

**BOROUGH
OF
MENDHAM**

Borough of Mendham
County of Morris
Mendham, New Jersey

Annual Comprehensive Financial Report
For the Year Ended December 31, 2022

Annual Comprehensive Financial Report

of the

BOROUGH OF MENDHAM

Mendham, New Jersey

YEAR ENDED DECEMBER 31, 2022

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

September 22, 2023

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

The Annual Comprehensive Financial Report of the Borough of Mendham for the year ended December 31, 2022, 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 group of the Borough. All disclosures necessary to enable the reader to gain an understanding of the Borough's financial activities have been included.

The Annual Comprehensive 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 Borough. 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 2022 population is an estimated 4,836 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 sewered.

Other community services include six churches, a public library, a municipal ice skating area, athletic fields, tennis courts, picnic area, outdoor basketball courts, a senior citizen center, fire department, first aid squad, police force, a medical building, and a professional plaza. Most of the daily consumer goods and services are available in a shopping center which grosses an estimated \$20,000,000 annually, with other shops being located in the center of town. The municipality is served by the Peapack-Gladstone Bank, Provident Bank, Wells Fargo Bank, and Lakeland 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 .450 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 4,836. It extends 6.7 square miles, and the Borough 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:

- Information Technology
 - Website
 - Online rebuild of applications forms and permits.
 - Updated Department's webpages and information. Made more usable and interactive.
 - Increased electronic notifications to residents.
 - Electronic Records Conversion and Storage Project
 - Completed 80% of the Project. Once completed all records will be available internally online and stored electronically for better efficiency.
 - Electronic Bill Pay expanded for residents.
 - Borough operations are now about 90% paperless.
- Historic Preservation
 - Submitted for additional 2023 grants for Phase II Scott Farm and Phase III of Phoenix House to Morris County Historic Preservation Trust Fund (MCHPTF) and Preserve NJ Historic Preservation Trust (PNJHPT)
 - Phoenix House Stabilization Project Phase II bided.
 - Grant Funds received PNJHPT Grant 2021- \$348,565
 - MCHPTF Grant 2021 –\$279,000
- Facilities
 - DPW replaced old lean to with new Storage Building to better protect heavy equipment and tools.
- Roads
 - Applied and received grant money from NJDOT Municipal Aid Program for Florie Farm Road 2375 LF \$359,936 and Phoenix and Knollwood Roads \$199,815.
 - Receive ARP funding of \$253,664 and applied to annual Street Repaving Program
 - East Main St was repaved by NJAW
- Water Reclamation Facility
 - Plant Operators received their C2 & S2 Licenses
 - Implemented Phase I of I-Bank Project for Water Reclamation Collection System Improvements.
 - Camera and repair of 31,700 LF
 - Tempewick Sub Station Upgraded
 - CMMS operating software and SCADA systems were upgraded at WRF
 - Replaced the Chemical Feed System
- Finance
 - Implemented MSI new Financial Program
 - Created electronic processing of Requisitions and PO.
 - All budget functions are now electronic in MSI

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 Annual Comprehensive 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, 2022, the Borough has temporary debt of \$811,256 in the form of bond anticipation notes. The Borough also has \$2,291,828 in a loan from the NJ I-Bank Program. In addition, the Borough has unissued capital debt of \$2,891,053, including \$2,783,172 in the Sewer Capital Fund, 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, 2022, 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 2021</u>	<u>Percent of Increase/ (Decrease)</u>
Fund Balance Anticipated	\$ 2,163,134	5.79%	\$ (225,000)	-9.42%
Sewer Rents	1,639,900	4.39%	12,805	0.79%
Miscellaneous Revenue	1,195,334	3.20%	160,150	15.47%
Receipts from Delinquent Taxes	112,734	0.30%	(12,709)	-10.13%
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	<u>7,158,293</u>	<u>19.17%</u>	<u>135,122</u>	<u>1.92%</u>
Municipal Budget Totals-Revenue	<u>12,269,395</u>	<u>32.86%</u>	<u>70,368</u>	<u>0.58%</u>
Nonbudget Revenue	686,638	1.84%	(12,920)	-1.85%
Other Credits to Income	726,397	1.95%	24,855	3.54%
Taxes Allocated to Schools, County and Open Space Trust	<u>23,657,490</u>	<u>63.36%</u>	<u>473,905</u>	<u>2.04%</u>
Total	<u>\$ 37,339,920</u>	<u>100.00%</u>	<u>\$ 556,208</u>	<u>1.51%</u>

Generally, the revenue of the Borough has remained relatively stable with minor changes reflecting program or project changes to maintain service levels while keeping the cost to provide those services at a consistent rate. Fund Balance anticipated decreased 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. The decrease in nonbudget revenue is primarily attributable to a decrease in miscellaneous revenue not anticipated. 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, 2022 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 2021</u>	<u>Percent of Increase/ (Decrease)</u>
Current:				
General Government	\$ 2,902,156	8.29%	\$ 214,657	7.99%
Public Safety	2,788,133	7.97%	379,266	15.74%
Streets and Roads	1,142,629	3.26%	135,613	13.47%
Health and Welfare	100,500	0.29%	(4,875)	-4.63%
Recreation and Education	176,950	0.51%	14,113	8.67%
Deferred Charges and Statutory Expenditures	1,033,833	2.95%	133,510	14.83%
Utility Operating	1,550,576	4.43%	156,462	11.22%
Capital	816,336	2.33%	(281,664)	-25.65%
Debt Service:				
Principal	80,000	0.23%	(773,140)	-90.62%
Interest	5,007	0.01%	(25,619)	-83.65%
Reserve for Uncollected Taxes	745,705	2.13%		0.00%
Municipal Budget Totals-Expenditures	11,341,825	32.40%	(51,677)	-0.45%
County Taxes	3,515,405	10.04%	104,013	3.05%
Local and Regional School Taxes	20,032,437	57.23%	370,084	1.88%
Municipal Open Space Taxes	109,648	0.31%	(192)	-0.17%
Other Expenditures	2,610	0.01%	(58,703)	-95.74%
Total	<u>\$ 35,001,925</u>	<u>100.00%</u>	<u>\$ 363,525</u>	1.05%

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

OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, RMAs, was selected by the Borough Council. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of *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,

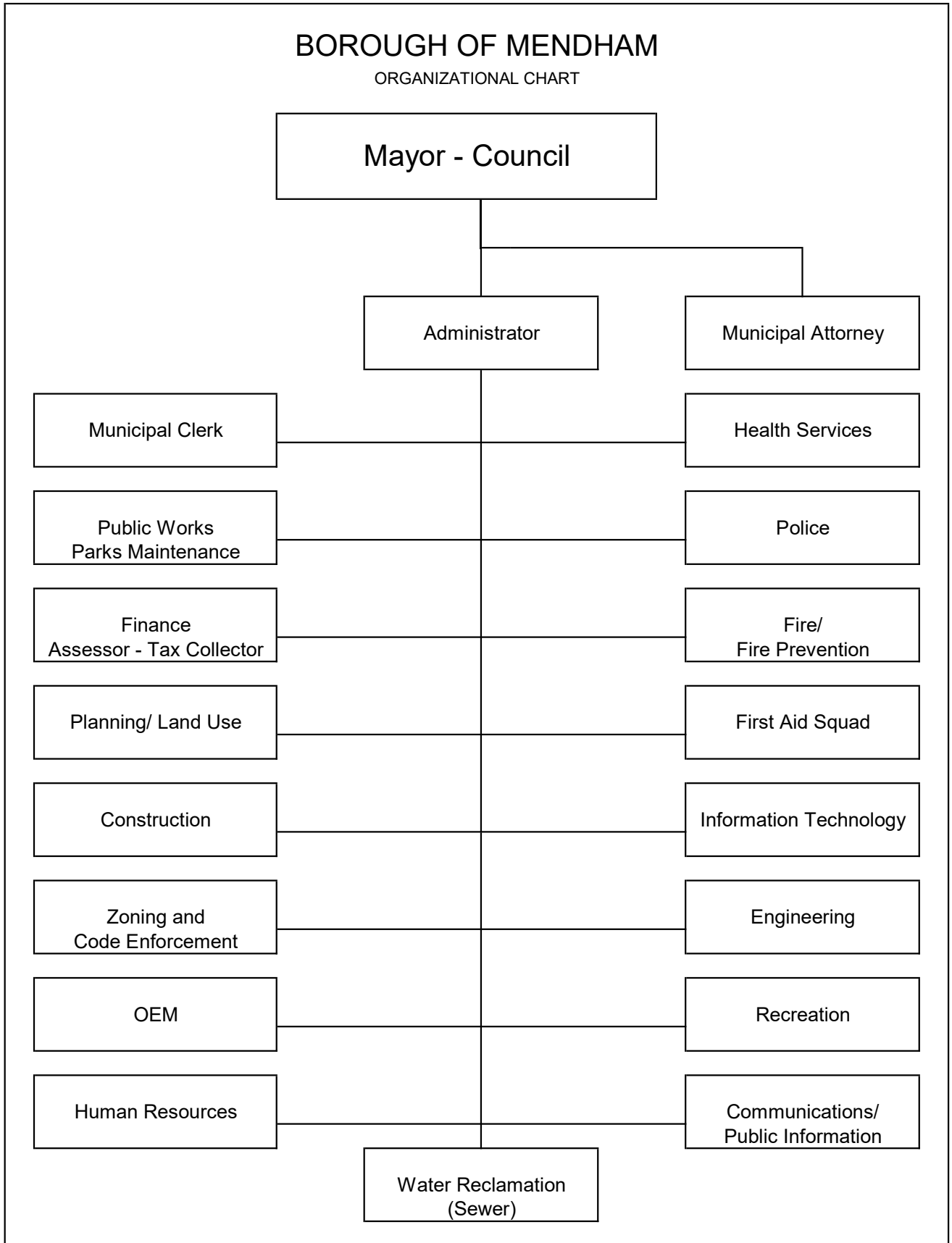
Joyce Bushman

Joyce Bushman
Borough Administrator

Erick Mesias

Erick Mesias
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
Councilman	Neil Sullivan
Councilman	Brennan Reilly

Appointed Officials

Administrator	Joyce Bushman
Municipal Clerk	Carolynn Budd
Tax Collector/Tax Search Officer/ Deputy Public Utilities Clerk	Thomas Hespe
Treasurer/Chief Financial Officer	Susan Giordano (to 3/31/22)
Treasurer/Chief Financial Officer	Mike Guarino (from 4/1/22 to 9/5/22)
Treasurer/Chief Financial Officer	Erick Mesias (from 9/6/22)
Public Utilities Clerk/Deputy Tax Collector	Lauren McBride
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

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements – *regulatory basis* - of the various funds and account group of the Borough of Mendham, in the County of Morris (the "Borough") as of and for the year ended December 31, 2022 and the related notes to the financial statements, as listed in the table of contents.

Qualified Opinion on General Fixed Assets Account Group on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the Basis for Unmodified and Qualified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the general fixed assets account group of the Borough as of December 31, 2022 in accordance with the accounting practices prescribed or permitted, as described in Note 1, by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of each fund of the Borough as of December 31, 2022 and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the year then ended in accordance with the accounting practices prescribed or permitted, as described in Note 1, by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements referred to 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, 2022 or the changes in financial position or where applicable, cash flows thereof for the year then ended.

Basis for Unmodified Opinions on the Various Funds and Qualified Opinion on General Fixed Assets Account Group on Regulatory Basis of Accounting

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), audit requirements prescribed by the Division and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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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Matter Giving Rise to Qualified Opinion on General Fixed Assets Account Group on Regulatory Basis of Accounting

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.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough on the basis of the financial reporting provisions prescribed or permitted by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division's regulatory basis of accounting and the budget laws of New Jersey.

