

**SCHOOL DISTRICT
OF THE
BOROUGH OF MENDHAM**

**Mendham Borough School District
Mendham, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011**

**Comprehensive Annual
Financial Report**

of the

Mendham Borough School District

Mendham, New Jersey

For the Fiscal Year Ended June 30, 2011

Prepared by

**Mendham Borough School District
Board of Education**

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INTRODUCTORY SECTION

Mendham Borough Public Schools

12 Hilltop Road
Mendham, New Jersey 07945

Janie P. Edmonds, Ed. D.
Superintendent

August 19, 2011

The Honorable President and Members
of the Board of Education
Mendham Borough School District
County of Morris, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Mendham Borough School District (the "District") for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditor's Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi- year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Mendham Borough School District is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in

The Honorable President and Members
of the Board of Education
Mendham Borough School District
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this report. The Mendham Borough School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular as well as special education for classified children. The District completed the 2010-2011 fiscal year with an average daily enrollment of 697.5 students, which is an increase of 23.2 students from the previous year's enrollment.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2010-11	697.5	3.44%
2009-10	674.3	.64%
2008-09	670.0	.30%
2007-08	668.0	1.38%
2006-07	658.9	2.23%
2005-06	644.5	-2.79%
2004-05	663.0	-0.51%

2) ECONOMIC CONDITION AND OUTLOOK:

Mendham Borough has a population of about 5,000. It extends 5.94 square miles, and the Township of Mendham forms a horseshoe around it. It is primarily residential, except for the Mendham Village Shopping Center on Main Street and several small specialty stores and antique shops. About 697 students are enrolled at the two elementary schools (K-4 and Grades 5-8). Students in Grades 9-12 attend the West Morris Mendham High School.

3) MAJOR INITIATIVES:

Mendham Borough, a K-8, two-school district, takes great pride in the provision of a rigorous, high quality and inclusive educational program.

Major district initiatives include the following:

Ongoing, focused professional development and implementation that supports expanded student achievement in reading and writing as designed by the Teachers College workshops.

Teacher training to ensure successful instruction using the new edition of Everyday Mathematics for grades pre-kindergarten through fifth.

Research concerning models for gifted education in districts similar to our own.

Preparation for and planning stages of a long-range strategic plan.

Creation and modification of new BOE policies.

Successful support of a large group of new teaching staff members.

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of the Board of Education
Mendham Borough School District
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Using Smarts Boards for instructional presentations in 5-8 classrooms.
Integration of Differentiated Instruction into all professional development and teaching initiatives, with a particular focus on middle level mathematics.
Focused attention on communication with the community by the BOE.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal awards and state awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to major federal and state award programs, as well as to determine that the District has complied with applicable laws, regulations, contracts and grants.

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2011.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system

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of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8) DEBT ADMINISTRATION: At June 30, 2011 the District's outstanding bonded debt is \$8,905,000.

9) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on J-20.

The Board is a member of the New Jersey School Board's Association Insurance Group (NJSBAIG). NJSBAIG is a risk-sharing public entity risk fund that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage to their members. Additional information on NJSBAIG is included in Note 12 to the Basic Financial Statements.

10) OTHER INFORMATION:

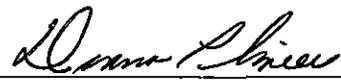
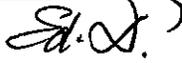
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board of Education at its last organization meeting. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

The Honorable President and Members
of the Board of Education
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11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Mendham Borough Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

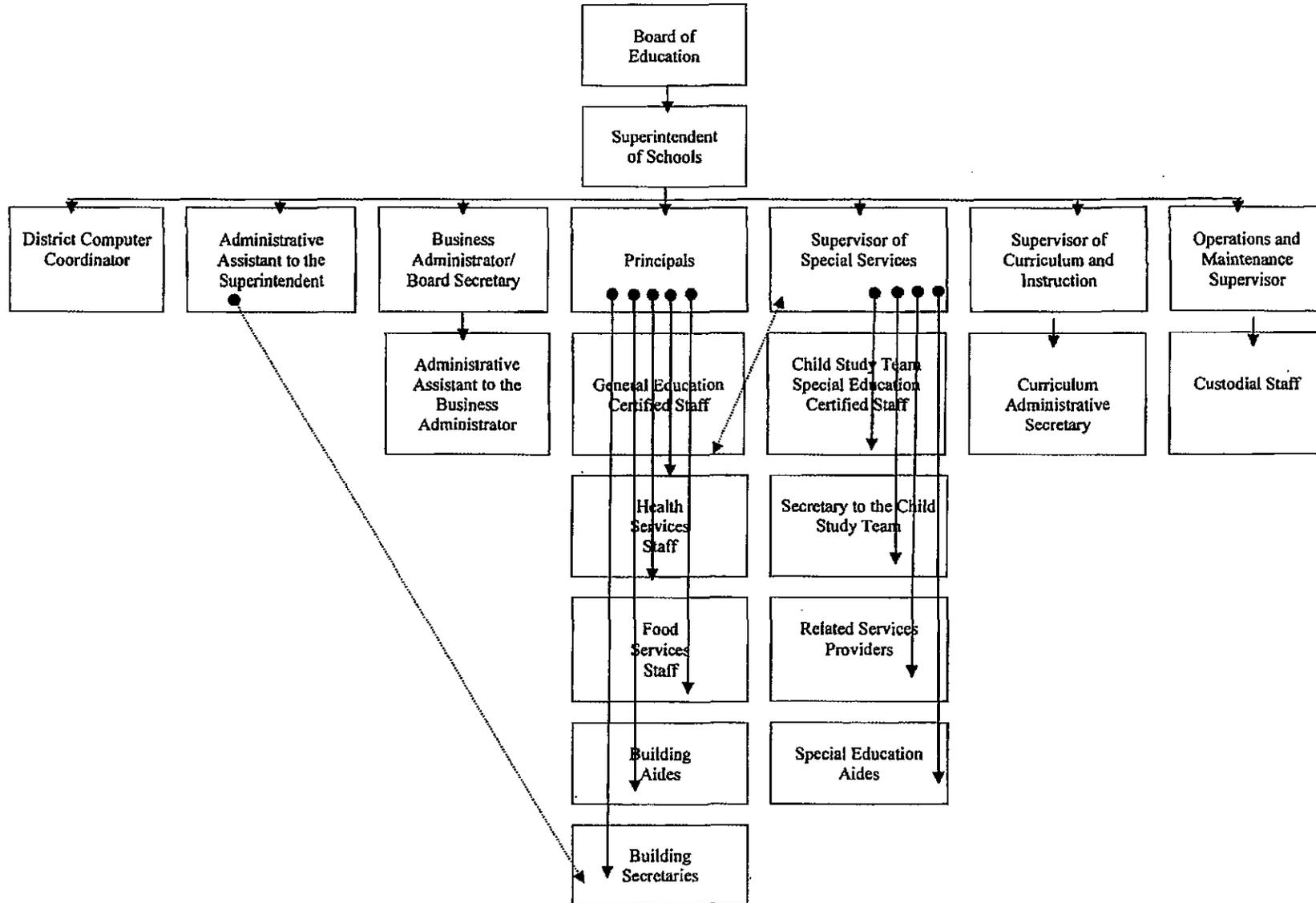
Respectfully submitted,



Janie Edmonds
Superintendent

Donna Palmiere
Board Secretary/Business Administrator

MENDHAM BOROUGH SCHOOLS
ORGANIZATION CHART 2010-2011



— Indicates "line" responsibility
 - - - Indicates "advisory" responsibility

MENDHAM BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2011

Members of the Board of Education

Term Expires

Bridget Poole, President	4/2012
Susan Vinci, Vice President	4/2012
Steven Andrew	4/2013
Alice Boushie	4/2014
William Corbett	4/2014
Michael Craver	4/2013
Paul Fechhelm	4/2014
AnnMarie Hornyak	4/2012
John Vitale	4/2013

Other Officials

Title

Janie Edmonds, Ed. D	Superintendent
Donna Marie Palmiere	Business Administrator/Board Secretary

MENDHAM BOROUGH SCHOOL DISTRICT
Consultants and Advisors

Audit Firm

Nisivoccia LLP, CPAs
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856

Attorneys

Fogarty and Hara, Esqs.
16-00 Route 208 South
Fairlawn, NJ 07410

Schwartz, Simon, Edelstein & Celso LLC
Attorneys at Law
44 Whippany Road, Suite 210
Morristown, NJ 07960

Official Depository

Somerset Hills Bank
155 Morristown Road
Bernardsville, NJ 07924

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Mendham Borough School District
 County of Morris, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Mendham Borough School District in the County of Morris as of and for the fiscal year ended June 30, 2011 which collectively comprise the District's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, and Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Mendham Borough School District in the County of Morris as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2011 on our consideration of the Board of Education of the Mendham Borough School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Honorable President and Members
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The Management's Discussion and Analysis and the Budgetary Comparison Information on Exhibits C-1 through C-3 and I-3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Mendham Borough School District's basic financial statements. The accompanying introductory section, other supplementary information such as the combining and individual fund financial statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The supplementary combining and individual fund financial statements, supplementary schedules and schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

August 19, 2011
Mount Arlington, New Jersey

NISIVOCIA LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION - PART I
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management Discussion and Analysis (Unaudited)

This section of Mendham Borough School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's overall financial status improved nearly 9%.
- Overall revenue was \$10.94 million.
- The net assets of the District's business-type activity – food services – decreased by \$1,269.
- Enrollment in the District increased this year, but the cost per pupil decreased.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Organization of Mendham Borough School District's Financial Report

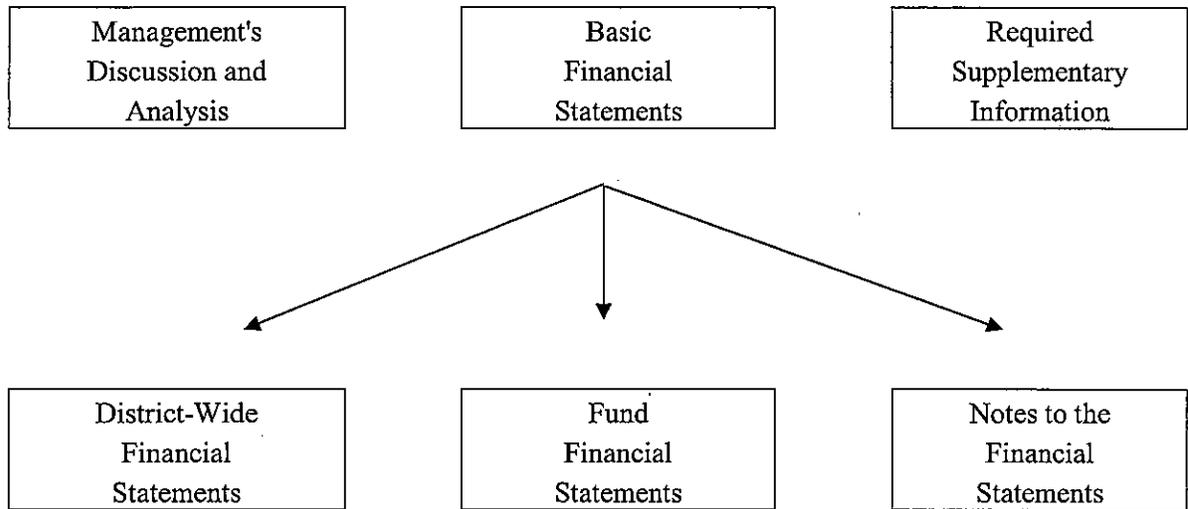


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The *internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.
- *Notes to Financial Statements:* Provide additional information essential to a full understanding of District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Assets. The District's combined net assets increased \$330,148. Net assets from governmental activities increased \$331,417 and net assets from business-type activities decreased \$1,269. Net assets invested in capital assets increased \$228,065, restricted net assets increased \$73,773, and unrestricted net assets increased by \$28,310.

Figure A-3
Condensed Statement of Net Assets

	Government Activities		Business-Type Activities		Total School District		Total
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	Percentage Change 2010/11
Current and							
Other Assets	\$1,150,632	\$ 838,613	\$ 16,232		\$1,166,864	\$ 838,613	39.14%
Capital Assets	12,311,302	12,606,978	28,722	\$ 34,981	12,340,024	12,641,959	-2.39%
Total Assets	<u>13,461,934</u>	<u>13,445,591</u>	<u>44,954</u>	<u>34,981</u>	<u>13,506,888</u>	<u>13,480,572</u>	0.20%
Long-Term Debt							
Outstanding	9,062,842	9,556,571			9,062,842	9,556,571	-5.17%
Other Liabilities	373,014	194,359	2,327		375,341	194,359	93.12%
Total Liabilities	<u>9,435,856</u>	<u>9,750,930</u>	<u>2,327</u>		<u>9,438,183</u>	<u>9,750,930</u>	-3.21%
Net Assets:							
Invested in Capital							
Assets, Net of							
Related Debt	3,406,302	3,171,978	28,722	34,981	3,435,024	3,206,959	7.11%
Restricted	548,406	474,633			548,406	474,633	15.54%
Unrestricted	<u>71,370</u>	<u>48,050</u>	<u>4,990</u>		<u>76,360</u>	<u>48,050</u>	58.92%
Total Net Assets	<u>\$4,026,078</u>	<u>\$3,694,661</u>	<u>\$ 33,712</u>	<u>\$ 34,981</u>	<u>\$4,059,790</u>	<u>\$3,729,642</u>	8.85%

Changes in Net Assets. The District's combined net assets were \$4,059,790 on June 30, 2011, \$330,148 or 8.85% higher than they were the year before. (See Figure A-3). Net assets invested in capital assets increased by \$228,065 primarily as a result of \$530,000 of long-term debt maturities, \$83,326 in capital acquisitions offset by depreciation of \$379,002 in its governmental and \$6,259 in its business-type activities. Restricted net assets increased by \$73,773 due to the following increases - \$149,983 in Capital Reserve, \$79 in Maintenance Reserve and \$91,218 in reserve for excess surplus offset by decreases of \$46,957 in encumbrances and \$120,550 in reserve for excess surplus designated for subsequent year's expenditures. Unrestricted net assets increased by \$28,310 or 8.85% due to the following increases - \$22,876 Unamortized Bond Issuance Cost, \$5,578 Fund Balance provided by operations in the General Fund, \$66,834 of Deferred Interest and offset by decreases of \$31,120 in State Aid, \$5,295 Bond Premium and \$30,563 Compensated Absences Payable. (See Figure A-3).

