

BOROUGH
OF
MENDHAM

Borough of Mendham
County of Morris
Mendham, New Jersey

Comprehensive Annual Financial Report
For the Year Ended December 31, 2020

Comprehensive Annual
Financial Report

of the

BOROUGH OF MENDHAM

Mendham, New Jersey

YEAR ENDED DECEMBER 31, 2020

Prepared by

Borough of Mendham
Finance Department

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INTRODUCTORY SECTION
(Unaudited)



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

May 24, 2021

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, 2020, 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 2020 population is an estimated 4,847 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 4,847. 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: 2020 proved to be a very challenging year due to the COVID-19 pandemic. Adjustments were made to operations and Mendham Borough government remained fully operational. Employees worked staggered shifts or worked remotely where possible, drop boxes were installed at the municipal buildings for accepting correspondence and other documents, on-line payments were available for Tax, Sewer and other miscellaneous payments. Council and Board meetings were held remotely. Laptops were purchased for the governing body to digitize and e-mail agenda packets and related documentation.

The Borough switched to a new telephone service provider and realized a substantial savings.

A fixed assets inventory of all Borough property was completed.

The Borough's website was updated.

Grants were applied for to the Morris County Historic Preservation Trust Fund for the preparation of a Historic Preservation Plan for the Scott Farm Barn, to the N.J. Historic Trust – Preserve N.J. Program for the structural stabilization of the Phoenix House and to the Morris County Open Space Trust Fund for the purchase of a portion of the Methodist Church property.

Hilltop and Talmage Roads were repaved, and Belgian block curbing was installed on a portion of Hilltop Road.

The Planning Board and the Board of Adjustment were merged into a Joint Land Use Board.

The New Jersey Courts approved the Borough's Affordable Housing Agreement.

A 3-year interlocal services agreement was entered in to between Mendham Borough, Mendham Township and Chester Township for Animal Control Services.

A 2020 Ford F-550 truck, a Caterpillar Wheel Loader and an asphalt hot patcher were purchased for the Public Works Department, and a Police Interceptor SUV was purchased for the Police Department.

Work on improving the tennis courts began, and new swings, benches and fencing were installed at Borough Park.

A Hurst electric cutting tool was purchased for the Fire Department, and new garage doors were installed at the Firehouse/First Aid Squad building.

A Sewer Collection System CCTV inspection project began – 126,288 linear feet of sewer lines were inspected.

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 system 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, 2020, 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 \$906,256 in the form of bond anticipation notes. The Borough also has \$13,001 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, 2020, 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 2019</u>	<u>Percent of Increase/ (Decrease)</u>
Fund Balance Anticipated	\$ 1,919,358	5.28%	\$ 58,972	3.17%
Sewer Rents	1,589,986	4.38%	25,870	1.65%
Miscellaneous Revenue	929,271	2.56%	67,094	7.78%
Receipts from Delinquent Taxes	68,902	0.19%	(47,311)	-40.71%
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	6,808,813	18.74%	92,358	1.38%
Municipal Budget Totals-Revenue	11,316,330	31.14%	196,983	1.77%
Nonbudget Revenue	1,143,609	3.15%	636,090	125.33%
Other Credits to Income	896,095	2.47%	(65,702)	-6.83%
Taxes Allocated to Schools, County and Open Space Trust	22,981,900	63.24%	470,905	2.09%
Total	<u>\$ 36,337,934</u>	<u>100.00%</u>	<u>\$ 1,238,276</u>	3.53%

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. Fund Balance is relatively unchanged reflecting the Borough's conservative approach in anticipating fund balance and the Borough's attempt to stabilize and improve their fund balance position, while establishing and maintaining

reserves and the Borough's strong financial position. The increase in budgeted revenue is primarily attributable to an increase in the Borough's collection of taxes and anticipated revenue budgeted for Open Space 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, 2020 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 2019</u>	<u>Percent of Increase/ (Decrease)</u>
Current:				
General Government	\$ 2,536,443	7.55%	\$ 126,439	5.25%
Public Safety	2,240,111	6.67%	(13,121)	-0.58%
Streets and Roads	1,141,362	3.40%	43,390	3.95%
Health and Welfare	106,755	0.32%	8,067	8.17%
Recreation and Education	170,895	0.51%	(102,355)	-37.46%
Deferred Charges and Statutory Expenditures	818,950	2.44%	27,116	3.42%
Utility Operating	1,374,227	4.09%	56,662	4.30%
Capital	528,000	1.57%	78,000	17.33%
Debt Service:				
Principal	836,264	2.49%	20,000	2.45%
Interest	62,026	0.18%	(19,643)	-24.05%
Reserve for Uncollected Taxes	745,705	2.22%		0.00%
Municipal Budget Totals-Expenditures	10,560,738	31.44%	224,555	2.17%
County Taxes	3,538,656	10.53%	(25,420)	-0.71%
Local and Regional School Taxes	19,333,567	57.55%	496,630	2.64%
Municipal Open Space Taxes	109,677	0.33%	(305)	-0.28%
Other Expenditures	50,078	0.15%	(366,495)	-87.98%
Total	<u>\$ 33,592,716</u>	<u>100.00%</u>	<u>\$ 328,965</u>	0.99%

The primary reason for the increase in expenditures was the increase in school taxes, public safety which included a new school resource officer and recreation and education to transfer to capital ordinance for tennis courts.

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,

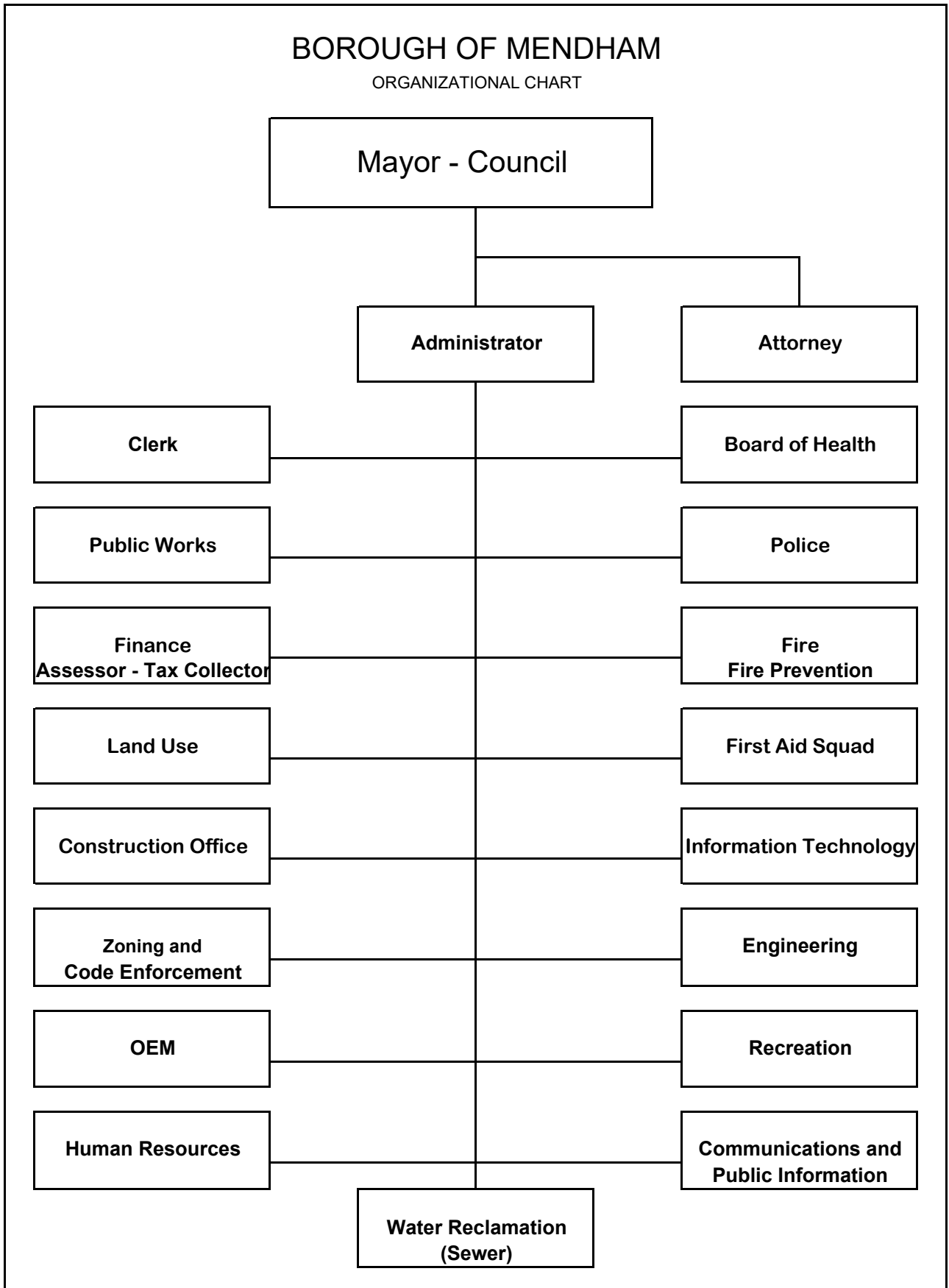
Joyce Bushman

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
Councilman	James R. Kelly
Councilwoman	Mary Sue Martin
Councilman	Brennan Reilly