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 and pervasive.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the Borough implemented GASB Statement No. 87, *Leases*, during the year ended December 31, 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds and account group 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 and 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*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the various fund and account group financial statements. The information has been subjected to the auditing procedures applied in the audit of the various fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the various fund and account group financial statements or to the various fund and account group 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 various fund and account group financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

The Honorable Mayor and Members
of the Borough Council
Borough of Mendham
Page 4

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2023 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
September 22, 2023

NISIVOCIA LLP

A handwritten signature in cursive script that reads "Francis Jones of Nisivoccia LLP". The signature is written in black ink and is positioned above a horizontal line.

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, 2022

(With Comparative Totals for 2021)

ASSETS AND OTHER DEBITS:	Current Fund	General Capital Fund	Trust Fund	Utility Funds		Account Group General Fixed Assets (Unaudited)	Totals (Memorandum Only) (Restated) 2021
				Operating	Capital	2022	
Assets:							
Cash and Cash Equivalents	\$ 5,584,805	\$ 974,855	\$ 1,296,075	\$ 1,021,741	\$ 235,926	\$ 9,113,402	\$ 7,783,198
Investments	440,756					440,756	520,756
Receivables and Other Assets:							
Property Taxes Receivable	77,570					77,570	110,476
Consumer Accounts Receivable				90,515		90,515	96,365
Federal and State Receivables	20,471	84,750				105,221	21,972
Interfund Receivables	2,610	692,824	38,839	920		735,193	317,959
Other Receivables	107,491					107,491	151,572
Property Acquired for Taxes at Assessed Valuation	2,900					2,900	2,900
Fixed Assets in General Fixed Assets Account Group						\$ 11,841,781	\$ 11,841,781
Total Assets	6,236,603	1,752,429	1,334,914	1,113,176	235,926	22,514,829	20,846,979
Other Debits:							
Deferred Charges:							
Deferred Charges to Future Taxation		919,137				919,137	999,137
Overexpenditure of Ordinance Appropriation					20,287,077	20,287,077	80,633
Fixed Capital							19,743,076
Total Other Debits		919,137			20,287,077	21,206,214	20,822,846
Total Assets and Other Debits	\$ 6,236,603	\$ 2,671,566	\$ 1,334,914	\$ 1,113,176	\$ 20,523,003	\$ 43,721,043	\$ 41,669,825
LIABILITIES, RESERVES AND FUND BALANCE:							
Appropriation Reserves	\$ 1,142,713			\$ 446,001		\$ 1,588,714	\$ 1,380,029
Improvement Authorizations		\$ 1,521,155			\$ 2,830,970	4,352,125	5,005,485
Payroll Deductions And Withholdings			\$ 9,308			9,308	64,350
Accounts Payable - Vendors	185,954	16,015		49,687		251,656	195,452
Interfund Payables	646,663		85,302	2,308	920	735,193	317,959
Reserves for Amortization					15,212,077	15,212,077	14,668,077
Various Liabilities and Reserves	1,326,169		1,240,304		51,544	14,781,545	14,996,779
Serial Bonds, Bond Anticipation Notes and Loans Payable		811,256			2,291,828	3,103,084	1,449,207
Reserve for Receivables and Other Assets	190,571			90,515		281,086	361,314
Fund Balance	2,744,533	1,393		524,665	135,664	3,406,255	3,231,173
Total Liabilities, Reserves and Fund Balances	\$ 6,236,603	\$ 2,671,566	\$ 1,334,914	\$ 1,113,176	\$ 20,523,003	\$ 43,721,043	\$ 41,669,825

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, 2022

	Current Fund			Utility Operating Fund		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES:						
Fund Balance Anticipated	\$ 1,956,988	\$ 1,956,988		\$ 206,146	\$ 206,146	
Sewer Rents				1,603,430	1,639,900	\$ 36,470
Miscellaneous Revenue	944,584	1,176,248	\$ 231,664	25,000	19,086	(5,914)
Receipts from Delinquent Taxes	88,000	112,734	24,734			
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	6,517,677	7,158,293	640,616			
Municipal Budget Totals - Revenue	9,507,249	10,404,263	897,014	1,834,576	1,865,132	30,556
Non-budget Revenues		686,638	686,638			
Other Credits to Income		539,458	539,458		186,939	186,939
Taxes Allocated to Schools, County and Open Space	23,657,490	23,657,490				
TOTAL REVENUES	33,164,739	35,287,849	2,123,110	1,834,576	2,052,071	217,495
EXPENDITURES:						
Current:						
General Government	2,902,156	2,902,156				
Public Safety	2,788,133	2,788,133				
Streets and Roads	1,142,629	1,142,629				
Health and Welfare	100,500	100,500				
Recreation and Education	176,950	176,950				
Deferred Charges and Statutory Expenditures	969,833	969,833		64,000	64,000	
Utility Operating				1,550,576	1,550,576	
Capital	596,336	596,336		220,000	220,000	
Debt Service:						
Principal	80,000	80,000				
Interest	5,007	5,007				
Reserve for Uncollected Taxes	745,705	745,705				
Municipal Budget Totals - Expenditures	9,507,249	9,507,249		1,834,576	1,834,576	
County Taxes	3,515,405	3,515,405				
Local and Regional School Taxes	20,032,437	20,032,437				
Municipal Open Space Taxes	109,648	109,648				
Other Expenditures		2,610	(2,610)			
TOTAL EXPENDITURES	\$ 33,164,739	33,167,349	(2,610)	\$ 1,834,576	1,834,576	
Excess/(Deficit) of Revenues over Expenditures		2,120,500	<u>\$ 2,120,500</u>		217,495	<u>\$ 217,495</u>
Fund Balances January 1, 2022		2,581,021			513,316	
Less: Utilized as Anticipated Revenue		1,956,988			206,146	
Fund Balances December 31, 2022		<u>\$ 2,744,533</u>			<u>\$ 524,665</u>	

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

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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
YEAR ENDED DECEMBER 31, 2022
 (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
YEAR ENDED DECEMBER 31, 2022
 (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, lease assets and payable as well as the related expense would be recorded for leases for which the Borough is a lessee, lease receivables and deferred lease resources as well as the related revenue would be recorded for leases for which the Borough is a lessor, a financed purchases payable would be recorded for financed purchases agreements under which the Borough acquires and owns a fixed asset 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, by selling bonds, by loans, or by financed purchases agreements.

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
YEAR ENDED DECEMBER 31, 2022
(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 Account Group (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
YEAR ENDED DECEMBER 31, 2022
 (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
YEAR ENDED DECEMBER 31, 2022
(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, 2022, 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	\$ 1,332,825	\$ 440,756	\$ 4,251,750	\$ 6,025,561
General Capital		15,806		959,049	974,855
Trust and Agency		342,338		953,737	1,296,075
Utility Operating	100	141,132		880,509	1,021,741
Utility Capital		73,265		162,661	235,926
	<u>\$ 330</u>	<u>\$ 1,905,366</u>	<u>\$ 440,756</u>	<u>\$ 7,207,706</u>	<u>\$ 9,554,158</u>

The carrying amount of the Borough's cash and cash equivalents and investments at year end was \$9,554,158 and the bank balance was \$9,126,284. During 2022 the Borough invested funds by purchasing Bond Anticipation Notes from its own Capital Funds. There was an investment of \$440,756 from the Current Fund in Bond Anticipation Notes issued by the Borough's General Capital Fund at 2.75% interest due on June 30, 2023.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 3: Interfunds

The following interfund receivable and payable balances appear on the combined balance sheet as of December 31, 2022:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 2,610	\$ 646,663
General Capital Fund	692,824	
Other Trust Funds	38,839	85,302
Sewer Utility Operating Fund	920	2,308
Sewer Utility Capital Fund		920
	<u>\$ 735,193</u>	<u>\$ 735,193</u>

The primary interfund activity for 2022 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 interfund between General Capital and Current fund is primarily due to the BAN loan and collection of a grant receivable. The interfund between Other Trust Funds and General Capital is for the funding of a capital ordinance. 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

	December 31,		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 811,256	\$ 891,256	\$ 1,351,257
Sewer Utility:			
Bonds, Loans and Notes	2,291,828	557,951	708,803
Total Issued	<u>3,103,084</u>	<u>1,449,207</u>	<u>2,060,060</u>
<u>Authorized but not Issued:</u>			
General	107,881	107,881	107,881
Sewer Utility	2,783,172	4,517,049	4,654,197
Total Authorized but not Issued	<u>2,891,053</u>	<u>4,624,930</u>	<u>4,762,078</u>
Less: Reserve to Pay Debt Service			
General	30,641	29,900	29,900
Sewer Utility	1,336	1,336	1,336
Total Reserve to Pay Debt Service	<u>31,977</u>	<u>31,236</u>	<u>31,236</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 5,962,160</u>	<u>\$ 6,042,901</u>	<u>\$ 6,790,902</u>

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition, below, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .065%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local and Regional School District Debt	\$ 2,680,580	\$ 2,680,580	
Sewer Utility Debt	5,075,000	5,075,000	
General Debt	<u>919,137</u>	<u>30,641</u>	\$ 888,496
	<u>\$ 8,674,717</u>	<u>\$ 7,786,221</u>	<u>\$ 888,496</u>

Net Debt \$888,496 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$1,368,084,720 = .065%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 47,882,965
Net Debt	<u>888,496</u>
Remaining Borrowing Power	<u>\$ 46,994,469</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	\$ 1,865,132
Deductions:	
Operating, Maintenance and Debt Service Costs	<u>1,614,576</u>
Excess in Revenue	<u>\$ 250,556</u>

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

Schedule of Changes in Debt Issued

	<u>Balance</u> <u>12/31/2021</u>	<u>Additions</u>	<u>Defeased/ Retirements</u>	<u>Balance</u> <u>12/31/2022</u>
General Capital Fund:				
Bond Anticipation Notes	\$ 891,256	\$ 811,256	\$ 891,256	\$ 811,256
Sewer Utility Capital Fund:				
NJ I-Bank Loan	<u>557,951</u>	<u>1,733,877</u>		<u>2,291,828</u>
Total	<u>\$ 1,449,207</u>	<u>\$ 2,545,133</u>	<u>\$ 891,256</u>	<u>\$ 3,103,084</u>

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

The Borough had the following outstanding debt at December 31, 2022.

Schedule of General Capital Bond Anticipation Notes

<u>Purpose</u>	<u>Date of</u>		<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2022</u>
	<u>Original</u> <u>Note</u>	<u>Maturity</u>		
Various Improvements	7/12/2013	6/30/2023	2.75%	\$ 188,036
Various Improvements	7/11/2014	6/30/2023	2.75%	27,720
Various Improvements	10/7/2019	6/30/2023	2.75%	120,000
Acquisition of Equipment	9/4/2020	6/30/2023	2.75%	370,500
Acquisition of Equipment	7/2/2021	6/30/2023	2.75%	105,000
				<u>\$ 811,256</u>

The Borough has entered into a loan agreement with the New Jersey I-Bank for sewer system improvements. The New Jersey I-Bank has advanced funds to the Borough however the loan has not closed as of December 31, 2022.

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 annual financial statements which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

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

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

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. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

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

Borough contributions to PERS amounted to \$204,902 for 2022. During the fiscal year ended June 30, 2022, the State of New Jersey contributed \$5,887 to the PERS for normal pension benefits on behalf of the Borough.

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

Special Funding Situation

A special funding situation exists for certain local employers of the PERS. The State of New Jersey, as a nonemployer, is required to pay the additional costs incurred by local employers Chapter 133, P.L. 2001. The special funding situation for Chapter 133, P.L. 2001 is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2022, there is no net pension liability associated with this special funding situation and there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date. The State special funding situation for the fiscal year ending June 30, 2022, is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2022. The pension expense is deemed to be a State administrative expense due to the special funding situation.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense

At June 30, 2022, the Borough's liability was \$2,798,009 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. 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, 2022, the Borough's proportion was 0.019%, which was an increase of 0.002% from its proportion measured as of June 30, 2021. The Borough has rolled forward the net pension liability as of June 30, 2022 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.

