

BOROUGH OF FAR HILLS
COUNTY OF SOMERSET
REPORT OF AUDIT
2022

NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS

BOROUGH OF FAR HILLS

COUNTY OF SOMERSET

REPORT OF AUDIT

2022

BOROUGH OF FAR HILLS
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BOROUGH OF FAR HILLS

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2022

Independent Auditors' Report

The Honorable Mayor and Members
of the Borough Council
Borough of Far Hills
Far Hills, 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 Far Hills, in the County of Somerset (the "Borough") as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

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 and account group of the Borough as of December 31, 2022 and 2021, and the results of operations and changes in fund balance, where applicable, of such funds and account group, thereof for the years 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 and 2021, or the changes in financial position or where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audits 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.

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 Honorable Mayor and Members
of the Borough Council
Borough of Far Hills
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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 16 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 requirements prescribed by the Division will 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 requirements prescribed by the Division, we:

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

The Honorable Mayor and Members
of the Borough Council
Borough of Far Hills
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- 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 supplementary data 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 and account group 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 supplementary data 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 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
April 7, 2023

Nisivoccia, LLP

NISIVOCCIA, LLP

Kathryn L. Mantell

Kathryn L. Mantell

Registered Municipal Accountant No. 447

Certified Public Accountant

BOROUGH OF FAR HILLS
COUNTY OF SOMERSET
2022
CURRENT FUND

BOROUGH OF FAR HILLS
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2022	2021
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 3,110,310.92	\$ 3,063,970.20
Change Fund		100.00	100.00
		<u>3,110,410.92</u>	<u>3,064,070.20</u>
Due State of New Jersey:			
Senior Citizens' and Veterans' Deductions		500.00	250.00
		<u>3,110,910.92</u>	<u>3,064,320.20</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	57,269.41	76,053.16
Revenue Accounts Receivable	A-9	3,701.58	4,829.06
Due from Animal Control Fund	B	491.19	961.01
Due from Other Trust Funds	B	466.75	40.77
Due from General Capital Fund	C	1,346.13	113.17
Total Receivables and Other Assets With Full Reserves		<u>63,275.06</u>	<u>81,997.17</u>
Total Regular Fund		<u>3,174,185.98</u>	<u>3,146,317.37</u>
Federal and State Grant Fund:			
Due from Current Fund	A	121,131.83	74,724.39
Federal and State Grants Receivable	A-10	13,205.00	14,427.30
Total Federal and State Grant Fund		<u>134,336.83</u>	<u>89,151.69</u>
<u>TOTAL ASSETS</u>		<u>\$ 3,308,522.81</u>	<u>\$ 3,235,469.06</u>

BOROUGH OF FAR HILLS
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

		December 31,	
	Ref.	2022	2021
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 118,765.72	\$ 64,792.47
Unencumbered	A-3;A-11	444,231.07	479,269.92
		<u>562,996.79</u>	<u>544,062.39</u>
Prepaid Taxes		64,846.26	89,497.48
Tax Overpayments			735.62
Regional School Taxes Payable	A-13	27,136.00	
Other Overpayments		554.34	554.34
County Taxes Payable			9,615.59
Accounts Payable - Vendors		47,449.97	39,406.00
Due to State of New Jersey:			
Marriage License Fees		75.00	100.00
DCA Training Fees		4,248.50	4,172.02
Due to Federal and State Grant Fund	A	121,131.83	74,724.39
Reserve for:			
Municipal Relief Fund		3,390.24	
Tax Appeals		20,000.00	20,000.00
Sewer Connection Fees		6,975.40	6,975.40
Sewer Opening		2,000.00	2,000.00
Sale of Municpal Assets		156,514.16	156,514.16
Fairgrounds Insurance		25,685.00	25,685.00
Fairgrounds Surety		8,300.00	9,500.00
Streets Opening		350.00	350.00
		<u>1,051,653.49</u>	<u>983,892.39</u>
Reserve for Receivables and Other Assets	A	63,275.06	81,997.17
Fund Balance	A-1	2,059,257.43	2,080,427.81
Total Regular Fund		<u>3,174,185.98</u>	<u>3,146,317.37</u>
Federal and State Grant Fund:			
Reserve for Encumbrances	A-14	34,515.00	1,842.43
Appropriated Reserve for Grants	A-14	94,048.71	36,051.41
Unappropriated Reserve for Grants	A-15	5,773.12	51,257.85
Total Federal and State Grant Fund		<u>134,336.83</u>	<u>89,151.69</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		\$ 3,308,522.81	\$ 3,235,469.06

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

BOROUGH OF FAR HILLS
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	<u>Year Ended December 31,</u>	
		<u>2022</u>	<u>2021</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 700,000.00	\$ 650,000.00
Miscellaneous Revenue Anticipated		329,038.36	195,974.08
Receipts from:			
Delinquent Taxes		76,053.16	28,822.44
Current Taxes		5,679,370.80	5,578,874.14
Nonbudget Revenue		150,404.48	164,799.72
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		409,089.23	500,300.37
Cancellation of Accounts Payable		1,878.00	
Interfunds Returned		1,114.95	1,982.08
		<u>7,346,948.98</u>	<u>7,120,752.83</u>
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes		3,304,576.02	3,044,568.06
County Taxes		1,453,181.32	1,462,978.05
Regional School District Taxes		1,895,932.00	1,850,213.00
Reserve for Tax Appeals		12,050.95	
Refund of Prior Year Revenue		75.00	3,372.15
Interfunds Advanced		2,304.07	1,114.95
		<u>6,668,119.36</u>	<u>6,362,246.21</u>
Excess in Revenue		678,829.62	758,506.62
<u>Fund Balance</u>			
Balance January 1		2,080,427.81	1,971,921.19
		<u>2,759,257.43</u>	<u>2,730,427.81</u>
Decreased by:			
Utilized as Anticipated Revenue		700,000.00	650,000.00
		<u>700,000.00</u>	<u>650,000.00</u>
Balance December 31	A	<u><u>\$ 2,059,257.43</u></u>	<u><u>\$ 2,080,427.81</u></u>

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

BOROUGH OF FAR HILLS
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

	Budget	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 700,000.00	\$ 700,000.00	
Miscellaneous Revenue:			
Municipal Court - Fines and Costs	22,000.00	38,422.99	\$ 16,422.99
Interest on Investments	4,500.00	15,457.36	10,957.36
Interest and Costs on Taxes	18,000.00	18,140.95	140.95
Energy Receipts Tax	64,992.00	64,992.00	
Uniform Construction Code Fees	30,000.00	41,746.32	11,746.32
Recycling Tonnage Grant	972.54	972.54	
Body Armor Replacement Fund	790.50	790.50	
Clean Communities Grant	4,000.00	4,000.00	
Local Fiscal Recovery Funds:			
American Rescue Plan	94,515.70	94,515.70	
Fairgrounds Rental Agreement:			
Visiting Nurses' Association	50,000.00	50,000.00	
	<u>289,770.74</u>	<u>329,038.36</u>	<u>39,267.62</u>
Receipts from Delinquent Taxes	<u>50,000.00</u>	<u>76,053.16</u>	<u>26,053.16</u>
Amount to be Raised by Taxes			
for Support of Municipal Budget:			
Local Tax for Municipal Purposes	2,247,848.38	2,313,300.58	65,452.20
Minimum Library Tax	<u>140,385.44</u>	<u>140,385.44</u>	
Total Amount to be Raised by Taxes	<u>2,388,233.82</u>	<u>2,453,686.02</u>	<u>65,452.20</u>
Budget Totals	3,428,004.56	3,558,777.54	<u>\$ 130,772.98</u>
Nonbudget Revenue		<u>150,404.48</u>	
	<u>\$ 3,428,004.56</u>	<u>\$ 3,709,182.02</u>	

BOROUGH OF FAR HILLS
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes		\$ 5,679,370.80
Allocated to:		
Regional School Taxes	\$ 1,895,932.00	
County Taxes	<u>1,453,181.32</u>	
		<u>3,349,113.32</u>
Balance for Support of Municipal Budget		<u>2,330,257.48</u>
 Add: Appropriation "Reserve for Uncollected Taxes"		 <u>123,428.54</u>
Realized for Support of Municipal Budget		<u><u>\$ 2,453,686.02</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	<u><u>\$ 76,053.16</u></u>
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Analysis of Interest on Investments:

Collected/Received by Treasurer	\$ 11,014.44
Due from Animal Control Trust Fund	12.47
Due from Other Trust Fund	466.75
Due from General Capital Fund	<u>3,963.70</u>
	<u><u>\$ 15,457.36</u></u>

BOROUGH OF FAR HILLS
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Analysis of Nonbudget Revenue:

Treasurer:

Cable Television Franchise Fees	\$ 15,992.91	
Fees:		
Registrar	66.00	
Smoke Detector	1,061.00	
Fire Prevention - Non Life Hazard Fees	3,070.00	
Planning Board Fees	5,725.00	
Construction (Zoning)	2,225.00	
Police	730.00	
Rental Income	120.00	
Board of Health	6,575.00	
Clerk	26,071.50	
Fire Services	2,984.20	
Certified Lists	200.00	
Police Outside Duty Administrative Fees	43,653.05	
Appropriation Reserve Fund	1,931.07	
Other Miscellaneous	<u>37,612.67</u>	
		\$ 148,017.40

Collector:

Miscellaneous Revenue Not Anticipated	1,899.78
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Due from Animal Control Fund:

Statutory Excess in Reserve for Animal Control Expenditures	<u>487.30</u>
	<u><u>\$ 150,404.48</u></u>

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

BOROUGH OF FAR HILLS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT:					
General Administration:					
Salaries & Wages	\$ 158,594.00	\$ 158,594.00	\$ 155,145.57	\$ 3,448.43	
Other Expenses	50,900.00	50,900.00	29,344.10	21,555.90	
Mayor & Council:					
Other Expenses	6,000.00	6,000.00	2,176.11	3,823.89	
Financial Administration:					
Salaries & Wages	100,318.00	100,318.00	93,673.94	6,644.06	
Other Expenses	23,029.00	23,029.00	12,989.63	10,039.37	
Audit:					
Other Expenses	17,455.00	17,455.00	17,150.00	305.00	
Tax Assessment Administration:					
Salaries & Wages	17,965.00	17,965.00	17,963.87	1.13	
Other Expenses	7,203.00	7,203.00	2,116.64	5,086.36	
Revenue Administration (Tax Collection):					
Salaries & Wages	1.00	1.00		1.00	
Other Expenses	12,135.00	12,135.00	11,562.32	572.68	
Legal Services and Costs:					
Other Expenses	79,000.00	79,000.00	46,465.47	32,534.53	