Figure A-4
Changes in Net Assets from Operating Results

	Governmental Activities 2010/11	Business-Type Activities 2010/11	Total School District 2010/11	Governmental Activities 2009/10	Business-Type Activities 2009/10	Total School District 2009/10	Total Percentage Change 2010/11
Revenue:							
Program Revenue:							
Charges for Services		\$ 165,529	\$ 165,529		\$ 131,821	\$ 131,821	25.57%
Operating Grants and Contributions	\$ 1,122,234	13,433	1,135,667	\$ 1,327,852	5,015	1,332,867	-14.80%
General Revenue:							
Property Taxes	9,546,805		9,546,805	9,431,002		9,431,002	1.23%
Other	86,153	6,995	93,148	16,957	4,597	21,554	332.16%
Total Revenue	10,755,192	185,957	10,941,149	10,775,811	141,433	10,917,244	0.22%
Expenses:							
Instruction	5,436,828		5,436,828	5,665,824		5,665,824	-4.04%
Pupil and Instruction Services	1,746,726		1,746,726	1,965,377		1,965,377	-11.13%
Administrative and Business	1,174,420		1,174,420	1,201,049		1,201,049	-2.22%
Maintenance and Operations	1,252,281		1,252,281	1,182,325		1,182,325	5.92%
Pupil Transportation	188,904		188,904	274,925		274,925	-31.29%
Other	624,616	187,226	811,842	507,810	168,642	676,452	20.01%
Total Expenses	10,423,775	187,226	10,611,001	10,797,310	168,642	10,965,952	-3.24%
Increase in Net Assets	\$ 331,417	\$ (1,269)	\$ 330,148	\$ (21,499)	\$ (27,209)	\$ (48,708)	777.81%

Revenue Sources. The District's total revenue for the 2010/11 school year was \$10,941,149. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$9,546,805 of the total, or 87.25 percent. (See Figure A-5). Another 10.38 percent came from state and federal aid for specific programs and the remainder from miscellaneous sources. The Mendham Borough School District basically conducts its operations from the revenues it receives from its local taxpayers and state funding.

Figure A-5

Sources of Revenue for Fiscal Year 2010

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 663	0.01%
Property Taxes	9,546,805	87.25%
Federal and State Categorical Grants	1,135,004	10.38%
Charges for Services	165,529	1.51%
Other	93,148	0.85%
	\$ 10,941,149	100.00%

The total cost of all programs and services was \$10,611,001. The District's expenses are predominantly related to instructing and caring for pupil services (69.48 percent instruction) and the administrative and business activities of the schools were 11.07 percent. (See Figure A-6.) The District's maintenance and operations accounted for 11.80 percent of total costs. It is important to note that depreciation is included in expenses for the year under this accounting reporting model; expenses therefore include \$385,261 in depreciation of which a large portion was charged to Maintenance and Operations for buildings and particular building improvements.

Figure A-6

Expenses for Fiscal Year 2010

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 5,436,828	51.24%
Pupil and Instruction Services	1,746,726	16.46%
Administrative and Business	1,174,420	11.07%
Maintenance and Operations	1,252,281	11.80%
Transportation	188,904	1.78%
Other	811,842	7.65%
	<u>\$ 10,611,001</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District improved nearly 9%. The District will continue sound fiscal management in order to maintain its existing programs, provide programs and services for students with special needs and meet the rising costs of fixed obligations.

Careful management of expenses remains essential for the District to maintain its financial health. State aid remains level while costs continue to escalate.

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation and other miscellaneous expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial obligation placed on the District's taxpayers by each of these functions.

Figure A-7

	Net Cost of Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2010/11	2010/11	2009/10	2009/10
Instruction	\$ 5,436,828	\$ 4,699,004	\$ 5,665,824	\$ 4,632,467
Pupil and Instruction Services	1,746,726	1,382,785	1,965,377	1,720,130
Administrative and Business	1,174,420	1,174,420	1,201,049	1,201,049
Maintenance and Operations	1,252,281	1,252,281	1,182,325	1,182,325
Transportation	188,904	177,850	274,925	225,677
Other	495,407	485,992	507,810	507,810
	<u>\$ 10,294,566</u>	<u>\$ 9,172,332</u>	<u>\$ 10,797,310</u>	<u>\$ 9,469,458</u>

- The cost of all governmental activities this year was \$10.29 million.
- The federal and state governments subsidized certain programs with grants and aid (\$1.13 million).
- Most of the District's costs, however, were financed by District taxpayers (\$9.55 million).
- A portion of the governmental activities was financed with approximately \$663 in state aid based on the SFRA formula, which is included in the \$1.13 million above.
- The remainder of the funding came from miscellaneous revenue and investment earnings.

Business-Type Activities

Net assets from the District's business-type activity decreased \$1,269 (Refer to Figure A-4). Factors contributing to these results included:

- Food service expenses exceeded revenues by \$1,269, accounting for all of the decrease in the net assets of the business-type activities.

Financial Analysis of the District's Funds

The district's financial position remains stable despite the rising cost of fixed obligations. This year the district received no state aid and had additional reductions due to a defeated budget. Programs were reduced in order to balance the budget. The Finance/Facilities/Technology Committee meets monthly to review any items that may have significant financial impact on the district. A four year lease program for computers is in place that will continue to keep the district on target with its technology program while staying within its budgetary limits. The district intends to continue with the preschool program that was established in September, 2007 and has added an extended summer program for Special Education students.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments were made up of changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

Capital Asset and Debt Administration**Figure A-8**

	Capital Assets (Net of Depreciation)						Percentage Change 2010/11
	Government Activities		Business-Type Activities		Total School District		
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	
Land	\$ 251	\$ 251			\$ 251	\$ 251	0.00%
Site Improvements	137,655	153,269			137,655	153,269	-10.19%
Buildings and Building Improvements	11,929,055	12,245,424			11,929,055	12,245,424	-2.58%
Machinery and Equipment	244,341	208,034	\$ 28,722	\$ 34,981	273,063	243,015	12.36%
Total Capital Assets (Net of Depreciation)	\$12,311,302	\$12,606,978	\$ 28,722	\$ 34,981	\$12,340,024	\$12,641,959	-2.39%

During the fiscal year, total depreciation expense was \$379,002 for governmental activities and \$6,259 for business-type activities. Additions for government activities totaled \$83,326 and \$-0- for business type activities.

Long-term Debt

At year-end, the District had \$8,905,000 in general obligation bonds outstanding – a decrease of \$530,000 in bonds from last year as well as a decrease of \$30,563 in other long-term debt from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 9 to the financial statements.)

Figure A-9

	Outstanding Long-Term Debt		Percentage Change 2010/11
	2010/11	2009/10	
Bonds Payable	\$ 8,905,000	\$ 9,435,000	-5.62%
Less: Deferred Amount on Refunding		(66,834)	-100.00%
Net Bonds Payable	8,905,000	9,368,166	-4.94%
Compensated Absences Payable	157,842	188,405	-16.22%
	\$ 9,062,842	\$ 9,556,571	-5.17%

- The District continued to pay down its debt, retiring \$530,000 of outstanding bonds.

Factors Bearing on the District's Future Revenue/Expense Changes

It has proven to be a challenging year as we explored different avenues of saving money and reducing expenses. The district initiated a Pay To Participate program for sports and clubs. Parents were responsible for paying for their children to participate in middle school sports. This resulted in a cost to parents that ranged from \$100 to \$525 per player for each sport. The district also contracted an outside food service company to manage the cafeterias in both schools. This has created a positive cash flow for the district. The district also started an extended summer program for special education students that saved the district money.

The district's contract with the Mendham Borough Teachers Association expired on June 30, 2010 and has been recently settled. The district was also notified that it will be receiving some additional state aid in the 2011-2012 school year. It does not amount to what we were receiving two years ago, but it will allow the district to bring back some of the things that we had to cut during the 10-11 year.

The district must allocate funds for "fixed" obligations, which increase from year to year. Although the district participates in cooperative purchasing for electricity and heating, there has been a sharp increase in oil prices over the past year with consumption dependent upon variable weather conditions. The state mandates that two-tenths of one percent of the buildings' value be set aside in the annual budget for "required" building maintenance. A maintenance reserve account was established a few years ago to provide for unexpected building repairs. In addition, the budget includes funds for repair and maintenance of the district's equipment. Special education programs and related services, including out of district placements and transportation, cannot be predicted with certainty; however, the district maintains its commitment to meet the needs of these students. A large cost savings is continued to be recognized from the district's integrated preschool program which provide services in district rather than paying the higher cost of out-of-district tuition.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 100 Dean Road, Mendham, New Jersey 07945.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 569,540	\$ 11,414	\$ 580,954
Internal Balances	8,915	(8,915)	
Receivables from Other Governments:			
Federal	70,572	696	71,268
State	133,220	84	133,304
Other Accounts Receivable	1,465		1,465
Inventory		4,038	4,038
Unamortized Bond Issuance Costs	22,876		22,876
Restricted Assets:			
Capital Reserve Account - Cash	323,593		323,593
Maintenance Reserve Account - Cash	20,451		20,451
Capital Assets, Net			
Sites (Land)	251		251
Depreciable Site Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment	12,311,051	28,722	12,339,773
Total Assets	<u>13,461,934</u>	<u>36,039</u>	<u>13,497,973</u>
LIABILITIES			
Accrued Interest Payable	120,660		120,660
Accounts Payable - Vendors	179,283	914	180,197
Payable to Federal Government	10		10
Payable to State Government	21,707		21,707
Unamortized Bond Insurance Premium	5,295		5,295
Deferred Revenue	46,059	1,413	47,472
Noncurrent Liabilities:			
Due Within One Year	560,000		560,000
Due Beyond One Year	8,502,842		8,502,842
Total Liabilities	<u>9,435,856</u>	<u>2,327</u>	<u>9,438,183</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,406,302	28,722	3,435,024
Restricted for:			
Other Purposes	548,406		548,406
Unrestricted	71,370	4,990	76,360
Total Net Assets	<u>\$ 4,026,078</u>	<u>\$ 33,712</u>	<u>\$ 4,059,790</u>

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

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 4,542,658		\$ 624,644		\$ (3,918,014)		\$ (3,918,014)
Special Education	854,210		113,180		(741,030)		(741,030)
Other Instruction	39,960				(39,960)		(39,960)
Support Services:							
Tuition	286,933		162,420		(124,513)		(124,513)
Student & Instruction Related Services	1,459,793		201,521		(1,258,272)		(1,258,272)
General Administrative Services	472,335				(472,335)		(472,335)
School Administrative Services	491,812				(491,812)		(491,812)
Plant Operations and Maintenance	1,252,281				(1,252,281)		(1,252,281)
Pupil Transportation	188,904		11,054		(177,850)		(177,850)
Central Services and Administrative Information Technology	210,273				(210,273)		(210,273)
Interest on Long-Term Debt	445,265				(445,265)		(445,265)
Capital Outlay	50,142		9,415		(40,727)		(40,727)
Total Governmental Activities	10,294,566		1,122,234		(9,172,332)		(9,172,332)

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 183,017	\$ 165,529	\$ 13,433			\$ (4,055)	\$ (4,055)
Total Business-Type Activities	183,017	165,529	13,433			(4,055)	(4,055)
Total Primary Government	\$ 10,477,583	\$ 165,529	\$ 1,135,667	\$ -0-	\$ (9,172,332)	(4,055)	(9,176,387)
General Revenue:							
Taxes:							
					8,630,149		8,630,149
					916,656		916,656
					33,920		33,920
					5,238	17	5,255
					46,995	2,769	49,764
					(129,209)	4,209	(125,000)
					9,503,749	6,995	9,510,744
					331,417	2,940	334,357
					3,694,661	34,981	3,729,642
					\$ 4,026,078	\$ 37,921	\$ 4,063,999

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

FUND FINANCIAL STATEMENTS

MENDHAM BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents	\$ 453,661	\$ 23,319	\$ 92,560		\$ 569,540
Interfund Receivable:					
Capital Projects Fund	49,470				49,470
Special Revenue Fund	31,904				31,904
Food Service Fund	8,915				8,915
Receivables From Other Governments:					
Federal		70,572			70,572
State	99,300		33,920		133,220
Other Accounts Receivable	1,465				1,465
Restricted Assets:					
Capital Reserve Account - Cash	323,593				323,593
Maintenance Reserve Account - Cash	20,451				20,451
Total Assets	\$ 988,759	\$ 93,891	\$ 126,480	\$ -0-	\$ 1,209,130
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable - Vendors	\$ 100,092	\$ 2,181	\$ 77,010		\$ 179,283
Interfund Payable:					
General Fund		31,904	49,470		81,374
Payable to State Government		21,707			21,707
Payable to Federal Government		10			10
Deferred Revenue	7,970	38,089			46,059
Total Liabilities	108,062	93,891	126,480	\$ -0-	328,433

MENDHAM BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Fund Balances:					
Restricted for:					
Maintenance Reserve Account	\$ 20,451				\$ 20,451
Capital Reserve Account	372,713				372,713
Excess Surplus	114,269				114,269
Excess Surplus - Designated for Subsequent Year's Expenditures	23,051				23,051
Assigned to:					
Encumbrances	17,922				17,922
Unassigned:					
General Fund:	332,291				332,291
Total Fund Balances	880,697				880,697
Total Liabilities and Fund Balances	\$ 988,759	\$ 93,891	\$ 126,480	\$ -0-	

Amounts Reported for *Governmental Activities* in the Statement of Net Assets (A-1) are Different Because:

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$16,366,810 and the accumulated depreciation is \$4,055,508.	12,311,302
Bond issuance premium is reported as revenue in the governmental funds in the year of the related expenditure. The cost is \$31,771 and accumulated amortization is \$26,476.	(5,295)
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(9,062,842)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(120,660)
Bond issuance costs are reported as expenditures in the governmental funds in the year of the expenditure. The cost is \$148,309 and accumulated amortization is \$125,433.	22,876
Net Assets of Governmental Activities	\$ 4,026,078

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

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Governmental Funds
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 8,630,149			\$ 916,656	\$ 9,546,805
Tuition Charges	41,423				41,423
Interest Earned on Maintenance Reserve Funds	79				79
Interest Earned	5,159		\$ 43		5,202
Miscellaneous	46,952	\$ 26,477			73,429
Total - Local Sources	8,723,762	26,477	43	916,656	9,666,938
State Sources	759,379	61,080	33,920		854,379
Federal Sources		233,875			233,875
Total Revenue	9,483,141	321,432	33,963	916,656	10,755,192
EXPENDITURES					
Current:					
Regular Instruction	3,414,755	98,082			3,512,837
Special Education Instruction	633,114				633,114
Other Instruction	39,960				39,960
Support Services and Undistributed Costs:					
Tuition	165,936	120,997			286,933
Student & Instruction Related Services	1,041,398	92,938			1,134,336
General Administrative Services	428,641				428,641
School Administrative Services	420,778				420,778
Central Services	164,292				164,292
Administrative Information Technology	1,384				1,384
Plant Operations and Maintenance	724,862				724,862
Pupil Transportation	188,904				188,904
Benefits - Allocated and Unallocated	2,039,679				2,039,679
Debt Service:					
Principal				530,000	530,000
Interest and Other Charges				386,656	386,656
Capital Outlay	39,253	9,415	84,800		133,468
Total Expenditures	9,302,956	321,432	84,800	916,656	10,625,844
Excess/(Deficiency) of Revenue over Expenditures	180,185		(50,837)		129,348
OTHER FINANCING SOURCES/(USES)					
Transfers In	43		50,880		50,923
Transfers Out	(55,089)		(43)		(55,132)
Total Other Financing Sources/(Uses)	(55,046)		50,837		(4,209)
Net Change in Fund Balances	125,139				125,139
Fund Balance—July 1	755,558				755,558
Fund Balance—June 30	\$ 880,697	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 880,697

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

MENDHAM BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ 125,139
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.		
	Depreciation expense	\$ (379,002)
	Capital outlays	83,326
		(295,676)
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
		30,563
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. (+)		
		530,000
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is a subtraction in the reconciliation. (-)		
		(58,609)
Change in Net Assets - Governmental Funds		\$ 331,417

