

**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, 2012**

**Comprehensive Annual
Financial Report**

of the

Mendham Borough School District

Mendham, New Jersey

For the Fiscal Year Ended June 30, 2012

Prepared by

**Mendham Borough School District
Board of Education**

MENDHAM BOROUGH SCHOOL DISTRICT
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INTRODUCTORY SECTION

Mendham Borough Public Schools

12 Hilltop Road
Mendham, New Jersey 07945

Thomas F. Butler, Ed. D.
Interim Superintendent

Heather Goguen
Board Secretary/Business Administrator

September 18, 2012

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, 2012, 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 Non-profit Organizations*, and the New Jersey OMB's Circular 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 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 2011-2012 fiscal year with an average daily enrollment of 673 students, which is a decrease of 24.5 students from the previous year's enrollment. The following details the change in student enrollment of the District over the last five years.

Fiscal Year	Average Daily Enrollment	
	Student Enrollment	Percent Change
2011-12	673.0	-3.51%
2010-11	697.5	3.44%
2009-10	674.3	0.64%
2008-09	670.0	0.30%
2007-08	668.0	1.38%

The Honorable President and Members
of the Board of Education
Mendham Borough School District
Page 2
September 18, 2012

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 673 students are enrolled at the two elementary schools (K-4 and Grades 5-8). Students in Grades 9-12 attend the West Morris Regional High School, Mendham Campus.

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.
- Creation and modification of new BOE policies.
- Successful support of a group of new teaching staff members.
- 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, 2012.

The Honorable President and Members
of the Board of Education
Mendham Borough School District
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September 18, 2012

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system 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, 2012 the District's outstanding bonded debt is \$8,345,000.

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.

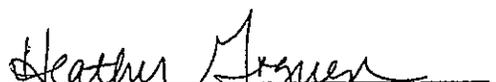
The Board is a member of the New Jersey School Board's Association Insurance Group (NJSBAIG). NJSBAIG is a risk-sharing public entity risk fund that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage to their members. 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 OMB's Circular 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.

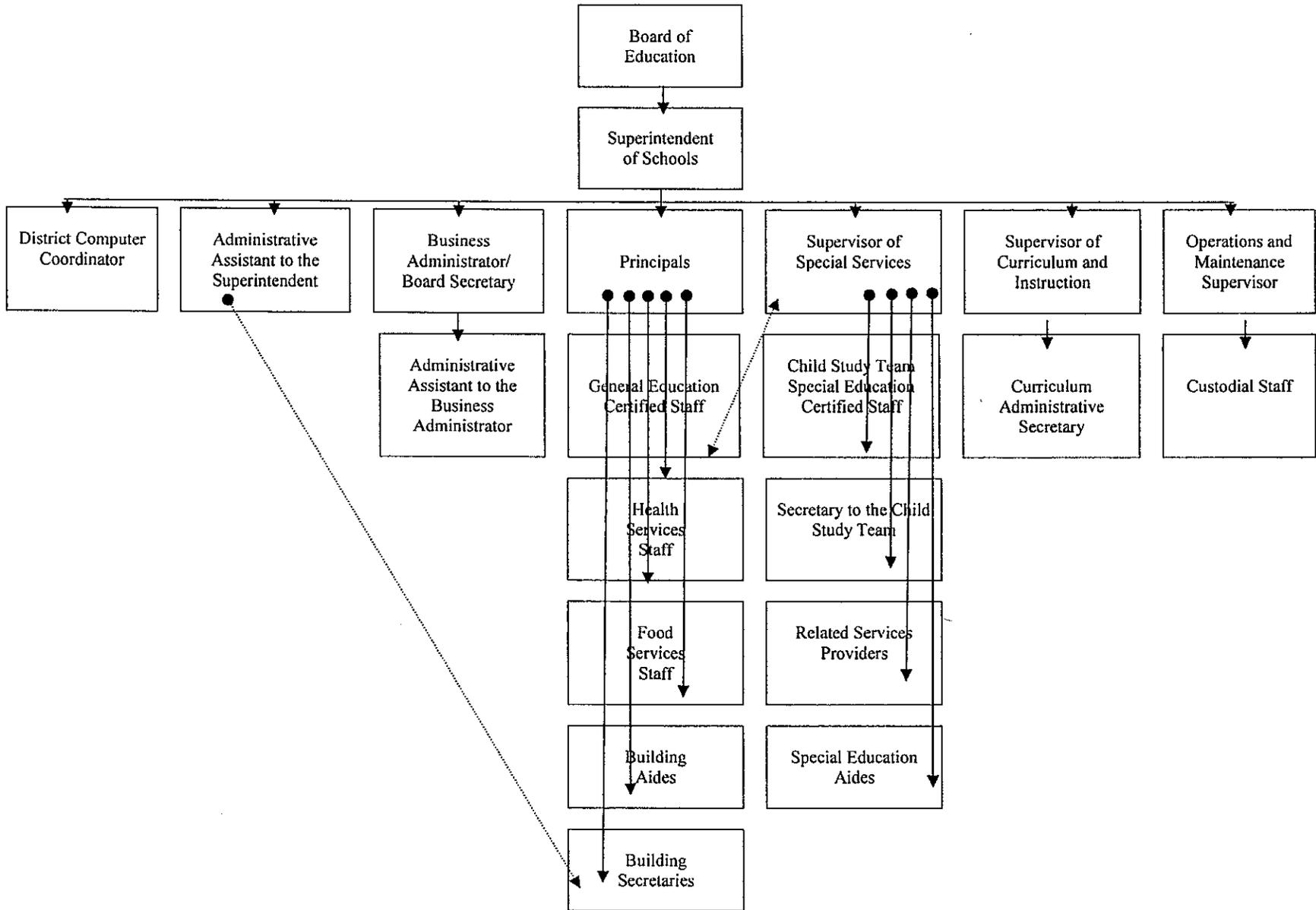
11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Mendham Borough Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance 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,