There was no state proportionate share of net pension liability attributable to the Borough as of June 30, 2022.

For the year ended December 31, 2022, the Borough recognized actual pension expense in the amount of \$204,902.

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	2.75 – 6.55% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

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, 2022) 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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(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 7.00% as of June 30, 2022. 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 based upon 100% of the actuarially determined 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 all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments 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, 2022 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, 2022		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
Borough 's proportionate share of the Net Pension Liability	<u>\$ 3,594,622</u>	<u>\$ 2,798,009</u>	<u>\$ 2,120,060</u>

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 annual financial statements which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(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. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, which includes the normal costs and unfunded accrued liability. For fiscal year 2021, the State contributed an amount less than the actuarially determined amount.

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, 2022
(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.

Borough contributions to PFRS amounted to \$453,124 for the year ended December 31, 2022. During the fiscal year ended June 30, 2021, the State of New Jersey contributed \$69,247 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$88,778.

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

Pension Liabilities and Pension Expense

June 30, 2021, the Borough's liability for its proportionate share of the net pension liability was \$2,834,269. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. 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, 2021, the Borough's proportion was 0.039%, which was an increase of 0.0009% from its proportion measured as of June 30, 2020. The Borough has rolled forward the net pension liability as of June 30, 2021 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, 2021 pension information in the Notes to the Financial Statements as the June 30, 2022 pension information has not been released as of the date of this audit.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(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 \$797,138 as of June 30, 2021. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. 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, 2021, the State's proportion was 0.039%, which was an increase of 0.0009% from its proportion measured as of June 30, 2020 which is the same proportion as the Borough's.

Borough's Proportionate Share of the Net Pension Liability	\$ 2,834,269
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>797,138</u>
Total Net Pension Liability	<u>\$ 3,631,407</u>

For the year ended December 31, 2022, the Borough recognized pension expense of \$453,124.

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions:

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

Employee mortality rates were based on the PubS-2010 amount-weighted mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females. Disability rates were based on the PubS-2010 amount-weighted mortality table with a 152.0% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

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, 2021) 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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Market Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Assets	3.00%	7.40%
Real Estate	8.00%	9.15%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 based upon 100% of the actuarially determined 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 all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(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, 2021 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, 2021		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(6.00%)	(7.00%)	(8.00%)
Borough's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Borough	\$ 5,514,178	\$ 3,631,407	\$ 2,064,203

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 recognized pension expense of \$4,700 for the year ended December 31, 2022. Employee contributions to DCRP amounted to \$8,297 for the year ended December 31, 2022.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(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) annual financial statements, 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, 2022
(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, 2020 through June 30, 2021. 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 Borough has rolled forward the net OPEB liability as of June 30, 2021 with no adjustments. The Division of Local Government Services, Department of Community Affairs, State of New Jersey, is permitting municipalities and counties to include the June 30, 2021 OPEB information in the Notes to the Financial Statements as the June 30, 2022 information has not been released as of the date of this report.

The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

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

OPEB Expense (Cont'd)

At June 30, 2021, the Borough had a liability of \$6,650,919 for its proportionate share of the net OPEB liability. At June 30, 2021, the Borough's proportion was .037% which was an increase of .01% from its proportion measured as of June 30, 2020. Additionally, the State's proportionate share of the net OPEB liability attributable to the Borough at June 30, 2021 was \$475,256. At June 30, 2021, the State's proportion related to the Borough was .012%. This is the percentage of the total State Share of the net OPEB liability of the Plan.

For the year ended June 30, 2021 the Borough's OPEB expense as determined by the State of New Jersey Division of Pensions and Benefits was \$284,894. Additionally, during the year ended June 30, 2021, the State of New Jersey's OPEB benefit related to the Borough was \$64,850.

The Borough's actual post retirement payments in 2022 for 13 retiree employees were \$80,181.

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-2021
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

Actuarial assumptions used in the June 30, 2020 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.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

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

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially is 5.65% for fiscal year 2021 and decreases to a 4.5% long term trend rate after seven years. For PPO post 65 medical benefits, the trend rate is initially 13.08% and decreases to a 4.5% long term trend rate starting with fiscal year 2032 and later. For HMO Post 65 medical benefits, the trend rate is initially 13.76% and decreases to a 4.50% long term trend rate starting with fiscal year 2032 and later. For prescription drug benefits, the initial trend rate is 6.75% for fiscal year 2021 and decreases to a 4.5% long term rate after seven years.

Discount Rate

The discount rate for June 30, 2021 was 2.16%. 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, 2021, 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, 2021		
	At 1% Decrease (1.16%)	At Discount Rate (2.16%)	At 1% Increase (3.16%)
Net OPEB Liability Attributable to the Borough	\$ 7,826,856	\$ 6,650,919	\$ 5,718,964

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, 2021, 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, 2021		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability Attributable to the Borough	\$ 5,549,107	\$ 6,650,919	\$ 8,088,648

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 7: Accrued Sick and Vacation Benefits

The Borough of Mendham does not permit its employees to accrue unused vacation and sick pay.

Note 8: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1.

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

	2022	2021	2020
<u>Tax Rate</u>	\$ 2.384	\$ 2.342	\$ 2.301
<u>Apportionment of Tax Rate</u>			
Municipal	.514	.506	.492
County	.278	.271	.280
Local School	.949	.930	.906
Regional High School	.635	.627	.615
Municipal Open Space	.008	.008	.008
<u>Assessed Valuations</u>			
2022	\$ 1,265,709,106		
2021		\$ 1,262,502,152	
2020			\$ 1,271,263,456

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>
2022	\$ 30,190,434	\$ 30,070,078	99.60%
2021	29,639,567	29,461,051	99.39%
2020	29,275,674	29,045,008	99.21%

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.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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.

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

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

Selected financial information for the Fund as of December 31, 2022 is as follows:

Total Assets	<u>\$ 35,739,845</u>
Net Position	<u>\$ 10,500,044</u>
Total Revenue	<u>\$ 21,851,847</u>
Total Expenses	<u>\$ 27,577,728</u>
Change in Net Position	<u>\$ (5,725,881)</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.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 9: Risk Management (Cont'd)

<u>Fiscal Year</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2022	\$ 8,800	\$ 3,948	\$ 714	\$ 3,800	\$ 64,366
2021	10,000	5,170	89	4,573	54,704
2020	7,000	5,712	365	7,237	44,018

Note 10: Fund Balances Appropriated

Fund balances as December 31, 2022, which have been appropriated and included as anticipated revenue for the year ending December 31, 2023 are \$1,460,000 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, 2022:

	(Restated) Balance <u>Dec. 31, 2021</u>	<u>Additions</u>	Balance <u>Dec. 31, 2022</u>
Land	\$ 1,767,500		\$ 1,767,500
Buildings and Building Improvements	3,535,152		3,535,152
Machinery and Equipment	<u>6,539,129</u>		<u>6,539,129</u>
	<u>\$ 11,841,781</u>	<u>\$ -0-</u>	<u>\$ 11,841,781</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, 2022 in the amount of \$330,421. 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, 2022.

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.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 12: Commitments and Contingencies (Cont'd)

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 \$252,934.

Note 13: Other Reserves

Reserves on the balance sheet of the Current Fund at December 31, 2022, consisted of the following:

Litigation	\$ 330,421
Unappropriated Reserves	279,412
Distracted Driving Grant	5,915
Sale of Municipal Assets	254,825
Municipal Relief Aid	26,142
Pending Tax Appeals	252,934
	<u>\$ 1,149,649</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, 2022 was \$398,492.

BOROUGH OF MENDHAM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 16: Prior Period Adjustment

The Borough had a fixed asset inventory report completed as of December 31, 2021. However, fixed asset records were not maintained during 2022. A prior period adjustment to reflect an updated fixed asset inventory report was made in the General Fixed Assets Account Group as of December 31, 2021 as follows:

	Balance 12/31/2021 as Previously Reported	Retroactive Adjustments	Balance 12/31/2021 as Restated
<u>Assets:</u>			
Machinery and Equipment	\$ 2,793,347	\$ 3,745,782	\$ 6,539,129
Total Assets	<u>\$ 8,095,999</u>	<u>\$ 3,745,782</u>	<u>\$ 11,841,781</u>
<u>Reserves:</u>			
Reserve for General Fixed Assets	\$ 8,095,999	\$ 3,745,782	\$ 11,841,781
Total Reserves	<u>\$ 8,095,999</u>	<u>\$ 3,745,782</u>	<u>\$ 11,841,781</u>

Note 17: Leases

The Borough entered into a lease agreement on July 1, 1988 for the lease of Borough property to the Mendham Area Senior Housing Corporation for the construction and operation of senior-citizen housing and related purposes for an initial term of 50 years. The lessee has the right to renew the lease for an additional 16 year term. The initial annual lease payment was \$9,240 and the annual lease payment for the remaining years can be adjusted upward at the discretion of the Borough each year in the same proportional amount as any increase of the municipal real estate tax rate, with a maximum increase of 5% in any one year.

The Borough entered into a lease agreement on July 15, 2019 for the lease of Borough property to the Mendham Cooperative Nursery School for the operation of a childcare center and other approved community activities for an initial term of 5 years. The lessee has the right to renew the lease for an additional 5 year term. The initial monthly lease payment was \$700 and the monthly lease payment for the remaining years in the initial lease term will be increased by 3% each year.

Note 18: Financed Purchases Agreements

The Borough has two financed purchases agreements for 2 police vehicles. The finance purchases agreements are each for 4 years and the last payments on the leases are in 2024 and 2025. The total payments on the financed purchases agreements in 2022 were \$28,744.89. Remaining payments on the leases through 2025 are \$72,705.55.

**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
2022
CURRENT FUND

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

MENDHAM BOROUGH
CURRENT FUND
COMPARATIVE BALANCE SHEET

<u>ASSETS</u>	December 31,	
	2022	2021
Cash and Cash Equivalents	\$ 5,584,575	\$ 5,074,780
Investments	440,756	520,756
Change Fund	230	230
	6,025,561	5,595,766
Due from State of New Jersey:		
Veterans and Senior Citizens Deductions	20,471	21,972
	6,046,032	5,617,738
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	77,570	110,476
Tax Title Liens Receivable	37,286	35,479
Property Acquired for Taxes - Assessed Valuation	2,900	2,900
Revenue Accounts Receivable	3,137	1,914
Grants Receivable	67,068	114,179
Interfunds Receivable	2,610	1
	190,571	264,949
Total Receivables and Other Assets with Full Reserves		
	190,571	264,949
TOTAL ASSETS	\$ 6,236,603	\$ 5,882,687
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Appropriation Reserves:		
Encumbered	\$ 167,761	\$ 222,696
Unencumbered	974,952	843,180
Total Appropriation Reserves	1,142,713	1,065,876
Prepaid Taxes	166,537	383,991
Tax Overpayments	3,879	
Accounts Payable - Vendors	185,954	152,140
Other Liabilities	6,104	6,104
Interfund Payable	646,663	232,038
Other Reserves	1,149,649	1,196,568
	3,301,499	3,036,717
Reserve for Receivables and Other Assets	190,571	264,949
Fund Balance	2,744,533	2,581,021
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$ 6,236,603	\$ 5,882,687