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

Exhibit B-4

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	<u>Business - type activities - Enterprise funds</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 11,414
Intergovernmental accounts receivable:	
State	84
Federal	696
Inventories	<u>4,038</u>
Total current assets	<u>16,232</u>
Capital assets:	
Equipment	127,175
Accumulated depreciation	<u>(98,453)</u>
Total capital assets	<u>28,722</u>
Total assets	<u>44,954</u>
 LIABILITIES:	
Current liabilities:	
Accounts payable	914
Deferred revenue	1,413
Interfund payable - general fund	<u>8,915</u>
Total liabilities	<u>11,242</u>
 NET ASSETS:	
Invested in capital assets net of related debt	28,722
Unrestricted	<u>4,990</u>
Total net assets	<u>\$ 33,712</u>

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

Exhibit B-5

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Business - type activities - Enterprise funds</u>
Operating revenue	
Local sources:	
Daily sales - Non-Reimbursable programs	\$ 154,759
Daily sales - Reimbursable programs	10,770
Other Non-Reimbursable Sales	<u>2,769</u>
Total operating revenue	<u>168,298</u>
Operating expenses:	
Cost of sales	76,993
Salaries	68,798
Employee benefits	6,427
Cleaning, repair and maintenance services	15,615
Depreciation	6,259
Miscellaneous expenses	<u>8,925</u>
Total operating expenses	<u>183,017</u>
Operating loss	<u>(14,719)</u>
Non-operating revenue/expenses:	
State sources:	
State school lunch program	1,020
Federal sources:	
National school lunch program	9,309
Special milk program	441
Food distribution program	2,663
Interest income	<u>17</u>
Total non-operating revenue	<u>13,450</u>
Net loss before operating transfers	<u>(1,269)</u>
Change in net assets	(1,269)
Net assets - beginning of year	<u>34,981</u>
Net assets - end of year	<u>\$ 33,712</u>

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

Exhibit B-6

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Business - type activities - Enterprise funds</u>
Cash flows from operating activities:	
Receipts from customers	\$ 168,298
Payments to Food Service Vendor	(166,487)
Payments to suppliers	<u>(8,925)</u>
Net cash used for operating activities	<u>(7,114)</u>
Cash flows from investing activities:	
Interest income	<u>17</u>
Net cash provided by investing activities	<u>17</u>
Cash flows from noncapital financing activities:	
Advanced from General Fund	4,209
State Sources:	
State School Lunch Program	935
Federal Sources:	
National School Lunch Program	<u>9,437</u>
Net cash provided by noncapital financing activities	<u>14,581</u>
Net increase in cash and cash equivalents	7,484
Cash and cash equivalents, July 1	<u>3,930</u>
Cash and cash equivalents, June 30	<u>\$ 11,414</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (14,719)
Adjustment to reconcile operating income/(loss) to cash used for operating activities:	
Depreciation	6,259
Food Distribution Program	2,663
Changes in assets and liabilities:	
(Increase) in inventory	(3,644)
Increase in deferred revenue	1,413
Increase in accounts payable	<u>914</u>
Net cash used for operating activities	<u>\$ (7,114)</u>

Non-Cash Investing, Capital and Financing Activities:

The District received commodities valued at \$2,663, used commodities valued at \$1,250, and had \$1,413 in commodities at June 30, 2011.

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

Exhibit B-7

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 48,541	\$ 98,000
Total assets	<u>48,541</u>	<u>98,000</u>
<u>LIABILITIES:</u>		
Accounts Payable	1,295	
Due to student groups	<u>47,246</u>	
Total liabilities	<u>48,541</u>	
<u>NET ASSETS:</u>		
Held in trust for unemployment claims		<u>98,000</u>
Total net assets	<u>\$ - 0 -</u>	<u>\$ 98,000</u>

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

Exhibit B-8

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Employee state unemployment insurance	
Deductions	\$ 17,207
District	<u>125,000</u>
Total contributions	<u>142,207</u>
Investment earnings:	
Interest	<u>214</u>
Total additions	<u>142,421</u>
Deductions:	
State of New Jersey unemployment Agency payments	<u>116,910</u>
Change in net assets	25,511
Net assets—beginning of the year	<u>72,489</u>
Net assets—end of the year	<u><u>\$ 98,000</u></u>

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of the Mendham Borough School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, 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, 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 economic resources, and significances) should be included in the financial reporting entity. The financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include an elementary and a middle school located in the Borough of Mendham. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net assets and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

Enterprise (Food Service) Fund: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund, Payroll Agency Fund, and the Unemployment Compensation Insurance Trust Fund.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

Reports for the District's Food Service Fund are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year). There were no significant budget amendments made during the year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last state aid payment for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 9,452,021	\$ 328,582
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary basis recognizes Encumbrances as Expenditures and Revenue whereas the GAAP basis does not.		(7,150)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	31,783	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(663)	
	\$ 9,483,141	\$ 321,432
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.		

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

Uses/Outflows of Resources:

Actual Amounts (Budgetary Basis) "Total Outflows" from the

Budgetary Comparison Schedule	\$ 9,177,956	\$ 328,582
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Differences - Budget to GAAP:

Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.

	_____	(7,150)
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Total Expenditures as Reported on the Statement of Revenue,
Expenditures, and Changes in Fund Balances - Governmental Funds

	\$ 9,177,956	\$ 321,432
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E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to the type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Government Units. If a public depository fails, the collateral it pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Interfund Transactions: (Cont'd)

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as deferred revenue at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

L. Long Term Liabilities:

In the district-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2011.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for accumulated sick days and begin vesting with the employee after fifteen years of service. In the district-wide Statement of Net Assets, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

In the district-wide *Statement of Net Assets*, the liabilities, whose average maturities are greater than one year, should be reported in two components – the amount due within one year and the amount due in more than one year.

O. Deferred Revenue:

Deferred revenue in the special revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the special revenue fund.

P. Fund Balance Appropriated:

General Fund: Of the \$880,697 General Fund fund balance at June 30, 2011, \$17,922 is assigned for encumbrances, \$372,713 is restricted in the capital reserve account; \$20,451 is restricted in the maintenance reserve account; \$114,269 is restricted as current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, c.73 (S1701) and will be appropriated and included as anticipated revenue for the year ending June 30, 2013; \$23,051 is restricted as prior year excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2012, and \$332,291 is unassigned which is \$663 less than the Budgetary basis, due to the final state aid payments, which are not recognized until the fiscal year ending June 30, 2012.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2011 is \$-0-.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2011 is \$ -0- .

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. Fund Balance Appropriated: (Cont'd)

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, c.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation. New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus as noted on the prior page.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$663 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payments in the subsequent fiscal year, the school district cannot recognize the last state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last state aid payments.

Q. Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

R. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the current fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions (as detailed in Note 1B). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

Fund balance restrictions have been established for excess surplus, a capital reserve, a tuition reserve, a maintenance reserve and an emergency reserve.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources for year-end encumbrances at June 30, 2011.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2011.

S. Revenue - Exchange and Nonexchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes, interest and tuition.

T. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

U. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Board 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 Statement No. 40, *Governmental Accounting Standards Board and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below and on the following page.

Deposits:

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

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

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

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, 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 Board 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, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (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 statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

As of June 30, 2011, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Capital Reserve Account</u>	<u>Maintenance Reserve Account</u>	<u>Total</u>
Checking & Savings Accounts	\$ 678,375	\$ 372,713	\$ 20,451	\$ 1,071,539
	<u>\$ 678,375</u>	<u>\$ 372,713</u>	<u>\$ 20,451</u>	<u>\$ 1,071,539</u>

During the period ended June 30, 2011 the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2011, was \$1,071,539 and the bank balance was \$1,397,667.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Borough of Mendham Board of Education by inclusion of \$150,000 on July 1, 1996 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Beginning Balance, July 1, 2010	\$ 222,730
Interest Earnings	863
Increased by Resolution	200,000
Withdrawals:	
Transferred to Capital Projects Fund	<u>(50,880)</u>
Ending Balance, June 30, 2011	<u>\$ 372,713</u>

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The June 30, 2011 Capital Reserve balance does not exceed the local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP"). There was a \$50,880 withdrawal from the capital reserve for use in a DOE approved facilities project, consistent with the District's LRFP.

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2011 the District made a transfer of \$50,880 to the capital outlay accounts.

NOTE 6. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$20,000 was established by the Borough of Mendham Board of Education on June 18, 2008. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

NOTE 7. CAPITAL ASSETS

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 4,905
Special Education Instruction	5,422
Student and Instruction Related Services	1,322
School Administrative Services	15,218
Operations and Maintenance of Plant	<u>352,135</u>
	<u>\$ 379,002</u>

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be reserved and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 7. CAPITAL ASSETS (Cont'd)

The activity of the maintenance reserve for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Beginning Balance, July 1, 2010	\$ 20,372
Interest Earnings	<u>79</u>
Ending Balance, June 30, 2011	<u>\$ 20,451</u>

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	<u>Beginning Balance</u>	<u>Adjustments/ Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 251			\$ 251
Total Capital Assets Not Being Depreciated	<u>251</u>			<u>251</u>
Capital Assets Being Depreciated:				
Site Improvements	312,295			312,295
Buildings and Building Improvements	15,403,731			15,403,731
Machinery and Equipment	<u>567,207</u>	\$ 83,326		<u>650,533</u>
Total Capital Assets Being Depreciated	<u>16,283,233</u>	<u>83,326</u>		<u>16,366,559</u>
Governmental Activities Capital Assets	<u>16,283,484</u>	<u>83,326</u>		<u>16,366,810</u>
Less Accumulated Depreciation for:				
Site Improvements	(159,026)	(15,614)		(174,640)
Buildings and Building Improvements	(3,158,307)	(316,369)		(3,474,676)
Machinery and Equipment	<u>(359,173)</u>	<u>(47,019)</u>		<u>(406,192)</u>
	<u>(3,676,506)</u>	<u>(379,002)</u>		<u>(4,055,508)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$12,606,978</u>	<u>\$ (295,676)</u>	<u>\$ - 0 -</u>	<u>\$12,311,302</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 127,175			\$ 127,175
Less Accumulated Depreciation	<u>(92,194)</u>	\$ (6,259)		<u>(98,453)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 34,981</u>	<u>\$ (6,259)</u>	<u>\$ - 0 -</u>	<u>\$ 28,722</u>

Total net additions of \$83,326 represent current year additions, \$73,117 from General Fund and \$10,209 from Special Revenue Fund.

At year end, the District did not have any outstanding construction encumbrances.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 8. OPERATING LEASES

The District has commitments to lease copying equipment, computers and mail meters under operating leases which expire in 2015. Total operating lease payments made during the year ended June 30, 2011 were approximately \$131,032. Future minimum lease payments are as follows:

Year Ended June 30,	Amount
2012	\$ 91,558
2013	46,318
2014	3,177
2015	530
Total Future Minimum Lease Payments	\$ 141,583

NOTE 9. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2011, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2010	Accrued	Retired	Balance 6/30/2011
Bonds Payable	\$ 9,435,000		\$ 530,000	\$ 8,905,000
Less: Deferred Amount on Refunding	(66,834)	\$ 66,834		
Net Bonds Payable	9,368,166	66,834	530,000	8,905,000
Compensated Absences Payable	188,405	1,498	32,061	157,842
	\$ 9,556,571	\$ 68,332	\$ 562,061	\$ 9,062,842

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds.

The District had bonds outstanding as of June 30, 2011 as follows:

	<u>Serial Bonds</u>		Amount
Final Maturity Date	Interest Rate		
6/30/2026	3.500%- 4.250%		\$ 8,905,000
			\$ 8,905,000

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 9. GENERAL LONG-TERM DEBT (Cont'd)

A. Bonds Payable: (Cont'd)

Principal and interest due on serial bonds outstanding are as follows:

<u>Ending June 30,</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 560,000	\$ 361,981	\$ 921,981
2013	585,000	341,681	926,681
2014	615,000	319,744	934,744
2015	630,000	295,144	925,144
2016	625,000	269,944	894,944
2017-2021	3,080,000	972,094	4,052,094
2022-2026	2,810,000	342,863	3,152,863
	<u>\$ 8,905,000</u>	<u>\$ 2,903,451</u>	<u>\$11,808,451</u>

The bond payments will be liquidated by the Debt Service Fund.

B. Bonds Authorized But Not Issued:

As of June 30, 2011, the Board had no bonds authorized but not issued.

C. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded as a long-term liability. There is no current portion of the compensated absences balance of the governmental funds in the current year. The long-term liability balance of compensated absences is \$157,842 for Governmental Activities and \$ - 0 - for Business-type Activities.

Compensated absences will be liquidated by the General Fund.

NOTE 10. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

Employees who are members of TPAF or PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of credible service. Vesting occurs after 8 to 10 years of service.

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 each of the above systems. 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.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

District Contributions to PERS amounted to \$89,836, \$71,413, and \$58,733 for the fiscal years ended June 30, 2011, 2010, and 2009 respectively.

During the fiscal years ended June 30, 2011, 2010, and 2009 the State of New Jersey contributed \$-0-, \$-0-, and \$-0-, respectively, to the TPAF for normal pension benefits on-behalf of the District.

NOTE 11. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Laws 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62 of Public Laws 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126 of Public Laws 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District were \$312,071, \$304,024 and \$281,620, for 2011, 2010 and 2009, respectively.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 12. RISK MANAGEMENT

The District 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 provided to the employees through the State of New Jersey Health Benefits Plan.

Property, Liability and Health Benefits

A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the New Jersey School Boards' Association Insurance Group ("NJSBAIG"). This public entity risk management pool provided general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The NJSBAIG is a risk-sharing public entity risk pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the NJSBAIG are elected.

As a member of the NJSBAIG, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the NJSBAIG were to be exhausted, members would become responsible for their respective shares of the NJSBAIG's liabilities. The NJSBAIG 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 audit of the NJSBAIG as of June 30, 2011 is not available as of the date of this report. Selected financial information for NJSBAIG as of June 30, 2010 is as follows:

	<u>New Jersey School Board's Association Insurance Group</u>
Total Assets	\$ 224,271,687
Net Assets	\$ 49,065,640
Total Revenue	\$ 86,948,579
Total Expenses	\$ 73,775,715
Change in Net Assets	\$ 13,172,864
Net Asset Distribution to Participating Members	\$ -0-

Financial statements for the Group are available at the Group's Executive Director's Office:

New Jersey School Board's Association Insurance Group
450 Veterans Drive
Burlington, NJ 08016
(609) 386-6060
www.njsbaig.org

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 12. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

The following is a summary of the District's contributions, employee contributions and interest earned and reimbursements to the State for benefits paid and the ending balance of the District's Unemployment Trust Fiduciary Fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010-2011	\$ 125,000	\$ 17,421	\$ 116,910	\$ 98,000
2009-2010	50,000	12,418	39,376	72,489
2008-2009	20,000	15,822	28,903	49,447

NOTE 13. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 90,289	
Special Revenue Fund		\$ 31,904
Capital Projects Fund		49,470
Enterprise Fund		8,915
	<u>\$ 90,289</u>	<u>\$ 90,289</u>

The interfund payable from Capital Project Fund and the interfund receivable in the General Fund as of June 30, 2011 represents interest earnings of \$308 in the Capital Projects Fund due to the General Fund. The interfund between the General Fund and the Capital Projects Fund also includes \$100,000 that was transferred to Capital Projects less the actual amount that was needed to complete the project as of June 30, 2011. The interfund between the General Fund and the Enterprise Fund represents the net of Enterprise Fund salary charges not reimbursed to General Fund, a transfer from General Fund to cover the Enterprise Fund Deficit, and the Federal Milk Program reimbursement received in the General Fund and not turned over to the Enterprise Fund as of June 30, 2011. The interfund payable from the Special Revenue Fund and the interfund receivable in the General Fund as of June 30, 2011 represents a cash deficit in the Special Revenue Fund due to grant receivable balances.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 15. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Financial Resources	USAA Life Insurance Company
Lincoln National Insurance	Valic
Lincoln Investment	AXA/Equitable
Metropolitan Life	

Metropolitan Life is the plan administrator for the District's Internal Revenue Code Section 457 plan.