Thomas F. Butler, Ed. D.
Interim Superintendent


Heather Goguen
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, 2012

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Susan Vinci, President	11/2012
Michael Craver, Vice President	11/2013
Steven Andrew	11/2013
Alice Boushie	11/2014
William Corbett	11/2014
Paul Fechhelm	11/2014
AnnMarie Hornyak	11/2012
Bridget Poole	11/2012
John Vitale	11/2013

<u>Other Officials</u>	<u>Title</u>
Thomas F. Butler, Ed. D.	Interim Superintendent
Judy Favino	Interim 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
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Attorneys

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16-00 Route 208 South
Fairlawn, NJ 07410

Schwartz, Simon, Edelstein & Celso LLC
Attorneys at Law
100 South Jefferson Road, Suite 200
Whippany, NJ 07981

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 Sussex, as of and for the fiscal year ended June 30, 2012 which collectively comprise the Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 Office of School Finance, 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 Sussex, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows 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 September 18, 2012 on our consideration of the Board of Education of the Mendham Borough School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

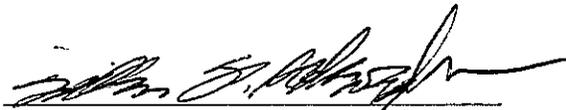
The Honorable President and Members
of the Board of Education
Mendham Borough School District
Page 2

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report, and Budgetary Comparison Information in Exhibits C-1 through C-3 and I-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements. The accompanying supplementary information schedules such as the combining and individual nonmajor fund financial statements and the Schedules of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information such as the combining and individual nonmajor fund financial statements and the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements as a whole. The accompanying other information, such as the introductory and statistical sections, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

September 18, 2012
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

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

Mendham Borough School District
Management's 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, 2012. 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 significantly.
- Overall revenue was \$11.33 million.
- The net assets of the District's business-type activity – food services – decreased by \$6,310.
- The net assets of the District's government-type activity increased by \$857,702.

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.