BOROUGH OF FAR HILLS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT:					
Engineering Services:					
Other Expenses	\$ 21,848.00	\$ 21,848.00	\$ 5,837.52	\$ 16,010.48	
LAND USE ADMINISTRATION:					
Municipal Land Use Law (NJSA 40A:55D-1):					
Planning Board:					
Salaries and Wages	22,497.00	22,497.00	15,405.91	7,091.09	
Other Expenses	84,200.00	84,200.00	41,182.68	43,017.32	
Board of Adjustment:					
Salaries & Wages	21,244.00	21,244.00	17,480.94	3,763.06	
Other Expenses	3,778.00	3,778.00	1,050.62	2,727.38	
Insurance (P.L. 2003, C.92):					
Employee Group Insurance	123,374.00	123,374.00	96,238.92	27,135.08	
General Liability Insurance	71,616.00	71,616.00	55,973.75	15,642.25	
Health Benefits Waiver	10,000.00	10,000.00	9,615.00	385.00	
PUBLIC SAFETY :					
Aid to Volunteer Ambulance Companies:					
Other Expenses	9,921.00	9,921.00	9,921.00		
Fire Prevention Bureau:					
Other Expenses	25,300.00	25,300.00	25,271.40	28.60	
Police:					
Salaries & Wages	886,125.00	877,625.00	819,384.34	58,240.66	
Other Expenses	85,268.00	85,268.00	77,418.79	7,849.21	

BOROUGH OF FAR HILLS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
PUBLIC SAFETY :					
Uniform Fire Safety Act:					
Salaries & Wages	\$ 9,165.00	\$ 9,165.00	\$ 8,167.14	\$ 997.86	
Other Expenses	19,850.00	19,850.00	19,331.57	518.43	
Office of Emergency Management:					
Salaries & Wages	8,000.00	8,000.00	8,000.00		
Other Expenses	500.00	500.00		500.00	
Aid to Volunteer Fire Company	32,375.00	32,375.00	32,375.00		
Municipal Court:					
Salaries & Wages	61,659.00	61,659.00	55,809.12	5,849.88	
Other Expenses	24,942.00	24,942.00	16,051.45	8,890.55	
Public Defender:					
Other Expenses - Fees	6,500.00	6,500.00	800.00	5,700.00	
Municipal Prosecutor:					
Other Expenses	12,890.00	12,890.00	12,889.52	0.48	
STREETS AND ROADS:					
Road Repair and Maintenance:					
Other Expenses - Miscellaneous	120,000.00	120,000.00	28,647.16	91,352.84	
Public Building and Grounds:					
Other Expenses	47,500.00	47,500.00	35,346.19	12,153.81	
Garbage & Trash Removal:					
Other Expenses	13,960.00	13,960.00	11,854.52	2,105.48	

BOROUGH OF FAR HILLS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
HEALTH AND WELFARE:					
Board of Health:					
Salaries & Wages	\$ 5,131.00	\$ 5,131.00	\$ 3,471.50	\$ 1,659.50	
Other Expenses	10,120.00	10,120.00	4,207.19	5,912.81	
Services of Visiting Nurse:					
Other Expenses	454.00	454.00	454.00		
RECREATION AND EDUCATION:					
Recreation Services and Programs:					
Other Expenses	45,000.00	45,000.00	32,674.45	12,325.55	
UNIFORM CONSTRUCTION CODE:					
Construction Code Official:					
Salaries & Wages	58,698.96	58,698.96	52,602.77	6,096.19	
Other Expenses	12,795.00	12,795.00	6,604.97	6,190.03	
Unclassified:					
Utilities	68,700.00	77,200.00	71,980.93	5,219.07	
Street Lighting	7,446.00	7,446.00	4,340.43	3,105.57	
Municipal Services Act (NJSA 40:67-23:2 et seq.)	5,000.00	5,000.00	5,000.00		
Environmental Commission (R.S. 40:56A-1 et seq.)	1,000.00	1,000.00		1,000.00	
Celebration of Public Events	5,000.00	5,000.00	5,000.00		
Total Operations Within "CAPS"	2,414,456.96	2,414,456.96	1,978,976.43	435,480.53	

BOROUGH OF FAR HILLS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Detail:					
Salaries & Wages	\$ 1,359,397.96	\$ 1,350,897.96	\$ 1,256,720.10	\$ 94,177.86	
Other Expenses	1,055,059.00	1,063,559.00	722,256.33	341,302.67	
Deferred Charges and Statutory Expenditures:					
Contribution to Social Security System (O.A.S.I.)	103,967.00	103,967.00	95,922.17	8,044.83	
Police and Fire Retirement System	205,683.38	205,683.38	205,683.38		
Public Employees Retirement System of NJ	34,798.50	34,798.50	34,798.50	19.38	
Unemployment Compensation Insurance	7,688.00	7,688.00	7,668.62	242.05	
Defined Contribution Retirement Program	4,500.00	4,500.00	4,257.95		
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	356,636.88	356,636.88	348,330.62	8,306.26	
Total General Appropriations for Municipal Purposes Within "CAPS"	2,771,093.84	2,771,093.84	2,327,307.05	443,786.79	
Operations Excluded from "CAPS":					
Maintenance of Joint Public Library	140,385.44	140,385.44	140,385.44		
Proportionate Share (NJSA 40A:54-29.17)	2,400.00	2,400.00	1,976.59	423.41	
Length of Service Awards Program (NJSA 40A:4-43;jj)					

BOROUGH OF FAR HILLS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS" (Cont'd):					
Shared Services Agreement:					
Board of Health:					
Other Expenses	\$ 14,918.00	\$ 14,918.00	\$ 14,918.00		
State and Federal Programs Offset by Revenues:					
Local Fiscal Recovery Funds:					
American Rescue Plan	94,515.70	94,515.70	94,515.70		
Clean Communities Grant	4,000.00	4,000.00	4,000.00		
Recycling Grant	972.54	972.54	972.54		
Body Armor Replacement Grant	790.50	790.50	790.50		
Matching Funds for Grants - Municipal Alliance	100.00	100.00	79.13	\$ 20.87	
Total Operations Excluded from "CAPS"	258,082.18	258,082.18	257,637.90	444.28	
Detail:					
Other Expenses	258,082.18	258,082.18	257,637.90	444.28	
Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	275,400.00	275,400.00	275,400.00		
Total Capital Improvements - Excluded from "CAPS"	275,400.00	275,400.00	275,400.00		

BOROUGH OF FAR HILLS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Total General Appropriations - Excluded from "CAPS"	\$ 533,482.18	\$ 533,482.18	\$ 533,037.90	\$ 444.28	
Subtotal General Appropriations	3,304,576.02	3,304,576.02	2,860,344.95	444,231.07	
Reserve for Uncollected Taxes	123,428.54	123,428.54	123,428.54		
Total General Appropriations	\$ 3,428,004.56	\$ 3,428,004.56	\$ 2,983,773.49	\$ 444,231.07	\$ - 0 -

Ref.

A

BOROUGH OF FAR HILLS
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 3,428,004.56	
		<u>\$ 3,428,004.56</u>	
Cash Disbursed			\$ 2,688,352.69
Reserve for Uncollected Taxes			123,428.54
Reserve for Encumbrances	A		118,765.72
Transfer to Appropriated Grant Reserves:			
Federal and State Grants			<u>100,278.74</u>
			3,030,825.69
Less: Appropriation Refunds			<u>47,052.20</u>
			<u>\$ 2,983,773.49</u>

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

BOROUGH OF FAR HILLS
COUNTY OF SOMERSET
2022
TRUST FUNDS

BOROUGH OF FAR HILLS
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents:			
Treasurer	B-4	\$ 3,096.19	\$ 3,315.81
		<u>3,096.19</u>	<u>3,315.81</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	644,644.12	612,297.33
		<u>644,644.12</u>	<u>612,297.33</u>
		<u>\$ 647,740.31</u>	<u>\$ 615,613.14</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Due to Current Fund	A	\$ 491.19	\$ 961.01
Reserve for Animal Control Expenditures	B-6	<u>2,605.00</u>	<u>2,354.80</u>
		<u>3,096.19</u>	<u>3,315.81</u>

BOROUGH OF FAR HILLS
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS
(Continued)

		December 31,	
	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Other Trust Funds:			
Due to Current Fund	A	\$ 466.75	\$ 40.77
Reserve for:			
Accumulated Absences		10,000.00	10,000.00
Parking Offense Adjudication Act		204.00	202.00
Board of Health Escrow		46,568.50	42,608.54
Police Off-Duty Services		110,435.23	100,397.73
Planning Board Escrow		99,855.23	104,259.15
Uniform Fire Safety Act		873.21	960.71
Storm Recovery		57,245.53	57,273.51
Police Equipment Trust Fund		300.00	300.00
Public Defender		1,650.00	1,250.00
Railroad Trust		29,713.59	41,594.54
Developers' Fees - Housing Trust		155,954.40	140,721.46
Defibrillators Trust		462.64	1,128.88
Developers' Escrow		104,600.58	91,659.43
Forfeited Assets		12,945.70	7,893.22
Fairground Donations		5,108.48	5,756.48
Celebration of Public Events		3,260.28	1,250.91
Butlers Trackside Security Deposit		5,000.00	5,000.00
		<u>644,644.12</u>	<u>612,297.33</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 647,740.31</u>	<u>\$ 615,613.14</u>

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

BOROUGH OF FAR HILLS
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

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

BOROUGH OF FAR HILLS
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

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

BOROUGH OF FAR HILLS
COUNTY OF SOMERSET
2022
GENERAL CAPITAL FUND

BOROUGH OF FAR HILLS
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 1,819,526.31	\$ 1,409,312.85
NJ Department of Transportation			
Grants Receivable		104,403.91	123,918.54
Due from Bernards Township		<u>8,190.99</u>	<u>39,422.93</u>
<u>TOTAL ASSETS</u>		<u>\$ 1,932,121.21</u>	<u>\$ 1,572,654.32</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Improvement Authorizations:			
Funded	C-5	\$ 341,835.66	\$ 176,950.53
Due to Current Fund	A	1,346.13	113.17
Capital Improvement Fund	C-6	1,048,282.39	1,272,793.46
Reserve for Encumbrances	C-5	<u>540,657.03</u>	<u>122,797.16</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 1,932,121.21</u>	<u>\$ 1,572,654.32</u>