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>2022</u>	<u>2021</u>
Fund Balance Utilized	\$ 1,956,988	\$ 2,181,988
Miscellaneous Revenue Anticipated	1,176,248	1,009,707
Receipts from:		
Delinquent Taxes	112,734	125,443
Current Taxes	30,070,078	29,461,051
Nonbudget Revenue	686,638	699,558
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	539,457	527,184
Other Credits	1	1
Total Income	<u>34,542,144</u>	<u>34,004,932</u>
 <u>Expenditures</u>		
Budget Appropriations - Municipal Purposes	8,761,544	8,829,518
County Taxes	3,515,405	3,411,392
Local School District Taxes	11,999,282	11,737,380
Regional School Taxes	8,033,155	7,924,973
Municipal Open Space Tax	109,648	109,840
Other Debits		61,312
Interfunds Advanced	2,610	1
Total Expenditures	<u>32,421,644</u>	<u>32,074,416</u>
 Excess in Revenue	2,120,500	1,930,516
 <u>Fund Balance</u>		
Balance January 1	<u>2,581,021</u>	<u>2,832,493</u>
	4,701,521	4,763,009
Decreased by:		
Utilized as Anticipated Revenue	<u>1,956,988</u>	<u>2,181,988</u>
Balance December 31	<u>\$ 2,744,533</u>	<u>\$ 2,581,021</u>

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2022

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 1,956,988		\$ 1,956,988	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	6,300		8,126	\$ 1,826
Interest and Costs on Taxes	21,000		51,128	30,128
Interest on Investments and Deposits	17,500		104,825	87,325
Energy Receipts Tax	501,147		501,147	
Uniform Construction Code Fees	120,530		232,915	112,385
Public and Private Revenue				
Offset with Appropriations:				
Clean Communities Program	10,300	\$ 1,515	11,815	
Body Armor Fund	2,500		2,500	
Body Worn Cameras	10,128		10,128	
American Rescue Plan Act	253,664		253,664	
Total Miscellaneous Revenue	943,069	1,515	1,176,248	231,664
Receipts from Delinquent Taxes	88,000		112,734	24,734
Amount to be Raised by Taxes for Support of Municipal Budget	6,517,677		7,158,293	640,616
Budget Totals	9,505,734	1,515	10,404,263	\$ 897,014
Nonbudget Revenue			686,638	
	<u>\$ 9,505,734</u>	<u>\$ 1,515</u>	<u>\$ 11,090,901</u>	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2022
(Continued)

Analysis of Realized Revenue

Allocation of Current Tax Collections:		
Collection of Current Taxes	\$	30,070,078
Allocated to:		
School, County, and Open Space Taxes		23,657,490
		<u>6,412,588</u>
Add: Appropriation "Reserve for Uncollected Taxes"		745,705
		<u>745,705</u>
Realized for Support of Municipal Budget	\$	<u><u>7,158,293</u></u>

Analysis of Delinquent Tax Collections

Delinquent Taxes	\$	110,476
Tax Title Liens		2,258
		<u>2,258</u>
	\$	<u><u>112,734</u></u>

Analysis of Nonbudget Revenue

Revenue Accounts Receivable:		
Fees and Permits	\$	7,363
Clerk		1,107
Police		10,181
Police Vehicle Usage		7,371
Special Duty		59,239
Board of Adjustment		42,010
Planning Board		11,422
Board of Health		13,810
Municipal Court Fines and Costs		34,240
Rents on Borough-Owned Properties		29,897
Cable Television Franchise Fees		73,750
Tenant registration/inspect		4,956
Lot grad/soil erosion (LDP)		4,625
DMV Inspection Fines		2,200
High School Resource Officer Reimbursement		152,609
FEMA Reimbursement		138,653
State of New Jersey-Vet and Senior Citizen 2% Admin Fee		535
Fire Prevention/Alarm Fees		24,461
Tax Collector		85
Grant Receivables		51,940
Miscellaneous		15,882
		<u>15,882</u>
		686,336
		<u>686,336</u>
Statutory Excess Due from Animal Control Trust Fund		302
	\$	<u><u>686,638</u></u>

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2022

	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	\$ 149,000	\$	109,000	\$ 97,289	\$	11,711
Other Expenses	24,150		24,150	15,767		8,383
Organization Contributions:						
Other Expenses	5,000		5,000	100		4,900
Purchasing:						
Salaries and Wages	19,000		19,000	18,404		596
Other Expenses	5,750		5,750	2,995		2,755
Human Resources - Personnel & Payroll:						
Salaries and Wages	19,500		19,500	5,455		14,045
Other Expenses	26,750		26,750	7,712		19,038
Mayor and Council:						
Salaries and Wages	25,000		25,000	25,000		
Other Expenses	5,500		5,500	2,029		3,471
Municipal Clerk:						
Salaries and Wages	65,000		65,000	58,812		6,188
Other Expenses	34,550		34,550	23,368		11,182
Financial Administration:						
Salaries and Wages	102,000		102,000	99,460		2,540
Other Expenses	34,950		34,950	6,897		28,053
Annual Audit	40,000		40,000	2,000		38,000
Computerized Data Processing	127,000		127,000	116,334		10,666
Tax Assessment Administration:						
Salaries and Wages	51,560		51,560	50,211		1,349
Other Expenses	22,450		22,450	9,814		12,636
Revenue Administration (Tax Collection):						
Salaries and Wages	48,620		48,620	44,004		4,616
Other Expenses	29,600		29,600	15,499		14,101
Legal Services and Costs:						
Other Expenses	139,000		139,000	127,949		11,051
Engineering Services and Costs:						
Other Expenses	72,500		72,500	20,757		51,743
Historic Preservation:						
Other Expenses	8,050		8,050	2,198		5,852
Public Buildings and Grounds:						
Other Expenses	149,500		149,500	128,871		20,629

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
General Government (continued):					
Municipal Land Use Law(N.J.S.A.40:55D-1):					
Planning Board:					
Salaries and Wages	\$ 23,000	\$ 23,000	\$ 23,000		
Other Expenses	31,400	31,400	19,980	\$ 11,420	
Insurance:					
Employee Group Health	335,000	465,000	417,631	47,369	
Unemployment Compensation Insurance	8,800	8,800	8,800		
General Liability Insurance	85,033	85,033	83,233	1,800	
Workmen's Compensation Insurance	85,000	85,000	85,000		
Long-Term Disability	21,000	21,000	20,401	599	
Public Safety:					
Police:					
Salaries and Wages	1,900,692	1,858,692	1,750,381	108,311	
Other Expenses	153,043	153,043	102,661	50,382	
Contractual Radio Dispatch	124,659	124,659	124,658	1	
Office of Emergency Management:					
Salaries and Wages	7,100	7,100	6,804	296	
Other Expenses	11,700	11,700	300	11,400	
Aid to Volunteer Fire Company	97,200	97,200	84,614	12,586	
Aid to Volunteer Ambulance Company	38,000	39,282	38,691	591	
Fire:					
Salaries and Wages	40,000	40,000	36,996	3,004	
Other Expenses	4,750	4,750	1,747	3,003	
Fire Hydrant - Other Expenses	129,000	129,000	112,365	16,635	
Municipal Court:					
Salaries and Wages	1,000	1,000		1,000	
Other Expenses	43,600	43,600	43,594	6	
Streets and Roads:					
Road Repairs and Maintenance:					
Salaries and Wages	659,280	652,280	578,698	73,582	
Other Expenses	156,430	156,430	124,060	32,370	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2022
(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	\$ 9,043	\$ 13,052	
Kelley Act - Mendham Commons	9,000	9,000	5,970	3,030	
Vehicle Maintenance (DPW):					
Salary and Wages	67,454	67,454	67,454		
Other Expenses	64,870	64,870	46,200	18,670	
Landfill/Solid Waste Disposal Costs:					
Other Expenses	170,500	170,500	165,347	5,153	
Health and Welfare:					
Board of Health:					
Other Expenses - Miscellaneous	63,200	63,200	61,653	1,547	
Environmental Commission:					
Other Expenses	5,300	5,300	284	5,016	
Animal Control:					
Other Expenses	9,000	9,000	8,965	35	
Contributions to Social Service Agency:					
MASH Van	23,000	23,000	17,612	5,388	
Recreation and Education:					
Recreation:					
Salaries and Wages	16,200	16,200	16,173	27	
Other Expenses	31,250	31,250	27,712	3,538	
Parks and Playgrounds:					
Other Expenses	129,500	129,500	113,615	15,885	
Construction Code Official:					
Salaries and Wages	172,000	137,000	119,349	17,651	
Other Expenses	43,975	43,975	33,994	9,981	
Communications and Public Information:					
Salaries and Wages	23,000	23,000	23,000		
Other Expenses	27,050	27,050	19,343	7,707	
Code Enforcement/Zoning:					
Salaries and Wages	46,000	46,000	39,308	6,692	
Other Expenses	6,250	6,250	4,401	1,849	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2022
(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	\$ 75,000	\$ 51,718		\$ 51,718	
Utilities	225,500	235,500	\$ 204,689	30,811	
Landfill/Solid Waste Disposal Costs - Recycling:					
Other Expenses	156,000	156,000	146,420	9,580	
Total Operations Within "CAPS"	6,546,261	6,540,261	5,675,071	865,190	
Contingency	6,000	6,000	1,605	4,395	
Total Operations Including Contingent Within "CAPS"	6,552,261	6,546,261	5,676,676	869,585	
Detail:					
Salaries and Wages	3,510,406	3,344,124	3,041,394	302,730	
Other Expenses	3,041,855	3,202,137	2,635,282	566,855	
Deferred Charges and Statutory Expenditures- Municipal Within "CAPS":					
Deferred Charges:					
Overexpenditure of Ordinance Appropriation	80,633	80,633	80,633		
Statutory Expenditures:					
Contributions to PERS	182,450	182,450	182,450		
Contributions to Social Security System (O.A.S.I.)	240,000	246,000	244,995	1,005	
Contributions to PFRS	454,000	454,000	453,124	876	
Defined Contribution Retirement Plan	6,750	6,750	4,700	2,050	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	963,833	969,833	965,902	3,931	
Total General Appropriations for Municipal Purposes Within "CAPS"	7,516,094	7,516,094	6,642,578	873,516	

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Appropriations		Paid or Charged	Expended By		Un-expended Balance Cancelled
	Budget	Budget After Modification			Reserved	
Operations Excluded from "CAPS"						
Aid to Library	\$ 201,000	\$ 201,000	\$ 201,000			
Length of Service Award Program - Fire	47,000	47,000		\$ 47,000		
Length of Service Award Program - Ambulance	38,000	38,000		38,000		
Public and Private Programs Offset by Revenue:						
Clean Communities (N.J.S.A. - 40A:4-87 + \$1,515)	10,300	11,815	8,007		3,808	
Body Armor Fund	2,500	2,500			2,500	
Body Worn Cameras	10,128	10,128			10,128	
American Rescue Plan	253,664	253,664	253,664			
Total Operations Excluded from "CAPS"	562,592	564,107	462,671	101,436		
Detail:						
Other Expenses	562,592	564,107	462,671	101,436		
Capital Improvements-Excluded from "CAPS" :						
Capital Improvement Fund	596,336	596,336	596,336			
Total Capital Improvements Excluded from "CAPS"	596,336	596,336	596,336			
Municipal Debt Service Excluded from "CAPS":						
Payment of Bond Anticipation Notes	80,000	80,000	80,000			
Interest on Notes	5,007	5,007	5,007			
Total Municipal Debt Service Excluded from "CAPS"	85,007	85,007	85,007			

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Appropriations		Expended By		Un- expended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Total General Appropriations Excluded from "CAPS"	\$ 1,243,935	\$ 1,245,450	\$ 1,144,014	\$ 101,436	
Subtotal General Appropriations	8,760,029	8,761,544	7,786,592	974,952	
Reserve for Uncollected Taxes	745,705	745,705	745,705		
Total General Appropriations	\$ 9,505,734	\$ 9,507,249	\$ 8,532,297	\$ 974,952	\$ -0-

MENDHAM BOROUGH
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Analysis of Budget After Modification	Analysis of Paid or Charged
Cash Disbursed		\$ 8,014,640
Reserve for Uncollected Taxes		745,705
Outstanding Encumbrances		167,761
Adopted Budget	\$ 9,505,734	
Adopted by NJSA 40A:4-87	1,515	
	9,507,249	8,928,106
Less: Appropriation Refunds		395,809
	\$ 9,507,249	\$ 8,532,297