Appointed Officials

Administrator	Joyce Bushman
Clerk	Robin R. Kline
Tax Collector/Tax Search Officer/ Deputy Public Utilities Clerk	Judi O'Brien to 8/7/20 Thomas Hesper from 8/8/20
Treasurer/Chief Financial Officer	Susan Giordano
Public Utilities Clerk/Deputy Tax Collector	Karen Orgera
Tax Assessor	Scott J. Holzhauer
Magistrate	Frank P. Leanza
Court Administrator/Violations Clerk	Jan Simonetti
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



200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
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 year ended December 31, 2020 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, 2020 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, 2020 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, 2020 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 combining and individual fund and account group statements and schedules listed in the table of contents, the 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*, and the introductory and statistical sections 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 May 24, 2021 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
May 24, 2021

NISIVOCCIA 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, 2020
 (With Comparative Totals for 2019)

	Account Group				Totals	
	Current Fund	General Capital Fund	Trust Fund	Utility Funds	General Fixed Assets (Unaudited)	(Memorandum Only)
				Operating	Capital	
						2020
						2019
ASSETS AND OTHER DEBITS:						
Assets:						
Cash and Cash Equivalents	\$ 5,127,559	\$ 795,639	\$ 1,195,828	\$ 835,020	\$ 519,615	\$ 8,473,661
Investments	535,756					655,756
Receivables and Other Assets:						
Property Taxes Receivable	129,705			126,297		129,705
Consumer Accounts Receivable	20,972	325,000				126,740
Federal and State Receivables	1	94,794	37,375	175		345,972
Interfund Receivables	50,082					132,345
Other Receivables						50,082
Property Acquired for Taxes at Assessed Valuation	2,900					2,900
Fixed Assets in General Fixed Assets Account Group (Unaudited)						8,095,999
Total Assets	5,866,975	1,215,433	1,233,203	961,492	519,615	17,892,717
Other Debits:						
Deferred Charges:						
Deferred Charges to Future Taxation		1,459,138			19,617,076	1,459,138
Fixed Capital						19,617,076
Total Other Debits		1,459,138			19,617,076	21,265,334
Total Assets and Other Debits	5,866,975	2,674,571	1,233,203	961,492	20,136,691	38,968,931
LIABILITIES, RESERVES AND FUND BALANCE:						
Appropriation Reserves	\$ 1,021,982	\$ 1,170,830	\$ 298,877	\$ 4,607,429		\$ 1,320,859
Improvement Authorizations						5,778,259
Payroll Deductions And Withholdings						135,827
Accounts Payable - Vendors	126,590	16,015	135,827	27,297		169,902
Interfund Payables	132,169					170,655
Reserves for Amortization			1		175	132,345
Various Liabilities and Reserves	1,571,053	135,796	1,097,375	4,355	14,254,077	14,254,077
Serial Bonds, Bond Anticipation Notes and Loans Payable		1,351,257			851,347	11,755,925
Reserve for Receivables and Other Assets	182,688			126,297	288,000	1,639,257
Fund Balance	2,832,493	673		504,666	135,663	308,985
Total Liabilities, Reserves and Fund Balances	5,866,975	2,674,571	1,233,203	961,492	20,136,691	38,968,931
						40,128,256

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

BOROUGH OF MENDHAM
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CURRENT AND UTILITY OPERATING FUNDS-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Current Fund			Utility Operating Fund		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES:						
Fund Balance Anticipated	\$ 1,713,212	\$ 1,713,212		\$ 206,146	\$ 206,146	
Sewer Rents				1,570,641	1,589,986	\$ 19,345
Miscellaneous Revenue	776,036	878,191	\$ 102,155	30,000	51,080	21,080
Receipts from Delinquent Taxes	103,250	68,902	(34,348)			
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	6,265,628	6,808,813	543,185			
Municipal Budget Totals - Revenue	8,858,126	9,469,118	610,992	1,806,787	1,847,212	40,425
Non-budget Revenues		1,143,609	1,143,609			
Other Credits to Income		774,142	774,142		121,953	121,953
Taxes Allocated to Schools, County and Open Space	22,981,900	22,981,900				
TOTAL REVENUES	31,840,026	34,368,769	2,528,743	1,806,787	1,969,165	162,378
EXPENDITURES:						
Current:						
General Government	2,636,443	2,536,443	100,000			
Public Safety	2,240,111	2,240,111				
Streets and Roads	1,141,362	1,141,362				
Health and Welfare	106,755	106,755				
Recreation and Education	170,895	170,895				
Deferred Charges and Statutory Expenditures	759,950	759,950		59,000	59,000	
Utility Operating				1,374,227	1,374,227	
Capital	453,000	453,000		75,000	75,000	
Debt Service:						
Principal	560,265	560,264	1	276,000	276,000	
Interest	43,640	43,640		22,560	18,386	4,174
Reserve for Uncollected Taxes	745,705	745,705				
Municipal Budget Totals - Expenditures	8,858,126	8,758,125	100,001	1,806,787	1,802,613	4,174
County Taxes	3,538,656	3,538,656				
Local and Regional School Taxes	19,333,567	19,333,567				
Municipal Open Space Taxes	109,677	109,677				
Other Expenditures		50,078	(50,078)			
TOTAL EXPENDITURES	\$ 31,840,026	31,790,103	49,923	\$ 1,806,787	1,802,613	4,174
Excess/(Deficit) of Revenues over Expenditures		2,578,666	\$ 2,578,666		166,552	\$ 166,552
Fund Balances January 1, 2020		1,967,039			544,260	
Less: Utilized as Anticipated Revenue		1,713,212			206,146	
Fund Balances December 31, 2020		\$ 2,832,493			\$ 504,666	

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

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020
 (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, 2020
(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, 2020
 (Continued)

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

E. Other significant accounting policies include (Cont'd):

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.

General Fixed Assets (Unaudited) – In accordance with accounting requirements in the New Jersey Administrative Code, as promulgated by the Division of Local Government Services, the Borough developed a fixed assets accounting and reporting system. General fixed assets are recorded at cost or 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 for on general fixed assets. The total value recorded for general fixed assets is offset by a “Reserve for Fixed Assets”. When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund, General Capital Fund and Sewer Utility Fund. The values recorded in the general fixed assets account group and the 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.

Property and equipment purchased by the Sewer Utility Fund is recorded in the capital account at cost. The amount shown does not purport to represent replacement costs or current value. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Sewer Utility Capital Fund represent charges to operations for the costs of acquisitions of property, equipment and improvements. The Sewer Utility does not record depreciation on fixed assets.

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, 2020
(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, 2020
(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, 2020, cash and cash equivalents and investments of the Borough consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Money Market</u>	<u>Investment</u>	<u>Checking Accounts</u>	<u>Total</u>
Current	\$ 230	\$ 4,416,510	\$ 535,756	\$ 710,819	\$ 5,663,315
General Capital		335,371		460,268	795,639
Trust and Agency		438,242		757,586	1,195,828
Utility Operating	100	139,116		695,804	835,020
Utility Capital		297,723		221,892	519,615
	<u>\$ 330</u>	<u>\$ 5,626,962</u>	<u>\$ 535,756</u>	<u>\$ 2,846,369</u>	<u>\$ 9,009,417</u>

The carrying amount of the Borough's cash and cash equivalents and investments at year end was \$9,009,417 and the bank balance was \$9,121,599. During 2020 the Borough invested funds by purchasing Bond Anticipation Notes from its own Capital Funds. There was an investment of \$535,756 from the Current Fund in Bond Anticipation Notes issued by the Borough's General Capital Fund at 0.70% interest due on July 2, 2021.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Continued)

Note 3: Interfunds

The following interfund receivable and payable balances appear on the combined balance sheet as of December 31, 2020:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 1	132,169
General Capital Fund	94,794	
Other Trust Funds	37,375	1
Sewer Utility Operating Fund	175	
Sewer Utility Capital Fund		175
	<u>\$ 132,345</u>	<u>\$ 132,345</u>

The primary interfund activity for 2020 was due to the increase in interfund activity between the Other Trust Funds and Current Fund for open space levy and Tax Sale Premium received in the Current Fund due to the Other Trust Funds. The remaining balances are due to older monies not yet turned over. The interfund between General Capital and Current fund is the primarily due to the BAN loan not being turned over to the General Capital Fund. 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>2020</u>	<u>2019</u>	<u>2018</u>
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 1,351,257	\$ 1,540,378	\$ 1,884,172
Sewer Utility:			
Bonds, Loans and Notes	288,000	564,000	832,000
Total Issued	<u>1,639,257</u>	<u>2,104,378</u>	<u>2,716,172</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	<u>107,881</u>	<u>107,881</u>	<u>135,601</u>
Less: Reserve to Pay Debt Service	<u>29,900</u>	<u>29,900</u>	<u>29,900</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 1,717,238</u>	<u>\$ 2,182,359</u>	<u>\$ 2,821,873</u>

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(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 .11%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local and Regional School District Debt	\$ 4,466,504	\$ 4,466,504	
Sewer Utility Debt	288,000	288,000	
General Debt	<u>1,459,138</u>	<u>29,900</u>	<u>\$ 1,429,238</u>
	<u>\$ 6,213,642</u>	<u>\$ 4,784,404</u>	<u>\$ 1,429,238</u>

Net Debt \$1,429,238 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$1,351,562,623 = .11%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 47,304,692
Net Debt	<u>1,429,238</u>
Remaining Borrowing Power	<u>\$ 45,875,454</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	\$ 1,847,212
Deductions:	
Operating, Maintenance and Debt Service Costs	<u>1,727,613</u>
Excess in Revenue	<u>\$ 119,599</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>12/31/2019</u>	<u>Additions</u>	<u>Defeased/ Retirements</u>	<u>Balance</u> <u>12/31/2020</u>
General Capital Fund:				
Serial Bonds	\$ 846,000		\$ 414,000	\$ 432,000
Bond Anticipation Notes	655,756	\$ 906,256	655,756	906,256
Green Acres Loan	38,621		25,620	13,001
Sewer Utility Capital Fund:				
Serial Bonds	<u>564,000</u>		<u>276,000</u>	<u>288,000</u>
Total	<u>\$ 2,104,377</u>	<u>\$ 906,256</u>	<u>\$ 1,371,376</u>	<u>\$ 1,639,257</u>

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Continued)

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

The Borough had the following outstanding debt at December 31, 2020.