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

BOROUGH OF FAR HILLS
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

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

BOROUGH OF FAR HILLS
COUNTY OF SOMERSET
2022
SEWER UTILITY FUND

BOROUGH OF FAR HILLS
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2022	2021
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	E-4	\$ 740,900.46	\$ 738,370.80
Due from Sewer Utility Capital Fund	E	446.11	38.27
Receivable with Full Reserve:			
Consumer Accounts Receivable and Liens	E-6	15,185.48	14,269.91
Total Operating Fund		756,532.05	752,678.98
Capital Fund:			
Cash and Cash Equivalents	E-4	510,446.11	450,038.27
Total Capital Fund		510,446.11	450,038.27
<u>TOTAL ASSETS</u>		<u>\$ 1,266,978.16</u>	<u>\$ 1,202,717.25</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	E-3;E-9	\$ 67,585.49	\$ 87,148.28
Encumbered	E-3;E-9	10,999.24	3,915.75
Total Appropriation Reserves		78,584.73	91,064.03
Prepaid Sewer Rents		1,981.68	3,453.95
Accounts Payable			3,988.50
Total Liabilities		80,566.41	98,506.48
Reserve for Receivables	E	15,185.48	14,269.91
Fund Balance	E-1	660,780.16	639,902.59
Total Operating Fund		756,532.05	752,678.98
Capital Fund:			
Capital Improvement Fund	E-11	510,000.00	450,000.00
Due to Sewer Utility Operating Fund	E	446.11	38.27
Total Capital Fund		510,446.11	450,038.27
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 1,266,978.16</u>	<u>\$ 1,202,717.25</u>

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

BOROUGH OF FAR HILLS
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS

		Year Ended December 31	
	Ref.	2022	2021
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 84,450.00	\$ 64,405.00
Rents		226,951.54	221,062.26
Miscellaneous Revenue Anticipated		4,530.84	2,518.61
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		72,145.19	77,932.23
Total Income		388,077.57	365,918.10
<u>Expenditures</u>			
Budget Expenditures:			
Operating		222,749.00	207,404.00
Capital Improvements		60,000.00	60,000.00
Statutory Expenditures		1.00	1.00
Total Expenditures		282,750.00	267,405.00
Excess in Revenue/Statutory Excess to Fund Balance		105,327.57	98,513.10
<u>Fund Balance</u>			
Balance January 1		639,902.59	605,794.49
		745,230.16	704,307.59
Decreased by:			
Utilized as Anticipated Revenue		84,450.00	64,405.00
Balance December 31	E	\$ 660,780.16	\$ 639,902.59

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

BOROUGH OF FAR HILLS
SEWER UTILITY CAPITAL FUND
STATEMENT OF SEWER CAPITAL FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

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

BOROUGH OF FAR HILLS
SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Operating Surplus Anticipated	\$ 84,450.00	\$ 84,450.00	
Sewer Rents	195,900.00	226,951.54	\$ 31,051.54
Miscellaneous Revenue Anticipated	<u>2,400.00</u>	<u>4,530.84</u>	<u>2,130.84</u>
	<u>\$ 282,750.00</u>	<u>\$ 315,932.38</u>	<u>\$ 33,182.38</u>

Analysis of Sewer Rents:

Collections	\$ 223,497.59
Prepaid Sewer Rents Applied	<u>3,453.95</u>
	<u>\$ 226,951.54</u>

Analysis of Miscellaneous Revenue Anticipated

Treasurer:	
Interest on Investments	\$ 2,362.12
Miscellaneous	52.50
Due from Sewer Utility Capital Fund:	
Interest	<u>1,385.78</u>
	3,800.40
Collector:	
Interest on Sewer Rents	<u>730.44</u>
	<u>\$ 4,530.84</u>

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

BOROUGH OF FAR HILLS
SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Appropriations</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operating:				
Salaries and Wages	\$ 1.00	\$ 1.00		\$ 1.00
Other Expenses	222,748.00	222,748.00	\$ 155,164.51	67,583.49
Capital Improvements:				
Capital Improvement Fund	60,000.00	60,000.00	60,000.00	
Statutory Expenditures:				
Contribution to:				
Social Security System (O.A.S.I.)	1.00	1.00		1.00
	<u>\$ 282,750.00</u>	<u>\$ 282,750.00</u>	<u>\$ 215,164.51</u>	<u>\$ 67,585.49</u>

Ref.

E

Analysis of Paid or Charged

Cash Disbursed		\$ 204,165.27
Encumbered	E	<u>10,999.24</u>
		<u>\$ 215,164.51</u>

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

BOROUGH OF FAR HILLS
COUNTY OF SOMERSET
2022
GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF FAR HILLS
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,	
	2022	2021
<u>ASSETS</u>		
Land	\$ 4,037,300.00	\$ 4,268,300.00
Buildings	1,020,000.00	1,522,100.00
Equipment and Vehicles	827,969.00	762,878.00
<u>TOTAL ASSETS</u>	<u>\$ 5,885,269.00</u>	<u>\$ 6,553,278.00</u>
 <u>RESERVES</u>		
Reserve for Fixed Assets	\$ 5,885,269.00	\$ 6,553,278.00
<u>TOTAL RESERVES</u>	<u>\$ 5,885,269.00</u>	<u>\$ 6,553,278.00</u>

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

BOROUGH OF FAR HILLS
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 Far Hills include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Far Hills, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Borough of Far Hills do not include the operations of the Joint Library or Volunteer Fire and First Aid Squads.

Governmental Accounting Standards Board publication Codification of Government Accounting and Financial Reporting Standards ("GASB"), Section 2100 "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources and significance) should be included in the financial reporting entities. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of 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 Far Hills 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 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 Far Hills 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.

Trust Fund - Receipt, 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.

Sewer Utility Operating and Capital Funds – Account for the operations and acquisition of capital facilities of the municipally owned sewer utility.

BOROUGH OF FAR HILLS
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)

General Fixed Assets Account Group – Estimated values of land, buildings and certain fixed assets of the Borough as discussed in Note 1E – “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 and for the prepayment of future years' revenue. Grant revenue is realized in the operating funds when it is budgeted and in the capital funds when improvements are authorized. 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 cancelled 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.

BOROUGH OF FAR HILLS
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 awarded; inventories would not be reflected as expenditures at the time of purchase; investments would generally be stated 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 OPEB liability and net pension liability and related deferred inflows and outflows, where applicable, would be recorded.

The cash basis of accounting is followed in the Trust Fund.

D. Deferred Charges to Future Taxation

The General Capital Fund balance sheet could include both funded and unfunded deferred charges. Funded deferred charges represent improvement authorizations where permanent financing has been obtained. Unfunded deferred charges represent improvement authorizations where no or temporary financing has been obtained. A municipality can permanently finance unfunded deferred charges through budget appropriation, grant funds, or by issuing bonds, loans or 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 revenue and expenditures/expenses during the period reported. 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 are stated at cost.

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.

BOROUGH OF FAR HILLS
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):

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

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

Grants Receivable - Grants receivable represent the total grant awards less amounts collected to date. Because the amount of grant 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.

General Fixed Assets - In accordance with the New Jersey Administrative Code accounting requirements, as promulgated by the Division of Local Government Services, the Borough developed a fixed assets accounting and reporting system based on the following:

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 asset account group and the Current, General Capital and Sewer Utility 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 and is adjusted for disposition and abandonment. The amounts shown do 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 represents charges to operations for the costs of acquisitions of property, equipment and improvements. The Sewer Utility Fund does not record depreciation of fixed assets.

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

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

F. Budget/Budgetary Control – Annual appropriated budgets are usually prepared in the first quarter for the Current and Sewer Utility Operating 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: Long-Term Debt

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

Summary of Municipal Debt

	December 31,		
	2022	2021	2020
<u>Issued</u>			
General:			
Bonds and Notes	\$ - 0 -	\$ - 0 -	\$ - 0 -
Net Bonds and Notes Issued and			
Authorized but not Issued	\$ - 0 -	\$ - 0 -	\$ - 0 -

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of preparing the Annual Debt Statement and indicates statutory net debt of 0.0%.

	Gross Debt	Deductions	Net Debt
School Debt	\$ 1,624,594.72	\$ 1,624,594.72	
General Debt	- 0 -	- 0 -	\$ - 0 -
	<u>\$ 1,624,594.72</u>	<u>\$ 1,624,594.72</u>	<u>\$ - 0 -</u>

Net Debt: \$- 0 - divided by Average Equalized Valuations of \$423,663,616 of Real Property = 0.0%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 14,828,226.55
Net Debt	<u>- 0 -</u>
Remaining Borrowing Power	<u>\$ 14,828,226.55</u>

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

Note 3: Fund Balances Appropriated

Fund balances at December 31, 2022 which were included in the Borough's introduced budget for the year ending December 31, 2023, are as follows:

Current Fund	\$ 720,000.00
Sewer Utility Operating Fund	103,925.00

Note 4: Regional School Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district. The Borough of Far Hills has not elected to defer school taxes.

Note 5: Pension Plans

Borough employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee's Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); 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:

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

BOROUGH OF FAR HILLS
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 before age 62 with 25 or more years of service credit 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 members 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 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members.

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

Borough contributions to PERS amounted to \$34,799 for 2022.

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

Pension Liabilities and Pension Expense

At June 30, 2021, the Borough's liability was \$350,595 for its proportionate share of the net pension liability. 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 0.003%, which was an increase of 0.0002% from its proportion measured as of June 30, 2020.

BOROUGH OF FAR HILLS
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 (Cont'd)

The Borough has rolled forward the net pension liability as of June 30, 2021 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities and counties to include the June 30, 2021 information in the Notes to the Financial Statements as the June 30, 2022 information has not been released as of the date of this audit.

For the year ended December 31, 2022, the Borough recognized actual pension expense in the amount of \$34,799.

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

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future 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, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

BOROUGH OF FAR HILLS
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, 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 PERS' target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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

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 in determining the total pension liability.