A-4

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

Year	Balance		Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Trans- ferred to Tax Title Liens	Balance Dec. 31, 2022
	Dec. 31, 2021	2022 Levy	2021	2022				
2021	\$ 110,476			\$ 110,476				
2022		\$ 30,190,434	\$ 383,991	29,660,837	\$ 25,250	\$ 38,721	\$ 4,065	\$ 77,570
	\$ 110,476	\$ 30,190,434	\$ 383,991	\$ 29,771,313	\$ 25,250	\$ 38,721	\$ 4,065	\$ 77,570

Analysis of 2022 Property Tax Levy

Tax Yield:	
General Purpose Tax	\$ 30,118,869
Business Personal Property Taxes	55,636
Added and Omitted Taxes	15,929
	<u>\$ 30,190,434</u>
Tax Levy:	
Regional High School Taxes	8,033,155
Local School District Taxes	11,999,282
County Taxes	3,513,548
Due County for Added and Omitted Taxes	1,857
Municipal Open Space Tax	
	<u>3,515,405</u>
	109,648
	<u>23,657,490</u>
Local Tax for Municipal Purposes Levied	6,517,677
Add: Additional Tax Levied	15,267
	<u>6,532,944</u>
	<u>\$ 30,190,434</u>

MENDHAM BOROUGH
CURRENT FUND
SCHEDULE OF 2021 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2022

	Balance Dec. 31, 2021	Balance After Modi- fication	Paid or Charged	Balance Lapsed
General Administration:				
Salaries and Wages	\$ 45	\$ 45		\$ 45
Other Expenses	10,461	10,461	\$ 9,535	926
Organization Contributions:				
Other Expenses	3,796	3,796	2,000	1,796
Purchasing:				
Other Expenses	5,003	5,003	361	4,642
Human Resources - Personnel & Payroll:				
Other Expenses	3,029	3,029	2,533	496
Mayor and Council:				
Other Expenses	3,337	3,337	111	3,226
Municipal Clerk:				
Other Expenses	6,232	6,232	611	5,621
Annual Audit	27,246	27,246	27,246	
Computerized Data Processing	18,199	18,199	7,703	10,496
Financial Administration:				
Other Expenses	22,705	22,705	22,556	149
Zoning:				
Other Expenses	7,605	7,605	5,082	2,523
Assessment of Taxes:				
Other Expenses	15,466	15,466	15,078	388
Collection of Taxes:				
Salaries and Wages	775	775		775
Other Expenses	8,740	8,740	3,087	5,653
Legal Services and Costs	40,885	40,885	13,612	27,273
Engineering Services and Costs:				
Other Expenses	26,707	26,707	2,185	24,522
Historic Preservation:				
Other Expenses	1,389	1,389	1,325	64
Public Buildings and Grounds:				
Other Expenses	66,859	66,859	37,669	29,190
Municipal Land Use Law (N.J.S.A. 40:55D-1):				
Planning Board:				
Other Expenses	7,562	7,562	6,713	849
Insurance:				
Workmen's Compensation	4,000	4,000	4,000	
Employee Group Health	4,633	4,633	3,988	645
Long-Term Disability	2,032	2,032		2,032
Aid to Volunteer Ambulance Company	16,872	16,872	12,392	4,480
Aid to Volunteer Fire Company	32,096	32,096	25,010	7,086
Fire:				
Salaries and Wages	578	578	574	4
Other Expenses	4,199	4,199	851	3,348
Fire Hydrant:				
Other Expenses	20,597	20,597	20,597	
Police:				
Salaries and Wages	91,236	91,236	785	90,451
Other Expenses	99,390	99,390	49,280	50,110
Contractual Radio Dispatch	1	1		1
Municipal Court:				
Salaries and Wages	2,000	2,000		2,000
Other Expenses	47	47		47
Office of Emergency Management:				
Salaries and Wages	169	169		169
Other Expenses	11,277	11,277	1,200	10,077
Board of Health:				
Other Expenses	6,583	6,583	2,000	4,583

BOROUGH OF MENDHAM
CURRENT FUND
SCHEDULE OF 2021 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Balance Dec. 31, 2021	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Roads Repairs and Maintenance:				
Salaries and Wages	\$ 25,272	\$ 25,272	\$ 697	\$ 24,575
Other Expenses	69,310	69,310	36,681	32,629
Kelley Act - Mendham Commons	1,973	1,973	1,973	
Animal Control:				
Other Expenses	7,717	7,717		7,717
Vehicle Maintenance (DPW):				
Other Expenses	41,522	41,522	7,904	33,618
Landfill/Solid Waste Disposal:				
Other Expenses	22,797	22,797	22,759	38
Environmental Commission:				
Other Expenses	5,724	5,724	38	5,686
Parks and Playgrounds:				
Other Expenses	12,476	12,476	1,292	11,184
Contributions to Social Services Agency:				
MASH Van	2,900	2,900	38	2,862
Recreation:				
Salaries and Wages	220	220		220
Other Expenses	726	726	604	122
Shade Tree:				
Other Expenses	3,615	3,615		3,615
State Uniform Construction Code:				
Salaries and Wages	12,790	12,790	2,480	10,310
Other Expenses	40,952	40,952	35,854	5,098
Communications and Public Information:				
Other Expenses	5,095	5,095	1,485	3,610
Code Enforcement/Zoning:				
Salaries and Wages	1,021	1,021	738	283
Other Expenses	3,611	3,611	2,030	1,581
Salary Adjustment Account	75,000	75,000		75,000
Utilities	39,454	39,454	23,513	15,941
Landfill/Solid Waste Disposal Costs - Recycling:				
Other Expenses	25,981	25,981	25,902	79
Contingent	3,855	3,855	1,277	2,578
Contribution to:				
Public Employees Retirement System	4,655	4,655		4,655
Social Security System (O.A.S.I.)	91	91		91
Police and Firemen's Retirement System of NJ	1,193	1,193		1,193
Defined Contribution Retirement Plan	2,650	2,650		2,650
Aid to Library	13,000	13,000	13,000	
Length of Service Award Program	66,130	66,130	66,130	
Public and Private Programs Offset by Revenue:				
Clean Communities Grant	4,395	4,395	3,940	455
	<u>\$ 1,065,876</u>	<u>\$ 1,065,876</u>	<u>\$ 526,419</u>	<u>\$ 539,457</u>
<u>Analysis of Beginning Balance/Paid or Charged:</u>				
Unencumbered	\$ 843,180			
Encumbered	222,696			
Cash Disbursed			\$ 482,947	
Accounts Payable			43,472	
	<u>\$ 1,065,876</u>		<u>\$ 526,419</u>	

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2022
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,	
	2022	2021
Cash and Cash Equivalents	\$ 974,855	\$ 532,407
State Grants Receivable	84,750	
Interfunds Receivable	692,824	278,442
Deferred Charges to Future Taxation:		
Unfunded	919,137	999,137
Overexpenditure of Ordinance Appropriation		80,633
TOTAL ASSETS	\$ 2,671,566	\$ 1,890,619
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Bond Anticipation Notes Payable	\$ 811,256	\$ 891,256
Improvement Authorizations:		
Funded	1,394,779	626,923
Unfunded	126,376	219,456
Accounts Payable	16,015	16,015
Capital Improvement Fund	61,040	35,806
Reserve For:		
Purchase of Fire Truck	70,000	70,000
Payment of Debt Service	30,641	29,900
Improvements	90	90
Road Improvements	159,976	
Fund Balance	1,393	1,173
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$ 2,671,566	\$ 1,890,619

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BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2021	Receipts		Disbursements			Transfers		Balance/ (Deficit) Dec. 31, 2022
		Budget Appropriation	Bond Anticipation Notes	Miscellaneous	Improvement Authorizations	Bond Anticipation Notes	Miscellaneous	From	
Fund Balance	\$ 1,173								
Capital Improvement Fund	35,806	\$ 596,336					\$ 670,336	220	\$ 1,393
Due To/(From) Current Fund	(193,442)	333,664	\$ 197				747,890	99,234	61,040
Due To/(From) Other Trust Fund	(85,000)					\$ 353			(607,824)
Slate Grant Receivable							339,000	254,250	(85,000)
Accounts Payable	16,015								(84,750)
Reserve for Purchase of Fire Truck	70,000								16,015
Reserve to Pay Debt Service	29,900							741	70,000
Reserve for Improvements	90								30,641
Reserve for Road Improvements								159,976	90
Overexpenditure of Ordinance Appropriation	(80,633)	80,633							159,976
<u>Improvement Authorizations:</u>									
No.									
06-06	Various Improvements				\$ 381				
11-12	Road Improvements				163				
13-12	Various Improvements		\$ 215,756		42,280	\$ 285,756		70,000	22,640
05-15	Various Improvements				10,689				(42,280)
07-16	Improvement of Talmage Road and Orchard Street								28,062
10-16	Various Improvements						78,316		
06-17	Various Improvements				26,800		2,556		
04-18	Various Improvements						11,010		95,165
04-19	Various Improvements						3,890		
05-19	Various Improvements		120,000			130,000	741	10,000	
10-19	Acquisition of New Vehicle						3,462		34,041
12-19	Improvement of Tennis Courts				654		220		
05-20	DPW Loader and Ambulance		370,500			370,500			35,059
07-21	Various Improvements				196,192		47,000		65,902
08-21	Acquisition of DPW Equipment		105,000		49,839	105,000			25,716
3-22	Improvement of Stormwater Drainage System				46,550			47,000	450
9-22	Various Improvements				114,481			1,263,000	1,148,519
		\$ 1,010,633	\$ 811,256	\$ 197	\$ 488,029	\$ 891,256	\$ 1,904,421	\$ 1,904,421	\$ 974,855

B-2

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

Ord. No.	Improvement Description	Analysis of Balance at December 31, 2022				Unexpended Improvement Authorizations
		Balance Dec. 31, 2021	Notes Paid By Budget Appropriation	Balance Dec. 31, 2022	Financed by Bond Anticipation Notes	
9-02	Various Improvements	\$ 49,170		\$ 49,170		\$ 49,170
17-04	Various Improvements	16,431		16,431		16,431
13-12	Various Improvements	328,036	\$ 70,000	258,036	\$ 215,756	\$ 42,280
4-19	Acquisition of Vehicles	130,000	10,000	120,000	120,000	
5-20	DPW Loader and Ambulance	370,500		370,500	370,500	
8-21	Acquisition of DPW Equipment	105,000		105,000	105,000	
		<u>\$ 999,137</u>	<u>\$ 80,000</u>	<u>\$ 919,137</u>	<u>\$ 811,256</u>	<u>\$ 65,601</u>

Improvement Authorizations Unfunded	\$ 126,376
Less: Unexpended Proceeds of Bond Anticipation Notes Issued:	
Ord. No. 05-20	\$ 35,059
Ord. No. 08-21	<u>25,716</u>
	<u>60,775</u>
	<u>\$ 65,601</u>