Schedule of General Capital Bond Anticipation Notes

<u>Purpose</u>	<u>Date of</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2020</u>
	<u>Original Note</u>	<u>Maturity</u>		
Various Improvements	7/12/2013	7/2/2021	0.70%	\$ 378,036
Various Improvements	7/11/2014	7/2/2021	0.70%	27,720
Acquisition of New Vehicle	10/7/2019	7/2/2021	0.70%	130,000
Acquisition of New Vehicle	9/4/2020	9/3/2021	0.66%	370,500
				<u>\$ 906,256</u>

General Capital - Serial Bonds Payable

<u>Purpose</u>	<u>Maturities at December 31, 2020</u>				<u>Balance Dec. 31, 2019</u>	<u>Balance Matured</u>	<u>Balance Dec. 31, 2020</u>
	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>			
	Bond Refunding of 2015	10/29/15	08/15/21	\$ 432,000	4.0%	\$ 846,000	\$ 414,000

Sewer Utility Capital - Serial Bonds Payable

<u>Purpose</u>	<u>Maturities at December 31, 2020</u>				<u>Balance Dec. 31, 2019</u>	<u>Balance Matured</u>	<u>Balance Dec. 31, 2020</u>
	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>			
	Sewer Bond Refunding of 2015	10/29/15	08/15/21	\$ 288,000	4.0%	\$ 564,000	\$ 276,000

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Continued)

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

The Borough had the following outstanding debt at December 31, 2020 (Cont'd):

	Date of Final Maturity	Interest Rate	Balance Dec. 31, 2020
Green Acres Loan	2/18/2021	2.00%	<u>\$ 13,001</u>

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

General Capital:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	<u>\$ 432,000</u>	<u>\$ 17,280</u>	<u>\$ 449,280</u>

Sewer Utility Capital:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	<u>\$ 288,000</u>	<u>\$ 11,520</u>	<u>\$ 299,520</u>

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).

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.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Continued)

Note 5: Pension Plans (Cont'd)

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

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, 2020
(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 \$146,580 for 2020.

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. The Borough has rolled forward the net pension liability as of June 30, 2019 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2019 pension information in the Notes to the Financial Statements as the June 30, 2020 pension information has not been released as of the date of this audit.

For the year ended December 31, 2020, the Borough recognized actual pension expense in the amount of \$146,580.

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 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

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Continued)

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

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.

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, 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%

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020
(Continued)

Note 5: Pension Plans (Cont'd)

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

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

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, 2020
 (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.

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.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020
(Continued)

Note 5: Pension Plans (Cont'd)

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

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 \$378,250 for the year ended December 31, 2020. 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.

Pension Liabilities and Pension Expense

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 an increase of 0.003% from its proportion measured as of June 30, 2018. The Borough has rolled forward the net pension liability as of June 30, 2019 with no adjustments. The State of New Jersey Police and Firemen's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2019 pension information in the Notes to the Financial Statements as the June 30, 2020 pension information has not been released as of the date of this audit.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020
(Continued)

Note 5: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

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 an 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	\$ 5,306,227

For the year ended December 31, 2020, the Borough recognized pension expense of \$378,250.

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, 2020
(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, 2020
(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, 2020
(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 1 employee covered during 2020 and recognized pension expense of \$6,750 for 2020. There were also employee contributions to DCRP of \$7,621 for 2020.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020
(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, 2020
(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 benefit/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, 2020 was not available from the State of New Jersey Division of Pension and Benefits as of the date of this report. 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, 2020
(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 2020 for 11 retiree employees were \$78,315.36.

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, 2020
(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	\$ 4,061,652	\$ 3,512,767	\$ 3,066,725

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	\$ 2,964,342	\$ 3,512,767	\$ 4,212,375

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, 2020
(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>2020</u>	<u>2019</u>	<u>2018</u>
<u>Tax Rate</u>	\$ 2.301	\$ 2.247	\$ 2.215
<u>Apportionment of Tax Rate</u>			
Municipal	.492	.481	.469
County	.280	.280	.279
Local School	.906	.894	.878
Regional High School	.615	.584	.581
Municipal Open Space	.008	.008	.008
<u>Assessed Valuations</u>			
2020	<u>\$ 1,271,263,456</u>		
2019		<u>\$ 1,274,837,156</u>	
2018			<u>\$ 1,282,969,973</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>
2020	\$ 29,275,674	\$ 29,045,008	99.21%
2019	28,754,548	28,481,745	99.05%
2018	28,519,981	28,396,701	99.56%

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, 2020
(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.

The December 31, 2020 audit report of the Morris County Municipal Joint Insurance Fund is not filed as of the date of this audit. 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</u> <u>Year</u>	<u>Borough</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Interest</u> <u>Earned</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending Balance</u>
2020	\$ 7,000	\$ 5,712	\$ 365	\$ 7,237	\$ 44,018
2019	7,000	5,066	30	15,745	38,178
2018	8,000	4,570	57	3,452	41,827

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
 (Continued)

Note 10: Fund Balances Appropriated

Fund balances as December 31, 2020, which have been appropriated and included as anticipated revenue for the year ending December 31, 2021 are \$2,181,988 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, 2020:

	<u>Balance</u>	<u>Additions</u>	<u>Balance</u>
	<u>Dec. 31, 2019</u>		<u>Dec. 31, 2020</u>
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>
	<u>\$ 8,095,999</u>	<u>\$ -0-</u>	<u>\$ 8,095,999</u>

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, 2020 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, 2020.

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 \$387,719.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Continued)

Note 13: Other Reserves

Reserves on the balance sheet of the Current Fund at December 31, 2020, consisted of the following:

Litigation	\$ 430,421
Unappropriated Reserves	32,197
Distractive Driving Grant	5,915
Sale of Municipal Assets	337,757
Pending Tax Appeals	387,719
	<u>\$ 1,194,009</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, 2020 was \$203,795.

Note 16: Subsequent Event

The COVID-19 outbreak in the United States and specifically in New Jersey continues to have an impact on the Borough's operations and finances. Public access to the municipal offices continues to be restricted. Though the impact on the Borough's finances cannot be reasonably estimated at this date, the following is likely to continue through at least mid-year 2021: Interest on investments continues to be severely negatively impacted.

The finances of the Borough's Sewer Utility Operating Fund will likely continue to be impacted by a significant decline in interest earnings similar to that of the Current Fund.

**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
2020
CURRENT FUND

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

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MENDHAM BOROUGH
CURRENT FUND
COMPARATIVE BALANCE SHEET

	December 31,	
	2020	2019
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 5,127,329	\$ 4,161,974
Investments	535,756	655,756
Change Fund	230	230
	<u>5,663,315</u>	<u>4,817,960</u>
Due from State of New Jersey:		
Veterans and Senior Citizens Deductions	20,972	20,222
	<u>5,684,287</u>	<u>4,838,182</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	129,705	160,344
Tax Title Liens Receivable	31,486	20,724
Property Acquired for Taxes - Assessed Valuation	2,900	2,900
Revenue Accounts Receivable	2,054	2,439
Grants Receivable	16,542	16,542
Interfunds Receivable	1	415,834
	<u>182,688</u>	<u>618,783</u>
Total Receivables and Other Assets with Full Reserves		
	<u>5,866,975</u>	<u>5,456,965</u>
TOTAL ASSETS	\$ 5,866,975	\$ 5,456,965
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Appropriation Reserves:		
Encumbered	\$ 339,149	\$ 121,233
Unencumbered	682,833	705,002
Total Appropriation Reserves	<u>1,021,982</u>	<u>826,235</u>
Prepaid Taxes	370,940	322,514
Local School Taxes Payable		
Tax Overpayments		19,253
Accounts Payable - Vendors	126,590	127,343
Other Liabilities	6,104	6,104
Interfund Payable	132,169	354,670
Other Reserves	1,194,009	1,215,024
	<u>2,851,794</u>	<u>2,871,143</u>
Reserve for Receivables and Other Assets	182,688	618,783
Fund Balance	<u>2,832,493</u>	<u>1,967,039</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$ 5,866,975	\$ 5,456,965

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

<u>Revenue and Other Income Realized</u>	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Fund Balance Utilized	\$ 1,713,212	\$ 1,685,712
Miscellaneous Revenue Anticipated	878,191	826,162
Receipts from:		
Delinquent Taxes	68,902	116,213
Current Taxes	29,045,008	28,481,745
Nonbudget Revenue	1,143,609	507,519
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	358,308	342,791
Other Credits	415,834	414,718
Total Income	<u>33,623,064</u>	<u>32,374,860</u>
 <u>Expenditures</u>		
Budget Appropriations - Municipal Purposes	8,012,420	7,844,859
County Taxes	3,538,656	3,564,076
Local School District Taxes	11,509,106	11,387,081
Regional School Taxes	7,824,461	7,449,856
Municipal Open Space Tax	109,677	109,982
Other Debits	50,077	739
Interfunds Advanced	1	415,834
Total Expenditures	<u>31,044,398</u>	<u>30,772,427</u>
 Excess in Revenue	2,578,666	1,602,433
 <u>Fund Balance</u>		
Balance January 1	<u>1,967,039</u>	<u>2,050,318</u>
	4,545,705	3,652,751
Decreased by:		
Utilized as Anticipated Revenue	<u>1,713,212</u>	<u>1,685,712</u>
Balance December 31	<u>\$ 2,832,493</u>	<u>\$ 1,967,039</u>