NOTE 16. TAX CALENDAR

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 there is an 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 and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipality and are remitted to the local school district on a predetermined, agreed-upon schedule.

NOTE 17. CONTINGENT LIABILITIES

Grant Programs

The school district participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The District is periodically involved in pending lawsuits. The District estimates that the potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial statements of the District.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 17. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

At June 30, 2011, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Total Governmental Activities
\$ 17,922	\$ 17,922

NOTE 18. ACCOUNTS PAYABLE

Payables as of June 30, 2011 were:

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Activities
Vendors	\$ 100,092	\$ 2,181	\$ 77,010	\$ 179,283

SUPPLEMENTARY SCHEDULES

BUDGETARY COMPARISON SCHEDULES

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
General Fund					
Revenues:					
Local Sources:					
Local Tax Levy	\$ 8,630,149		\$ 8,630,149	\$ 8,630,149	
Tuition				41,423	\$ 41,423
Interest Revenue				5,159	5,159
Interest Earned on Maintenance Reserve Funds				79	79
Miscellaneous	82,200		82,200	46,952	(35,248)
Total - Local Sources	<u>8,712,349</u>		<u>8,712,349</u>	<u>8,723,762</u>	<u>11,413</u>
State Sources:					
Categorical Transportation Aid				663	663
Extraordinary Aid				77,872	77,872
Nonpublic School Transportation Costs				5,082	5,082
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				14,693	14,693
TPAF Post Retirement (On-Behalf - Non-Budgeted)				312,071	312,071
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				317,878	317,878
Total State Sources				<u>728,259</u>	<u>728,259</u>
Total Revenues	<u>8,712,349</u>		<u>8,712,349</u>	<u>9,452,021</u>	<u>739,672</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 193,075	\$ 53,982	\$ 247,057	\$ 247,047	\$ 10
Grades 1-5 - Salaries of Teachers	1,612,162	(64,488)	1,547,674	1,535,077	12,597
Grades 6-8 - Salaries of Teachers	1,235,151	(8,245)	1,226,906	1,211,806	15,100
Regular Programs - Home Instruction:					
Salaries of Teachers	3,500	1,500	5,000	4,280	720
Purchased Professional-Educational Services	1,000		1,000	965	35
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	48,290	1,229	49,519	49,519	
Purchased Professional-Educational Services	4,500		4,500	4,019	481
Other Purchased Services	184,143		184,143	181,284	2,859
General Supplies	155,057	20,216	175,273	165,045	10,228
Textbooks	17,625	1,000	18,625	15,713	2,912
Other Objects	2,100	(1,100)	1,000		1,000
Total Regular Programs - Instruction	<u>3,456,603</u>	<u>4,094</u>	<u>3,460,697</u>	<u>3,414,755</u>	<u>45,942</u>
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	533,538	(4,500)	529,038	521,219	7,819
Other Salaries for Instruction		24,872	24,872	24,872	
Purchased Professional-Educational Services	7,180	(2,100)	5,080	350	4,730
General Supplies	2,714		2,714	2,581	133
Total Resource Room/Resource Center	<u>543,432</u>	<u>18,272</u>	<u>561,704</u>	<u>549,022</u>	<u>12,682</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Preschool Disabilities - Full Time:					
Salaries of Teachers	\$ 70,474	\$ (7,919)	\$ 62,555	\$ 62,555	
Other Salaries for Instruction	14,843	8,896	23,739	20,294	\$ 3,445
General Supplies	1,300		1,300	1,243	57
Total Preschool Disabilities - Full Time	<u>86,617</u>	<u>977</u>	<u>87,594</u>	<u>84,092</u>	<u>3,502</u>
Total Special Education - Instruction	<u>630,049</u>	<u>19,249</u>	<u>649,298</u>	<u>633,114</u>	<u>16,184</u>
School-Spon. Cocurricular Actvts. - Instruction:					
Salaries	23,673		23,673	23,673	
Supplies and Materials		300	300	300	
Other Objects		3,935	3,935	3,935	
Total School-Spon. Cocurricular Actvts. - Instruction	<u>23,673</u>	<u>4,235</u>	<u>27,908</u>	<u>27,908</u>	
School-Spon. Athletics - Instruction:					
Salaries		12,000	12,000	12,000	
Other Objects		52	52	52	
Total School-Spon. Athletics - Instruction		<u>12,052</u>	<u>12,052</u>	<u>12,052</u>	
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State - Special	67,350	1,056	68,406	68,406	
Tuition to Private Schools for the Disabled W/I the State	184,488	(33,958)	150,530	97,530	53,000
Total Undistributed Expenditures - Instruction	<u>251,838</u>	<u>(32,902)</u>	<u>218,936</u>	<u>165,936</u>	<u>53,000</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Health Services:					
Salaries	\$ 115,673		\$ 115,673	\$ 113,677	\$ 1,996
Purchased Professional and Technical Services	7,180		7,180	7,041	139
Other Purchased Services	150		150	140	10
Supplies and Materials	3,240		3,240	2,675	565
Total Undistributed Expenditures - Health Services	<u>126,243</u>		<u>126,243</u>	<u>123,533</u>	<u>2,710</u>
Undist. Expend. - Other Supp. Serv. Students - Related Serv.:					
Salaries	128,675	\$ 19,801	148,476	148,476	
Purchased Professional - Educational Services	62,516	(23,801)	38,715	34,150	4,565
Supplies and Materials	223		223	223	
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.	<u>191,414</u>	<u>(4,000)</u>	<u>187,414</u>	<u>182,849</u>	<u>4,565</u>
Other Support Services - Students - Extra Ordinary Services:					
Purchased Professional - Educational Services	185,234	(70,499)	114,735	114,558	177
Supplies and Materials	1,001		1,001	986	15
Total Other Support Services - Students - Extra Ordinary Services	<u>186,235</u>	<u>(70,499)</u>	<u>115,736</u>	<u>115,544</u>	<u>192</u>
Undist. Expend. - Guidance:					
Other Purchased Professional and Technical Services	880		880	880	
Other Purchased Services	1,500	(1,500)			
Supplies and Materials	1,058	(813)	245	245	
Other Objects	827	(827)			
Total Undist. Expend. - Guidance	<u>4,265</u>	<u>(3,140)</u>	<u>1,125</u>	<u>1,125</u>	

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Child Study Team:					
Salaries of Other Professional Staff	\$ 202,858	\$ (23,554)	\$ 179,304	\$ 151,229	\$ 28,075
Salaries of Secretarial and Clerical Assistants	40,300		40,300	39,485	815
Miscellaneous Purchased Services (Other than Resident Cost)	600		600		600
Supplies and Materials	3,737		3,737	3,737	
Other Objects	470		470	225	245
Total Undist. Expend. - Child Study Team	<u>247,965</u>	<u>(23,554)</u>	<u>224,411</u>	<u>194,676</u>	<u>29,735</u>
Undist. Expend. - Improvement of Inst. Serv.:					
Salaries of Other Professional Staff	35,200	(15,000)	20,200	10,237	9,963
Salaries of Secretarial and Clerical Assistants	17,309	631	17,940	17,940	
Other Salaries	118,003	(631)	117,372	115,021	2,351
Purchased Professional - Educational Services	9,000	(4,000)	5,000	4,640	360
Other Purchased Services	2,700		2,700	2,073	627
Supplies and Materials	2,000		2,000	1,580	420
Other Objects	1,205		1,205	778	427
Total Undist. Expend. - Improvement of Inst. Serv.	<u>185,417</u>	<u>(19,000)</u>	<u>166,417</u>	<u>152,269</u>	<u>14,148</u>
Undist. Expend. - Edu. Media Serv./Sch. Library:					
Salaries	85,173	(1)	85,172	84,193	979
Salaries of Technology Coordinators	66,660	15,000	81,660	79,096	2,564
Other Purchased Services	72,876	8,750	81,626	80,069	1,557
Supplies and Materials	19,270	944	20,214	18,455	1,759
Other Objects	525		525	525	
Total Undist. Expend. - Edu. Media Serv./Sch. Library	<u>244,504</u>	<u>24,693</u>	<u>269,197</u>	<u>262,338</u>	<u>6,859</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Instructional Staff Training Serv.:					
Other Purchased Services	\$ 15,000		\$ 15,000	\$ 9,064	\$ 5,936
Total Undist. Expend. - Instructional Staff Training Serv.	<u>15,000</u>		<u>15,000</u>	<u>9,064</u>	<u>5,936</u>
Undist. Expend. - Supp. Serv. - General Admin.:					
Salaries	282,727	\$ (6,668)	276,059	276,059	
Legal Services	40,000	(17,396)	22,604	18,104	4,500
Audit Fees	25,000	(2,500)	22,500	22,500	
Architectural/Engineering Services	4,000	3,968	7,968	7,968	
Other Purchased Professional Services	1,500	4,578	6,078	6,078	
Communications/Telephone	24,879	6,522	31,401	30,536	865
Other Purchased Services (400-500 series)	39,702	6,147	45,849	43,706	2,143
General Supplies	8,000		8,000	7,922	78
BOE In-House Training/Meeting Supplies	2,000		2,000	2,000	
Miscellaneous Expenditures	15,150	6	15,156	13,768	1,388
Total Undist. Expend. - Supp. Serv. - General Admin.	<u>442,958</u>	<u>(5,343)</u>	<u>437,615</u>	<u>428,641</u>	<u>8,974</u>
Undist. Expend. - Support Serv. - School Admin.:					
Salaries of Principals/Assistant Principals	284,682	19,724	304,406	304,106	300
Salaries of Secretarial and Clerical Assistants	90,912	(1,021)	89,891	89,891	
Purchased Professional and Technical Services	3,000	(250)	2,750	2,750	
Other Purchased Services	21,396	(4,401)	16,995	16,393	602
Supplies and Materials	6,961	(985)	5,976	5,976	
Other Objects	4,088	(1,401)	2,687	1,662	1,025
Total Undist. Expend. - Support Serv. - School Admin.	<u>411,039</u>	<u>11,666</u>	<u>422,705</u>	<u>420,778</u>	<u>1,927</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expend. - Central Services:					
Salaries	\$ 160,724	\$ (7,016)	\$ 153,708	\$ 153,113	\$ 595
Purchased Professional Services	3,791	(91)	3,700	3,700	
Miscellaneous Purchased Services	2,165		2,165	1,968	197
Supplies and Materials	4,900	(29)	4,871	3,292	1,579
Miscellaneous Expenditures	2,100	120	2,220	2,219	1
Total Undistributed Expend. - Central Services	<u>173,680</u>	<u>(7,016)</u>	<u>166,664</u>	<u>164,292</u>	<u>2,372</u>
Undistributed Expend. - Administrative Information Technology:					
Salaries		1,384	1,384	1,384	
Total Undistributed Expend. - Admin. Information Technology		<u>1,384</u>	<u>1,384</u>	<u>1,384</u>	
Undist. Expend. - Custodial Services:					
Salaries	191,072	(1,698)	189,374	185,890	3,484
Purchased Professional Services		2,800	2,800	2,800	
Purchased Professional - Technical Services	73,623	(41,642)	31,981	31,981	
Cleaning, Repair and Maintenance Services	50,172	8,650	58,822	57,503	1,319
Other Purchased Property Services	15,000	4,206	19,206	19,206	
Insurance	28,795	(706)	28,089	27,795	294
Miscellaneous Purchased Services	3,000		3,000	2,993	7
General Supplies	15,676	4,309	19,985	19,876	109
Energy (Electricity)	135,267	33,073	168,340	167,695	645
Energy (Natural Gas)	91,389	(16,567)	74,822	74,602	220
Total Undist. Expend. - Custodial Services	<u>603,994</u>	<u>(7,575)</u>	<u>596,419</u>	<u>590,341</u>	<u>6,078</u>
Undist. Expend. - Allowable Maintenance for Sch. Facilities:					
Salaries	75,911	315	76,226	76,226	
Cleaning, Repair and Maintenance Services	46,969	5,355	52,324	51,291	1,033
General Supplies	7,000	5	7,005	7,004	1
Total Undist. Expend. - Allowable Maintenance for Sch. Facil.	<u>129,880</u>	<u>5,675</u>	<u>135,555</u>	<u>134,521</u>	<u>1,034</u>
Care and Upkeep of Grounds:					
Cleaning, Repair & Maintenance Services	4,000	(4,000)			
Total Care and Upkeep of Grounds	<u>4,000</u>	<u>(4,000)</u>			

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undist. Expend. - Student Transportation Services:					
Other than Between Home and School - Vendors		\$ 221	\$ 221	\$ 221	
Between Home and School - Joint Agreements	\$ 95,649	(20,000)	75,649	45,617	\$ 30,032
Special Education Students - Joint Agreements	40,629	(3,228)	37,401	16,150	21,251
Regular Students - ESCs and CTSAs	30,704	3,896	34,600	34,599	1
Special Education Students - ESCs and CTSAs	75,013	19,334	94,347	78,927	15,420
Aid in Lieu Payments - Non-Public School	20,108	(221)	19,887	13,390	6,497
Total Undist. Expend. - Student Transportation Services	<u>262,103</u>	<u>2</u>	<u>262,105</u>	<u>188,904</u>	<u>73,201</u>
Allocated Benefits:					
Regular Programs - Instruction:					
Social Security Contributions	15,904	6,556	22,460	22,460	
Other Retirement Contributions - Regular	2,142	2,697	4,839	4,834	5
Workmen's Compensation	27,507	(3,707)	23,800	23,800	
Health Benefits	559,007	(1,793)	557,214	535,099	22,115
Tuition Reimbursement	30,000	(30,000)			
Total Regular Programs - Instruction	<u>634,560</u>	<u>(26,247)</u>	<u>608,313</u>	<u>586,193</u>	<u>22,120</u>
Special Programs - Instruction:					
Social Security Contributions	1,135		1,135	1,135	
Other Retirement Contributions - Regular	1,262	(1,262)			
Workmen's Compensation	5,524	(705)	4,819	4,819	
Health Benefits	126,592	(268)	126,324	125,348	976
Total Special Programs - Instruction	<u>134,513</u>	<u>(2,235)</u>	<u>132,278</u>	<u>131,302</u>	<u>976</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Instructional Programs - Instruction:					
Social Security Contributions	\$ 1,811	\$ 2,111	\$ 3,922	\$ 3,850	\$ 72
Total Instructional Programs - Instruction	<u>1,811</u>	<u>2,111</u>	<u>3,922</u>	<u>3,850</u>	<u>72</u>
Health Services:					
Workmen's Compensation	1,033	(132)	901	901	
Health Benefits	35,783		35,783	35,783	
Total Health Services	<u>36,816</u>	<u>(132)</u>	<u>36,684</u>	<u>36,684</u>	
Other Support Services - Students - Related Services:					
Social Security Contributions	4,419		4,419	4,419	
Other Retirement Contributions - Regular	4,910		4,910	4,910	
Workmen's Compensation	1,580	(202)	1,378	1,378	
Health Benefits	15,085		15,085	15,085	
Total Other Support Services - Students - Related Services	<u>25,994</u>	<u>(202)</u>	<u>25,792</u>	<u>25,792</u>	
Other Support Services - Guidance:					
Social Security Contributions	638		638	638	
Workmen's Compensation	819	(104)	715	715	
Health Benefits	451	(451)			
Total Other Support Services - Guidance	<u>1,908</u>	<u>(555)</u>	<u>1,353</u>	<u>1,353</u>	

