072	155,735	652,972	416,573
TOTAL EXPENDITURES	\$ 28,587,120	\$ 28,539,949	\$ 28,752,900	\$ 29,291,461	\$ 30,241,637	\$ 30,811,112	\$ 31,644,388	\$ 32,331,860	\$ 33,205,614	\$ 33,263,751

Source: Borough records.

Table 2

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

REVENUE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Current Fund:										
Fund Balance Anticipated	\$ 1,003,885	\$ 1,080,500	\$ 1,206,487	\$ 1,206,487	\$ 1,323,918	\$ 1,423,918	\$ 1,517,024	\$ 1,508,817	\$ 1,627,630	\$ 1,685,712
Miscellaneous Revenue	996,491	872,577	860,841	852,044	807,587	799,084	1,032,109	834,866	763,343	824,650
Receipts from Delinquent Taxes	150,158	148,338	132,788	134,794	176,378	159,645	209,055	167,304	108,883	116,213
Receipts from Current Taxes	5,810,505	5,993,387	5,975,249	6,048,282	6,172,724	6,195,828	6,405,531	6,527,993	6,740,423	6,716,455
Current Fund Budget Totals	7,961,039	8,094,802	8,175,365	8,241,607	8,480,607	8,578,475	9,163,719	9,038,980	9,240,279	9,343,030
Utility Operating Funds:										
Fund Balance Anticipated	200,000	215,000	440,092	415,709	432,869	426,607	399,607	451,292	156,542	174,674
Water and Sewer Rents	1,570,868	1,584,600	1,578,650	1,591,825	1,604,590	1,596,432	1,561,543	1,589,175	1,581,208	1,564,116
Miscellaneous Revenue	29,196	22,938	20,503	26,312	27,760	19,900	22,822	49,622	37,060	36,015
Utility Operating Fund Budget Totals	1,800,064	1,822,538	2,039,245	2,033,846	2,065,219	2,042,939	1,983,972	2,090,089	1,774,810	1,774,805
Non-Budget Revenues	350,511	317,324	414,249	413,122	533,802	409,761	369,104	369,646	381,580	509,073
Other Credits to Income	502,504	614,802	398,683	613,969	641,454	761,330	560,649	515,146	798,487	961,755
Taxes Allocated to School, County and Open Space	19,330,787	19,172,730	19,271,551	19,573,448	20,285,285	20,873,530	21,344,187	22,075,270	22,394,673	22,510,995
TOTAL REVENUE	\$ 29,944,905	\$ 30,022,196	\$ 30,299,093	\$ 30,875,992	\$ 32,006,367	\$ 32,666,035	\$ 33,421,631	\$ 34,089,131	\$ 34,589,829	\$ 35,099,658

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 to Total Tax Levy	
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%
2018	28,519,981	28,396,701	99.56%	108,883	28,505,584	99.95%	118,481	0.42%
2019	28,754,548	28,481,745	99.05%	115,474	28,597,219	99.45%	160,344	0.56%

Source: Tax Collector.

Table 4

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

<u>Year</u>	<u>West Morris Regional High School</u>	<u>Mendham School District</u>	<u>Mendham Borough</u>	<u>Morris County</u>	<u>Municipal Open Space</u>	<u>Total</u>
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
2018	0.581	0.878	0.469	0.279	0.008	2.215
2019	0.584	0.894	0.481	0.280	0.008	2.247

* - 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>
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%
2018	1,282,969,973	1,370,264,803	93.63%
2019	1,274,837,156	1,363,844,456	93.47%

* - Revaluation year

Source: Abstract of Ratables, County Board of Taxation

Table 6

BOROUGH OF MENDHAM
 TEN LARGEST TAXPAYERS
 FOR THE YEAR ENDED DECEMBER 31, 2019
 UNAUDITED

Taxpayer	Type of Business	2019 Assessed Valuation	Percentage of Net Assessed Valuation
V-Fee Realty	Shopping Center	\$ 22,000,000	1.73%
Individual Taxpayer #1	Individual	8,564,900	0.67%
Holly Manor	Nursing Home	8,558,600	0.67%
Roxiticus Golf Club	Golf and Tennis Club	8,003,500	0.63%
Individual Taxpayer #2	Individual	5,652,500	0.44%
Individual Taxpayer #3	Individual	5,201,800	0.41%
Individual Taxpayer #4	Individual	5,000,000	0.39%
Individual Taxpayer #5	Individual	4,850,000	0.38%
Individual Taxpayer #6	Individual	4,779,200	0.37%
Individual Taxpayer #7	Individual	4,396,300	0.34%
Total		<u>\$ 77,006,800</u>	<u>6.04%</u>