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2020

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 1,713,212		\$ 1,713,212	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	6,300		6,300	
Interest and Costs on Taxes	21,000		50,598	\$ 29,598
Interest on Investments and Deposits	17,500		71,723	54,223
Energy Receipts Tax	501,147		501,147	
Uniform Construction Code Fees	121,500		139,834	18,334
Public and Private Revenue				
Offset with Appropriations:				
Clean Communities Program	9,000	\$ 1,817	10,817	
Body Armor Fund	1,507		1,507	
Other Trust Fund - Open Space Trust	26,265		26,265	
Other Trust Fund - Open Space Maintenance	70,000		70,000	
Total Miscellaneous Revenue	774,219	1,817	878,191	102,155
Receipts from Delinquent Taxes	103,250		68,902	34,348 *
Amount to be Raised by Taxes for Support of Municipal Budget	6,265,628		6,808,813	543,185
Budget Totals	8,856,309	1,817	9,469,118	\$ 610,992
Nonbudget Revenue			1,143,609	
	<u>\$ 8,856,309</u>	<u>\$ 1,817</u>	<u>\$ 10,612,727</u>	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2020
(Continued)

Analysis of Realized Revenue

Allocation of Current Tax Collections:		
Collection of Current Taxes	\$	29,045,008
Allocated to:		
School, County, and Open Space Taxes		22,981,900
		<u>6,063,108</u>
Add: Appropriation "Reserve for Uncollected Taxes"		745,705
		<u>745,705</u>
Realized for Support of Municipal Budget	\$	<u><u>6,808,813</u></u>

Analysis of Delinquent Tax Collections

Delinquent Taxes	\$	68,902
	\$	<u><u>68,902</u></u>

Analysis of Nonbudget Revenue

Revenue Accounts Receivable:		
Fees and Permits	\$	71,867
Clerk		2,734
Police		4,578
Special Duty		43,560
Board of Adjustment		8,000
Planning Board		750
Board of Health		14,125
Municipal Court Fines and Costs		10,668
Rents on Borough-Owned Properties		19,276
Cable Television Franchise Fees		77,656
Tenant registration/inspect		9,825
Lot grad/soil erosion (LDP)		4,400
DMV Inspection Fines		900
High School Resource Officer Reimbursement		130,227
State of New Jersey-Vet and Senior Citizen 2% Admin Fee		525
Alarm Fees		400
Smoke Detector		6,864
Health Benefits		550,000
Fletcher Trust		172,243
Miscellaneous		15,012
	\$	<u><u>1,143,609</u></u>

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2020

	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	\$ 156,008	\$ 156,008	\$ 153,037	\$ 2,971		
Other Expenses	29,475	29,475	17,466	12,009		
Mayor and Council:						
Salaries and Wages	22,000	22,000	21,500	500		
Other Expenses	2,800	2,800	455	2,345		
Municipal Clerk:						
Salaries and Wages	82,000	82,000	82,000			
Other Expenses	26,950	26,950	24,806	2,144		
Financial Administration:						
Salaries and Wages	91,483	74,783	65,140	9,643		
Other Expenses	33,030	33,030	15,471	17,559		
Annual Audit	40,000	40,000	19,000	21,000		
Computerized Data Processing	90,500	90,500	89,068	1,432		
Zoning:						
Salaries and Wages	32,100	36,000	33,094	2,906		
Other Expenses	11,580	11,580	5,184	6,396		
Tax Assessment Administration:						
Salaries and Wages	49,190	49,190	49,190			
Other Expenses	16,450	16,450	12,897	3,553		
Revenue Administration (Tax Collection):						
Salaries and Wages	28,000	35,000	31,060	3,940		
Other Expenses	13,090	13,090	8,707	4,383		
Legal Services and Costs:						
Other Expenses	121,000	121,000	104,008	16,992		
Engineering Services and Costs:						
Other Expenses	64,500	64,500	44,278	20,222		
Historic Preservation:						
Other Expenses	10,050	8,768	1,997	6,771		
Public Buildings and Grounds:						
Other Expenses	150,000	150,000	91,303	58,697		

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2020
(Continued)

	Appropriations		Expended By	Un- expended Balance Cancelled
	Budget	Budget After Modification		
Operations Within "CAPS" (Cont'd):				
General Government (continued):				
Municipal Land Use Law(N.J.S.A.40:55D-1):				
Planning Board:				
Salaries and Wages	\$ 22,500	\$ 23,782	23,782	
Other Expenses	21,000	19,718	10,130	\$ 9,588
Insurance:				
Employee Group Health	590,000	590,000	588,914	1,086
Unemployment Compensation Insurance	7,000	7,000	7,000	
General Liability Insurance	85,803	85,803	83,696	2,107
Workmen's Compensation Insurance	82,484	82,484	82,484	
Public Safety:				
Police:				
Salaries and Wages	1,559,676	1,606,676	1,603,686	2,990
Other Expenses	156,360	156,360	94,103	62,257
Contractual Radio Dispatch	124,859	124,859	124,858	1
Emergency Management Services - Salaries & Wages	3,500	3,500	3,500	
Emergency Management Services - Other Expenses	8,700	8,700	4,904	3,796
Aid to Volunteer Fire Company	101,200	101,200	66,916	34,284
Aid to Volunteer Ambulance Company	38,000	38,000	23,190	14,810
Fire:				
Salaries and Wages	26,000	26,700	26,023	677
Other Expenses	114,800	114,800	104,036	10,764
Municipal Court:				
Other Expenses	45,992	45,992	45,492	500
Public Defender - Other Expenses	1,000	1,000		1,000
Streets and Roads:				
Road Repairs and Maintenance:				
Salaries and Wages	673,867	634,867	572,445	62,422
Other Expenses	204,100	204,100	164,501	39,599

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2020
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
Streets and Roads (Cont'd):					
Shade Trees:					
Other Expenses	\$ 22,095	\$ 22,095	\$ 13,498	\$	8,597
Kelley Act - Mendham Commons	7,000	7,000	3,039		3,961
Landfill/Solid Waste Disposal Costs:					
Salaries and Wages	15,300	16,300	15,706		594
Other Expenses	257,000	257,000	210,226		46,774
Health and Welfare:					
Board of Health:					
Other Expenses - Miscellaneous	66,315	66,315	57,775		8,540
Environmental Commission:					
Other Expenses	7,620	7,620	4,007		3,613
Animal Control:					
Other Expenses	13,000	13,000	5,061		7,939
Contributions to Social Service Agency:					
MASH Van	19,820	19,820	14,678		5,142
Recreation and Education:					
Recreation:					
Salaries and Wages	31,095	31,095	15,515		15,580
Other Expenses	30,800	19,200	9,057		10,143
Parks and Playgrounds:					
Other Expenses	120,600	120,600	111,060		9,540
Construction Code Official:					
Salaries and Wages	123,800	119,900	105,317		14,583
Other Expenses	56,250	56,250	2,802		53,448
Communications and Public Information:					
Salaries and Wages	22,500	23,782	23,782		
Other Expenses	32,000	32,000	17,000		15,000

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2020
(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	168,000	179,600	\$ 147,984	\$ 31,616	
Total Operations Within "CAPS"	6,030,242	6,030,242	5,255,828	674,414	100,000
Contingency	2,000	2,000	1,912	88	
Total Operations Including Contingent Within "CAPS"	6,032,242	6,032,242	5,257,740	674,502	100,000
Detail:					
Salaries and Wages	3,016,519	3,017,801	2,773,713	116,806	100,000
Other Expenses	3,015,723	3,014,441	2,484,027	557,696	
Deferred Charges and Statutory Expenditures- Municipal Within "CAPS":					
Contributions to PERS	148,950	148,950	146,580	2,370	
Contributions to Social Security System (O.A.S.I.)	226,000	226,000	226,000		
Contributions to PFRS	378,250	378,250	378,250		
Defined Contribution Retirement Plan	6,750	6,750	6,750		
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	759,950	759,950	757,580	2,370	
Total General Appropriations for Municipal Purposes Within "CAPS"	6,792,192	6,792,192	6,015,320	676,872	100,000

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2020
(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 +\$1,817)	9,000		10,817	6,363	\$ 4,454	
Body Armor Fund	1,507		1,507	1,507	1,507	
Total Operations Excluded from "CAPS"	261,507		263,324	257,363	5,961	
Detail:						
Other Expenses	261,507		263,324	257,363	5,961	
Capital Improvements-Excluded from "CAPS" :						
Capital Improvement Fund	453,000		453,000	453,000		
Total Capital Improvements Excluded from "CAPS"	453,000		453,000	453,000		
Municipal Debt Service Excluded from "CAPS":						
Payment of Bond Principal	414,000		414,000	414,000		
Payment of Bond Anticipation Notes	120,000		120,000	120,000		
Interest on Bonds	33,840		33,840	33,840		
Interest on Notes	9,800		9,800	9,800		
Green Trust Loan Program - Principal and Interest	26,265		26,265	26,264	1	
Total Municipal Debt Service Excluded from "CAPS"	603,905		603,905	603,904	1	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2020
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Total General Appropriations Excluded from "CAPS"	\$ 1,318,412	\$ 1,320,229	\$ 1,314,267	\$ 5,961	\$ 1
Subtotal General Appropriations	8,110,604	8,112,421	7,329,587	682,833	100,001
Reserve for Uncollected Taxes	745,705	745,705	745,705		
Total General Appropriations	\$ 8,856,309	\$ 8,858,126	\$ 8,075,292	\$ 682,833	\$ 100,001