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

Note 5: Pension Plans (Cont'd)

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

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, 2021 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, 2021		
	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	\$ 477,440	\$ 350,595	\$ 242,950

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, 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.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except 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 who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

BOROUGH OF FAR HILLS
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 (Cont'd)

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.

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 OF FAR HILLS
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 (Cont'd)

Borough contributions to PFRS amounted to \$205,683 for the year ended December 31, 2022. During the fiscal year ended June 30, 2021, the State of New Jersey contributed \$30,206 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$38,726.

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

Pension Liabilities and Pension Expense

At June 30, 2021, the Borough's liability for its proportionate share of the net pension liability was \$1,236,348. 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 0.0169%, which was an increase of 0.0026% 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 and counties to include the June 30, 2021 information in the Notes to the Financial Statements as the June 30, 2022 information has not been released as of the date of this audit.

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$347,722 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 0.0169%, which was an increase of 0.0026% 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	\$ 1,236,348
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>347,722</u>
Total Net Pension Liability	<u>\$ 1,584,070</u>

BOROUGH OF FAR HILLS
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)

For the year ended December 31, 2022, the Borough recognized total pension expense of \$205,683.

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:	
Price	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.

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.

BOROUGH OF FAR HILLS
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 (Cont'd)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 Management 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.

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 net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

BOROUGH OF FAR HILLS
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 (Cont'd)

	June 30, 2021		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
Borough's proportionate share of the NPL and the State's Proportionate Share of the Net Pension Liability associated with the Borough	\$ 2,405,361	\$ 1,584,070	\$ 900,434

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 State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of 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.

The Borough recognized DCRP pension expense of \$4,258 and employee contributions to DCRP amounted to \$5,782 for the year ended December 31, 2022.

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

Note 6: Accrued Vacation Benefits

The Borough permits employees to accrue a limited amount (40 hours or 5 days, depending on the respective bargaining contract) of unused vacation pay, which must be taken as time off through December 31 of the following year or it is forfeited.

It is estimated that the current cost of such unpaid compensation is approximately \$18,746. This amount is not reported either as an expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Borough of Far Hills' budget operating expenditures in the year in which it is paid. The Borough has \$10,000 in a Reserve for Accumulated Absences in the Other Trust Funds as of December 31, 2022.

Note 7: 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 delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Tax Rate</u>	\$ 1.327	\$ 1.345	\$ 1.357
<u>Apportionment of Tax Rate</u>			
Municipal	0.553	0.554	0.549
County	0.336	0.349	0.353
Regional School	0.438	0.442	0.455
<u>Assessed Valuations</u>			
2022	<u>\$ 432,454,500.00</u>		
2021		<u>\$ 418,295,748.00</u>	
2020			<u>\$ 419,703,637.00</u>

Comparison of Tax Levies and Collections Currently

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

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

Note 7: Selected Tax Information (Cont'd)

Year	Tax Levy	Currently	
		Cash Collections	Percentage of Collections
2022	\$ 5,741,140.56	\$ 5,679,370.80	98.92%
2021	5,661,389.12	5,578,874.14	98.54%
2020	5,697,227.77	5,663,237.24	99.40%

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

Note 8: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2022, there are no deferred charges on the balance sheets of the Borough's various funds.

Note 9: Cash and Cash Equivalents

Cash and cash equivalents include change funds, amounts on 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.

GASB require disclosure of the level of custodial credit risk assumed by the Borough in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Borough ensures that any deposit or investments 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 on the following two pages.

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 NJ municipalities are permitted to invest their funds.

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

Note 9: Cash and Cash Equivalents (Cont'd)

Deposits:

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

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

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

In addition to the above collateral requirement, if 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;
- (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;

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

Note 9: Cash and Cash Equivalents (Cont'd)

Investments (Cont'd)

- (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, the Borough's cash and cash equivalents consisted of the following:

<u>Fund</u>	<u>Change Funds</u>	<u>Checking Accounts</u>	<u>NJ Cash Management Fund</u>	<u>Total</u>
Current Fund	\$ 100.00	\$ 3,083,050.26	\$ 27,260.66	\$ 3,110,410.92
Animal Control Trust Fund		3,096.19		3,096.19
Other Trust Fund		644,644.12		644,644.12
General Capital Fund		1,819,526.31		1,819,526.31
Sewer Utility Operating Fund		740,900.46		740,900.46
Sewer Utility Capital Fund		510,446.11		510,446.11
	<u>\$ 100.00</u>	<u>\$ 6,801,663.45</u>	<u>\$ 27,260.66</u>	<u>\$ 6,829,024.11</u>

During the period ended December 31, 2022, the Borough did not hold any investments. The carrying amount of the Borough's cash and cash equivalents at December 31, 2022, was \$6,829,024.11 and the bank balance was \$6,918,786.80. The \$27,260.66 invested with the State of New Jersey Cash Management Fund is uninsured and/or unregistered.

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

Note 10: 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. Health benefits are obtained through the State Health Benefits Plan.

The Borough of Far Hills is a member of the Suburban Municipal Joint Insurance Fund, (the "Fund"). The Fund provides its members with workers' compensation, employers' liability, liability other than motor vehicles, property damages other than motor vehicles, motor vehicle and environmental insurance coverage.

The Fund is a risk-sharing public entity risk pool that is both an insured and self-administered group of municipalities established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum.

As a member of the Fund, the Borough could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

The December 31, 2022 audit report of the Suburban Municipal Joint Insurance Fund is not filed as of the date of this audit. Selected summarized financial information for the Fund as of December 31, 2021 is as follows:

Total Assets	<u>\$ 8,172,281</u>
Net Position	<u>\$ 3,944,002</u>
Total Revenue	<u>\$ 5,043,909</u>
Total Expenses	<u>\$ 5,611,976</u>
Change in Net Position	<u>\$ (568,067)</u>
Member Dividends	<u>\$ 219,981</u>

Financial statements for this fund are available at the Office of the Executive Director:

Suburban Municipal Joint Insurance Fund
PERMA Risk Management Services
9 Campus Drive, Suite 216
Parsippany, New Jersey 07054
(201) 881-7632

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

Note 10: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Borough is required to remit employee withholdings to the State on a quarterly basis. All the Borough's claims are paid by the State.

Note 11: Interfund Receivables and Payables

The following interfund balances remain on the balance sheet at December 31, 2022:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund:		
Regular Fund	\$ 2,304.07	\$ 121,131.83
Federal and State Grant Fund	121,131.83	
Animal Control Fund		491.19
Other Trust Funds		466.75
General Capital Fund		1,346.13
Sewer Utility Operating Fund	446.11	
Sewer Utility Capital Fund		446.11
	<u>\$ 123,882.01</u>	<u>\$ 123,882.01</u>

The interfund receivables in the Current Fund due from the Animal Control Fund, Other Trust Funds, and General Capital Fund represent the statutory excess in the Reserve for Animal Control Expenditures and interest earned in those funds which was not transferred to the Current Fund by December 31. The interfund payable from the Current – Regular Fund to the Federal and State Grant Fund represents the balance of grant receipts and expenditures in the Current – Regular Fund which were not transferred by December 31. The interfund receivable in the Sewer Utility Operating Fund due from the Sewer Utility Capital Fund represents interest earned in the Sewer Utility Capital Fund not turned over to the Sewer Utility Operating Fund as of December 31.

Note 12: Contingent Liabilities

The Borough is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury, and various contract disputes. The Borough vigorously contests these lawsuits and believes the ultimate resolution would not have a material adverse effect on their financial position.

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 any such amounts would be immaterial.

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

Note 12: Contingent Liabilities (Cont'd)

Various tax appeals have been filed against the Borough and are awaiting tax court decisions. The ultimate outcome and effect of such appeals has not been determined; however, the Borough Tax Assessor will aggressively defend the Borough's assessments. The Borough has recorded a reserve for pending tax appeals as of December 31, 2021 in the amount of \$20,000.00 and feels that amount is adequate to fund any potential reductions in assessments and taxes.

Note 13: Economic Dependency

The Borough of Far Hills receives a substantial amount of support from federal and state governments. A significant reduction in the level of support, if this were to occur, may influence the Borough's programs and activities.

Note 14: Fixed Assets

	Balance 12/31/20	Additions	Deletions	Balance 12/31/21
Land	\$ 4,268,300.00			\$ 4,268,300.00
Buildings & Improvements	1,522,100.00			1,522,100.00
Equipment & Vehicles	718,714.00	\$ 52,798.00	\$ 8,634.00	762,878.00
	<u>\$ 6,509,114.00</u>	<u>\$ 52,798.00</u>	<u>\$ 8,634.00</u>	<u>\$ 6,553,278.00</u>
	Balance 12/31/21	Additions	Deletions	Balance 12/31/22
Land	\$ 4,268,300.00		\$ 231,000.00	\$ 4,037,300.00
Buildings & Improvements	1,522,100.00		502,100.00	1,020,000.00
Equipment & Vehicles	762,878.00	\$ 67,839.00	2,748.00	827,969.00
	<u>\$ 6,553,278.00</u>	<u>\$ 67,839.00</u>	<u>\$ 735,848.00</u>	<u>\$ 5,885,269.00</u>

Note 15: Postemployment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees 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>.

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

Note 15. Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

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

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the participating 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 negotiation's 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.

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.

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

Note 15. Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

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

Special Funding Situation (Cont'd)

The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. For New Jersey local governments who report under the regulatory basis of accounting, the net OPEB liability and related deferred inflows are not recorded in the financial statements and there is only note disclosure of this information.

Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources, or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB (benefit)/expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit)/expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 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 FAR HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 15. 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 State's proportionate share of the net OPEB liability attributable to the Borough was \$2,851,651. At June 30, 2021, the State's proportion related to the Borough was .073851%. This is the percentage of the total State Share of the net OPEB liability of the Plan.

Additionally, during the year ended June 30, 2021, the State of New Jersey's OPEB benefit related to the Borough was \$389,119.

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 to June 30, 2018, respectively.

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

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

Note 15. Postemployment Benefits Other Than Pensions (OPEB) (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%. The discount rate for June 30, 2020 was 2.21%. 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.

Note 16. Leases

The Borough implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, during the current year.