**Mendham Borough School District
Management's Discussion and Analysis
(Unaudited)**

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**

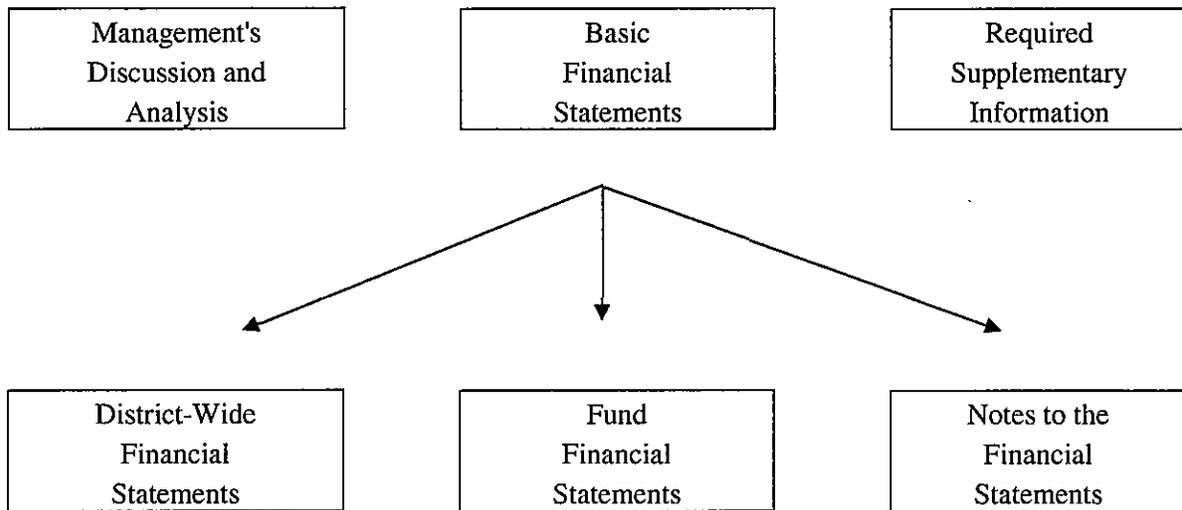


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

**Mendham Borough School District
Management's Discussion and Analysis
(Unaudited)**

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

**Mendham Borough School District
Management's Discussion and Analysis
(Unaudited)**

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

Mendham Borough School District
Management's Discussion and Analysis
(Unaudited)

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 \$851,392. Net assets from governmental activities increased \$857,702 and net assets from business-type activities decreased \$6,310. Net assets invested in capital assets increased \$299,738, restricted net assets increased \$577,585, and unrestricted net assets decreased by \$25,931.

Figure A-3
Condensed Statement of Net Assets

	Government Activities		Business-Type Activities		Total School District		Total
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	Percentage Change 2011/12
Current and							
Other Assets	\$1,525,107	\$1,150,632	\$ 11,262	\$ 7,317	\$1,536,369	\$1,157,949	32.68%
Capital Assets	12,057,067	12,311,302	22,695	28,722	12,079,762	12,340,024	-2.11%
Total Assets	13,582,174	13,461,934	33,957	36,039	13,616,131	13,497,973	0.88%
Long-Term Debt							
Outstanding	8,513,925	9,062,842			8,513,925	9,062,842	-6.06%
Other Liabilities	184,469	373,014	6,555	2,327	191,024	375,341	-49.11%
Total Liabilities	8,698,394	9,435,856	6,555	2,327	8,704,949	9,438,183	-7.77%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	3,712,067	3,406,302	22,695	28,722	3,734,762	3,435,024	8.73%
Restricted	1,108,069	530,484			1,108,069	530,484	108.88%
Unrestricted	63,644	89,292	4,707	4,990	68,351	94,282	-27.50%
Total Net Assets	\$4,883,780	\$4,026,078	\$ 27,402	\$ 33,712	\$4,911,182	\$4,059,790	20.97%

Mendham Borough School District
Management's Discussion and Analysis
(Unaudited)