Source: Tax Assessor

Table 7

BOROUGH OF MENDHAM
COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2019
UNAUDITED

<u>Year Ended December 31,</u>	<u>Equalized Valuation Basis</u>	
2019	\$ 1,366,746,134	
2018	1,368,257,530	
2017	<u>1,372,572,409</u>	
	<u>\$ 4,107,576,073</u>	
Average equalized valuation of taxable property		\$ 1,369,192,024
Borough borrowing margin (3.5% of \$1,369,192,024)		\$ 47,921,721
Net debt as of December 31, 2019		<u>1,600,479</u>
Borough borrowing margin available		<u>\$ 46,321,242</u>

Source: Equalized valuation bases were provided by the Annual report of the State of New Jersey, Department of Treasury, Division of Taxation for 2019, 2018, and 2017.

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>
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	4,978	1,282,412,388	2,565,792	0.20%	515
2018	4,910	1,282,969,973	1,884,172	0.15%	384
2019 *	4,910	1,274,837,156	1,540,377	0.12%	314

Source: Borough of Mendham Records

(*) Information provided by U.S. Bureau of the Census, Population Division, 2019 numbers not available, used 2018 as an estimate.

Table 9

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
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	32,331,860	3.97%
2018	941,265	101,432	1,042,697	33,205,614	3.14%
2019	816,265	81,669	897,934	33,263,751	2.70%

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>
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	3.70 %	94,259	4,978
2018	3.50 %	94,259	4,910
2019	3.50 %	94,259	4,910

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 2019, and 2018 used 2017 as an estimate
 (****) Information not available for 2019, used 2018 as an estimate
 N/A Information unavailable

Table 11

BOROUGH OF MENDHAM
MISCELLANEOUS STATISTICS
December 31, 2019
UNAUDITED

Date of Incorporation		May 15, 1906
Form of Government		Borough
Number of Employees	Full Time	32
	Part Time	33
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		56
Number of calls answered		233
Number of inspections conducted		412
Emergency medical services:		
Number of Stations		1
Number of Emergency medical personnel and officers		37
Number of calls answered		447
Police protection:		
Number of stations		1
Number of police personnel and officers		16
Number of patrol units		10
Number of law violations		
Physical Arrests		85
Traffic violations		794
Parking violations		44
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		62
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, 2019

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	12/31/2019	N/A	Not Applicable	\$ 45,294	\$ 45,294	\$ 45,294 *	\$ 45,294
U.S. Department of Transportation (Passed through New Jersey Department of Transportation)	DOT Grant-Talmage and Orchard Street	20.205	1/1/2016	12/31/2019	N/A	Not Applicable	370,000			360,428
							370,000			360,428
TOTAL FEDERAL AWARDS							<u>\$ 415,294</u>	<u>\$ 45,294</u>	<u>\$ 45,294</u>	<u>\$ 405,722</u>

BOROUGH OF MENDHAM
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2019

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	N/A	01/01/17	12/31/19	Not Applicable	\$ 1,464			\$ 1,382
Department of Law and Public Safety	Body Armor Replacement	N/A	01/01/19	12/31/20	Not Applicable	1,592	\$ 1,592		
Subtotal - Department of Law and Public Safety						<u>3,056</u>	<u>1,592</u>		<u>\$ 1,382</u>
Department of Environmental Protection	Clean Communities Act	765-042-4900	01/01/17	12/31/18	Not Applicable	10,995		\$ 1,985	10,995
		004-178910	01/01/18	12/31/19	Not Applicable	10,518		6,555	6,555
			01/01/19	12/31/20	Not Applicable	11,998	11,998	5,669	5,669
Subtotal - Department of Environmental Protection						<u>33,511</u>	<u>11,998</u>	<u>14,209</u>	<u>23,219</u>
TOTAL STATE AWARDS						<u>\$ 40,567</u>	<u>\$ 13,590</u>	<u>\$ 14,209</u>	<u>\$ 24,601</u>

* - 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, 2019

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, 2019. 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, 2019:

Green Acres Program	\$38,621
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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.