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Support Services - Child Study Team:					
Social Security Contributions	\$ 3,083		\$ 3,083	\$ 3,083	
Other Retirement Contributions - Regular	3,426		3,426	3,426	
Workmen's Compensation	2,171	\$ (278)	1,893	1,893	
Health Benefits	70,606		70,606	70,606	
Total Other Support Services - Child Study Team	<u>79,286</u>	<u>(278)</u>	<u>79,008</u>	<u>79,008</u>	
Improvement of Instruction Services:					
Social Security Contributions	1,487	(12)	1,475	1,324	\$ 151
Other Retirement Contributions - Regular	2,797		2,797	2,797	
Workmen's Compensation	1,347	(172)	1,175	1,175	
Health Benefits	5,626		5,626	5,626	
Total Improvement of Instruction Services	<u>11,257</u>	<u>(184)</u>	<u>11,073</u>	<u>10,922</u>	<u>151</u>
Educational Media Services/School Library:					
Social Security Contributions	6,293		6,293	6,293	
Other Retirement Contributions - Regular	5,666		5,666	5,666	
Workmen's Compensation	1,355	(173)	1,182	1,182	
Health Benefits	41,854		41,854	41,854	
Total Educational Media Services/School Library:	<u>55,168</u>	<u>(173)</u>	<u>54,995</u>	<u>54,995</u>	

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administration:					
Social Security Contributions	\$ 7,281		\$ 7,281	\$ 7,281	
Other Retirement Contributions - Regular	6,484		6,484	6,484	
Workmen's Compensation	2,524	\$ (322)	2,202	2,202	
Health Benefits	32,564		32,564	32,564	
Total General Administration	48,853	(322)	48,531	48,531	
Support Services - School Administration:					
Social Security Contributions	9,351		9,351	9,351	
Other Retirement Contributions - Regular	9,245		9,245	9,245	
Workmen's Compensation	3,512	(448)	3,064	3,064	
Health Benefits	49,206		49,206	49,206	
Total School Administration	71,314	(448)	70,866	70,866	
Support Services - Central Services:					
Social Security Contributions	3,976	1	3,977	3,976	\$ 1
Other Retirement Contributions - Regular	4,380		4,380	4,380	
Workmen's Compensation	1,435	(183)	1,252	1,252	
Health Benefits	35,009		35,009	35,009	
Total Central Services	44,800	(182)	44,618	44,617	1
Operation and Maintenance of Plant Services:					
Social Security Contributions	26,330		26,330	26,330	
Other Retirement Contributions - Regular	29,160	20,364	49,524	49,524	
Workmen's Compensation	19,020		19,020	19,020	
Health Benefits	76,325		76,325	76,325	
Total Operation and Maintenance of Plant Services	150,835	20,364	171,199	171,199	

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Unallocated Benefits:					
Other Retirement Contributions- Regular		\$ 3,771	\$ 3,771	\$ 3,505	\$ 266
Unemployment Contributions		125,000	125,000	125,000	
Tuition Reimbursement		30,000	30,000	1,220	28,780
Total Unallocated Benefits		<u>158,771</u>	<u>158,771</u>	<u>129,725</u>	<u>29,046</u>
On-Behalf Contributions:					
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				14,693	(14,693)
TPAF Post Retirement (On-Behalf - Non-Budgeted)				312,071	(312,071)
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				317,878	(317,878)
Total On-Behalf Contributions				<u>644,642</u>	<u>(644,642)</u>
Total Personal Services - Employee Benefits	<u>\$ 1,297,115</u>	<u>150,288</u>	<u>1,447,403</u>	<u>2,039,679</u>	<u>(592,276)</u>
Total Undistributed Expenditures	<u>4,777,650</u>	<u>16,679</u>	<u>4,794,329</u>	<u>5,175,874</u>	<u>(381,545)</u>
Total Current Expense	<u>8,887,975</u>	<u>56,309</u>	<u>8,944,284</u>	<u>9,263,703</u>	<u>(319,419)</u>
Capital Outlay:					
Facilities Acquisition and Construction Services	<u>139,253</u>		<u>139,253</u>	<u>39,253</u>	<u>100,000</u>
Total Capital Outlay	<u>139,253</u>		<u>139,253</u>	<u>39,253</u>	<u>100,000</u>
Total Expenditures	<u>9,027,228</u>	<u>56,309</u>	<u>9,083,537</u>	<u>9,302,956</u>	<u>(219,419)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(314,879)</u>	<u>(56,309)</u>	<u>(371,188)</u>	<u>149,065</u>	<u>520,253</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Sources/Uses:					
Operating Transfer In:					
Capital Projects Fund				\$ 43	\$ 43
Operating Transfer Out:					
Transfer to Food Service Fund		\$ (4,209)	\$ (4,209)	(4,209)	
Transfer to Capital Projects Fund		(50,880)	(50,880)	(50,880)	
Total Other Financing Sources/Uses:		(55,089)	(55,089)	(55,046)	43
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	\$ (314,879)	(111,398)	(426,277)	94,019	520,296
Fund Balance, July 1	787,341		787,341	787,341	
Fund Balance, June 30	\$ 472,462	\$ (111,398)	\$ 361,064	\$ 881,360	\$ 520,296
Recapitulation:					
Restricted for:					
Maintenance Reserve Account				\$ 20,451	
Capital Reserve Account				372,713	
Excess Surplus				114,269	
Excess Surplus - Designated for Subsequent Year's Expenditures				23,051	
Assigned to:					
Encumbrances				17,922	
Unassigned				332,954	
				881,360	
Reconciliation to Governmental Fund Statement (GAAP):					
Last Two State Aid Payments not Recognized on a GAAP Basis				(663)	
				\$ 880,697	

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenue:					
State Sources	\$ 64,188	\$ 17,678	\$ 81,866	\$ 61,080	\$ (20,786)
Federal Sources	128,850	114,720	243,570	234,877	(8,693)
Local Sources		34,584	34,584	32,625	(1,959)
Total Revenue	<u>193,038</u>	<u>166,982</u>	<u>360,020</u>	<u>328,582</u>	<u>(31,438)</u>
Expenditures:					
Instruction:					
Salaries of Teachers	32,000	23,708	55,708	41,456	14,252
Purchased Professional and Technical Services		14,582	14,582	14,582	
Tuition	128,850	(7,853)	120,997	120,997	
Travel		996	996	996	
Textbooks	14,200	(1,752)	12,448	12,448	
Supplies and Materials		28,195	28,195	26,210	1,985
Other Objects		6,698	6,698	5,861	837
Total Instruction	<u>175,050</u>	<u>64,574</u>	<u>239,624</u>	<u>222,550</u>	<u>17,074</u>
Support Services:					
Salaries of Other Professional Staff	17,988	16,044	34,032	26,552	7,480
Purchased Professional/Educational Services		63,131	63,131	58,282	4,849
Purchased Technical Services		2,843	2,843	2,843	
Travel		5,843	5,843	5,146	697
Supplies and Materials		3,000	3,000	3,000	
Total Support Services	<u>17,988</u>	<u>90,861</u>	<u>108,849</u>	<u>95,823</u>	<u>13,026</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment		11,547	11,547	10,209	1,338
Total Facilities Acquisition and Construction Services		<u>11,547</u>	<u>11,547</u>	<u>10,209</u>	<u>1,338</u>
Total Expenditures	<u>193,038</u>	<u>166,982</u>	<u>360,020</u>	<u>328,582</u>	<u>31,438</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (62,876)</u>

MENDHAM BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISION SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 9,452,021	\$ 328,582
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary basis recognizes Encumbrances and Revenue whereas the GAAP Basis does not.		(7,150)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	31,783	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(663)	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 \$ 9,483,141	 \$ 321,432
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 9,177,956	\$ 328,582
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(7,150)
 Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	 \$ 9,177,956	 \$ 321,432

MENDHAM BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISION SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The general fund budgetary revenue differs from the GAAP revenue due to a difference in the recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

MENDHAM BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	New Jersey Schools to Watch Program	No Child Left Behind			
		Title II A	Title IIA, Carryover	Title IV, Carryover	Title V
REVENUE:					
State Sources	\$ 546				
Federal Sources		\$ 9,945	\$ 1,025	\$ 72	\$ 196
Local Sources					
Total Revenue	546	9,945	1,025	72	196
EXPENDITURES:					
Instruction:					
Salaries of Teachers					
Purchased Professional and Technical Services					
Tuition					
Travel	546				
General Supplies			1,025	72	196
Textbooks					
Other Objects					
Total Instruction	546		1,025	72	196
Support Services:					
Salaries of Other Professional Staff					
Purchased Professional/Educational Services		2,500			
Purchased Professional & Technical Services		2,843			
Supplies and Materials		1,602			
Travel		3,000			
Total Support Services		9,945			
Facilities Acquisition:					
Instructional Equipment					
Total Facilities Acquisition					
Total Expenditures	\$ 546	\$ 9,945	\$ 1,025	\$ 72	\$ 196

MENDHAM BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Non-Public					
	Textbooks	Nursing	Chapter 192 Compensatory Education	Chapter 193, Handicapped Examination/ Classification	Chapter 193, Handicapped Corrective Speech	Chapter 193, Handicapped Supplemental Instruction
REVENUE:						
State Sources	\$ 12,448	\$ 14,750	\$ 5,861	\$ 11,802	\$ 5,946	\$ 9,727
Federal Sources						
Local Sources						
Total Revenue	<u>12,448</u>	<u>14,750</u>	<u>5,861</u>	<u>11,802</u>	<u>5,946</u>	<u>9,727</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers					5,946	9,727
Purchased Professional and Technical Services						
Tuition						
Travel						
General Supplies						
Textbooks	12,448					
Other Objects			5,861			
Total Instruction	<u>12,448</u>		<u>5,861</u>		<u>5,946</u>	<u>9,727</u>
Support Services:						
Salaries of Other Professional Staff		14,750		11,802		
Purchased Professional/Educational Services						
Purchased Professional & Technical Services						
Supplies and Materials						
Travel						
Total Support Services		<u>14,750</u>		<u>11,802</u>		
Facilities Acquisition:						
Instructional Equipment						
Total Facilities Acquisition						
Total Expenditures	<u>\$ 12,448</u>	<u>\$ 14,750</u>	<u>\$ 5,861</u>	<u>\$ 11,802</u>	<u>\$ 5,946</u>	<u>\$ 9,727</u>

MENDHAM BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	IDEA ARRA Part B Preschool, Carryover	IDEA Part B Preschool	IDEA Part B Basic	IDEA Part B Basic, Carryover	IDEA ARRA Part B Basic, Carryover	Local Grants	Totals June 30, 2011
REVENUE:							
State Sources							\$ 61,080
Federal Sources							234,877
Local Sources	\$ 5,196	\$ 5,468	\$ 118,267	\$ 27,156	\$ 67,552	\$ 32,625	32,625
Total Revenue	5,196	5,468	118,267	27,156	67,552	32,625	328,582
EXPENDITURES:							
Instruction:							
Salaries of Teachers	3,023				9,000	13,760	41,456
Purchased Professional and Technical Services		5,468	3,400		5,714		14,582
Tuition			110,997		10,000		120,997
Travel						450	996
General Supplies	835				18,082	6,000	26,210
Textbooks							12,448
Other Objects							5,861
Total Instruction	3,858	5,468	114,397		42,796	20,210	222,550
Support Services:							
Salaries of Other Professional Staff							26,552
Purchased Professional/Educational Services			3,870	27,156	24,756		58,282
Purchased Professional & Technical Services							2,843
Supplies and Materials	1,338					2,206	5,146
Travel							3,000
Total Support Services	1,338		3,870	27,156	24,756	2,206	95,823
Facilities Acquisition:							
Instructional Equipment						10,209	10,209
Total Facilities Acquisition						10,209	10,209
Total Expenditures	\$ 5,196	\$ 5,468	\$ 118,267	\$ 27,156	\$ 67,552	32,625	\$ 328,582

CAPITAL PROJECTS FUND

MENDHAM BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE- BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ 33,920
Transfers from Capital Reserve	50,880
Interest Income	43
	<hr/>
Total Revenue and Other Financing Sources	84,843
	<hr/>
Expenditures and Other Financing Uses:	
Construction Services	84,800
	<hr/>
Total Expenditures and Other Financing Uses	84,800
	<hr/>
Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	43
	<hr/>
Other Financing Uses:	
Operating Transfer Out:	
Transfer of Interest to General Fund	(43)
	<hr/>
Fund Balance - Beginning of Year	
	<hr/>
Fund Balance - End of Year	\$ -0-
	<hr/> <hr/>

F-1a

MENDHAM BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
MOUNTAINVIEW SCHOOL H.V.A.C. PROJECT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Current Year	Totals	Revised Authorized Cost
Revenue and Other Financing Sources:			
State Sources - SDA Grant	\$ 33,920	\$ 33,920	\$ 33,920
Transfer from Capital Reserve Account	50,880	50,880	50,880
Total Revenue and Other Financing Sources	84,800	84,800	84,800
Expenditures			
Construction Services	84,800	84,800	84,800
Total Expenditures	84,800	84,800	84,800
Excess/(deficit) of Revenue and other Financing Sources Over/(Under)Expenditures	\$ -0-	\$ -0-	\$ -0-

Additional Project Information:

Project Number:	
Mountain View H.V.A.C. Project	3096-060-10-G0KH
Grant Date	4/26/2011
Original Authorized Cost	\$ 124,550
Revised Authorized Cost	84,800

Percentage Increase over Original Authorized Cost	0.00%
Percentage Completion	0.00%
Original Target Completion Date	9/2011
Revised Target Completion Date	Not Applicable

PROPRIETARY FUNDS

Exhibit G-1

MENDHAM BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

ASSETS:

Current assets:

Cash and cash equivalents	\$ 11,414
Intergovernmental accounts receivable:	
State	84
Federal	696
Inventories	<u>4,038</u>
Total current assets	<u>16,232</u>

Capital assets:

Equipment	127,175
Accumulated depreciation	<u>(98,453)</u>
Total capital assets	<u>28,722</u>

Total assets	<u>44,954</u>
--------------	---------------

LIABILITIES:

Current liabilities:

Accounts payable	914
Deferred revenue	1,413
Interfund payable - general fund	<u>8,915</u>
Total current liabilities	<u>11,242</u>

NET ASSETS:

Invested in capital assets net of related debt	28,722
Unrestricted	<u>4,990</u>
Total net assets	<u>\$ 33,712</u>

Exhibit G-2

MENDHAM BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating revenue	
Local sources:	
Daily Sales - Non-Reimbursable Programs	\$ 154,759
Daily Sales - Reimbursable Programs	10,770
Other Non-Reimbursable Sales	2,769
	<hr/>
Total operating revenue	168,298
	<hr/>
Operating expenses:	
Cost of sales	76,993
Salaries, Benefits & Payroll Taxes	68,798
Supplies, Insurance & Other Costs	6,427
Management Fee	15,615
Depreciation	6,259
Miscellaneous expenses	8,925
	<hr/>
Total operating expenses	183,017
	<hr/>
Operating loss	(14,719)
	<hr/>
Non-operating revenue/expenses:	
State sources:	
State school lunch program	1,020
Federal sources:	
National school lunch program	9,309
Special milk program	441
Food distribution program	2,663
Interest income	17
	<hr/>
Total non-operating revenue	13,450
	<hr/>
Net loss before operating transfers	(1,269)
	<hr/>
Change in net assets	(1,269)
	<hr/>
Net assets - beginning of year	34,981
	<hr/>
Net assets - end of year	\$ 33,712
	<hr/> <hr/>

Exhibit G-3

MENDHAM BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Cash flows from operating activities:	
Receipts from customers	\$ 168,298
Payments to food service vendor	(166,487)
Payments to suppliers	<u>(8,925)</u>
Net cash used for operating activities	<u>(7,114)</u>
Cash flows from investing activities:	
Interest income	<u>17</u>
Net cash provided by investing activities	<u>17</u>
Cash flows from noncapital financing activities:	
Advanced from General Fund	4,209
State Sources:	
State School Lunch Program	935
Federal Sources:	
National School Lunch Program	<u>9,437</u>
Net cash provided by noncapital financing activities	<u>14,581</u>
Net Increase in cash and cash equivalents	7,484
Cash and cash equivalents, July 1	<u>3,930</u>
Cash and cash equivalents, June 30	<u><u>\$ 11,414</u></u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (14,719)
Adjustment to reconcile operating income/(loss) to cash used for operating activities:	
Depreciation	6,259
Food distribution program	2,663
Changes in assets and liabilities:	
(Increase) in inventory	(3,644)
Increase in deferred revenue	1,413
Increase in accounts payable	<u>914</u>
Net cash used for operating activities	<u><u>\$ (7,114)</u></u>

Non-Cash Investing, Capital and Financing Activities:

The District received commodities valued at \$2,663, used commodities valued at \$1,250, and had \$1,413 in commodities at June 30, 2011.