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

2022
Authorizations

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2021		Capital Improvement Fund	Other Financing Sources	Transfers	Paid or Charged	Cancelled	Balance Dec. 31, 2022	
		Date	Amount	Funded	Unfunded						Funded	Unfunded
9-02	Firefighter Equipment	08/19/02	\$ 150,000		\$ 49,170						\$ 49,170	
17-04	Various Improvements	09/07/04	171,500		16,431							16,431
06-06	Various Improvements	06/05/06	310,000	\$ 381				\$ 381				
11-12	Road Improvements	10/15/12		22,803						\$	22,640	
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				10,689		28,062	
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				26,800		95,165	
04-18	Various Improvements	05/31/18	415,900		3,890			3,890				
04-19	Acquisition of Vehicles	05/08/19	140,000		741			741				
05-19	Various Improvements	05/08/19	420,500		37,503			3,462			34,041	
10-19	Acquisition of New Vehicle	09/11/19	48,000		220			220				
12-19	Improvement of Tennis Courts	11/13/19	290,000		654				654			
3-20	Various Improvements	06/10/20	790,436									
5-20	DPW loader and Ambulance	06/10/20	390,000		35,059							35,059
7-21	Various Improvements	04/26/21	1,017,000		309,094				196,192		65,902	
8-21	Acquisition of DPW Equipment	04/26/21	200,000		75,555				49,839			25,716
3-22	Improvement of Stormwater Drainage System	04/25/22	47,000								450	
9-22	Various Improvements	10/24/22	1,263,000			\$ 670,336	\$ 592,664	47,000	114,481		1,148,519	
				\$ 626,923	\$ 219,456	\$ 670,336	\$ 592,664	\$ -0-	\$ 488,029	\$ 100,195	\$ 1,394,779	\$ 126,376
	State of New Jersey - DOT Grants Receivable						\$ 339,000					
	American Rescue Plan Grant						253,664					
							\$ 592,664					
	Capital Improvement Fund									\$ 99,234		
	Capital Fund Balance									220		
	Reserve to Pay Debt Service									741		
										\$ 100,195		

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

NOT APPLICABLE

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

Ord. No.	Improvement Description	Original Amount Issued	Date of				Interest Rate	Balance Dec. 31, 2021	Matured	Balance Dec. 31, 2022
			Issue of Original Note	Issue	Maturity	Issued				
13-12	Various Improvements	\$ 1,187,436	07/12/13	07/02/21 07/01/22	07/01/22 06/30/23	0.25% 2.75%	\$ 258,036	\$ 258,036	\$ 188,036	
13-12	Various Improvements	27,720	07/03/19	07/02/21 07/01/22	07/01/22 06/30/23	0.25% 2.75%	27,720	27,720	27,720	
4-19	Various Improvements	130,000	05/08/19	07/02/21 07/01/22	07/01/22 06/30/23	0.25% 2.75%	130,000	130,000	120,000	
5-20	Acquisition of Equipment	370,500	09/04/20	09/02/21 07/01/22	07/01/22 06/30/23	1.00% 2.75%	370,500	370,500	370,500	
8-21	Acquisition of Equipment	105,000	07/02/21	07/02/21 07/01/22	07/01/22 06/30/23	0.25% 2.75%	105,000	105,000	105,000	
							\$ 891,256	\$ 891,256	\$ 811,256	
							Renewals Funded by Budget Appropriation		\$ 811,256	\$ 80,000
							\$ 811,256	\$ 891,256	\$ 891,256	

BOROUGH OF MENDHAM
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

NOT APPLICABLE

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

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2021</u>	<u>Balance Dec. 31, 2022</u>
4-02/ 9-02	Various Improvements	\$ 49,170	\$ 49,170
17-04	Various Improvements	16,431	16,431
13-12	Various Improvements	<u>42,280</u>	<u>42,280</u>
		<u>\$ 107,881</u>	<u>\$ 107,881</u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2022
TRUST FUNDS

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

BOROUGH OF MENDHAM
TRUST FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2022
 (With Comparative Totals for 2021)

	Animal Control Fund	Other Trust Fund	Public Assistance Fund	Payroll Fund	Totals	
					2022	2021
ASSETS						
Cash and Cash Equivalents	\$ 10,895	\$ 1,264,941	\$ 10,931	\$ 9,308	\$ 1,296,075	\$ 1,167,750
Interfunds Receivable		38,839			38,839	38,596
TOTAL ASSETS	<u>\$ 10,895</u>	<u>\$ 1,303,780</u>	<u>\$ 10,931</u>	<u>\$ 9,308</u>	<u>\$ 1,334,914</u>	<u>\$ 1,206,346</u>

LIABILITIES AND RESERVES

Due to State of New Jersey Board of Health						
Interfunds Payable	\$ 302	\$ 85,000			\$ 85,302	\$ 85,001
Payroll Deductions and Withholdings			\$ 9,308	9,308	9,308	64,350
Reserve for Animal Control Fund Expenditures	10,593				10,593	4,886
Reserve for Other Trust Funds		1,218,780			1,218,780	1,041,170
Reserve for Public Assistance			\$ 10,931		10,931	10,932
TOTAL LIABILITIES AND RESERVES	<u>\$ 10,895</u>	<u>\$ 1,303,780</u>	<u>\$ 10,931</u>	<u>\$ 9,308</u>	<u>\$ 1,334,914</u>	<u>\$ 1,206,346</u>

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

Balance December 31, 2021	\$	4,886
Increased by:		
License Fees Collected	\$	5,702
Late Fees		<u>307</u>
		<u>6,009</u>
		10,895
Decreased by:		
Statutory Excess Due to Current Fund		<u>302</u>
Balance December 31, 2022	\$	<u><u>10,593</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2020	\$ 5,197
2021	<u>5,396</u>
Maximum Allowable Reserve	<u><u>\$ 10,593</u></u>

BOROUGH OF MENDHAM
TRUST FUNDS
SCHEDULE OF OTHER TRUST RESERVES

	Balance Dec. 31, 2021	Receipts	Disbursements	Balance Dec. 31, 2022
Reserve for:				
Special Deposits	\$ 3,161	\$ 467	\$ 537	\$ 3,091
Special Engineering Deposits	25,211	7,534	6,435	26,310
State Unemployment Trust Fund	54,704	13,462	3,800	64,366
Phoenix House Trust	3,288			3,288
Parking Offenses Adjudication Act	2,495	12		2,507
Police Forfeiture Assets	6,598	82		6,680
Police Special Duty	33,109	301,158	288,738	45,529
Recreation Fund	18,392	100,412	101,224	17,580
Recycling Tonnage Fund	77,937	7,340	34,403	50,874
Open Space	345,875	412,800	360,183	398,492
Housing Trust	244,203	7,035	6,509	244,729
Other Trust Funds	36,384	99,558	30,516	105,426
Tax Sale Premiums	12,000	4,600		16,600
Storm Recovery	65,313	15,478		80,791
Compensated Absences	32,500			32,500
Self Insurance	80,000	4,000		84,000
Police Donations		35,000		35,000
Third Party Liens		1,017		1,017
Total	<u>\$ 1,041,170</u>	<u>\$ 1,009,955</u>	<u>\$ 832,345</u>	<u>\$ 1,218,780</u>

BOROUGH OF MENDHAM
TRUST FUNDS
SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

Balance December 31, 2021	\$ 10,932
Increased by Receipts:	
Interest	136
	<hr/> 11,068
Decreased by Disbursements:	
Due to Current Fund	137
	<hr/> 137
Balance December 31, 2022	<u>\$ 10,931</u>

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

	<u>Balance</u> <u>Dec. 31, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2022</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 64,350	\$ 3,530,951	3,585,993	\$ 9,308
TOTAL ASSETS	<u>\$ 64,350</u>	<u>\$ 3,530,951</u>	<u>\$ 3,585,993</u>	<u>\$ 9,308</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 64,350	\$ 3,530,951	\$ 3,585,993	\$ 9,308
TOTAL LIABILITIES	<u>\$ 64,350</u>	<u>\$ 3,530,951</u>	<u>\$ 3,585,993</u>	<u>\$ 9,308</u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2022
UTILITY OPERATING FUNDS

Accounts for the operation of the municipally owned Sewer Utility.

BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
COMPARATIVE BALANCE SHEET

		Sewer Utility Operating Fund December 31,	
		2022	2021
<u>ASSETS</u>			
Cash and Cash Equivalents	\$	1,021,641	\$ 853,746
Change Fund		100	100
		1,021,741	853,846
Interfund Receivable		920	920
Receivables with Full Reserves:			
Consumer Accounts Receivable		90,515	96,365
		90,515	96,365
TOTAL ASSETS	\$	1,113,176	\$ 951,131
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Liabilities:			
Appropriation Reserves:			
Unencumbered	\$	373,204	\$ 256,144
Encumbered		72,797	58,009
Total Appropriation Reserves		446,001	314,153
Interfund Payable		2,308	
Accounts Payable - Vendors		49,687	27,297
		497,996	341,450
Reserve for Receivables		90,515	96,365
Fund Balance		524,665	513,316
		524,665	513,316
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$	1,113,176	\$ 951,131

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>2022</u>	<u>2021</u>
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 206,146	\$ 206,146
Sewer Fees and Charges	1,639,900	1,627,095
Miscellaneous Revenue	19,086	25,477
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	<u>186,939</u>	<u>174,357</u>
Total Income	<u>2,052,071</u>	<u>2,033,075</u>
<u>Expenditures</u>		
Budget Expenditures:		
Operating	1,550,576	1,394,114
Capital Improvements	220,000	71,000
Debt Service		295,165
Statutory Expenditures	<u>64,000</u>	<u>58,000</u>
Total Expenditures	<u>1,834,576</u>	<u>1,818,279</u>
Excess in Revenue	217,495	214,796
<u>Fund Balance</u>		
Balance January 1	<u>513,316</u>	<u>504,666</u>
	730,811	719,462
Decreased by:		
Utilized as Anticipated Revenue	<u>206,146</u>	<u>206,146</u>
Balance December 31	<u><u>\$ 524,665</u></u>	<u><u>\$ 513,316</u></u>

BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
STATEMENT OF REVENUES
YEAR ENDED DECEMBER 31, 2022

	Sewer Utility Operating Fund	
	Anticipated	Realized
Fund Balance Anticipated	\$ 206,146	\$ 206,146
Sewer Fees and Charges	1,587,318	1,623,788
Miscellaneous Revenue	25,000	19,086
Additional Sewer Fees and Charges	16,112	16,112
	\$ 1,834,576	\$ 1,865,132

Analysis of Miscellaneous Revenue:

Interest on Investments	\$ 10,536
Interest Due From Sewer Utility Capital Fund	3,559
Sewer Connection Fees	531
Delinquent Payment Penalties	3,860
Miscellaneous	600
	\$ 19,086

Analysis of Sewer Fees and Charges:

Cash Collected and Overpayments Applied	\$ 1,639,900
	\$ 1,639,900

BOROUGH OF MENDHAM
UTILITY OPERATING FUNDS
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2022

	Sewer Utility Operating Fund			
	Appropriations		Expended by	
	Budget	Budget After Modi- fication	Paid or Charged	Reserved
Operating:				
Salaries and Wages	\$ 452,826	\$ 452,826	\$ 437,395	\$ 15,431
Other Expenses	1,097,750	1,097,750	751,788	345,962
Total Operating	1,550,576	1,550,576	1,189,183	361,393
Capital Improvements:				
Capital Improvement Fund	220,000	220,000	220,000	
Total Capital Improvements	220,000	220,000	220,000	
Statutory Expenditures:				
Social Security System (O.A.S.I.)	36,000	36,000	29,737	6,263
Public Employees' Retirement System	25,000	25,000	22,452	2,548
Unemployment Compensation				
Insurance (N.J.S.A. 43:21-3 et. seq.)	3,000	3,000		3,000
Total Statutory Expenditures	64,000	64,000	52,189	11,811
	\$ 1,834,576	\$ 1,834,576	\$ 1,461,372	\$ 373,204
<u>Analysis of Paid or Charged:</u>				
Cash Disbursed			\$ 1,388,575	
Outstanding Encumbrances			72,797	
			\$ 1,461,372	

BOROUGH OF MENDHAM
UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance December 31, 2021	\$ 96,365
Increased by:	
Sewer Charges Levied	1,634,050
	<hr/> 1,730,415
Decreased by:	
Collections and Overpayments Applied	1,639,900
	<hr/> 1,639,900
Balance December 31, 2022	<u><u>\$ 90,515</u></u>