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, 2019 and the related notes to the financial statements and have issued our report thereon dated August 18, 2020. 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 have not been 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 2019-001, and 2019-002 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

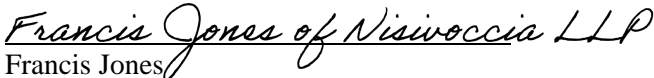
The Borough's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Borough's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
August 18, 2020

NISIVOCCIA LLP


Francis Jones
Certified Public Accountant
Registered Municipal Accountant No. 442

BOROUGH OF MENDHAM
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019

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, 2019 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 2019-001 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, 2019
 (Continued)

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

Finding 2019-001 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 2019-002 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 were not available to perform the updated 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.

Recommendation

We will pass on making a formal recommendation as the Borough has already undertaken the process to maintain Fixed Assets records.

BOROUGH OF MENDHAM
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019
(Continued)

Finding 2019-002 Fixed Assets (Cont'd)

Management's Response

The finding was evaluated, the Borough is in the process of obtaining a vendor to complete the fixed asset report.

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, 2019

The prior year findings 2018-001 and 2018-002 regarding segregation of duties and fixed assets were not resolved due to budgetary constraints and are included in the current year findings.

**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, 2015, the bid threshold for the Borough 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 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 2019, 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, 2019. 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>
2019	3
2018	3
2017	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 2019 Taxes	25
Payments of 2020 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, 2019. 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, 2019, except for the fixed assets records more fully described in the preceding Schedule of Findings and Responses.

Tax Collector

During the review of the Tax Collector's records it was noted that some of the Tax Collector's records were not posted to the accounting software for the year ended December 31, 2019. It also came to our attention that the tax collector's monthly report did not reconcile with the treasurer, including tax appeals refunded, and state and county tax refunds.

BOROUGH OF MENDHAM
COMMENTS AND RECOMMENDATIONS
(Continued)

Tax Collector (Cont'd)

Recommendation

It is recommended that the Tax Collector make every effort to post and reconcile to the accounting records in a timely manner. This includes an analysis of all refunds by resolution including all tax appeals refunded and state and county tax refunds.

Management's Response

The Borough will ensure that all tax collector activity will be posted to the accounting software in a timely manner, and that a detailed analysis will be prepared for any refunds, cancellations and adjustments made to the levy.

Outside offices

During our testing of the police cash book it was noted that receipts are not always being turned over to the finance department within forty-eight hours of receipt.

Recommendation

It is recommended that the police receipts be turned over to the finance department within 48 hours of receipt.

Management's Response

Administration will ensure that the police department will turn over the cash receipts within forty-eight hours of receipt.

Purchase Orders

During the course of our audit testing, we noted a few instances where purchases were made prior to the preparation and approval of purchase orders.

Recommendation

It is recommended that purchase orders be prepared and approved prior to the purchase of goods or services to ensure the availability of funds.

Management's Response

All purchase orders will be prepared and approved prior to the purchase of goods or services to ensure the availability of funds.

BOROUGH OF MENDHAM
COMMENTS AND RECOMMENDATIONS
(Continued)

Municipal Court

The transactions for the year 2019 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Receipts</u>	<u>Dis-</u> <u>bursements</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
State of New Jersey	\$ 2,350	\$ 34,883	\$ 36,335	\$ 898
County	1,458	16,274	16,485	1,247
Municipality	3,267	36,156	36,984	2,439
Municipality POAA		14	14	
Conditional Discharge		600	600	
Restitution	203		203	
Public Defender	200	640	840	
Weights and Measures	1,900	17,750	17,900	1,750
	<u>\$ 9,378</u>	<u>\$ 106,317</u>	<u>\$ 109,361</u>	<u>\$ 6,334</u>

During our review of the municipal court receipts it was noted that monies weren't always being deposited within 48 hours of receipt.

Recommendation

It is recommended that the municipal court receipts be deposited within 48 hours of receipt.

Management's Response

Administration will ensure that municipal court receipts will be deposited within 48 hours of receipt.

Management Suggestions

Dedication by Rider

We suggest that the Borough review all trust funds to reflect that a proper dedication by rider is approved for every trust reserve fund, and approve resolutions in 2020 as needed.

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2018 audit report. The prior year recommendations 1, 2, 3, 4, and 7 were not resolved and are included as current year recommendations. Recommendations 4 and 6 were resolved in the current year audit.

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 Tax Collector make every effort to post and reconcile to the accounting records in a timely manner. This includes an analysis of all refunds by resolution including all tax appeals refunded and state and county tax refunds.
3. The police receipts be turned over to the finance department within 48 hours of receipt.
4. Purchase orders be prepared and approved prior to the purchase of goods or services to ensure the availability of funds.
5. The municipal court receipts be deposited within 48 hours of receipt.

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