The Borough signed an agreement for the lease of space on the Borough's property commonly known as the J. Malcolm Belcher Fairgrounds as well as the North and South Barns located thereon to a not-for-profit organization in connection with the sale of goods twice each year by the organization to support its charitable activities. The initial lease agreement was signed on February 27, 2012, and has been renewed twice. The current year agreement began February 1, 2022, and will continue until January 31, 2042, unless sooner terminated. Under the current lease agreement, the Borough will receive in rent \$50,000 per year for the first five years of the lease (February 2022-January 2027) which will increase to \$80,000 (February 2027-January 2032), to \$100,000 (February 2032-January 2037) and to \$120,000 (February 2037-January 2042).

The Borough entered into a lease agreement with NJ Transit for the management, operation, and maintenance of the Far Hills Rail Station property which is owned by NJ Transit and a large portion of the parking area which is owned and operated by the Borough. According to the agreement, the Borough charges and collects all parking fees and pays the costs associated with the management, operation, and maintenance of the commuter parking and station building owned by NJ Transit. The Borough is required to make an annual rent payment to NJ Transit for the net revenue (gross revenues minus approved facility operating expenses).

The Borough entered into a 5-year lease agreement for four copiers. The lease payments are due monthly with a monthly lease payment of \$273.97. The Borough has the option to purchase the equipment at the end of the lease term, renew the lease, or return the equipment at the end of the lease term.

BOROUGH OF FAR HILLS

SUPPLEMENTARY DATA

BOROUGH OF FAR HILLS
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2022

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
David P. Karner	Mayor	
Kevin P. Welsh	Councilman, President	
Joseph Carty	Councilman	
Mary Chimenti	Councilwoman	
Ted McLean	Councilman	
Rick Rinzler	Councilman	
Sheila Tweedie	Councilwoman	
Dorothy S. Hicks	Registered Municipal Clerk	(A)
Debra Stern	Chief Financial Officer/Treasurer	\$ 1,000,000
Adriana McKenna	Tax Collector & Sewer Utility Collector	\$ 1,000,000
Katty C. Wong-Taylor	Magistrate	(A)
Marjorie Freeman	Court Administrator	(A)
Stephen Mahoney	Construction Code Official	(A)
Edward Kerwin	Tax Assessor	(A)

All bonds were examined and were properly executed.

(A) Surety bond coverage is provided by the Suburban Municipal Joint Insurance Fund ("JIF"), and the policy is with QBE Specialty Insurance Company.

BOROUGH OF FAR HILLS
COUNTY OF SOMERSET
2022
CURRENT FUND

BOROUGH OF FAR HILLS
CURRENT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2021	A	\$ 3,063,970.20
Increased by Receipts:		
Tax Collector	\$ 5,747,063.47	
Petty Cash	250.00	
Revenue Accounts Receivable	206,175.75	
Miscellaneous Revenue Not Anticipated	148,017.40	
Due Federal and State Grant Fund:		
Grants Receivable	2,985.34	
Unappropriated Grant Reserves	53,030.97	
Due Animal Control Trust Fund:		
Prior Year Interfund	961.01	
Interest Earned	8.58	
Due Other Trust Funds:		
Prior Year Interfund	40.77	
Due General Capital Fund:		
Prior Year Interfund	113.17	
Interest Earned	2,617.57	
Due State of New Jersey:		
Marriage License Fees	50.00	
DCA Training Fees	2,900.68	
Veterans and Senior Citizens' Deductions	3,500.00	
Appropriation Refunds	47,052.20	
Reserve for Municipal Relief Fund	3,390.24	
		<u>6,218,157.15</u>
		9,282,127.35
Decreased by Disbursements:		
2022 Appropriation Expenditures	2,688,352.69	
2021 Appropriation Reserves	123,924.10	
Petty Cash	250.00	
Accounts Payable	1,127.09	
Regional School Taxes	1,868,796.00	
County Taxes	1,462,796.91	
Reserve for Fairgrounds Surety	1,200.00	
Due Federal and State Grant Fund:		
Appropriated Reserves	9,608.87	
Due State of New Jersey:		
DCA Training Fees	2,824.20	
Marriage License Fees	75.00	
Refund of Prior Year Revenue	75.00	
Reserve for Tax Appeals	12,050.95	
Tax Overpayments	735.62	
		<u>6,171,816.43</u>
Balance December 31, 2022	A	<u>\$ 3,110,310.92</u>

Increased by Receipts:		
Taxes Receivable	\$	5,662,176.48
Interest and Costs on Taxes		18,140.95
2023 Prepaid Taxes		64,846.26
Other Miscellaneous		1,899.78
Total Receipts		<u>\$ 5,747,063.47</u>
Decreased by Disbursements:		
Paid to Municipal Treasurer	\$	<u>5,747,063.47</u>

NOT APPLICABLE

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

Year	Balance Dec. 31, 2021	Collections		NJ Veterans' & Senior Citizens' Deductions	Cancelled	Balance Dec. 31, 2022
		2021	2022			
2021	\$ 76,053.16		\$ 76,053.16			
2022	\$ 5,741,140.56	\$ 89,497.48	\$ 5,586,123.32	\$ 3,750.00	\$ 4,500.35	\$ 57,269.41
	\$ 76,053.16	\$ 89,497.48	\$ 5,662,176.48	\$ 3,750.00	\$ 4,500.35	\$ 57,269.41
<u>Ref.</u>	<u>A</u>					<u>A</u>
Analysis of 2022 Property Tax Levy:						
Tax Yield:						
General Purpose Tax			\$ 5,738,671.46			
Added and Omitted Taxes			<u>2,469.10</u>			
			<u>\$ 5,741,140.56</u>			
Tax Levy:						
Regional School District Taxes			\$ 1,895,932.00			
County Taxes		\$ 1,452,556.16				
County Added and Omitted Taxes		<u>625.16</u>	<u>1,453,181.32</u>			
			<u>3,349,113.32</u>			
Local Tax for Municipal Purposes Levied		2,247,848.38				
Minimum Library Tax Levied		140,385.44				
Add: Additional Tax Levied		<u>3,793.42</u>	<u>2,392,027.24</u>			
			<u>\$ 5,741,140.56</u>			

BOROUGH OF FAR HILLS
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

BOROUGH OF FAR HILLS
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance</u> <u>Dec. 31, 2021</u>	<u>Accrued In</u> <u>2022</u>	<u>Collected by</u> <u>Treasurer</u>	<u>Balance</u> <u>Dec. 31, 2022</u>
Fees and Permits		\$ 41,746.32	\$ 41,746.32	
Municipal Court:				
Fines and Costs	\$ 4,829.06	37,295.51	38,422.99	\$ 3,701.58
Interest on Investments		11,014.44	11,014.44	
Energy Receipts Taxes		64,992.00	64,992.00	
Municipal Homeland Security Assistance				
Fairgrounds Rental Agreement:				
Visiting Nurses' Association		50,000.00	50,000.00	
	<u>\$ 4,829.06</u>	<u>\$ 205,048.27</u>	<u>\$ 206,175.75</u>	<u>\$ 3,701.58</u>
<u>Ref.</u>	A			A

BOROUGH OF FAR HILLS
FEDERAL AND STATE GRANT FUND
SCHEDULE OF GRANTS RECEIVABLE

	Balance Dec. 31, 2021	2022 Budget Revenue Realized	Cash Received	Transfer from Unappropriated Grant Reserves	Balance Dec. 31, 2022
Body Armor Replacement Grant		\$ 790.50	\$ 790.50		
Distracted Driving Crackdown	\$ 1,150.00				\$ 1,150.00
Recycling Tonnage Grant		972.54	972.54		
Drive Sober or Get Pulled Over: Year End Crackdown	2,790.00				2,790.00
Clean Communities Grant		4,000.00		\$ 4,000.00	
Local Fiscal Recovery Funds: American Rescue Plan		94,515.70		94,515.70	
Drunk Driving Enforcement Fund	1,265.00				1,265.00
Highlands Plan Conformance Response Consistency Report Grant	8,000.00				8,000.00
Bulletproof Vest Partnership Grant	1,222.30		1,222.30		
	<u>\$ 14,427.30</u>	<u>\$ 100,278.74</u>	<u>\$ 2,985.34</u>	<u>\$ 98,515.70</u>	<u>\$ 13,205.00</u>

Ref.

A

A

Federal Awards	\$ 1,222.30
State Awards	<u>1,763.04</u>
	<u>\$ 2,985.34</u>

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

	<u>Balance</u> <u>Dec. 31, 2021</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
GENERAL GOVERNMENT:				
General Administration:				
Salaries & Wages	\$ 1,296.91	\$ 1,296.91	\$ 955.50	\$ 341.41
Other Expenses	38,586.32	38,586.32	8,202.22	30,384.10
Mayor & Council:				
Other Expenses	4,828.25	4,828.25	565.15	4,263.10
Financial Administration:				
Salaries & Wages	5,194.80	5,194.80	895.74	4,299.06
Other Expenses	9,815.30	9,815.30	9,815.00	0.30
Audit Fees	17,105.00	17,105.00	17,105.00	
Assessment of Taxes:				
Salaries & Wages	4.00	4.00		4.00
Other Expenses	4,744.79	4,744.79	2,483.57	2,261.22
Revenue Administration (Tax Collection):				
Salaries & Wages	1.00	1.00		1.00
Other Expenses	2,290.94	2,290.94	232.50	2,058.44
Legal Services and Costs:				
Other Expenses	51,171.92	51,171.92	8,256.66	42,915.26
Engineering Services:				
Other Expenses	13,444.19	13,444.19	371.25	13,072.94
LAND USE ADMINISTRATION:				
Municipal Land Use Law:				
Planning Board:				
Salaries & Wages	2,378.49	2,378.49	703.77	1,674.72
Other Expenses	50,221.76	50,221.76	10,683.10	39,538.66
Board of Adjustment:				
Salaries & Wages	3,285.16	3,285.16	620.48	2,664.68
Other Expenses	2,745.67	2,745.67	75.00	2,670.67
PUBLIC SAFETY:				
Fire Prevention Bureau:				
Other Expenses	28.60	28.60		28.60
Police:				
Salaries & Wages	14,988.00	14,988.00	5,763.83	9,224.17
Other Expenses	23,641.28	23,641.28	12,951.24	10,690.04
Uniform Fire Safety Act:				
Salaries & Wages	1,699.37	1,699.37	208.32	1,491.05
Other Expenses	6,573.48	6,573.48	6,573.48	