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2020
(Continued)

	<u>Analysis of Budget After Modification</u>	<u>Analysis of Paid or Charged</u>
Cash Disbursed		\$ 7,062,951
Reserve for Uncollected Taxes		745,705
Outstanding Encumbrances		339,149
Adopted Budget	\$ 8,856,309	
Adopted by NJSA 40A:4-87	1,817	
	<u>8,858,126</u>	<u>8,147,805</u>
Less: Appropriation Refunds		72,513
	<u>\$ 8,858,126</u>	<u>\$ 8,075,292</u>

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

Year	Balance Dec. 31, 2019	2020 Levy	Added Taxes	2019	2020	Over- payments Applied	State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Trans- ferred to Tax Title Liens	Balance Dec. 31, 2020
2018	\$ 3,008								\$ 3,008	
2019	157,336		55,659	322,514	\$ 68,902			84,603	3,831	
2020		\$ 29,275,674	\$ 55,659	\$ 322,514	\$ 28,676,241	\$ 19,253	\$ 27,000	152,697	3,923	\$ 129,705
	\$ 160,344	\$ 29,275,674	\$ 55,659	\$ 322,514	\$ 28,745,143	\$ 19,253	\$ 27,000	\$ 237,300	\$ 10,762	\$ 129,705

Analysis of 2020 Property Tax Levy

Tax Yield:	
General Purpose Tax	\$ 29,202,918
Business Personal Property Taxes	48,854
Added and Omitted Taxes	23,902
	<u>\$ 29,275,674</u>
Tax Levy:	
Regional High School Taxes	7,824,461
Local School District Taxes	11,509,106
	<u>\$ 19,333,567</u>
County Taxes	3,535,744
Due County for Added and Omitted Taxes	2,912
	<u>3,538,656</u>
Municipal Open Space Tax	109,677
	<u>22,981,900</u>
Local Tax for Municipal Purposes Levied	6,265,628
Add: Additional Tax Levied	28,146
	<u>6,293,774</u>
	<u>\$ 29,275,674</u>

MENDHAM BOROUGH
CURRENT FUND
SCHEDULE OF 2019 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2020

	Balance Dec. 31, 2019	Balance After Modi- fication	Paid or Charged	Balance Lapsed
General Administration:				
Salaries and Wages	\$ 2,557	\$ 2,557		\$ 2,557
Other Expenses	7,989	7,989	5,706	2,283
Mayor and Council:				
Salaries and Wages	500	500		500
Other Expenses	959	959	701	258
Municipal Clerk:				
Salaries and Wages	9	9		9
Other Expenses	2,083	2,083	780	1,303
Annual Audit	20,222	20,222	20,000	222
Computerized Data Processing	11,034	11,034	10,701	333
Financial Administration:				
Salaries and Wages	49	49		49
Other Expenses	23,642	23,642	12,941	10,701
Zoning:				
Salaries and Wages	1,565	1,565	1,077	488
Other Expenses	3,196	3,196	356	2,840
Assessment of Taxes:				
Salaries and Wages	504	154		154
Other Expenses	1,960	2,310	2,306	4
Collection of Taxes:				
Salaries and Wages	3,427	3,427	2,133	1,294
Other Expenses	5,302	5,302	3,173	2,129
Legal Services and Costs	7,602	19,202	19,162	40
Engineering Services and Costs:				
Other Expenses	5,078	5,078	1,807	3,271
Historic Preservation:				
Other Expenses	5,066	3,266	105	3,161
Public Buildings and Grounds:				
Other Expenses	46,344	46,344	21,535	24,809
Municipal Land Use Law (N.J.S.A. 40:55D-1):				
Planning Board:				
Other Expenses	5,138	5,138	967	4,171
Insurance:				
Employee Group Health	8,264	8,264	1,119	7,145
General Liability Insurance	1,664	1,664		1,664
Aid to Volunteer Ambulance Company	14,147	14,147	14,062	85
Aid to Volunteer Fire Company	25,135	25,135	21,810	3,325
Fire:				
Salaries and Wages	1,796	1,796	1,075	721
Other Expenses	27,119	27,119	18,308	8,811
Police:				
Salaries and Wages	41,152	31,352	2,810	28,542
Other Expenses	62,722	62,722	54,685	8,037
Contractual Radio Disbatch	125,059	125,059	125,058	1
Municipal Court:				
Other Expenses	80,953	80,953	13,008	67,945
Office of Emergency Management:				
Other Expenses	240	240		240
Municipal Prosecutor	10,000	10,000		10,000
Public Defender				
Other Expenses	1,000	1,000		1,000
Board of Health:				
Salaries and Wages	299	299	201	98
Other Expenses	710	710	369	341

BOROUGH OF MENDHAM
CURRENT FUND
SCHEDULE OF 2019 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2020

(Continued)

	<u>Balance</u> <u>Dec. 31, 2019</u>	<u>Balance</u> <u>After Modi-</u> <u>fication</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Roads Repairs and Maintenance:				
Salaries and Wages	\$ 63,139	\$ 58,139	\$ 2,671	\$ 55,468
Other Expenses	24,470	24,470	18,344	6,126
Kelley Act - Mendham Commons	336	336	336	
Animal Control:				
Other Expenses	4,612	4,612	2,833	1,779
Landfill/Solid Waste Disposal:				
Salaries and Wages	537	537	512	25
Other Expenses	28,741	33,741	5,988	27,753
Environmental Commission:				
Other Expenses	1,970	1,970		1,970
Parks and Playgrounds:				
Other Expenses	1,501	1,501	352	1,149
Recreation:				
Salaries and Wages	7,435	7,435	202	7,233
Shade Tree:				
Other Expenses	8,097	8,097		8,097
State Uniform Construction Code:				
Salaries and Wages	16,005	16,005	4,605	11,400
Other Expenses	2,859	2,859	869	1,990
Utilities	35,579	35,579	18,450	17,129
Contingent	1,800	1,800	1,575	225
Contribution to:				
Social Security System (O.A.S.I.)	10,037	10,037		10,037
Defined Contribution Retirement Plan	6,210	6,210	6,210	
Length of Service Award Program	50,000	50,000	40,750	9,250
Public and Private Programs Offset by Revenue:				
Clean Communities Grant	6,829	6,829	6,829	
Body Armor Fund	1,592	1,592	1,446	146
	<u>\$ 826,235</u>	<u>\$ 826,235</u>	<u>\$ 467,927</u>	<u>\$ 358,308</u>
<u>Analysis of Beginning Balance/Paid or Charged:</u>				
Unencumbered	\$ 705,002			
Encumbered	121,233			
Cash Disbursed			\$ 470,815	
Refunds			-2,888	
	<u>\$ 826,235</u>		<u>\$ 467,927</u>	

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2020
GENERAL CAPITAL FUND

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

B

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

<u>ASSETS</u>	December 31,	
	2020	2019
Cash and Cash Equivalents	\$ 795,639	\$ 888,078
State Grants Receivable	325,000	
Due from Current Fund	94,794	100,600
Deferred Charges to Future Taxation:		
Funded	445,001	884,621
Unfunded	1,014,137	763,637
TOTAL ASSETS	\$ 2,674,571	\$ 2,636,936
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 432,000	\$ 846,000
Bond Anticipation Notes Payable	906,256	655,756
Green Acres Loan Payable	13,001	38,621
Improvement Authorizations:		
Funded	809,898	662,766
Unfunded	360,932	283,481
Accounts Payable	16,015	16,015
Due to Current Fund		1,328
Capital Improvement Fund	35,806	32,306
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	\$ 2,674,571	\$ 2,636,936

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BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2019	Receipts			Disbursements			Transfers		Balance/ (Deficit) Dec. 31, 2020
		Budget Appropriation	Serial Bonds	Bond Anticipation Notes	Miscel- laneous	Improvement Authori- zations	Bond Anticipation Notes	Miscel- laneous	From	
Fund Balance	\$ 673									\$ 673
Capital Improvement Fund	32,306	\$ 453,000						\$ 449,500		35,806
Due To/(From) Current Fund	(99,272)				\$ 7,789		\$ 3,311			(94,794)
Due Other Trust Fund					31,436			31,436		
Due Recreation Trust					4,000			4,000		
State Grant Receivable								325,000		(325,000)
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
Improvement Authorizations:										
No.	Improvement Description									
06-06	Various Improvements									381
11-12	Road Improvements									22,803
05-15	Various Improvements									38,751
07-16	Improvement of Talmage Road and Orchard Street									78,316
10-16	Various Improvements									2,556
06-17	Various Improvements									132,975
04-18	Various Improvements									3,890
04-19	Various Improvements								\$ 135,720	4,280
05-19	Various Improvements								56,001	37,503
10-19	Acquisition of New Vehicle								31,494	16,506
12-19	Improvement of Tennis Courts								258,170	19,020
03-20	Various Improvements								316,733	473,703
05-20	DPW Loader and Ambulance								157,735	232,265
		\$ 453,000	\$ -0-	\$ 370,500	\$ 43,225	\$ 955,853	\$ -0-	\$ 809,936	\$ 790,436	\$ 795,639
									19,500	