FIDUCIARY FUNDS

MENDHAM BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Payroll</u>	<u>Agency Student Activities</u>	<u>Total Agency</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>				
Cash and cash equivalents	\$ 1,295	\$ 47,246	\$ 48,541	\$ 98,000
Total assets	<u>1,295</u>	<u>47,246</u>	<u>48,541</u>	<u>98,000</u>
<u>LIABILITIES:</u>				
Accounts payable	1,295		1,295	
Due to student groups		47,246	47,246	
Total liabilities	<u>1,295</u>	<u>47,246</u>	<u>48,541</u>	
<u>NET ASSETS:</u>				
Reserved for unemployment claims				<u>98,000</u>
Total net assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 98,000</u>

Exhibit H-2

MENDHAM BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Employee State Unemployment Insurance	
Deductions	\$ 17,207
Board Contributions	<u>125,000</u>
Total Contributions	<u>142,207</u>
Investment earnings:	
Interest	<u>214</u>
Net investment earnings	<u>214</u>
Total additions	<u>142,421</u>
Deductions:	
State of New Jersey Unemployment Agency Payments	<u>116,910</u>
Change in net assets	25,511
Net assets—beginning of the year	<u>72,489</u>
Net assets—end of the year	<u><u>\$ 98,000</u></u>

MENDHAM BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>ASSETS:</u>				
Cash and cash equivalents	\$ 61,043	\$ 106,928	\$ 120,725	\$ 47,246
Total assets	<u>\$ 61,043</u>	<u>\$ 106,928</u>	<u>\$ 120,725</u>	<u>\$ 47,246</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to student groups	\$ 61,043	\$ 106,928	\$ 120,725	\$ 47,246
Total liabilities	<u>\$ 61,043</u>	<u>\$ 106,928</u>	<u>\$ 120,725</u>	<u>\$ 47,246</u>

MENDHAM BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

<u>Schools</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Hilltop	\$ 11,894	\$ 12,481	\$ 14,754	\$ 9,621
Mountain View	49,149	94,447	105,971	37,625
	<u>\$ 61,043</u>	<u>\$ 106,928</u>	<u>\$ 120,725</u>	<u>\$ 47,246</u>

MENDHAM BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>ASSETS:</u>				
Cash and cash equivalents		\$ 2,393,289	\$ 2,391,994	\$ 1,295
Other receivable	\$ 34		34	
Total assets	<u>34</u>	<u>2,393,289</u>	<u>2,392,028</u>	<u>1,295</u>
 <u>LIABILITIES:</u>				
Cash deficit	\$ 34		\$ 34	
Payroll deductions and withholdings		\$ 2,393,289	2,391,994	\$ 1,295
Total liabilities	<u>\$ 34</u>	<u>\$ 2,393,289</u>	<u>\$ 2,392,028</u>	<u>\$ 1,295</u>

LONG-TERM DEBT

MENDHAM BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2011		Interest Rate	Balance June 30, 2010	Matured	Balance June 30, 2011
			Date	Amount				
Renovation and expansion of the Hilltop School; renovation of the Mountain View School; any necessary improvements, upgrades, appurtenances, equipment, furniture, site work and provision for portable classrooms and/or other alternate location arrangements for students during any such renovation and/or expansion.	03/01/2001	\$ 12,570,000			4.750%	\$ 490,000	\$ 490,000	
Refunding of 03/01/2001 Bonds	11/03/2005	9,160,000	06/30/2012	\$ 560,000	3.625%	8,945,000	40,000	\$ 8,905,000
			06/30/2013	585,000	3.750%			
			06/30/2014	615,000	4.000%			
			06/30/2015	630,000	4.000%			
			06/30/2016	625,000	4.000%			
			06/30/2017	625,000	4.000%			
			06/30/2018	620,000	4.125%			
			06/30/2019	615,000	4.125%			
			06/30/2020	610,000	4.125%			
			06/30/2021	610,000	4.125%			
			06/30/2022	600,000	4.125%			
			06/30/2023	595,000	4.250%			
			06/30/2024	595,000	4.250%			
			06/30/2025	590,000	4.250%			
			06/30/2026	430,000	4.250%			
						<u>\$ 9,435,000</u>	<u>\$ 530,000</u>	<u>\$ 8,905,000</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUE:				
Local Sources:				
Local Tax Levy	\$ 916,656	\$ 916,656	\$ 916,656	
Total Revenue	<u>916,656</u>	<u>916,656</u>	<u>916,656</u>	
EXPENDITURES:				
Regular Debt Service:				
Interest	386,656	386,656	386,656	
Redemption of Principal	<u>530,000</u>	<u>530,000</u>	<u>530,000</u>	
Total Regular Debt Service	<u>916,656</u>	<u>916,656</u>	<u>916,656</u>	
Total Expenditures	<u>916,656</u>	<u>916,656</u>	<u>916,656</u>	
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Fund Balance, July 1	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

STATISTICAL SECTION

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

Contents

Exhibit

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The District implemented Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2005.

MENDHAM BOROUGH SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Governmental activities:							
Invested in capital assets, net of related debt	\$ 2,479,912	\$ 2,449,320	\$ 2,579,193	\$ 3,059,808	\$ 2,987,309	\$ 3,171,978	\$ 3,406,302
Restricted	677,340	816,402	612,149	651,574	554,906	474,633	548,406
Unrestricted/(Deficit)	(34,144)	141,470	357,762	2,157	173,945	48,050	71,370
Total governmental activities net assets	<u>3,123,108</u>	<u>3,407,192</u>	<u>3,549,104</u>	<u>3,713,539</u>	<u>3,716,160</u>	<u>3,694,661</u>	<u>4,026,078</u>
Business-type activities:							
Invested in capital assets, net of related debt	6,639	4,865	9,872	49,436	41,837	34,981	28,722
Unrestricted	18,879	19,733	17,501	15,244	20,353	34,981	4,990
Total business-type activities net assets	<u>25,518</u>	<u>24,598</u>	<u>27,373</u>	<u>64,680</u>	<u>62,190</u>	<u>34,981</u>	<u>33,712</u>
District-wide:							
Invested in capital assets, net of related debt	2,486,551	2,454,185	2,589,065	3,109,244	3,029,146	3,206,959	3,435,024
Restricted	677,340	816,402	612,149	651,574	554,906	474,633	548,406
Unrestricted/(Deficit)	(15,265)	161,203	375,263	17,401	194,298	48,050	76,360
Total district net assets	<u>\$ 3,148,626</u>	<u>\$ 3,431,790</u>	<u>\$ 3,576,477</u>	<u>\$ 3,778,219</u>	<u>\$ 3,778,350</u>	<u>\$ 3,729,642</u>	<u>\$ 4,059,790</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

MENDHAM BOROUGH SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Expenses:							
Governmental activities:							
Instruction:							
Regular	\$ 3,868,013	\$ 3,795,440	\$ 4,175,710	\$ 4,300,858	\$ 4,438,276	\$ 4,503,614	\$ 4,542,658
Special education	585,670	563,321	638,325	782,622	1,007,947	1,075,788	854,210
Other special education	72,340	77,152	82,385				
Other instruction	90,931	43,920	57,817	222,649	195,328	86,422	39,960
Support Services:							
Tuition	134,428	199,272	241,834	74,817	232,066	307,477	286,933
Student & instruction related services	996,240	1,195,084	1,158,322	1,381,013	1,314,469	1,657,900	1,459,793
General administrative services	493,321	445,603	510,790	548,161	463,694	518,311	472,335
School administrative services	458,663	491,279	523,750	508,387	495,115	482,443	491,812
Plant operations and maintenance	1,099,629	1,170,148	1,431,159	1,445,786	1,254,143	1,182,325	1,252,281
Pupil transportation	104,984	137,432	202,206	220,345	294,656	274,925	188,904
Central Services & Administration							
Information Technology	303,087	311,125	366,482	376,971	319,487	200,295	210,273
Capital Outlay			17,127	33,451	19,576	21,501	50,142
Interest on long-term debt	543,848	645,985	527,353	414,614	506,417	486,309	445,265
Total governmental activities expenses	<u>8,751,154</u>	<u>9,075,761</u>	<u>9,933,260</u>	<u>10,309,674</u>	<u>10,541,174</u>	<u>10,797,310</u>	<u>10,294,566</u>
Business-type activities:							
Food service	132,775	130,706	134,283	140,159	145,000	168,642	187,226
Total business-type activities expense	<u>132,775</u>	<u>130,706</u>	<u>134,283</u>	<u>140,159</u>	<u>145,000</u>	<u>168,642</u>	<u>187,226</u>
Total district expenses	<u>\$ 8,883,929</u>	<u>\$ 9,206,467</u>	<u>\$ 10,067,543</u>	<u>\$ 10,449,833</u>	<u>\$ 10,686,174</u>	<u>\$ 10,965,952</u>	<u>\$ 10,481,792</u>

MENDHAM BOROUGH SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Program Revenues:							
Governmental activities:							
Charges for services:							
Instruction (Regular)	\$ 36,514						
Plant Operations and Maintenance	6,075	\$ 7,460					
Operating grants and contributions	1,021,239	1,140,966	\$ 1,441,984	\$ 1,476,123	\$ 1,354,726	\$ 1,327,852	\$ 1,122,234
Capital grants and contributions	70,000						
Total governmental activities program revenues	<u>1,133,828</u>	<u>1,148,426</u>	<u>1,441,984</u>	<u>1,476,123</u>	<u>1,354,726</u>	<u>1,327,852</u>	<u>1,122,234</u>
Business-type activities:							
Charges for services:							
Food service	130,029	124,823	125,153	124,296	136,251	131,821	165,529
Operating grants and contributions	4,941	4,913	4,937	5,802	6,207	5,015	13,433
Total business type activities program revenues	<u>134,970</u>	<u>129,736</u>	<u>130,090</u>	<u>130,098</u>	<u>142,458</u>	<u>136,836</u>	<u>178,962</u>
Total district program revenues	<u>1,268,798</u>	<u>1,278,162</u>	<u>1,572,074</u>	<u>1,606,221</u>	<u>1,497,184</u>	<u>1,464,688</u>	<u>1,301,196</u>
Net (Expense)/Revenue:							
Governmental activities	(7,617,326)	(7,927,335)	(8,491,276)	(8,833,551)	(9,186,448)	(9,469,458)	(9,172,332)
Business-type activities	2,195	(970)	(4,193)	(10,061)	(2,542)	(31,806)	(8,264)
Total district-wide net expense	<u>\$ (7,615,131)</u>	<u>\$ (7,928,305)</u>	<u>\$ (8,495,469)</u>	<u>\$ (8,843,612)</u>	<u>\$ (9,188,990)</u>	<u>\$ (9,501,264)</u>	<u>\$ (9,180,596)</u>
General Revenues and Other Changes in Net Assets:							
Governmental activities:							
Property taxes levied for general purposes, net	6,520,706	7,211,762	7,528,966	7,906,241	8,222,491	8,516,489	8,630,149
Taxes levied for debt service	897,755	905,038	870,738	895,943	903,250	914,513	916,656
Federal and State Aid not Restricted	71,467	52,018	84,330	97,675	26,086	30,581	33,920
Investment earnings	24,822	12,019	86,657	61,860	15,530	9,973	5,238
Miscellaneous income	11,573	39,874	62,497	36,267	41,712	30,924	46,995
Cancellation of State receivable		(9,292)					
Transfers					(20,000)	(54,521)	(129,209)
Total governmental activities	<u>\$ 7,526,323</u>	<u>\$ 8,211,419</u>	<u>\$ 8,633,188</u>	<u>\$ 8,997,986</u>	<u>\$ 9,189,069</u>	<u>\$ 9,447,959</u>	<u>\$ 9,503,749</u>

MENDHAM BOROUGH SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Business-type activities:							
Investment earnings	\$ 192	\$ 50	\$ 68	\$ 59	\$ 52	\$ 27	\$ 17
Contributed capital			6,900	47,309			
Miscellaneous income						49	2,769
Transfers						4,521	4,209
Total business-type activities	<u>192</u>	<u>50</u>	<u>6,968</u>	<u>47,368</u>	<u>52</u>	<u>4,597</u>	<u>6,995</u>
Total district-wide	<u>\$ 7,526,515</u>	<u>\$ 8,211,469</u>	<u>\$ 8,640,156</u>	<u>\$ 9,045,354</u>	<u>\$ 9,189,121</u>	<u>\$ 9,452,556</u>	<u>\$ 9,510,744</u>
Change in Net Assets:							
Governmental activities	(91,003)	284,084	141,912	164,435	2,621	(21,499)	331,417
Business-type activities	2,387	(920)	2,775	37,307	(2,490)	(27,209)	(1,269)
Total district	<u>\$ (88,616)</u>	<u>\$ 283,164</u>	<u>\$ 144,687</u>	<u>\$ 201,742</u>	<u>\$ 131</u>	<u>\$ (48,708)</u>	<u>\$ 330,148</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