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

	Balance Dec. 31, 2021	Balance After Modification	Paid or Charged	Balance Lapsed
PUBLIC SAFETY:				
Municipal Court:				
Salaries & Wages	\$ 1,680.22	\$ 1,680.22	\$ 1,250.00	\$ 430.22
Other Expenses	7,334.32	7,334.32	3,456.84	3,877.48
Public Defender:				
Other Expenses	5,700.00	5,700.00		5,700.00
Office of Emergency Management:				
Other Expenses	500.00	500.00		500.00
Municipal Prosecutor:				
Other Expenses	0.22	0.22		0.22
STREETS AND ROADS:				
Road Repairs and Maintenance:				
Other Expenses - Miscellaneous	96,277.15	96,277.15	9,082.67	87,194.48
Garbage and Trash Removal:				
Other Expenses	2,252.68	2,252.68	80.00	2,172.68
Public Building and Grounds:				
Other Expenses	23,278.66	23,278.66	5,946.79	17,331.87
HEALTH AND WELFARE:				
Board of Health:				
Salaries & Wages	2,564.84	2,564.84		2,564.84
Other Expenses	1,726.40	1,726.40	680.66	1,045.74
RECREATION AND EDUCATION:				
Recreation Services and Programs:				
Other Expenses	22,269.04	22,269.04	3,363.61	18,905.43
UNIFORM CONSTRUCTION CODE:				
Construction Code Official:				
Salaries & Wages	5,556.13	5,556.13	783.36	4,772.77
Other Expenses	8,930.39	8,930.39	951.00	7,979.39
UNCLASSIFIED:				
Utilities	16,604.79	16,604.79	5,330.25	11,274.54
Street Lighting	2,975.93	2,975.93	401.04	2,574.89
Municipal Services Act	5,000.00	5,000.00	5,000.00	
Environmental Commission (R.S. 40:56A-1 et seq.)	1,000.00	1,000.00		1,000.00
INSURANCE:				
Employee Group Insurance	48,675.32	48,675.32		48,675.32
Health Benetis Waiver	29,787.00	29,787.00	11,304.00	18,483.00
General Liability Insurance	0.40	0.40		0.40
Length of Service Awards Program (NJSA 40A:4-43jj)	587.92	587.92		587.92

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

	Balance Dec. 31, 2021	Balance After Modification	Paid or Charged	Balance Lapsed
STATUTORY EXPENDITURES:				
Social Security System (O.A.S.I.)	\$ 4,899.40	\$ 4,899.40	\$ 832.84	\$ 4,066.56
Police and Fire Retirement System	280.46	280.46		280.46
Unemployment Compensation Insurance	1,317.11	1,317.11	48.29	1,268.82
Defined Contribution Retirement Program	642.75	642.75		642.75
State and Federal Programs				
Offset by Revenues:				
Matching Funds for Grants -				
Municipal Alliance	176.03	176.03		176.03
	<u>\$ 544,062.39</u>	<u>\$ 544,062.39</u>	<u>\$ 134,973.16</u>	<u>\$ 409,089.23</u>

Ref.

Analysis of Balance at December 31, 2021:

Unencumbered	A	\$ 479,269.92
Encumbered	A	<u>64,792.47</u>
		<u>\$ 544,062.39</u>

Cash Disbursed	\$ 123,924.10
Accounts Payable	<u>11,049.06</u>
	<u>\$ 134,973.16</u>

BOROUGH OF FAR HILLS
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

BOROUGH OF FAR HILLS
CURRENT FUND
SCHEDULE OF REGIONAL SCHOOL DISTRICT TAXES PAYABLE

	<u>Ref.</u>	
Balance December 31, 2021	A	\$ - 0 -
Increased by:		
Levy - Calendar Year 2022		<u>1,895,932.00</u>
		1,895,932.00
Decreased by:		
Payments to Regional School District		<u>1,868,796.00</u>
Balance December 31, 2022	A	<u><u>\$ 27,136.00</u></u>

BOROUGH OF FAR HILLS
FEDERAL AND STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVES

	Balance Dec. 31, 2021	Encumbrances Payable Returned	Transferred from 2022 Budget Appropriations	Expended	Encumbrances Payable	Balance Dec. 31, 2022
Green Communities	\$ 1,065.50					\$ 1,065.50
Alcohol Education and Rehabilitation Fund	2,780.36					2,780.36
Recycling Tonnage Grant	719.82		\$ 972.54	\$ 1,036.86		655.50
Body Armor Replacement Fund	2,605.85	\$ 1,123.26	790.50	1,123.26		3,396.35
Clean Communities Grant	12,452.66		4,000.00	6,729.58		9,723.08
Coronavirus Local Fiscal Recovery			94,515.70		\$ 34,515.00	60,000.70
Distracted Driving Crackdown	275.00					275.00
Drive Sober or Get Pulled Over: Year End Crackdown	970.00					970.00
Drunk Driving Enforcement Fund	8,547.22					8,547.22
Highlands Plan Conformance Response						
Consistency Report Grant	6,635.00	719.17		719.17		6,635.00
Bulletproof Vest Partnership Grant						
	<u>\$ 36,051.41</u>	<u>\$ 1,842.43</u>	<u>\$ 100,278.74</u>	<u>\$ 9,608.87</u>	<u>\$ 34,515.00</u>	<u>\$ 94,048.71</u>
Ref.	A	A			A	A
Federal Grants			\$ 94,515.70	\$ 719.17	\$ 34,515.00	
State Grants			5,763.04	8,889.70		
			<u>\$ 100,278.74</u>	<u>\$ 9,608.87</u>	<u>\$ 34,515.00</u>	

BOROUGH OF FAR HILLS
FEDERAL AND STATE GRANT FUND
SCHEDULE OF UNAPPROPRIATED RESERVES

	Balance Dec. 31, 2021	Cash Receipts	Transferred to Grants Receivable	Balance Dec. 31, 2022
Recycling Tonnage Grant		\$ 789.66		\$ 789.66
Body Armor Replacement Fund		983.46		983.46
Clean Communities Grant	\$ 4,000.00	4,000.00	\$ 4,000.00	4,000.00
Local Fiscal Recovery Funds: American Resue Plan	47,257.85	47,257.85	94,515.70	
	<u>\$ 51,257.85</u>	<u>\$ 53,030.97</u>	<u>\$ 98,515.70</u>	<u>\$ 5,773.12</u>

Ref.

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Federal Grants	\$ 47,257.85
State Grants	<u>5,773.12</u>
	<u>\$ 53,030.97</u>

BOROUGH OF FAR HILLS
COUNTY OF SOMERSET
2022
TRUST FUNDS

BOROUGH OF FAR HILLS
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Balance December 31, 2021	B	\$ 3,315.81	\$ 612,297.33
Increased by Receipts:			
Due Current Fund:			
Interest on Investments	\$	12.47	\$ 466.75
Dog License Fees		1,008.00	
Cat License Fees		30.00	
Miscellaneous Fees		110.00	
Amount Due to State Board of Health		87.00	
Parking Offense Adjudication Act			2.00
Board of Health Escrow			7,222.96
Police Off-Duty Services			222,501.80
Planning Board Escrow			70,577.01
Public Defender			400.00
Railroad Trust			34,529.11
Developers' Fees - Housing Trust			92,727.71
Developers' Escrow			82,969.51
Forfeited Assets			7,756.48
Celebration of Public Events			5,000.00
		<u>1,247.47</u>	<u>524,153.33</u>
		4,563.28	1,136,450.66

BOROUGH OF FAR HILLS
TRUST FUNDS
SCHEDULE OF CASH - TREASURER
(Continued)

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Decreased by Disbursements:			
Due Current Fund:			
Prior Year Interfund Returned			
Interest on Investments	\$	961.01	\$ 40.77
State of New Jersey Board of Health		8.58	
Expenditures Under R.S. 4:19-15.11		87.00	
Reserve for:		410.50	
Board of Health Escrow			3,263.00
Planning Board Escrow			74,980.93
Police Off-Duty Services			212,464.30
Uniform Fire Safety Act			87.50
Defibrillators Trust			666.24
Storm Recovery			27.98
Railroad Trust			46,410.06
Developers' Fees - Housing Trust			77,494.77
Developers' Escrow			70,028.36
Forfeited Assets			2,704.00
Celebration of Public Events			2,990.63
Fairground Donations			648.00
		<u>\$ 1,467.09</u>	<u>\$ 491,806.54</u>
Balance December 31, 2022	B	<u>\$ 3,096.19</u>	<u>\$ 644,644.12</u>

BOROUGH OF FAR HILLS
ANIMAL CONTROL TRUST FUND
SCHEDULE OF ANIMAL CONTROL FUND CASH - COLLECTOR
FOR THE YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

BOROUGH OF FAR HILLS
ASSESSMENT TRUST FUND
ANALYSIS OF CASH
FOR THE YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

BOROUGH OF FAR HILLS
ANIMAL CONTROL FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>		
Balance December 31, 2021	B	\$	2,354.80
Increased by:			
Dog and Cat License Fees:			
Collected in Current Year		\$	1,038.00
Miscellaneous Fees			110.00
			<u>1,148.00</u>
			3,502.80
Decreased by:			
Statutory Excess Due to Current Fund			487.30
Expenditures Under R.S. 4:19-15.11			410.50
			<u>897.80</u>
Balance December 31, 2022	B	\$	<u><u>2,605.00</u></u>

<u>License Fees Collected</u>	<u>Amount</u>
<u>Year</u>	
2020	\$ 1,365.40
2021	1,239.60
	<u>2,605.00</u>
Maximum Allowable Reserve	<u><u>\$ 2,605.00</u></u>

BOROUGH OF FAR HILLS
COUNTY OF SOMERSET
2022
GENERAL CAPITAL FUND

BOROUGH OF FAR HILLS
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2021	C	\$ 1,409,312.85
Increased by Receipts:		
Budget Appropriation:		
Capital Improvement Fund	\$ 275,400.00	
NJ Department of Transportation Grants Receivable	331,978.50	
Body Worn Camera Grant on Ordinance		
Fully Funded by Capital Improvement Fund	18,342.00	
Due Current Fund:		
Interest Earned	3,963.70	
		<u>629,684.20</u>
		2,038,997.05
Decreased by Disbursements:		
Improvement Authorizations	216,740.00	
Due Current Fund:		
Interest Earned	2,617.57	
Prior Year Interfund Returned	113.17	
		<u>219,470.74</u>
Balance December 31, 2022	C	<u><u>\$ 1,819,526.31</u></u>