BOROUGH OF MENDHAM
UTILITY OPERATING FUND
SCHEDULE OF 2021 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2022

	<u>Balance</u> <u>Dec. 31, 2021</u>	<u>Balance</u> <u>After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Salaries and Wages	\$ 25,828	\$ 25,828	\$ 942	\$ 24,886
Other Expenses	283,926	283,926	126,272	157,654
Social Security	3,819	3,819		3,819
Public Employees' Retirement System	580	580		580
	<u>\$ 314,153</u>	<u>\$ 314,153</u>	<u>\$ 127,214</u>	<u>\$ 186,939</u>
 <u>Analysis of Balance:</u>				
Unencumbered	\$ 256,144			
Encumbered	58,009			
	<u>\$ 314,153</u>			
 <u>Analysis of Paid or Charged:</u>				
Cash Disbursed			\$ 104,824	
Accounts Payable			22,390	
			<u>\$ 127,214</u>	

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

NOT APPLICABLE

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2022
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>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 235,926	\$ 154,186
Fixed Capital	14,542,077	14,274,277
Fixed Capital Authorized and Uncompleted	<u>5,745,000</u>	<u>5,468,800</u>
 TOTAL ASSETS	 <u>\$ 20,523,003</u>	 <u>\$ 19,897,263</u>
 <u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>		
Loan Payable - NJ I-Bank - Project in Progress	\$ 2,291,828	\$ 557,951
Improvement Authorizations:		
Funded	539,644	136,436
Unfunded	2,291,326	4,022,671
Interfund Payable	920	920
Capital Improvement Fund	50,208	374,208
Reserve for:		
Amortization	14,542,077	14,274,277
Deferred Amortization	670,000	393,800
Payment of Debt Service	1,336	1,336
Fund Balance	<u>135,664</u>	<u>135,664</u>
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE	 <u>\$ 20,523,003</u>	 <u>\$ 19,897,263</u>

MENDHAM BOROUGH
UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

NOT APPLICABLE

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, 2021		Paid or Charged	2022 Authorizations		Balance Dec. 31, 2022	
					Funded	Unfunded		Capital Improvement Fund	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		1,552	\$	356			1,196
11-19	Improvement of Sewerage System	09/23/19		5,075,000				1,731,345			\$ 2,291,326
04-20	Improvement of the Sanitary Sewerage System	06/10/20		62,000		15,052		9,095			5,957
11-21	Improvement of the Sanitary Sewerage System	08/23/21		126,000		115,876		66,939			48,937
06-22	Improvement of the Sanitary Sewerage System	06/27/22		544,000				64,402	\$	544,000	479,598
						\$ 136,436	\$ 4,022,671	\$ 1,872,137	\$	544,000	\$ 539,644
											\$ 2,291,326

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

Ord. No.	Improvement Description	Date of Ordinance	Balance Dec. 31, 2021	Fixed Capital Authorized	To Reserve for Amorti- zation	Balance Dec. 31, 2022
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	25,000		25,000	
11-21	Improvement of Sewerage System	08/23/21	126,000			\$ 126,000
6-22	Improvement of Sewerage System	06/27/22		\$ 544,000		544,000
			<u>\$ 393,800</u>	<u>\$ 544,000</u>	<u>\$ 267,800</u>	<u>\$ 670,000</u>

BOROUGH OF MENDHAM
UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2022

Ord. No.	Improvement Description	Balance Dec. 31, 2021	Loans Issued	Balance Dec. 31, 2022
11-19	Improvement of Sewerage System	\$ 4,517,049	\$ 1,733,877	\$ 2,783,172
		<u>\$ 4,517,049</u>	<u>\$ 1,733,877</u>	<u>\$ 2,783,172</u>

BOROUGH OF MENDHAM
COUNTY OF MORRIS
2022
GENERAL FIXED ASSETS ACCOUNT GROUP
(Unaudited)

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

	<u>December 31,</u>	
	<u>2022</u>	<u>(Restated)</u> <u>2021</u>
<u>GENERAL FIXED ASSETS:</u>		
Assets:		
Land	\$ 1,767,500	\$ 1,767,500
Buildings and Building Improvements	3,535,152	3,535,152
Machinery and Equipment	<u>6,539,129</u>	<u>6,539,129</u>
Total Assets	<u>\$ 11,841,781</u>	<u>\$ 11,841,781</u>
 RESERVES:		
Reserve for General Fixed Assets	<u>\$ 11,841,781</u>	<u>\$ 11,841,781</u>
Total Reserves	<u>\$ 11,841,781</u>	<u>\$ 11,841,781</u>

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

	(Restated)	
	Balance	Balance
	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2022</u>
Land	\$ 1,767,500	\$ 1,767,500
Buildings and Building Improvements	3,535,152	3,535,152
Machinery and Equipment	<u>6,539,129</u>	<u>6,539,129</u>
Total	<u>\$ 11,841,781</u>	<u>\$ 11,841,781</u>

**STATISTICAL SECTION
(Unaudited)**

Table 1

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

EXPENDITURES	Year Ended December 31,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Current Fund:										
General Government	\$ 2,342,010	\$ 2,380,996	\$ 2,263,847	\$ 2,370,654	\$ 2,335,896	\$ 2,330,681	\$ 2,410,004	\$ 2,536,443	\$ 2,687,499	\$ 2,902,156
Public Safety	2,010,962	2,049,109	2,057,174	2,072,341	2,101,259	2,122,405	2,253,232	2,240,111	2,408,867	2,788,133
Streets and Roads	858,383	874,333	971,423	1,027,497	1,017,440	1,057,925	1,097,972	1,141,362	1,007,016	1,142,629
Health and Welfare	99,457	101,482	98,277	97,946	102,786	100,768	98,688	106,755	105,375	100,500
Recreation and Education	110,287	103,971	91,350	81,531	77,170	159,900	273,250	170,895	162,837	176,950
Deferred Charges and Statutory Expenditures	679,397	721,738	624,886	654,594	675,879	721,079	733,622	759,950	842,323	969,833
Capital	133,000	133,000	320,000	320,000	320,000	370,000	375,000	453,000	1,027,000	596,336
Debt Service	581,024	638,594	752,471	756,275	757,332	748,934	603,091	603,904	588,601	85,007
Reserve for Uncollected Taxes	709,685	709,685	709,685	723,885	731,085	738,395	745,705	745,705	745,705	745,705
Current Fund Budget Totals	7,524,205	7,712,908	7,889,113	8,104,723	8,118,847	8,350,087	8,590,564	8,758,125	9,575,223	9,507,249
Utility Operating Funds:										
Utility Operations	1,244,180	1,252,384	1,256,641	1,295,200	1,324,932	1,336,705	1,317,565	1,374,227	1,394,114	1,550,576
Deferred Charges and Statutory Expenditures	52,569	53,516	53,516	55,449	56,234	57,414	58,212	59,000	58,000	64,000
Capital	75,000	75,000	75,000	25,000	75,000	120,000	75,000	75,000	71,000	220,000
Debt Service	542,841	542,151	523,312	539,757	525,842	293,763	294,842	294,386	295,165	
Utility Operating Fund Budget Totals	1,914,590	1,923,051	1,908,469	1,915,406	1,982,008	1,807,882	1,745,619	1,802,613	1,818,279	1,834,576
County Taxes	3,420,007	3,488,056	3,507,990	3,502,567	3,581,574	3,582,288	3,564,076	3,538,656	3,411,392	3,515,405
Local and Regional School Taxes	16,043,847	16,687,635	17,255,946	17,732,026	18,383,927	18,702,616	18,636,937	19,333,567	19,662,353	20,032,437
Municipal Open Space Taxes	109,594	109,594	109,594	109,594	109,769	109,769	109,982	109,677	109,840	109,648
Other Expenditures	279,218	320,393	140,000	280,072	155,735	652,972	416,573	50,078	61,313	2,610
TOTAL EXPENDITURES	\$ 29,291,461	\$ 30,241,637	\$ 30,811,112	\$ 31,644,388	\$ 32,331,860	\$ 33,205,614	\$ 33,263,751	\$ 33,592,716	\$ 34,638,400	\$ 35,001,925

Source: Borough records.

Table 2

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

REVENUE	December 31,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Current Fund:										
Fund Balance Anticipated	\$ 1,206,487	\$ 1,323,918	\$ 1,423,918	\$ 1,517,024	\$ 1,508,817	\$ 1,627,630	\$ 1,685,712	\$ 1,713,212	\$ 2,181,988	\$ 1,956,988
Miscellaneous Revenue	852,044	807,587	799,084	1,032,109	834,866	763,343	824,650	878,191	1,009,707	1,176,248
Receipts from Delinquent Taxes	134,794	176,378	159,645	209,055	167,304	108,883	116,213	68,902	125,443	112,734
Receipts from Current Taxes	6,048,282	6,172,724	6,195,828	6,405,531	6,527,993	6,740,423	6,716,455	6,808,813	7,023,171	7,158,293
Current Fund Budget Totals	8,241,607	8,480,607	8,578,475	9,163,719	9,038,980	9,240,279	9,343,030	9,469,118	10,340,309	10,404,263
Utility Operating Funds:										
Fund Balance Anticipated	415,709	432,869	426,607	399,607	451,292	156,542	174,674	206,146	206,146	206,146
Water and Sewer Rents	1,591,825	1,604,590	1,596,432	1,561,543	1,589,175	1,581,208	1,564,116	1,589,986	1,627,095	1,639,900
Miscellaneous Revenue	26,312	27,760	19,900	22,822	49,622	37,060	36,015	51,080	25,477	19,086
Utility Operating Fund Budget Totals	2,033,846	2,065,219	2,042,939	1,983,972	2,090,089	1,774,810	1,774,805	1,847,212	1,858,718	1,865,132
Non-Budget Revenues	413,122	533,802	409,761	369,104	369,646	381,580	509,073	1,143,609	699,558	686,638
Other Credits to Income	613,969	641,454	761,330	560,649	515,146	798,487	961,755	896,095	701,542	726,397
Taxes Allocated to School, County and Open Space	19,573,448	20,285,285	20,873,530	21,344,187	22,075,270	22,394,673	22,510,995	22,981,900	23,183,585	23,657,490
TOTAL REVENUE	\$ 30,875,992	\$ 32,006,367	\$ 32,666,035	\$ 33,421,631	\$ 34,089,131	\$ 34,589,829	\$ 35,099,658	\$ 36,337,934	\$ 36,783,712	\$ 37,339,920

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	
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%
2021	29,639,567	29,461,051	99.39%	125,443	29,586,494	99.82%	110,476	0.37%
2022	30,190,434	30,070,078	99.60%	110,476	30,180,554	99.97%	77,570	0.26%

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>
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
2021	0.627	0.930	0.506	0.271	0.008	2.342
2022	0.635	0.949	0.514	0.278	0.008	2.384

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>
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%
2021	1,262,502,152	1,314,880,091	96.02%
2022	1,265,709,106	1,371,561,973	92.28%

Source: Abstract of Ratables, County Board of Taxation

BOROUGH OF MENDHAM
TEN LARGEST TAXPAYERS
FOR THE YEAR ENDED DECEMBER 31, 2022
UNAUDITED

Taxpayer	Type of Business	2022 Assessed Valuation	Percentage of Net Assessed Valuation
V-Fee Realty	Shopping Center	\$ 22,000,000	1.74%
Individual Taxpayer #1	Individual	8,564,900	0.68%
Holly Manor	Nursing Home	8,558,600	0.68%
Roxiticus Golf Club	Golf and Tennis Club	8,003,500	0.63%
Individual Taxpayer #2	Individual	5,682,500	0.45%
Individual Taxpayer #3	Individual	5,652,500	0.45%
Individual Taxpayer #4	Individual	5,201,700	0.41%
Individual Taxpayer #5	Individual	5,000,000	0.40%
Individual Taxpayer #6	Individual	4,779,200	0.38%
Individual Taxpayer #7	Individual	4,396,300	0.35%
Total		<u>\$ 77,839,200</u>	<u>6.15%</u>

Source: Tax Assessor

BOROUGH OF MENDHAM
COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2022
UNAUDITED

<u>Year Ended</u> <u>December 31,</u>	<u>Equalized</u> <u>Valuation Basis</u>	
2022	\$ 1,420,959,847	
2021	1,363,610,107	
2020	<u>1,319,684,205</u>	
	<u>\$ 4,104,254,159</u>	
Average equalized valuation of taxable property		\$ 1,368,084,720
Borough borrowing margin (3.5% of \$1,368,084,720)		\$ 47,882,965
Net debt as of December 31, 2022		<u>889,237</u>
Borough borrowing margin available		<u>\$ 46,993,728</u>

Source: Equalized valuation bases were provided by the Annual report of the State of New Jersey, Department of Treasury, Division of Taxation for 2022, 2021, and 2020.