MENDHAM BOROUGH SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS,
LAST SEVEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
General Fund:							
Reserved/ Restricted	\$ 360,269	\$ 671,851	\$ 646,900	\$ 629,836	\$ 544,152	\$ 474,633	\$ 530,484
Assigned							17,922
Unassigned							332,954
Unreserved	189,166	189,166	243,801	264,797	335,857	280,925	
Total general fund	<u>549,435</u>	<u>861,017</u>	<u>890,701</u>	<u>894,633</u>	<u>880,009</u>	<u>755,558</u>	<u>881,360</u>
All Other Governmental Funds:							
Reserved/Restricted	184,316		68,902				
Unreserved, reported in:							
Capital projects fund	193,094	122,494	95,680	21,738	10,754		
Debt service fund	22,057	22,057					
Total all other governmental funds	<u>399,467</u>	<u>144,551</u>	<u>164,582</u>	<u>21,738</u>	<u>10,754</u>		
Governmental Funds:							
Reserved/ Restricted	544,585	671,851	715,802	629,836	544,152	474,633	530,484
Assigned							17,922
Unassigned							332,954
Unreserved	404,317	333,717	339,481	286,535	346,611	280,925	
Total Governmental Funds	<u>\$ 948,902</u>	<u>\$ 1,005,568</u>	<u>\$ 1,055,283</u>	<u>\$ 916,371</u>	<u>\$ 890,763</u>	<u>\$ 755,558</u>	<u>\$ 881,360</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

MENDHAM BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST SEVEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Revenues:							
Tax levy	\$ 7,418,461	\$ 8,116,800	\$ 8,399,704	\$ 8,802,184	\$ 9,125,741	\$ 9,431,002	\$ 9,546,805
Tuition charges	36,514		3,971	14,667	24,340	32,601	41,423
Interest earnings	5,248	8,735	86,657	61,860	15,530	9,973	5,281
Miscellaneous	37,222	50,618	58,526	21,600	44,712	53,546	73,429
State sources	1,030,335	1,048,790	1,363,311	1,391,204	1,180,791	1,044,856	854,379
Federal sources	132,371	144,194	163,003	182,594	172,681	258,354	233,875
Total revenue	8,660,151	9,369,137	10,075,172	10,474,109	10,563,795	10,830,332	10,755,192
Expenditures:							
Instruction							
Regular Instruction	3,735,455	3,622,564	3,945,161	4,081,889	3,363,222	3,477,754	3,512,837
Special education instruction	558,965	552,412	608,326	719,379	769,024	864,391	633,114
Other special instruction	72,340	77,152	82,385				
Other instruction	85,993	38,608	52,505	168,333	195,328	86,422	39,960
Support Services:							
Tuition	134,428	199,272	241,834	74,817	232,066	307,477	286,933
Student & instruction related services	925,072	1,049,908	1,029,946	1,250,326	1,102,831	1,242,616	1,134,336
School Administrative services	393,414	429,405	419,185	449,680	410,186	419,031	420,778
General administrative services	414,904	404,134	438,940	455,421	424,327	471,249	428,641
Plant operations and maintenance	678,829	736,954	823,558	906,378	763,935	707,089	724,862
Pupil transportation	104,984	137,432	202,206	220,345	294,656	274,925	188,904
Central Services and Administrative							
Information Technology	273,614	247,481	271,343	276,859	262,179	160,736	165,676
Allocated and Unallocated Benefits	559,558	650,622	946,416	936,019	1,810,736	1,954,612	1,914,679
Capital outlay	185,650	265,790	70,857	177,632	37,663	30,201	133,468

MENDHAM BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST SEVEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Debt service:							
Principal	\$ 350,000	\$ 440,000	\$ 430,000	\$ 450,000	\$ 475,000	\$ 505,000	\$ 530,000
Interest and other charges	547,756	442,983	462,795	445,943	428,250	409,513	386,656
Total expenditures	<u>9,020,962</u>	<u>9,294,717</u>	<u>10,025,457</u>	<u>10,613,021</u>	<u>10,569,403</u>	<u>10,911,016</u>	<u>10,500,844</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(360,811)</u>	<u>74,420</u>	<u>49,715</u>	<u>(138,912)</u>	<u>(5,608)</u>	<u>(80,684)</u>	<u>254,348</u>
Other Financing sources (uses):							
Proceeds from borrowing		8,695,000					
Payments to escrow agent		(8,695,000)					
Cancellation of state receivable		(9,292)					
Transfers in	107,056	8,118	77,591	10,572	225	83	50,923
Transfers out	<u>(107,056)</u>	<u>(8,118)</u>	<u>(77,591)</u>	<u>(10,572)</u>	<u>(20,225)</u>	<u>(54,604)</u>	<u>(180,132)</u>
Total other financing sources (uses)		<u>(9,292)</u>			<u>(20,000)</u>	<u>(54,521)</u>	<u>(129,209)</u>
Net change in fund balances	<u>\$ (360,811)</u>	<u>\$ 65,128</u>	<u>\$ 49,715</u>	<u>\$ (138,912)</u>	<u>\$ (25,608)</u>	<u>\$ (135,205)</u>	<u>\$ 125,139</u>
Debt service as a percentage of noncapital expenditures	10.2%	9.8%	9.0%	8.6%	8.6%	8.4%	8.8%

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

Exhibit J-5

MENDHAM BOROUGH SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Rentals- Use of</u> <u>Facilities</u>	<u>Miscellaneous</u>	<u>Total</u>
2002	\$ 18,228	\$ 9,228		\$ 75,868	\$ 103,324
2003	44,877		\$ 5,439	28,785	79,101
2004	21,976	38,903	6,806	1,680	69,365
2005	22,766	36,514	6,075	11,573	76,928
2006	46,319		7,460	2,290	56,069
2007	81,066	3,971	18,502	40,024	143,563
2008	58,297	14,667	18,667	2,933	94,564
2009	15,305	24,340	19,758	21,954	81,357
2010	9,890	32,601	15,801	15,123	73,415
2011	5,238	41,423	17,001	29,951	93,613

Source: Mendham Borough School District records

MENDHAM BOROUGH SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
LAST SEVEN YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2004	\$ 8,595,000	\$ 531,689,500	\$ 19,796,701	\$ 863,872	\$ 55,643,800	\$ 1,443,900	\$ 618,032,773	\$ 52,596,700	\$ 1,256,169	\$ 619,289,542	\$ 1.16	\$ 1,120,230,672
2005	7,851,304	544,056,600	15,421,400	841,011	55,412,000	1,443,900	625,026,215	52,596,700	1,223,970	626,250,185	1.24	1,211,658,055
2006	* 16,183,800	1,418,161,700	38,146,800	702,000	123,528,700	2,475,000	1,599,198,000	135,887,500	2,275,771	1,737,361,271	0.52	1,293,530,174
2007	14,936,900	1,417,809,000	40,278,900	695,840	121,984,300	2,475,000	1,598,179,940	135,887,500	2,707,608	1,600,887,548	0.54	1,465,301,236
2008	14,076,500	1,369,811,900	81,641,900	696,740	117,908,800	2,475,000	1,586,610,840	136,649,000	2,711,027	1,589,321,867	0.56	1,517,455,547
2009	13,020,700	1,366,117,600	79,722,600	566,840	117,908,800	2,475,000	1,579,811,540	145,003,200	3,187,134	1,582,998,674	0.59	1,569,035,776
2010	* 8,597,900	1,115,381,900	55,967,800	334,900	110,848,900	2,342,200	1,293,473,600	123,773,600	3,191,011	1,296,664,611	0.48	1,511,328,993

*- Revaluation year

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Municipal Tax Assessor

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

Reassessment occurs when ordered by the County Board of Taxation

a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

b Tax rates are per \$100

MENDHAM BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(RATE PER \$100 OF ASSESSED VALUE)
UNAUDITED

Year Ended December 31,	<u>Mendham Borough School District Direct Rate</u>			<u>Overlapping Rates</u>				Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	West Morris Regional High School	Municipal Open Space	Mendham Borough	Morris County	
2001	\$ 0.98		\$ 0.98	\$ 0.69	\$ 0.02	\$ 0.40	\$ 0.41	\$ 2.50
2002	0.91	\$ 0.15	1.06	0.72	0.02	0.41	0.43	2.64
2003	0.96	0.12	1.08	0.75	0.02	0.42	0.48	2.75
2004	1.01	0.15	1.16	0.78	0.02	0.47	0.51	2.94
2005	1.09	0.15	1.24	0.80	0.02	0.52	0.52	3.10
2006	* 0.46	0.05	0.52	0.32	0.01	0.24	0.20	1.29
2007	0.49	0.05	0.54	0.34	0.01	0.27	0.22	1.38
2008	0.50	0.06	0.56	0.36	0.01	0.31	0.22	1.46
2009	0.53	0.06	0.59	0.39	0.01	0.32	0.23	1.53
2010	* 0.44	0.05	0.48	0.73	0.01	0.42	0.27	1.91

Source: Municipal Tax Collector and School Business Administrator

* - Revaluation year

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy. The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

b Rates for debt service are based on each year's requirements.

MENDHAM BOROUGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>Taxpayer</u>	2010	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
V-Fee Realty Shopping Center	\$ 22,000,000	1.70%
Roxiticus Golf Club Inc.	14,178,100	1.09%
Holly Manor	8,558,600	0.66%
Taxpayer #1	6,430,800	0.50%
Taxpayer #2	5,652,500	0.44%
Taxpayer #3	5,379,200	0.41%
Taxpayer #4	5,273,400	0.41%
Taxpayer #5	4,766,400	0.37%
Taxpayer #6	4,635,000	0.36%
Taxpayer #7	4,629,500	0.36%
Total	<u>\$ 81,503,500</u>	<u>6.30%</u>

<u>Taxpayer</u>	2001	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Mendham Investment Co.	\$ 12,400,000	2.13%
Roxiticus Golf Club Inc.	5,510,200	0.95%
Holly Manor Assoc. of NJ	4,587,100	0.79%
Taxpayer #1	4,392,400	0.76%
Taxpayer #2	3,414,100	0.59%
Taxpayer #3	2,434,000	0.42%
Taxpayer #4	2,082,530	0.36%
Taxpayer #5	2,025,200	0.35%
Taxpayer #6	1,861,540	0.32%
Taxpayer #7	1,684,610	0.29%
Total	<u>\$ 40,391,680</u>	<u>6.96%</u>

Note: Individual Taxpayers listed may be different in 2010 and 2001.

Note: Revaluation was done in 2010.

Source: Municipal Tax Assessor

MENDHAM BOROUGH SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 6,406,352	\$ 6,406,352	100.00%	-0-
2003	6,389,233	6,389,233	100.00%	-0-
2004	6,973,024	6,973,024	100.00%	-0-
2005	7,418,461	7,418,461	100.00%	-0-
2006	8,116,800	8,116,800	100.00%	-0-
2007	8,399,704	8,399,704	100.00%	-0-
2008	8,802,184	8,802,184	100.00%	-0-
2009	9,125,741	9,125,741	100.00%	-0-
2010	9,431,002	9,431,002	100.00%	-0-
2011	9,546,805	9,546,805	100.00%	-0-

Source: Mendham Borough School District records including the Certificate and Report of School Taxes (A4F form)

- a. School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

MENDHAM BOROUGH SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST SEVEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds				
2005	\$ 11,270,000	\$	11,270,000	3.70%	\$ 2,206
2006	11,295,000		11,295,000	3.25%	2,224
2007	10,865,000		10,865,000	3.03%	2,160
2008	10,415,000		10,415,000	2.87%	2,061
2009	9,940,000		9,940,000	2.88%	1,965
2010	9,435,000		9,435,000	2.73%	1,865
2011	8,905,000		8,905,000	2.58%	1,761

This schedule does not contain ten years of information as GASB #44 was implemented during this fiscal year ending June 30, 2006.

Source: School District Financial Reports

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

- a See Exhibit J-14 for personal income and population data.
 These ratios are calculated using personal income and population for the prior calendar year.

MENDHAM BOROUGH SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST SEVEN FISCAL YEARS
UNAUDITED

<u>General Bonded Debt Outstanding</u>					
<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Deductions</u>	<u>Net General</u> <u>Bonded Debt</u> <u>Outstanding</u>	<u>Percentage of</u> <u>Net Valuation</u> <u>Taxable ^a of</u> <u>Property</u>	<u>Per Capita ^b</u>
2005	\$ 11,270,000	-0-	\$ 11,270,000	1.820%	\$ 2,206
2006	11,295,000	-0-	11,295,000	1.804%	2,224
2007	10,865,000	-0-	10,865,000	0.625%	2,160
2008	10,415,000	-0-	10,415,000	0.651%	2,061
2009	9,940,000	-0-	9,940,000	0.625%	1,965
2010	9,435,000	-0-	9,435,000	0.596%	1,865
2011	8,905,000	-0-	8,905,000	0.687%	1,761

This schedule does not contain ten years of information as GASB #44 was implemented during this fiscal year ending June 30, 2006.

Source: School District Financial Reports

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.
a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.
b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

MENDHAM BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2010
UNAUDITED

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Mendham Borough	\$ 4,891,297	100%	\$ 4,891,297
West Morris Regional High School District Debt (Borough Share)	24,036,000	15.66%	3,764,827
Morris County General Obligation Debt (Borough Share)	249,234,104	1.48%	<u>3,680,906</u>
Subtotal, overlapping debt			12,337,030
Mendham Borough School District Direct Debt			<u>8,905,000</u>
Total direct and overlapping debt			<u>\$ 21,242,030</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Morris County Board of Taxation; debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Mendham Borough. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

^a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the district's boundaries and dividing it by each unit's total equalized property value.

MENDHAM BOROUGH SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(DOLLARS IN THOUSANDS)
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2011

	Equalized valuation basis
	2010 \$ 1,409,626,853
	2009 \$ 1,496,458,786
	2008 1,569,503,255
	<u>\$ 4,475,588,894</u>
Average equalized valuation of taxable property	\$ 1,491,862,965
Debt limit (a) (3% of average equalization value)	44,755,889
Net bonded school debt	<u>8,905,000</u>
Legal debt margin	<u>\$ 35,850,889</u>

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 23,974,118	\$ 26,434,532	\$ 28,318,542	\$ 32,888,142	\$ 35,740,907	\$ 39,213,987	\$ 42,500,182	\$ 45,527,476	\$ 45,886,182	\$ 44,755,889
Total net debt applicable to limit	<u>12,570,000</u>	<u>12,270,000</u>	<u>11,955,000</u>	<u>11,620,000</u>	<u>11,295,000</u>	<u>10,865,000</u>	<u>10,415,000</u>	<u>9,940,000</u>	<u>9,435,000</u>	<u>8,905,000</u>
Legal debt margin	<u>\$ 11,404,118</u>	<u>\$ 14,164,532</u>	<u>\$ 16,363,542</u>	<u>\$ 21,268,142</u>	<u>\$ 24,445,907</u>	<u>\$ 28,348,987</u>	<u>\$ 32,085,182</u>	<u>\$ 35,587,476</u>	<u>\$ 36,451,182</u>	<u>\$ 35,850,889</u>
Total net debt applicable to the limit as a percentage of debt limit	52.43%	46.42%	42.22%	35.33%	31.60%	27.71%	24.51%	21.83%	20.56%	19.90%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

MENDHAM BOROUGH SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Year</u>	<u>Population ^a</u>	<u>Morris County Per Capita Personal Income ^b</u>	<u>Total County Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2002	5,097	\$ 56,535	\$ 288,158,895	1.90%
2003	5,098	57,018	290,677,764	1.90%
2004	5,108	61,101	312,103,908	1.50%
2005	5,109	63,297	323,384,373	1.50%
2006	5,079	68,364	347,220,756	1.50%
2007	5,031	71,300	358,710,300	1.40%
2008	5,054	71,812	362,937,848	1.80%
2009	5,058	68,251	345,213,558	3.20%
2010	5,058 **	68,251 *	345,213,558 ***	3.20%
2011	5,058 **	68,251 *	345,213,558 ***	3.30%

* - Latest Morris County per capita personal income available (2009) was used for calculation purposes.