BOROUGH OF FAR HILLS
GENERAL CAPITAL FUND
ANALYSIS OF CASH

Ord. No.	Improvement Description	Receipts			Disbursements			Transfers		Balance/ (Deficit) Dec. 31, 2022
		Balance/ (Deficit) Dec. 31, 2021	Budget Appropriation	Miscel- laneous	Improvement Authorizations	Miscel- laneous	Transfers			
							From	To		
Capital Improvement Fund										
Due Current Fund		\$ 1,272,793.46	\$ 275,400.00	\$ 18,342.00		\$ 2,730.74	\$ 549,485.00	\$ 31,231.93	\$ 1,048,282.39	
NJ Department of Transportation		113.17		3,963.70					1,346.13	
Grants Receivable										
Due from Bernards Township		(123,918.54)		331,978.50			312,463.87	31,231.94	(104,403.91)	
Reserve for Encumbrances		(39,422.93)					122,797.16	540,657.03	(8,190.99)	
		122,797.16							540,657.03	
Ord. No.	Improvement Description									
11-5	Various Road Improvements	55.97							55.97	
13-04	Acquisition of Property	3,993.63							3,993.63	
13-06	Various Improvements and Equipment						3,500.00	3,500.00		
14-05	Purchase Wastewater Capacity						5,430.98	5,430.98		
15-07	Various Capital Improvements	30,000.00								30,000.00
16-06	Various Capital Improvements	3,492.30								3,492.30
17-07	Various Capital Improvements	4,984.25					2,998.40	2,998.40		4,984.25
18-03	Various Improvements and Equipment	14,100.00								14,100.00
19-04	Douglas Road Improvement	29,730.50					41,259.57	41,259.57		29,730.50
20-01	In-Car Video System for Law Enforcement	2,295.00								2,295.00
20-09	Dumont Road Drainage/Ludlow Avenue Road Improvements	20,440.48					2,490.00	2,490.00		20,440.48
20-15	Mine Brook Road Improvements Section 1 & 2	41,903.91								41,903.91
20-16	Fire Company Equipment	23,166.04			\$ 7,704.73		5,858.17			9,603.14
21-08	Police Various Capital Improvements	2,788.45			67,118.21			67,118.21		2,788.45
22-01	Pennbrook Road - Engineering				10,342.15			40,000.00		29,657.85
22-02	Affordable Housing Contribution				75,000.00			75,000.00		
22-03	Improvements at the Fairgrounds				39,126.15			40,000.00		873.85
22-05	Firefighting Apparatus				17,448.76		164,436.36	165,000.00		563.64
22-07	Various Capital Improvements							114,000.00		96,551.24
22-09	Pennbrook Road Improvements						314,683.55	365,485.00		50,801.45
		\$ 1,409,312.85	\$ 275,400.00	\$ 354,284.20	\$ 216,740.00	\$ 2,730.74	\$ 1,525,403.06	\$ 1,525,403.06	\$ 1,819,526.31	

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

NOT APPLICABLE

BOROUGH OF FAR HILLS
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Date	Ordinance Amount	Balance December 31,		2022 Authorizations			Prior Year Encumbrances Returned	Paid or Charged	Balance December 31, 2022
				Funded	Funded	Capital Improvement Fund	NJ DOT Grants Receivable				
11-05	Various Road Improvements	04/25/11	\$ 850,000.00	\$ 55.97						\$ 55.97	
13-04	Acquisition of Property	04/08/13	246,000.00	3,993.63						3,993.63	
13-06	Various Improvements and Equipment	05/28/13	155,500.00					\$ 3,500.00	\$ 3,500.00		
14-05	Various Capital Improvements	06/09/14	98,800.00					5,430.98	5,430.98		
15-07	Various Capital Improvements	06/08/15	69,600.00	30,000.00						30,000.00	
16-06	Vaine Capital Improvements	05/23/16	40,200.00	3,492.30						3,492.30	
17-07	Various Capital Improvements	06/12/17	60,000.00	4,984.25				2,998.40	2,998.40	4,984.25	
18-03	Various Improvements and Equipment	05/29/18	52,400.00	14,100.00						14,100.00	
19-04	Douglas Road Improvement	06/24/19	400,000.00	29,730.50				41,259.57	41,259.57	29,730.50	
20-01	In-Car Video System for Law Enforcement	02/10/20	40,000.00	2,295.00						2,295.00	
20-09	Dumont Road Drainage/Ludlow Avenue Road Improvements	06/08/20	155,000.00	20,440.48				2,490.00	2,490.00	20,440.48	
20-15	Mine Brook Road Improvements Section 1 & 2	09/14/20	575,000.00	41,903.91						41,903.91	
20-16	Fire Company Equipment	11/23/20	30,000.00	23,166.04					13,562.90	9,603.14	
21-08	Police Various Capital Improvements	05/10/21	104,342.00	2,788.45				67,118.21	67,118.21	2,788.45	
22-01	Pennbrook Road - Engineering	01/24/22	40,000.00		\$ 40,000.00				10,342.15	29,657.85	
22-02	Affordable Housing Contribution	01/24/22	75,000.00		75,000.00				75,000.00		
22-03	Improvements at the Fairgrounds	02/14/22	40,000.00		40,000.00				39,126.15	873.85	
22-05	Firefighting Apparatus	04/25/22	165,000.00		165,000.00				164,436.36	563.64	
22-07	Various Capital Improvements	06/13/22	114,000.00		114,000.00				17,448.76	96,551.24	
22-09	Pennbrook Road Improvements	11/14/22	365,485.00		115,485.00	\$ 250,000.00			314,683.55	50,801.45	
				\$ 176,950.53	\$ 549,485.00	\$ 250,000.00	\$ 122,797.16	\$ 757,397.03		\$ 341,835.66	

Ref.

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Cash Disbursed \$ 216,740.00
Encumbrances 540,657.03

\$ 757,397.03

BOROUGH OF FAR HILLS
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2021	C	\$ 1,272,793.46
Increased by:		
Funding Received on Ordinances Originally Funded		
from Capital Improvement Fund:		
NJDOT Grants Receivable	\$ 31,231.93	
Body-Worn Camera Grant	18,342.00	
Budget Appropriation	<u>275,400.00</u>	
		<u>324,973.93</u>
		1,597,767.39
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>549,485.00</u>
Balance December 31, 2022	C	<u><u>\$ 1,048,282.39</u></u>

BOROUGH OF FAR HILLS
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

BOROUGH OF FAR HILLS
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

BOROUGH OF FAR HILLS
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
FOR THE YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

BOROUGH OF FAR HILLS
COUNTY OF SOMERSET
2022
WATER UTILITY FUND

NOT APPLICABLE

BOROUGH OF FAR HILLS
COUNTY OF SOMERSET
2022
SEWER UTILITY FUND

BOROUGH OF FAR HILLS
SEWER UTILITY FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2021	E	\$ 738,370.80	\$ 450,038.27
Increased by Receipts:			
Sewer Rents		\$ 223,497.59	
Prepaid Sewer Rents		1,981.68	
Capital Improvement Fund:			
2022 Budget Appropriation			\$ 60,000.00
Due from Sewer Utility Capital Fund:			
Prior Year Interfund		977.94	
Miscellaneous Revenue Anticipated:			
Interest on Investments		2,362.12	
Interest on Sewer Rents		730.44	1,385.78
Miscellaneous Revenue Not Anticipated		52.50	
		<u>229,602.27</u>	<u>61,385.78</u>
		967,973.07	511,424.05
Decreased by Disbursements:			
2022 Budget Appropriation		204,165.27	
2021 Appropriation Reserves		18,918.84	
Accounts Payable		3,988.50	
Due to Sewer Utility Operating Fund:			
Interest Earned			977.94
		<u>227,072.61</u>	<u>977.94</u>
Balance December 31, 2022	E	\$ 740,900.46	\$ 510,446.11

BOROUGH OF FAR HILLS
SEWER UTILITY OPERATING FUND
SCHEDULE OF CASH - COLLECTOR
FOR THE YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

BOROUGH OF FAR HILLS
SEWER UTILITY CAPITAL FUND
ANALYSIS OF SEWER CAPITAL CASH

	Balance	Receipts		Disbursements	Balance
	Dec. 31, 2021	Budget	Mis-	Mis-	Dec. 31, 2022
		Appropriation	cellaneous	cellaneous	
Capital Improvement Fund	\$450,000.00	\$ 60,000.00			\$510,000.00
Due to Sewer Operating Fund	38.27		\$ 1,385.78	\$ 977.94	446.11
	<u>\$450,038.27</u>	<u>\$ 60,000.00</u>	<u>\$ 1,385.78</u>	<u>\$ 977.94</u>	<u>\$510,446.11</u>
<u>Ref.</u>	E				E

BOROUGH OF FAR HILLS
SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2021	E	\$ 14,269.91
Increased by:		
Sewer Rents Levied	\$ 227,867.11	
Interest on Delinquent Sewer Rents	<u>730.44</u>	
		<u>228,597.55</u>
		242,867.46
Decreased by Collections:		
Sewer Rents	223,497.59	
Prepaid Rents Applied	3,453.95	
Interest on Delinquent Sewer Rents	<u>730.44</u>	
		<u>227,681.98</u>
Balance December 31, 2022	E	<u><u>\$ 15,185.48</u></u>

BOROUGH OF FAR HILLS
SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

BOROUGH OF FAR HILLS
SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
FOR THE YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

BOROUGH OF FAR HILLS
SEWER UTILITY OPERATING FUND
SCHEDULE OF 2021 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Balance Dec. 31, 2021	Balance After Transfers	Paid or Charged	Balance Lapsed
Operating:				
Salaries and Wages	\$ 1.00	\$ 1.00		\$ 1.00
Other Expenses	91,062.03	91,062.03	\$ 18,918.84	72,143.19
Statutory Expenditures:				
Contribution to:				
Social Security System (O.A.S.I.)	1.00	1.00		1.00
	<u>\$ 91,064.03</u>	<u>\$ 91,064.03</u>	<u>\$ 18,918.84</u>	<u>\$ 72,145.19</u>

Ref.