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

Ord. No.	Improvement Description	Balance Dec. 31, 2019	2020 Authorizations	Notes Paid By Budget Appropriation	Balance Dec. 31, 2020	Analysis of Balance at December 31, 2020	
						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	522,436		\$ 74,400	448,036	\$ 405,756	42,280
04-19	Acquisition of Vehicles	130,000			130,000		
10-19	Acquisition of New Vehicle	45,600		45,600			
5-20	DPW Loader and Ambulance		\$ 370,500		370,500	370,500	
		<u>\$ 763,637</u>	<u>\$ 370,500</u>	<u>\$ 120,000</u>	<u>\$ 1,014,137</u>	<u>\$ 906,256</u>	<u>\$ 107,881</u>
Improvement Authorizations Unfunded							\$ 360,932
Less: Unexpended Proceeds of Bond Anticipation Notes Issued:							
					Ord. No 04-19	\$ 4,280	
					Ord. No 10-19	16,506	
					Ord. No. 05-20	232,265	
							253,051
							<u>\$ 107,881</u>

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Date	Ordinance Amount	Balance Dec. 31, 2019		2020 Authorizations			Paid or Charged	Balance Dec. 31, 2020	
				Funded	Unfunded	Capital Improvement Fund	Other Financing Sources	Deferred Charges to Future Taxation- 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	38,751						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	2,556						2,556	
06-17	Various Improvements	03/30/17	738,100	132,975						132,975	
04-18	Various Improvements	05/31/18	415,900	3,890						3,890	
04-19	Acquisition of Vehicles	05/08/19	140,000	130,000				\$	135,720		4,280
05-19	Various Improvements	05/08/19	420,500	93,504					56,001	37,503	
10-19	Acquisition of New Vehicle	09/11/19	48,000	2,400					31,494		16,506
12-19	Improvement of Tennis Courts	11/13/19	290,000	277,190					258,170	19,020	
3-20	Various Improvement	06/10/20	790,436		\$	430,000	\$ 360,436		316,733	473,703	
5-20	DPW loader and Ambulance	06/10/20	390,000		19,500				157,735		232,265
				\$ 662,766	\$ 283,481	\$ 449,500	\$ 360,436	\$	955,853	\$ 809,898	\$ 360,932
				State of New Jersey - DOT Grants Receivable			\$ 325,000				
				Recreation			4,000				
				Open Space Trust Fund			31,436				
							\$ 360,436				

B-4

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

Balance December 31, 2019	\$	38,621
Less: Principal matured		25,620
Balance December 31, 2020	\$	13,001

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

Due	Principal	Interest	Loan Balance
			\$ 13,001
2/18/2021	\$ 13,001	\$ 131	
	\$ 13,001	\$ 131	

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

Ord. No.	Improvement Description	Original Amount Issued	Date of		Maturity	Interest Rate	Balance		Matured	Balance Dec. 31, 2020
			Issue of Original Note	Issue			Dec. 31, 2019	Dec. 31, 2020		
13-12	Various Improvements	\$ 1,187,436	07/12/13	07/03/19 07/03/20	07/03/20 07/02/21	1.60% 0.70%	\$ 452,436	\$ 378,036	\$ 452,436	\$ 378,036
13-12	Various Improvements	147,234 27,720	07/11/14	07/03/19 07/03/20	07/03/20 07/02/21	1.60% 0.70%	27,720	27,720	27,720	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	45,600	
4-19	Various Improvements	130,000	07/03/19	07/03/19 07/03/20	07/03/20 07/02/21	1.60% 0.70%	130,000	130,000	130,000	130,000
5-20	Acquisition of Equipment	370,500	09/04/20	09/04/20	09/03/21	0.66%		370,500		370,500
							<u>\$ 655,756</u>	<u>\$ 906,256</u>	<u>\$ 655,756</u>	<u>\$ 906,256</u>
						Renewals		\$ 535,756		\$ 535,756
						New Issues		370,500		
						Funded by Budget Appropriation			120,000	
								<u>\$ 906,256</u>	<u>\$ 655,756</u>	

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BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

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

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

Ord. No.	Improvement Description	Balance Dec. 31, 2019	2020 Authori- zations	Bond Antici- pation Notes Issued	Balance Dec. 31, 2020
4-02/ 9-02	Various Improvements	\$ 49,170			\$ 49,170
17-04	Various Improvements	16,431			16,431
13-12	Various Improvements	42,280			42,280
05-20	Acquisition of New Equipment		\$ 370,500	\$ 370,500	
		<u>\$ 107,881</u>	<u>\$ 370,500</u>	<u>\$ 370,500</u>	<u>\$ 107,881</u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2020
TRUST FUNDS

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

C

BOROUGH OF MENDHAM
TRUST FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2020
 (With Comparative Totals for 2019)

		Animal Control Fund	Other Trust Fund	Public Assistance Fund	Payroll Fund	Totals	
					2020	2019	
ASSETS							
Cash and Cash Equivalents	\$	4,089	\$ 1,044,980	\$ 10,932	\$ 135,827	\$ 1,195,828	\$ 1,978,540
Interfunds Receivable			37,375			37,375	254,070
TOTAL ASSETS	\$	4,089	\$ 1,082,355	\$ 10,932	\$ 135,827	\$ 1,233,203	\$ 2,232,610
 LIABILITIES AND RESERVES							
Due to State of New Jersey Board of Health Interfunds Payable	\$	5				5	\$ 6
Payroll Deductions and Withholdings Reserve for Animal Control Fund Expenditures		4,083			\$ 135,827	135,827	593,353
Reserve for Other Trust Funds			\$ 1,082,355			4,083	5,765
Reserve for Public Assistance				\$ 10,932		1,082,355	1,622,548
TOTAL LIABILITIES AND RESERVES	\$	4,089	\$ 1,082,355	\$ 10,932	\$ 135,827	\$ 1,233,203	\$ 2,232,610

C-1

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

Balance December 31, 2019		\$	5,765
Increased by:			
License Fees Collected	\$	5,197	
Late Fees		310	
Miscellaneous		62	5,569
			11,334
Decreased by:			
Expenditures Under R.S.4:19-15.11			7,251
			7,251
Balance December 31, 2020		\$	<u>4,083</u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2018	\$ 5,273
2019	5,287
	5,287
Maximum Allowable Reserve	<u>\$ 10,560</u>

C-2

BOROUGH OF MENDHAM
TRUST FUNDS
SCHEDULE OF OTHER TRUST RESERVES

	<u>Balance</u> <u>Dec. 31, 2019</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>Dec. 31, 2020</u>
Reserve for:				
Special Deposits	\$ 5,705	\$ 462	\$ 1,752	\$ 4,415
Special Engineering Deposits	26,869	9,624	12,916	23,577
Andrew Fletcher Trust Fund	172,243		172,243	
State Unemployment Trust Fund	38,178	13,077	7,237	44,018
Phoenix House Trust	3,288			3,288
Parking Offenses Adjudication Act	2,483	6		2,489
Police Forfeiture Assets	6,518	67		6,585
Police Special Duty	36,594	392,699	375,247	54,046
Recreation Fund	55,404	461	24,519	31,346
Recycling Tonnage Fund	181,342		3,167	178,175
Open Space	332,667	193,922	322,794	203,795
Housing Trust	269,521	6,076	47,241	228,356
Other Trust Funds	69,636	110,818	121,956	58,498
Tax Sale Premiums	111,600		101,300	10,300
Storm Recovery	198,000		77,033	120,967
Compensated Absences	32,500			32,500
Self Insurance	80,000			80,000
	<u>\$ 1,622,548</u>	<u>\$ 727,212</u>	<u>\$ 1,267,405</u>	<u>\$ 1,082,355</u>
Total				

BOROUGH OF MENDHAM
TRUST FUNDS
SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

Balance December 31, 2019	\$ 10,932
Increased by Receipts:	
Interest	111
	<hr/> 11,043
Decreased by Disbursements:	
Due to Current Fund	111
	<hr/>
Balance December 31, 2020	<u><u>\$ 10,932</u></u>

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

	<u>Balance</u> <u>Dec. 31, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2020</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 593,353	\$ 2,137,475	\$ 2,595,001	\$ 135,827
TOTAL ASSETS	<u>\$ 593,353</u>	<u>\$ 2,137,475</u>	<u>\$ 2,595,001</u>	<u>\$ 135,827</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 593,353	\$ 2,137,475	\$ 2,595,001	\$ 135,827
TOTAL LIABILITIES	<u>\$ 593,353</u>	<u>\$ 2,137,475</u>	<u>\$ 2,595,001</u>	<u>\$ 135,827</u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2020
UTILITY OPERATING FUNDS

Accounts for the operation of the municipally owned Sewer Utility.