** - Latest population data available (2009) was used for calculation purposes.

*** - Latest County Personal Income data available (2009) was used for calculation purposes.

N/A - Information unavailable.

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Per Capita Personal Income provided by the NJ Dept of Labor and Workforce Development

^c Personal income has been estimated based upon the municipal population and per capita personal income presented

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

MENDHAM BOROUGH SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - MORRIS COUNTY
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>2010</u>			<u>2001</u>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Novartis	4,990	N/A			
Atlantic Health	4,933	N/A			
Picatunny Arsenal	4,442	N/A			
County of Morris	2,675	N/A			Information is Not Available
UPS	2,332	N/A			
ADP	1,924	N/A			
AT&T	1,550	N/A			
Saint Clare's Health System	1,531	N/A			
BASF	1,400	N/A			
Avis Budget Group, Inc.	1,378	N/A			
Total	<u>26,271</u>	<u>N/A</u>			

N/A - Total amount of employment is not available in order to do the percentage calculation.

Source: Morris County Economic Development Corporation

MENDHAM BOROUGH SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM,
LAST SEVEN FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction							
Regular	54.95	50.80	50.80	52.40	51.60	51.45	52.60
Special education	9.80	9.80	11.80	15.00	13.00	12.00	14.80
Support Services:							
Student & instruction related services	10.80	10.30	10.70	10.80	10.80	12.80	10.30
School administrative services	4.70	4.70	4.70	4.70	4.70	4.00	4.00
General and business administrative services	5.70	5.20	5.20	5.20	5.20	5.00	5.00
Plant operations and maintenance	5.00	5.00	5.00	5.50	5.50	5.50	5.50
Food Service	4.00	4.00	4.00	4.00	4.00	3.50	3.50
Total	<u>94.95</u>	<u>89.80</u>	<u>92.20</u>	<u>97.60</u>	<u>94.80</u>	<u>94.25</u>	<u>95.70</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: District Personnel Records

MENDHAM BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS,
LAST SEVEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2005	663	\$ 7,937,556	\$ 11,972	7.10%	66.0	1:12	1:10	663	639	-0.45%	96.38%
2006	645	8,145,944	12,629	5.49%	61.0	1:11	1:10	645	613	-2.71%	95.00%
2007	654	9,061,805	13,856	9.71%	62.6	1:11	1:10	659	633	2.16%	96.04%
2008	671	9,539,446	14,217	2.60%	64.2	1:11	1:10	668	641	1.38%	95.91%
2009	681	9,628,490	14,139	-0.55%	60.2	1:11	1:10	670	644	0.30%	96.12%
2010	660	9,966,302	15,100	6.80%	62.5	1:03	1:00	674	649	0.60%	96.29%
2011	694	9,450,720	13,618	-9.82%	60.4	1:08	1:10	689	671	2.23%	97.39%

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Sources: Mendham Borough School District records

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d The Cost Per Pupil calculated above is the sum of the operating expenditures divided by enrollment. This Cost Per Pupil may be different from other Cost Per Pupil calculations.

MENDHAM BOROUGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST SEVEN FISCAL YEARS
UNAUDITED

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>District Building</u>							
Hilltop School							
Square Feet	59,790	59,790	59,790	59,790	59,790	59,790	59,790
Capacity (students)	428	428	428	428	428	428	428
Enrollment	360	353	356	357	354	348	368
Mountain View School							
Square Feet	55,280	55,280	55,280	55,280	55,280	55,280	55,280
Capacity (students)	383	383	383	383	383	383	383
Enrollment	303	292	298	311	312	312	329

Number of Schools at June 30, 2011
 Elementary = 1
 Middle School = 1

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Mendham Borough School District Facilities Office

Note: Enrollment is based on the annual October district count.

MENDHAM BOROUGH SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Hilltop School</u>	<u>Mountain View School</u>	<u>Total</u>
2002	\$ 2,963	\$ 30,546	\$ 33,509
2003	8,216	32,862	41,078
2004	25,241	31,880	57,121
2005	43,402	41,064	84,466
2006	69,353	66,494	135,847
2007	69,813	93,685	163,498
2008	117,386	73,731	191,117
2009	62,592	63,289	125,881
2010	71,001	50,118	121,119
2011	70,741	63,780	134,521

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Mendham Borough School District records

MENDHAM BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2011
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
New Jersey School Boards Association Insurance Group (NJSBAIG)		
Property - Blanket Building and Contents Including Boiler and Machinery, Inland Marine and schedules (Blanket Fund Limit)	\$ 300,000	\$ 5,000
Extra Expense	50,000,000	
School Board Legal Liability	11,000,000	5,000
Excess Liability	11,000,000	
Casualty Coverage Including General Liability, Auto Liability, Employee Benefits Liability	11,000,000	
Comprehensive Crime Coverage:		
Theft, Disappearance and Destruction - Inside & Outside	50,000	500
Employee Dishonesty and Faithful Performance	100,000 per person	1,000
Computer Fraud	50,000	500
Forgery and Alteration	50,000	500
Workers' Compensation SAIF	As Required by State of NJ	
Workers' Compensation Supplement	As Required by State of NJ	
Public Officials' Bonds - Selective Insurance Company of America:		
School Business Administrator/Board Secretary	180,000	

SINGLE AUDIT SECTION



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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

The Honorable President and Members
 of the Board of Education
 Mendham Borough School District
 County of Morris, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Mendham Borough School District, in the County of Morris (the "Board") as of, and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey (the "Department").

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Honorable President and Members
of the Board of Education
Mendham Borough School District
Page 2

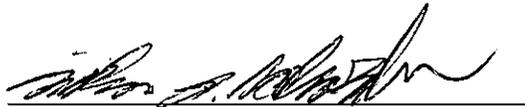
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

August 19, 2011
Mount Arlington, New Jersey

NISIVOCCIA LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant



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Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04

The Honorable President and Members
 of the Board of Education
 Mendham Borough School District
 County of Morris, New Jersey

Compliance

We have audited the compliance of the Board of Education of the Mendham Borough School District in the County of Morris (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2011. The Board's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state program is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*; and Federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards, Federal OMB Circular A-133, and New Jersey's Circular NJOMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2011.

The Honorable President and Members
of the Board of Education
Mendham Borough School District
Page 2

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

August 19, 2011
Mount Arlington, New Jersey

NISIVOCCIA LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant

MENDHAM BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title:	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010		Cash Received	Budgetary Expendi- tures	Balance at June 30, 2011		
					Deferred Revenue/ (Accounts Receivable)	Due to Grantor			Deferred Revenue	(Accounts Receivable)	Due to Grantor
U.S. Department of Agriculture											
Passed-through State Department of Education:											
Food Distribution Program	10.555	N/A	7/1/10-6/30/11	\$ 4,076			\$ 4,076	\$ (2,663)	\$ 1,413		
Federal School Lunch Program	10.555	N/A	7/1/10-6/30/11	9,309			8,613	(9,309)		\$ (696)	
Special Milk Program	10.556	N/A	7/1/10-6/30/11	441			441	(441)			
Special Milk Program	10.556	N/A	7/1/09-6/30/10	5,015	\$ (382)		382				
Total U.S. Department of Agriculture					(382)		13,512	(12,413)	1,413	(696)	
Total Enterprise Funds					(382)		13,512	(12,413)	1,413	(696)	
U.S. Department of Education											
Passed-through State Department of Education:											
NCLB Consolidated:											
Title II - Part A	84.367	NCLB-3090-11	9/1/10-8/31/11	11,328			8,449	(9,945)	1,496		
Title II - Part A	84.367	NCLB-3090-10	9/1/09-8/31/10	11,251	(6,636)		6,636				
Title II - Part A - Carryover	84.367	NCLB-3090-08	9/1/07-8/31/08	11,212	1,025			(1,025)			
Title IV	84.186	NCLB-3090-10	9/1/09-8/31/10	1,242	(199)		1,170		971		
Title IV - Carryover	84.186	NCLB-3090-08	9/1/07-8/31/08	1,799	72			(72)			
Title V- Carryover	84.298	NCLB-3090-08	9/1/07-8/31/08	1,069	196			(196)			
Total NCLB Consolidated					(5,542)		16,255	(11,238)	2,467		
Special Education Cluster:											
I.D.E.A. Part B, Basic	84.027	IDEA-5360-11	9/1/10-8/31/11	157,537			89,000	(118,267)		(29,267)	
I.D.E.A. Part B, Basic- Carryover	84.027	IDEA-5360-10	9/1/09-8/31/10	151,908	(15,704)		65,596	(27,156)	22,736		
I.D.E.A. Part B, Basic- Carryover	84.027	IDEA-5360-09	9/1/08-8/31/09	143,089		\$ 10					\$ 10
I.D.E.A. Part B, Preschool	84.173	IDEA-5360-11	9/1/10-8/31/11	6,249			5,468	(5,468)			
I.D.E.A. Part B, Preschool- Carryover	84.173	IDEA-5360-09	9/1/08-8/31/09	6,035	7				7		
ARRA - I.D.E.A. Part B, Basic	84.391	ARRA536010	9/1/09-8/31/11	180,204	(43,599)		71,950	(67,552)		(39,201)	
ARRA - I.D.E.A. Part B, Preschool	84.392	ARRA536010	9/1/09-8/31/11	6,523	(165)		3,257	(5,196)		(2,104)	
Total Special Education Cluster					(59,461)	10	235,271	(223,639)	22,743	(70,572)	10
Teacher Quality Enhancement Grant - Carryover	84.336A	N/A	9/1/08-8/31/09	660	660				660		
Total U.S. Department of Education					(64,343)	10	251,526	(234,877)	25,870	(70,572)	10
Total Special Revenue Fund					(64,343)	10	251,526	(234,877)	25,870	(70,572)	10
Total Federal Financial Awards					\$ (64,725)	\$ 10	\$ 265,038	\$ (247,290)	\$ 27,283	\$ (71,268)	\$ 10

N/A - Not Applicable

MENDHAM BOROUGH SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2010		Cash Received	Budgetary Expenditures	Adjustments	Repayment of Balances	Balance June 30, 2011		Memo	
				Deferred Revenue/ (Accounts Receivable)	Due to Grantor					GAAP Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Budgetary Deferred Revenue/ (Accounts Receivable)	Cumulative Total Expenditures
State Department of Education:													
Transportation Aid	11-495-034-5120-014	7/1/10-6/30/11	\$ 663				\$ (663)					\$ (663)	\$ 663
Extraordinary Special Education Costs	N/A	7/1/10-6/30/11	77,872				(77,872)			(77,872)		(77,872)	77,872
Nonpublic Transportation Aid	11-495-034-5120-014	7/1/10-6/30/11	5,082				(5,082)			(5,082)		(5,082)	5,082
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	7/1/10-6/30/11	317,878			\$ 301,532	(317,878)			(16,346)		(16,346)	317,878
Extraordinary Special Education Costs	N/A	7/1/09-6/30/10	63,515	\$ (63,515)		63,515							63,515
Nonpublic Transportation Aid	11-495-034-5120-014	7/1/09-6/30/10	4,794	(4,794)		4,794							4,794
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	7/1/09-6/30/10	350,201	(17,395)		17,395							350,201
Total General Fund				(85,704)		387,236	(401,495)			(99,300)		(99,963)	820,005
N.J. Nonpublic Aid:													
Textbook Aid	11-100-034-5120-064	7/1/10-6/30/11	12,448			12,448	(12,448)						12,448
Nursing Services	11-100-034-5120-070	7/1/10-6/30/11	14,750			14,750	(14,750)						14,750
Auxiliary Services:													
Compensatory Education	11-100-034-5120-067	7/1/10-6/30/11	6,698			6,698	(5,861)				\$ 837		5,861
Handicapped Services:													
Examination & Classification	11-100-034-5120-066	9/1/10-6/30/11	19,297			19,297	(11,802)				7,495		11,802
Examination & Classification	10-100-034-5120-066	9/1/09-6/30/10	27,413		\$ 14,065			\$ (13,690)	\$ (13,690)		375		14,065
Corrective Speech	11-100-034-5120-066	9/1/10-6/30/11	14,082			14,082	(5,946)				8,136		5,946
Corrective Speech	10-100-034-5120-066	9/1/09-6/30/10	13,451		7,892			(7,892)	(7,892)				
Supplementary Instruction	11-100-034-5120-066	9/1/10-6/30/11	14,591			14,591	(9,727)				4,864		9,727
Supplementary Instruction	10-100-034-5120-066	9/1/09-6/30/10	13,539		1,832			(1,832)	(1,832)				
New Jersey Schools to Watch	N/A	4/1/09-3/30/10	6,000	546			(546)						6,000
Character Education	05-100-034-5120-418	9/1/05-6/30/09	4,000		1			(1)					
Total Special Revenue Fund				546	23,790	81,866	(61,080)	(23,415)	(23,414)		21,707		80,599
U.S. Department of Agriculture													
Passed-through State Department of Education:													
National School Lunch Program (State Share)	11-100-034-5120-122	7/1/10-6/30/11	1,020			936	(1,020)			(84)		(84)	
Total Enterprise Fund						936	(1,020)			(84)		(84)	
Capital Projects Fund:													
NJ Educational Facilities Construction and Financing Act:													
Renovation/expansion of: Hilltop Elementary School Roof	3090-050-04-1000	2/23/05-12/2005	33,920				(33,920)			(33,920)		(33,920)	33,920
Total Capital Projects Fund							(33,920)			(33,920)		(33,920)	33,920
Total State Financial Awards				\$ (85,158)	\$ 23,790	\$ 470,038	\$ (497,515)	\$ (23,415)	\$ (23,414)	\$ (133,304)	\$ 21,707	\$ (133,967)	\$ 934,524

N/A - Not Applicable

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Mendham Borough School District under programs of the federal and state governments for the fiscal year ended June 30, 2011. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *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 District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. BASIS OF ACCOUNTING

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which is presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The General Fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the June state aid payments in the current budget, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes these payments are not recognized until the subsequent budget year due to state deferral and recording of the June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$31,120 for the general fund and (\$7,150) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Non-Contributory Insurance and Post Retirement Contributions revenue of \$14,693 and \$312,071 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 759,379	\$ 759,379
Special Revenue Fund	\$ 234,877	53,930	288,807
Capital Projects Fund		33,920	33,920
Enterprise Fund	12,413	1,020	13,433
Total	<u>\$ 247,290</u>	<u>\$ 848,249</u>	<u>\$ 1,095,539</u>

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 4. 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.

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2011. Revenues and expenditures reported under Food Distribution Program represent current year value received and current year distributions respectively.

MENDHAM BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major state programs.
- An unqualified report was issued on the District's compliance for major state programs.
- The District was not subject to the single audit provision of the Federal OMB Circular A-133 for the fiscal year end June 30, 2011 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The audit did not disclose any audit findings which are required to be reported in accordance with State OMB Circular NJOMB 04-04
- The District's major state programs for the current fiscal year consisted of the following:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State Programs:</u>				
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	7/1/10-6/30/11	\$ 317,878	\$ 317,878

- The threshold for distinguishing Type A and Type B programs was \$300,000.
- The single audit threshold identified in Federal OMB Circular A-133 and New Jersey Circular NJOMB 04-04 was \$500,000.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the Circular.

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

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

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:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular and New Jersey's OMB Circular NJOMB 04-04.

MENDHAM BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Status of Prior Year Findings:

There were no prior year findings.