Analysis of Balance at December 31, 2021:

Unencumbered	E	\$ 87,148.28
Encumbered	E	<u>3,915.75</u>
		<u>\$ 91,064.03</u>

BOROUGH OF FAR HILLS
SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

BOROUGH OF FAR HILLS
SEWER UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	
Balance December 31, 2021	E	\$ 450,000.00
Increased by:		
2022 Budget Appropriation		<u>60,000.00</u>
Balance December 31, 2022	E	<u><u>\$ 510,000.00</u></u>

BOROUGH OF FAR HILLS

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2022

BOROUGH OF FAR HILLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Funding Department	Federal Program	Assistance Listing Number	Grant Award Number	Grant Period		Award Amount	Grant Receipts	Amount of Expenditures	Cumulative Expenditures	Amounts Provided to Subrecipients
				From	To					
U.S. Department of Justice: Office of Justice Program	Bulletproof Vest Partnership Program	16,607	N/A	01/01/22	12/31/22	\$ 1,222.30	\$ 1,222.30	\$ 719.17	\$ 1,222.30	
Total U.S. Department of Justice							1,222.30	719.17	1,222.30	\$ - 0 -
U.S. Department of Treasury: (Passed through NJ Department of Community Affairs)	COVID-19 - American Rescue Plan: Coronavirus State and Local Fiscal Recovery Funds	21,027	100-022-8030-687-046010	03/03/21	12/31/24	94,515.70	47,257.85			
Total U.S. Department of Treasury/NJ Department of Community Affairs							47,257.85	- 0 -	- 0 -	
TOTAL FEDERAL AWARDS							\$ 48,480.15	\$ 719.17	\$ 1,222.30	\$ - 0 -

N/A - Information is not available or applicable.

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF FAR HILLS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE 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 Expenditures
			From	To				
Department of Environmental Protection	Clean Communities Act	765-042-4900- 004-VCMC-6020	01/01/17	12/31/22	\$ 4,000.00		\$ 452.66	\$ 4,000.00
			01/01/18	12/31/23	4,000.00		1,615.00	1,615.00
			01/01/19	12/31/23	4,000.00		1,108.52	1,108.52
			01/01/20	12/31/23	4,000.00		2,053.40	2,053.40
			01/01/21	12/31/23	4,000.00		1,500.00	1,500.00
			01/01/22	12/31/23	4,000.00	\$ 4,000.00		
	Subtotal - Clean Communities Grant					4,000.00	6,729.58	10,276.92
	Recycling Tonnage Grant	752-042-4900- 001-6020	01/01/19	12/31/22	944.26		381.76	944.26
			01/01/21	12/31/22	338.06		338.06	338.06
			01/01/22	12/31/23	972.54	972.54	317.04	317.04
	Subtotal - Recycling Tonnage Grant					972.54	1,036.86	1,599.36
Subtotal - Department of Environmental Protection						4,972.54	7,766.44	11,876.28
Department of Law and Public Safety	Body Armor Replacement Fund	1020-718- 066-YC5S	01/01/18	12/31/22	1,142.76		338.58	1,142.76
			01/01/19	12/31/23	1,227.99	790.50	784.68	784.68
			01/01/22	12/31/23	1,773.96	983.46		
	Subtotal - Body Armor Replacement Fund					1,773.96	1,123.26	1,927.44
	Body Worn Cameras	100-066-1020 495-092120						
			01/01/21	12/31/22	18,342.00	18,342.00	18,342.00	18,342.00
Subtotal - Department of Law and Public Safety						18,342.00	18,342.00	18,342.00
						20,115.96	19,465.26	20,269.44
NJ Department of Transportation	Mine Brook Road Ord 20-15 Section I	480-078-6320 ANP-605179						
			09/14/20	11/28/22	360,000.00	88,858.13	88,858.13 *	308,540.07
	Mine Brook Road Ord 20-15 Section II	480-078-6320 AN8-606280						
			09/14/20	11/28/22	325,000.00	55,620.37	55,620.37 *	208,174.04
	Pennbrook Road Ord 22-09	480-078-6320 AOP-606281						
			11/14/22	12/31/23	250,000.00	187,500.00	187,500.00	187,500.00
Subtotal - NJ Department of Transportation						331,978.50	331,978.50	704,214.11
TOTAL STATE AWARDS						\$ 357,067.00	\$ 359,210.20	\$ 736,359.83

* Expended in prior years.

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

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

Note 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") includes the federal and state grant activity of the Borough of Far Hills 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.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable 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 elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. 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.

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 Far Hills
Far Hills, 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 Far Hills, in the County of Somerset (the "Borough") as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements and have issued our report thereon dated April 7, 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.

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 a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2022-001, that we consider to be a significant deficiency.

The Honorable Mayor and Members
of the Borough Council
Borough of Far Hills
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 Response to the Finding

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 Responses. 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
April 7, 2023

Nisivoccia, LLP
NISIVOCCIA, LLP

Kathryn L. Mantell

Kathryn L. Mantell
Certified Public Accountant
Registered Municipal Accountant No. 447

BOROUGH OF FAR HILLS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2022

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified 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.
- A significant deficiency disclosed during the audit of the financial statements is reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Borough which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Borough was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08 for the year ended December 31, 2022 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

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 deficiency required to be reported under Generally Accepted Government Auditing Standards:

Finding 2022-001

Segregation of Duties

Criteria

The 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.

The various departments/offices of the Borough are responsible for the issuance of permits and licenses; collections of taxes and permit and license fees; and recording of collections. The Borough has assigned the responsibility for reconciliation of bank accounts to two individuals to enhance controls. The preparation of the general ledger is performed by one individual where there is limited oversight review.

BOROUGH OF FAR HILLS
SCHEDULE OF FINDINGS AND RESPONSES
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: (Cont'd)

Finding 2022-001: (Cont'd)

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

It is recommended that adequate segregation of duties is maintained with respect to the recording and treasury functions.

Management's Response

The finding was evaluated, and additional measures have been implemented where practical. However, due to budgetary constraints, no further resolution can be made at this time.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the Single Audit threshold.

Findings and Questioned Costs for State Awards:

- Not applicable since state expenditures were below the Single Audit threshold.

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

The Borough's prior year audit finding 2021-001 regarding segregation of duties has been addressed to the extent that is practical but has not been resolved due to budgetary constraints and is included as finding 2022-001.

BOROUGH OF FAR HILLS

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2022

BOROUGH OF FAR HILLS
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised for N.J.S.A. 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. 1971, 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 therefore, 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 Far Hills has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year and where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

BOROUGH OF FAR HILLS
COMMENTS AND RECOMMENDATIONS
(Continued)

Contracts and Agreements Required to be Advertised for N.J.S.A. 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, Sewer Rents and Assessments

The statute provides the method for authorizing interest and the maximum rate to be charged for the nonpayment of taxes, sewer rents or assessments on or before the date when they would become delinquent.

On January 7, 2022, the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes and sewer charges:

BE IT RESOLVED by the Mayor and Council of the Borough of Far Hills, Somerset County, New Jersey, that the rate of interest charges on delinquent taxes and sewer charges in this Borough shall be as follows:

On all delinquents to and including December 31, 2022, at the rate or rates heretofore governing, and on all delinquents on and after January 1, 2022 at the rate of 8% per annum for and upon the first \$1,500 of the delinquency, the rate of 18% per annum for and upon any amount of the delinquency in excess of \$1,500, and the rate of 6% per annum for and upon any amount in excess of \$10,000 at year end; and that a grace period of 10 days will be allowed on taxes and sewer charges due February 1, May 1, August 1, and November 1. If taxes and sewer rents are not paid by the 10th, interest shall be charged from the due date.

BE IT RESOLVED, that the collector of the Borough be and hereby directed to collect interest on all taxes and sewer rents accordingly.

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

Delinquent Taxes and Tax Title Liens

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>Tax Title Liens</u>
2022	\$ - 0 -
2021	- 0 -
2020	- 0 -

BOROUGH OF FAR HILLS
COMMENTS AND RECOMMENDATIONS
(Continued)

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, consisting of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payment of 2023 and 2022 Taxes	20
Delinquent Taxes	10
Payment of 2022 Sewer Rents	10
Delinquent Sewer Rents	10

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 assets accounting and reporting system.
3. General ledger accounting system.

The Borough maintains encumbrance, fixed assets and general ledger accounting systems.

Municipal Court

The report of the Municipal Court has been forwarded to the Division of Local Government Services and the Borough's Magistrate under separate cover. Reflected below is a summary of receipts and disbursements for the year ended December 31, 2022.

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

<u>AGENCY</u>	<u>BALANCE 12/31/2021</u>	<u>CASH RECEIVED</u>	<u>CASH DISBURSED</u>	<u>BALANCE 12/31/2022</u>
State of New Jersey	\$ 1,929.48	\$ 44,283.02	\$ 43,483.35	\$ 2,729.15
County of Somerset	827.50	11,377.00	11,343.00	861.50
Borough of Far Hills	4,829.06	37,295.51	38,422.99	3,701.58
Public Defender		600.00	600.00	
Conditional Dismissal		20.00	20.00	
Cash Bail	200.00	360.99	560.99	
TOTAL	<u>\$ 7,786.04</u>	<u>\$ 93,936.52</u>	<u>\$ 94,430.33</u>	<u>\$ 7,292.23</u>

BOROUGH OF FAR HILLS
COMMENTS AND RECOMMENDATIONS
(Continued)

Interfund Transactions and Balances

Our review of the balance sheets of the various funds revealed interfund receivable and payable balances as of December 31, 2022. These balances are adequately controlled and predominantly represent December transactions that were subsequently cleared in January 2022; therefore, no formal recommendation is necessary.

Federal and State Grants Fund

There are a few grants receivable and unexpended appropriated grant reserves on the balance sheet in the Federal and State Grant Fund that have not been fully collected or fully expended. These grants appear to be complete, and the remaining balances should be canceled. Since the Borough has been pursuing collection and expenditure of these grants, no formal recommendation is currently being made.

Management Suggestions

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 for a period of time.

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 these programs are new, 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.

BOROUGH OF FAR HILLS
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. Adequate segregation of duties is maintained with respect to the recording and treasury functions.