D

BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
COMPARATIVE BALANCE SHEET

	Sewer Utility Operating Fund	
	December 31,	
<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 834,920	\$ 699,014
Change Fund	100	100
	<u>835,020</u>	<u>699,114</u>
Due from Sewer Utility Capital Fund	175	122,076
Receivables with Full Reserves:		
Consumer Accounts Receivable	126,297	126,740
	<u>126,297</u>	<u>126,740</u>
TOTAL ASSETS	<u>\$ 961,492</u>	<u>\$ 947,930</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Liabilities:		
Appropriation Reserves:		
Unencumbered	\$ 248,783	\$ 197,503
Encumbered	50,094	39,084
Total Appropriation Reserves	<u>298,877</u>	<u>236,587</u>
Accounts Payable - Vendors	27,297	27,297
Accrued Interest on Bonds and Notes	4,355	8,529
Sewer Rent Overpayments		4,517
	<u>330,529</u>	<u>276,930</u>
Reserve for Receivables	126,297	126,740
Fund Balance	504,666	544,260
	<u>504,666</u>	<u>544,260</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 961,492</u>	<u>\$ 947,930</u>

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

	<u>Sewer Utility Operating Fund</u> <u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 206,146	\$ 174,674
Sewer Fees and Charges	1,589,986	1,564,116
Miscellaneous Revenue	51,080	36,015
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	121,953	204,288
Total Income	<u>1,969,165</u>	<u>1,979,093</u>
<u>Expenditures</u>		
Budget Expenditures:		
Operating	1,374,227	1,317,565
Capital Improvements	75,000	75,000
Debt Service	294,386	294,842
Statutory Expenditures	59,000	58,212
Total Expenditures	<u>1,802,613</u>	<u>1,745,619</u>
Excess in Revenue	166,552	233,474
<u>Fund Balance</u>		
Balance January 1	544,260	485,460
	<u>710,812</u>	<u>718,934</u>
Decreased by:		
Utilized as Anticipated Revenue	206,146	174,674
Balance December 31	<u>\$ 504,666</u>	<u>\$ 544,260</u>

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BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
STATEMENT OF REVENUES
YEAR ENDED DECEMBER 31, 2020

	Sewer Utility Operating Fund	
	Anticipated	Realized
Fund Balance Anticipated	\$ 206,146	\$ 206,146
Sewer Fees and Charges	1,555,000	1,574,345
Miscellaneous Revenue	30,000	51,080
Additional Sewer Fees and Charges	15,641	15,641
	\$ 1,806,787	\$ 1,847,212

Analysis of Miscellaneous Revenue:

Interest on Investments	\$ 17,556
Interest Due From Sewer Utility Capital Fund	175
Sewer Inspection Fees	6,850
Sewer Connection Fees	3,000
Delinquent Payment Penalties	9,038
Miscellaneous	3
Sewer Allocation	14,458
	\$ 51,080

Analysis of Sewer Fees and Charges:

Cash Collected and Overpayments Applied	\$ 1,589,986
	\$ 1,589,986

BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2020

	Sewer Utility Operating Fund				Unex- pended Balance Cancelled
	Appropriations		Expended by		
	Budget	Budget After Modi- fication	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	\$ 430,064	\$ 430,064	\$ 396,083	\$ 33,981	
Other Expenses	945,423	945,423	738,429	206,994	
Total Operating	1,375,487	1,375,487	1,134,512	240,975	
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	276,000	276,000		
Interest on Bonds	29,300	22,560	18,386		\$ 4,174
Total Debt Service	297,300	297,300	294,386		4,174
Statutory Expenditures:					
Social Security System (O.A.S.I.)	39,000	39,000	29,932	9,068	
Public Employees' Retirement System	19,000	19,000	19,000		
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et. seq.)	1,000	1,000	1,000		
Total Statutory Expenditures	59,000	59,000	49,932	9,068	
	\$ 1,806,787	\$ 1,806,787	\$ 1,553,830	\$ 250,043	\$ 4,174
<u>Analysis of Paid or Charged:</u>					
Cash Disbursed			\$ 1,485,350		
Accrued Interest on Debt			18,386		
Outstanding Encumbrances			50,094		
			1,553,830		
Less: Appropriation Refunds			-0-		
			\$ 1,553,830		

BOROUGH OF MENDHAM
UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance December 31, 2019	\$ 126,740
Increased by:	
Sewer Charges Levied	<u>1,589,543</u>
	1,716,283
Decreased by:	
Collections and Overpayments Applied	<u>1,589,986</u>
Balance December 31, 2020	<u><u>\$ 126,297</u></u>

BOROUGH OF MENDHAM
UTILITY OPERATING FUND
SCHEDULE OF 2019 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2020

	<u>Balance Dec. 31, 2019</u>	<u>Balance After Modification</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Operating:				
Salaries and Wages	\$ 18,425	\$ 18,425	\$ 2,569	\$ 15,856
Other Expenses	216,603	216,603	112,065	104,538
Social Security	559	559		559
Unemployment Compensation	1,000	1,000		
	<u>\$ 236,587</u>	<u>\$ 236,587</u>	<u>\$ 114,634</u>	<u>\$ 121,953</u>
 <u>Analysis of Balance:</u>				
Unencumbered	\$ 197,503			
Encumbered	39,084			
	<u>\$ 236,587</u>			
 <u>Analysis of Paid or Charged:</u>				
Cash Disbursed			<u>\$ 114,634</u>	
			<u>\$ 114,634</u>	

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

Balance December 31, 2019	\$ 8,529
Increased by:	
Charged to Current Year Budget	<u>18,386</u>
	26,915
Decreased by:	
Interest Paid	<u>22,560</u>
Balance December 31, 2020	<u><u>\$ 4,355</u></u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2020
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>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 519,615	\$ 1,140,740
Fixed Capital	19,349,276	19,349,276
Fixed Capital Authorized and Uncompleted	<u>267,800</u>	<u>267,800</u>
 TOTAL ASSETS	 <u>\$ 20,136,691</u>	 <u>\$ 20,757,816</u>
 <u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 288,000	\$ 564,000
Loan Payable - NJ I-Bank - Project in Progress	420,803	
Improvement Authorizations:		
Funded	39,501	50,956
Unfunded	4,567,928	5,075,000
Due to Current Fund		414,500
Due to Sewer Utility Operating Fund	175	122,076
Capital Improvement Fund	429,208	354,208
Reserve for:		
Amortization	13,986,277	13,710,277
Deferred Amortization	267,800	267,800
Payment of Debt Service	1,336	1,336
Fund Balance	<u>135,663</u>	<u>197,663</u>
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE	 <u>\$ 20,136,691</u>	 <u>\$ 20,757,816</u>

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BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
ANALYSIS OF CASH

	Receipts		Disbursements		Transfers		Balance Dec. 31, 2020
	Balance Dec. 31, 2019	Miscel- laneous	Budget Appropriation	Improvement Authori- zations	Miscel- laneous	From	
Capital Fund Balance	\$ 197,663					\$ 62,000	\$ 135,663
Capital Improvement Fund	354,208		\$ 75,000				429,208
Due (from)/to Current Fund	414,500			\$ 414,500			
Due (from)/to Sewer Utility Operating Fund	122,076	\$ 11,364		284,784		\$ 151,519	175
Loan Payable - NJ I-Bank - Project in Progress		420,803					420,803
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
09-19	Acquisition of New Vehicle	47,000		45,448			1,552
11-19	Improvement of the Sewerage System			355,553	151,519		(507,072)
04-20	Improvement of the Sanitary Sewerage System			28,007		62,000	33,993
		\$ 1,140,740	\$ 432,167	\$ 1,128,292	\$ -0-	\$ 213,519	\$ 519,615

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MENDHAM BOROUGH
UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

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

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, 2019		Paid or Charged	2020 Authorizations Capital Fund Balance		Balance Dec. 31, 2020	
				Funded	Unfunded		Funded	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		\$ 45,448		1,552		
11-19	Improvement of Sewerage System	09/23/19	5,075,000		\$ 5,075,000	507,072			\$ 4,567,928	
04-20	Improvement of the Sanitary Sewerage System	06/10/20	62,000			28,007		33,993		
				\$ 50,956	\$ 5,075,000	\$ 45,448	\$ 62,000	\$ 39,501	\$ 4,567,928	

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

Ord. No.	Improvement Description	Date of Ordinance	Balance Dec. 31, 2019	Balance Dec. 31, 2020
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, 2020

Not Applicable

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2020
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>2020</u>	<u>2019</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>

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

	Balance <u>Dec. 31, 2019</u>	Balance <u>Dec. 31, 2020</u>
Current Fund	\$ 6,417,568	\$ 6,417,568
General Capital Fund	1,513,312	1,513,312
Sewer Utility Operating Fund	10,664	10,664
Sewer Utility Capital Fund	<u>154,455</u>	<u>154,455</u>
Total	<u>\$ 8,095,999</u>	<u>\$ 8,095,999</u>

**STATISTICAL SECTION
(Unaudited)**

Table 1

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

EXPENDITURES	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Current Fund:										
General Government	\$ 2,295,163	\$ 2,355,920	\$ 2,342,010	\$ 2,380,996	\$ 2,263,847	\$ 2,370,664	\$ 2,335,896	\$ 2,330,681	\$ 2,410,004	\$ 2,536,443
Public Safety	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	2,240,111
Streets and Roads	821,402	799,895	858,383	874,333	971,423	1,027,497	1,017,440	1,057,925	1,097,972	1,141,362
Health and Welfare	97,537	98,385	99,457	101,482	98,277	97,946	102,786	100,768	98,688	106,755
Recreation and Education	132,072	130,285	110,287	103,971	91,350	81,531	77,170	159,900	273,250	170,895
Deferred Charges and Statutory Expenditures	694,226	656,305	679,397	721,738	624,886	654,594	675,879	721,079	733,622	759,950
Capital	50,000	133,000	133,000	133,000	320,000	320,000	320,000	370,000	375,000	453,000
Debt Service	583,437	578,777	581,024	638,594	752,471	756,275	757,332	748,934	603,091	603,904
Reserve for Uncollected Taxes	688,500	695,770	709,685	709,685	709,685	723,885	731,085	738,395	745,705	745,705
Current Fund Budget Totals	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	8,758,125
Utility Operating Funds:										
Utility Operations	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	1,374,227
Deferred Charges and Statutory Expenditures	36,000	36,000	52,569	53,516	53,516	55,449	56,234	57,414	58,212	59,000
Capital	75,000	75,000	75,000	75,000	75,000	25,000	75,000	120,000	75,000	75,000
Debt Service	340,847	539,201	542,841	542,151	523,312	539,757	525,842	293,763	294,842	294,386
Utility Operating Fund Budget Totals	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	1,802,613
County Taxes	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	3,538,656
Local and Regional School Taxes	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	19,333,567
Municipal Open Space Taxes	109,594	109,594	109,594	109,594	109,594	109,594	109,769	109,769	109,882	109,677
Other Expenditures	285,368	40,053	279,218	320,393	140,000	280,072	155,735	652,972	416,573	50,078
TOTAL EXPENDITURES	\$ 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	\$ 33,592,716

Source: Borough records.