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>
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	4,836	1,271,263,456	1,351,257	0.11%	279
2021	4,973	1,262,502,152	891,256	0.07%	179
2022	* 4,973	1,265,709,106	811,256	0.06%	163

Source: Borough of Mendham Records

(*) Information provided by U.S. Bureau of the Census, Population Division, 2022 numbers not available, used 2021 as an estimate.

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

Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
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%
2021	853,002	30,764	883,766	34,638,400	2.55%
2022	80,000	5,007	85,007	35,001,925	0.24%

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>
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 %	101,646	4,847
2020	6.20 %	102,227	4,836
2021	4.80 %	102,227 ***	4,973
2022	4.80 % ****	102,227 ***	4,973

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 2022 and 2021, used 2020 as an estimate
- (****) Information not available for 2022, used 2021 as an estimate

Table 11

BOROUGH OF MENDHAM
MISCELLANEOUS STATISTICS
DECEMBER 31,2022
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	52
Number of calls answered	176
Number of inspections conducted	320
Emergency medical services:	
Number of Stations	1
Number of Emergency medical personnel and officers	36
Number of calls answered	388
Police protection: Chief	
Number of stations	1
Number of police personnel and officers	14
Number of patrol units	12
Number of law violations	
Physical Arrests	20
Traffic violations	765
Parking violations	39
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, 2022

Name of Federal Agency or Department	Name of Program	Assistance Listing Number	Grant Period		Grant #	Grant Award	Amount Received	Amount of Expenditures	Cumulative Amount of Expenditures
			From	To					
U.S. Department of Homeland Security (Passed through New Jersey Department of Law and Public Safety)	Disaster Grants - Public Assistance - F.E.M.A. Tropical Storm Isaias	97.036	8/4/2020	8/4/2022	100-066-1200- C73-069820	\$ 148,930	\$ 23,967	\$ 23,967 *	\$ 148,930
	Disaster Grants - Public Assistance - F.E.M.A. Winter Storm Orlena	97.036	1/31/2021	2/3/2021	100-066-1200- C80-066290	61,539	10,015	10,015 *	61,539
	Disaster Grants - Public Assistance - F.E.M.A. Coronavirus Pandemic	97.036	3/20/2020	12/31/2021	100-066-1200- C50-063710	57,790	28,419	28,419 *	57,790
	Disaster Grants - Hazard Mitigation - F.E.M.A. Hurricane Ida	97.036	9/1/2021	9/3/2021	100-066-1200- C84-069910	23,593	23,593	23,593 *	23,593
Subtotal - U.S. Department of Homeland Security						291,852	85,994	85,994	291,852
U.S. Department of Treasury (Passed through New Jersey Department of Community Affairs)	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	3/3/2021	12/31/2024	100-022-8030- 687-046010	507,328	253,664		
	COVID-19 - Coronavirus Relief Fund - F.E.M.A.	21.019	3/20/2020	12/31/2021	100-066-1200- D05-069130	52,658	52,658	52,658 *	52,658
Subtotal - U.S. Department of Treasury						559,986	306,322	52,658	52,658
TOTAL FEDERAL AWARDS						\$ 851,838	\$ 392,316	\$ 138,652	\$ 344,510

* Expended in a prior year.

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

Schedule 2

BOROUGH OF MENDHAM
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2022

New Jersey Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Amount of Expenditures
			From	To				
Department of Law and Public Safety	Body Armor Replacement	718-066-1020 001-090160	01/01/22	12/31/23	\$ 2,080	\$ 2,080		
Subtotal - Department of Law and Public Safety					2,080			
Department of Environmental Protection	Clean Communities Act	765-042-4900 004-178910	01/01/21	12/31/23	11,510	\$ 3,940	\$ 7,273	\$ 7,273
			01/01/22	12/31/23	11,815	8,007	8,007	8,007
	Recycling Tonnage Grant	100-042-4910 224-238490	01/01/22	12/31/22	23,325	11,947	11,947	15,280
					7,400	7,400		7,400
Subtotal - Department of Environmental Protection	New Jersey Environmental Infrastructure Trust Fund Loan	N/A	01/01/21	12/31/23	5,075,000	1,733,877	1,733,877	2,783,674
					5,105,725	1,753,092	1,753,224	2,806,354
Department of Transportation	Highway Planning and Construction: 2022 - Florie Farm Road	480-078-6320- AO1-606282	01/01/22	12/31/23	339,000	254,250	15,327	15,327
Subtotal - Department of Transportation					339,000	254,250	15,327	15,327
TOTAL STATE AWARDS					\$ 5,446,805	\$ 2,009,422	\$ 1,768,551	\$ 2,821,681

N/A - not available

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

BOROUGH OF MENDHAM
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2022

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, 2022. 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 loan outstanding as of December 31, 2022:

NJ I-Bank – Project in Progress \$2,291,828

The Borough is in the process of repaying these loans. The Borough received \$2,291,828 as of December 31, 2022. Project expenditures in the current year totaled \$1,733,877. The project related to the loan is not 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, 2022, and the related notes to the financial statements and have issued our report thereon dated September 22, 2023. 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.

Report on 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Findings 2022-001, and 2022-002 that we consider to be significant deficiencies.

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

Report on 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

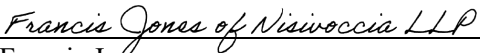
Government Auditing Standards requires the auditor to perform limited procedures on the Borough's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Borough's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
September 22, 2023

NISIVOCCIA LLP


Francis Jones
Certified Public Accountant
Registered Municipal Accountant No. 442

Report on Compliance For Each Major State Program;
Report on Internal Control Over Compliance Required by NJOMB 15-08

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Borough of Mendham's (the "Borough's") compliance with the types of compliance requirements identified as subject to audit in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on the Borough's major state program for the year ended December 31, 2022. The Borough's major state program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Borough complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its state program for the year ended December 31, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements 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*. Our responsibilities under those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Borough and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major state program. Our audit does not provide a legal determination of the Borough compliance with the compliance requirements referred to above.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Borough's federal and state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Borough's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey's OMB Circular 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Borough's compliance with the requirements of the state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey's OMB Circular 15-08, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Borough's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Borough's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey's OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

The Honorable Mayor and Members
of the Borough Council
Borough of Mendham
Mendham, New Jersey
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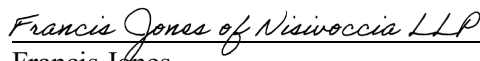
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the New Jersey's OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Mount Arlington, New Jersey
September 22, 2023

NISIVOCCIA LLP


Francis Jones
Certified Public Accountant
Registered Municipal Accountant No. 442

BOROUGH OF MENDHAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

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 were 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.
- There were no material weaknesses or significant deficiencies in internal control over the major state program disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance required by NJOMB 15-08*.
- The auditor's report on compliance for the major state program for the Borough expresses an unmodified opinion on the major state program.
- The Borough was not subject to the single audit provisions of the Uniform Guidance for the year ended December 31, 2022 as federal grant expenditures were less than the single audit threshold of \$750,000.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The Borough's program tested as a major state program for the current year consisted of the following state program:

<u>State Program:</u>	<u>State Grant Award No.</u>	<u>Award Amount</u>	<u>Expenditures</u>
New Jersey Environmental Infrastructure Trust Fund Loan	N/A	\$ 5,075,000	\$ 1,733,877

- The Borough was not determined to be a "low-risk" auditee for state programs.
- The threshold for distinguishing between Type A and Type B state programs was \$750,000

BOROUGH OF MENDHAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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 2022-001

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.

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.

BOROUGH OF MENDHAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Finding 2022-002

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 did not maintain a fixed assets accounting and reporting system as 2022 additions and deletions were not accounted for in the Borough's records. 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.

Management's Response

The finding was evaluated, the Borough is in the process of maintaining Fixed Assets records moving forward.

Findings and Questioned Costs for Federal Awards:

- Not Applicable – Federal grant expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance or NJ OMB 15-08.

BOROUGH OF MENDHAM
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2022

The prior year findings 2021-001 and 2021-002 regarding segregation of duties and fixed assets were not resolved due to budgetary constraints and is 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, 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 2022, 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, 2022. 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>
2022	3
2021	3
2020	2

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2022 Taxes	25
Payments of 2023 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, 2022. 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, 2022, except for the fixed assets records more fully described in the preceding Schedule of Findings and Questioned Costs.

BOROUGH OF MENDHAM
COMMENTS AND RECOMMENDATIONS
(Continued)

Purchase Orders

During the course of our audit testing, we noted several 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.

Municipal Court

The transactions for the year 2022 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Balance</u> <u>Dec. 31, 2021</u>	<u>Receipts</u>	<u>Dis-</u> <u>bursements</u>	<u>Balance</u> <u>Dec. 31, 2022</u>
State of New Jersey	\$ 1,771	\$ 24,821	\$ 24,556	\$ 2,036
County	729	13,405	12,472	1,662
Municipality	1,914	35,463	34,240	3,137
Municipality POAA		12	12	
Weights and Measures	2,350	15,450	16,450	1,350
Fish and Game		600	600	
	<u>\$ 6,764</u>	<u>\$ 89,751</u>	<u>\$ 88,330</u>	<u>\$ 8,185</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 2023 as needed.

Governmental Accounting Standards Board (GASB) Statements

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Arrangements*, is effective for the year ended December 31, 2023. This statement addresses issues related to public-private and public-public partnership agreements (PPP’s). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APA’s). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset or a period of time.

BOROUGH OF MENDHAM
COMMENTS AND RECOMMENDATIONS
(Continued)

Management Suggestions (Cont'd)

Governmental Accounting Standards Board (GASB) Statements (Cont'd)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA's), is effective for the year ended December 31, 2023. A SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor) information technology software, alone or in combination with tangible capital assets as specified in the related contract for a period of time. It is likely that a SBITA software or similar spreadsheets will need to be utilized to perform the various calculations necessary to implement this standard.

COVID-19 Federal Funding

It is possible that the Borough will undergo some review of its COVID-19 funding by the federal government. We strongly suggest that the Borough ensures that these funds are utilized in accordance with the applicable federal requirements especially with respect to procurement. Additionally, we strongly suggest that the Borough ensures that these funds are separately accounted for in the Borough's accounting records and that any applicable Borough policies are current with respect to federal grant requirements.

Because of the nature of these funds, being new programs, generally of a significant dollar amount, and some of which may be expended over a period of years, they may be subject to federal or state audit several years from now. It is important that the grant files maintained by local governments be complete, self-explanatory, and fully document the program(s) undertaken as part of the funding.

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2021 audit report. The prior year recommendations regarding segregation of duties and purchase orders were not resolved and are included as current year recommendations. The prior year recommendations regarding police receipts and overexpenditures were resolved in the current year audit.

BOROUGH OF MENDHAM
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An adequate segregation of duties be maintained with respect to the recording and treasury functions.
2. Purchase orders be prepared and approved prior to the purchase of goods or services to ensure the availability of funds.

* * * * *