Table 2

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

REVENUE	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Current Fund:										
Fund Balance Anticipated	\$ 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	\$ 1,713,212
Miscellaneous Revenue	872,577	860,841	852,044	807,587	799,084	1,032,109	834,866	763,343	824,650	878,191
Receipts from Delinquent Taxes	148,338	132,788	134,794	176,378	159,645	209,055	167,304	108,883	116,213	66,902
Receipts from Current Taxes	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	6,808,813
Current Fund Budget Totals	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	9,469,118
Utility Operating Funds:										
Fund Balance Anticipated	215,000	440,092	415,709	432,869	426,607	399,607	451,292	156,542	174,674	206,146
Water and Sewer Rents	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	1,589,986
Miscellaneous Revenue	22,938	20,503	26,312	27,760	19,900	22,822	49,622	37,060	36,015	51,080
Utility Operating Fund Budget Totals	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	1,847,212
Non-Budget Revenues	317,324	414,249	413,122	533,802	409,761	369,104	369,646	381,580	509,073	1,143,609
Other Credits to Income	614,802	398,683	613,969	641,454	761,330	560,649	515,146	798,487	961,755	896,095
Taxes Allocated to School,										
County and Open Space	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	22,981,900
TOTAL REVENUE	\$ 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	\$ 36,337,934

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	
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%	116,213	28,597,958	99.46%	160,344	0.56%
2020	29,275,674	29,045,008	99.21%	68,902	29,113,910	99.45%	129,705	0.44%

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>
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
2020	0.615	0.906	0.492	0.280	0.008	2.301

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>
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%
2020	1,271,263,456	1,367,265,859	92.98%

Source: Abstract of Ratables, County Board of Taxation

Table 6

BOROUGH OF MENDHAM
 TEN LARGEST TAXPAYERS
 FOR THE YEAR ENDED DECEMBER 31, 2020
UNAUDITED

Taxpayer	Type of Business	2020 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	0.38%
Individual Taxpayer #7	Individual	4,396,300	0.35%
Total		<u>\$ 77,006,800</u>	<u>6.06%</u>

Source: Tax Assessor

Table 7

BOROUGH OF MENDHAM
COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2020
UNAUDITED

<u>Year Ended December 31,</u>	<u>Equalized Valuation Basis</u>	
2020	\$ 1,319,684,205	
2019	1,366,746,134	
2018	<u>1,368,257,530</u>	
	<u>\$ 4,054,687,869</u>	
Average equalized valuation of taxable property		\$ 1,351,562,623
Borough borrowing margin (3.5% of \$1,351,562,623)	\$ 47,304,692	
Net debt as of December 31, 2020	<u>1,429,238</u>	
Borough borrowing margin available	<u>\$ 45,875,454</u>	

Source: Equalized valuation bases were provided by the Annual report of the State of New Jersey, Department of Treasury, Division of Taxation for 2020, 2019, and 2018.

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>
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	4,847	1,274,837,156	1,540,377	0.12%	318
2020 *	4,847	1,271,263,456	1,351,257	0.11%	279

Source: Borough of Mendham Records

(*) Information provided by U.S. Bureau of the Census, Population Division, 2020 numbers not available, used 2019 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>
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%
2020	836,264	62,026	898,290	33,592,716	2.67%

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>
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 %	98,842	4,910
2019	3.00 %	98,842	4,847
2020	3.00 % ****	98,842 ***	4,847

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 2020 and 2019, used 2018 as an estimate
 (****) Information not available for 2020, used 2019 as an estimate

Table 11

BOROUGH OF MENDHAM
MISCELLANEOUS STATISTICS
December 31, 2020
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		224
Number of inspections conducted		273
Emergency medical services:		
Number of Stations		1
Number of Emergency medical personnel and officers		36
Number of calls answered		347
Police protection: Chief		
Number of stations		1
Number of police personnel and officers		16
Number of patrol units		10
Number of law violations		
Physical Arrests		60
Traffic violations		319
Parking violations		15
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

Schedule 1

BOROUGH OF MENDHAM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

Name of Federal Agency or Department	Name of Program	CFDA Number	Grant Period From	Grant Period To	State Grant #	Amount Paid to Subrecipients	Grant Award	Amount Received	Amount of Expenditures	Cumulative Amount of Expenditures
U.S. Department of Transportation (Passed through New Jersey Department of Transportation)	DOT Grant-Tainage and Orchard Street	20.205	1/1/2016	12/31/2019	N/A	Not Applicable	\$ 370,000			\$ 360,428
TOTAL FEDERAL AWARDS							\$ 370,000	\$	\$	\$ 360,428

Schedule 2

BOROUGH OF MENDHAM
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2020

New Jersey Agency or Department	Name of Program	State Grant Award Number	Grant Period From	Grant Period To	Grant Award	Amount Received	Amount of Expenditures	Cumulative Amount of Expenditures	
Department of Law and Public Safety	Body Armor Replacement	N/A	01/01/18	12/31/20	\$ 1,464	\$ 82	\$ 82	\$ 1,464	
Department of Law and Public Safety	Body Armor Replacement	N/A	01/01/19	12/31/20	1,592		1,364	1,364	
Department of Law and Public Safety	Body Armor Replacement	N/A	01/01/20	12/31/20	1,507	\$ 1,507			
Subtotal - Department of Law and Public Safety							1,507	1,446	2,828
TOTAL STATE AWARDS							\$ 462,699	\$ 433,127	\$ 28,243

N/A - not available

BOROUGH OF MENDHAM
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2020

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, 2020. 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 LOANS OUTSTANDING

The Borough has the following loans outstanding as of December 31, 2020:

Green Acres Program	\$13,001
NJ I-Bank – Project in Progress	\$420,803

The Borough is in the process of repaying these loans. The Borough received \$420,803 as of December 31, 2020. There were no loan 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, 2020 and the related notes to the financial statements and have issued our report thereon dated May 24, 2021. 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) as a basis for designing 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 2020-001, and 2020-002 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 financial statements. 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

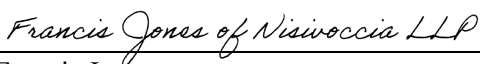
The Borough's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Borough's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
May 24, 2021

NISIVOCCIA LLP


Francis Jones
Certified Public Accountant
Registered Municipal Accountant No. 442

BOROUGH OF MENDHAM
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2020

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, 2020 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 2020-001 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, 2020
(Continued)

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

Finding 2020-001 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 2020-002 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, 2020
(Continued)

Finding 2020-002 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, 2020

The prior year findings 2019-001 and 2019-002 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 July 1, 2015 through June 30, 2020, the bid thresholds in accordance with N.J.S.A. 40A:11-3 are \$17,500 for a contracting unit without a qualified purchasing agent and \$40,000 for a contracting unit with a qualified purchasing agent. Effective July 1, 2020 and thereafter, the bid thresholds in accordance with N.J.S.A. 40A:11-3 are \$17,500 for a contracting unit without a qualified purchasing agent and \$44,000 for a contracting unit with a qualified purchasing agent.

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 2020, 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, 2020. 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>
2020	2
2019	2
2018	3

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2020 Taxes	25
Payments of 2021 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, 2020. 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, 2020, 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 incorrectly posted to the accounting software for the year ended December 31, 2020.

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 and ensure that a tax levy proof is prepared on a monthly basis with appropriate supporting documentation.

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 tax levy proof be prepared on a monthly basis with appropriate supporting documentation.

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 2020 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Balance</u> <u>Dec. 31, 2019</u>	<u>Receipts</u>	<u>Dis-</u> <u>bursements</u>	<u>Balance</u> <u>Dec. 31, 2020</u>
State of New Jersey	\$ 898	\$ 10,872	\$ 9,760	\$ 2,010
County	1,247	5,492	6,026	713
Municipality	2,439	12,622	13,007	2,054
Municipality POAA		6	6	
Conditional Discharge		75	75	
Weights and Measures	1,750	6,750	8,500	
	<u>\$ 6,334</u>	<u>\$ 35,817</u>	<u>\$ 37,374</u>	<u>\$ 4,777</u>

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 2021 as needed.

Effect on Internal Controls due to COVID-19

With the increased ability for certain work functions to be done remotely and the increased use of electronic payments and processes, it is suggested that the Borough routinely reviews the internal controls in place especially with respect to security of passwords as well as access rights to accounting software and bank information including bank wire transfers and the timely back-up of records.

Sick and Vacation Leave

It is suggested that the Borough consult with its attorney to ensure that its negotiated labor contracts, individual employee agreements and employee policies, as applicable, are in accordance with New Jersey statutes regarding unused sick and vacation leave.

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2019 audit report. The prior year recommendations 1, 2, 3, and 4, were not resolved and are included as current year recommendations. Recommendation 5 regarding municipal court receipts was 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 and ensure that a tax levy proof is prepared on a monthly basis with appropriate supporting documentation.
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.

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