Changes in Net Assets. The District's *combined* net assets were \$4,911,182 on June 30, 2012, \$851,392 or 20.97% higher than they were the year before. (See Figure A-3). Net assets invested in capital assets increased by \$299,738 or 8.73% as a result of \$560,000 of long-term debt maturities, \$143,616 in net capital acquisitions offset by depreciation of \$393,845 in its governmental and \$6,027 in its business-type activities, and capital deletions of \$4,006. Restricted net assets increased by \$577,585 or 108.88% due to the following increases - \$205,000 in Capital Reserve, \$30,046 in Maintenance Reserve, \$251,321 in reserve for excess surplus and an increase of \$91,218 in reserve for excess surplus designated for subsequent year's expenditures. Unrestricted net assets decreased by \$25,931 or 27.50% due to the following- increases of \$11,083 in Compensated Absences Payable and \$33,777 in encumbrances offset by decreases of \$33,263 in State Aid and \$37,528 of Fund Balance used by operations in the General Fund. (See Figure A-3).

Figure A-4
Changes in Net Assets from Operating Results

	Governmental Activities	Business-Type Activities	Total School District	Governmental Activities	Business-Type Activities	Total School District	Total Percentage Change
	2011/12	2011/12	2011/12	2010/11	2010/11	2010/11	2011/12
Revenue:							
Program Revenue:							
Charges for Services		\$ 154,885	\$ 154,885		\$ 165,529	\$ 165,529	-6.43%
Operating Grants and Contributions	\$ 1,358,063	22,191	1,380,254	\$ 1,122,234	13,433	1,135,667	21.54%
Capital Grants and Contributions	4,320		4,320				100.00%
General Revenue:							
Property Taxes	9,724,733		9,724,733	9,546,805		9,546,805	1.86%
Other	59,316	1,821	61,137	86,153	6,995	93,148	-34.37%
Total Revenue	11,146,432	178,897	11,325,329	10,755,192	185,957	10,941,149	3.51%
Expenses:							
Instruction	5,604,650		5,604,650	5,436,828		5,436,828	3.09%
Pupil and Instruction Services	1,835,103		1,835,103	1,746,726		1,746,726	5.06%
Administrative and Business	1,084,278		1,084,278	1,174,420		1,174,420	-7.68%
Maintenance and Operations	1,180,338		1,180,338	1,252,281		1,252,281	-5.74%
Pupil Transportation	211,566		211,566	188,904		188,904	12.00%
Other	372,795	185,207	558,002	624,616	187,226	811,842	-31.27%
Total Expenses	10,288,730	185,207	10,473,937	10,423,775	187,226	10,611,001	-1.29%
Increase in Net Assets	\$ 857,702	\$ (6,310)	\$ 851,392	\$ 331,417	\$ (1,269)	\$ 330,148	-157.88%

Revenue Sources. The District's total revenue for the 2011/12 school year was \$11,325,329. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$9,724,733 of the total, or 85.86 percent. (See Figure A-5). Another 12.23 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.

**Mendham Borough School District
Management's Discussion and Analysis
(Unaudited)**

Figure A-5**Sources of Revenue for Fiscal Year 2012**

	<u>Amount</u>	<u>Percentage</u>
Sources of Income:		
State Formula Aid	\$ 135,736	1.20%
Property Taxes	9,724,733	85.86%
Federal and State Categorical Grants	1,248,838	11.03%
Charges for Services	154,885	1.37%
Other	61,137	0.54%
	<u>\$ 11,325,329</u>	<u>100.00%</u>

The total cost of all programs and services was \$10,473,937. The District's expenses are predominantly related to instructing and caring for pupil services (73.05 percent instruction). The administrative and business activities of the schools were 10.35 percent. (See Figure A-6.) The District's maintenance and operations accounted for 11.27 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 \$399,872 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 2012**

	<u>Amount</u>	<u>Percentage</u>
Expense Category:		
Instruction	\$ 5,604,650	53.51%
Pupil and Instruction Services	1,835,103	17.52%
Administrative and Business	1,084,278	10.35%
Maintenance and Operations	1,180,338	11.27%
Transportation	211,566	2.02%
Other	558,002	5.33%
	<u>\$ 10,473,937</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District improved significantly. 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 increased this year while costs continue to escalate.

Mendham Borough School District
Management's Discussion and Analysis
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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
	<u>2011/12</u>	<u>2011/12</u>	<u>2010/11</u>	<u>2010/11</u>
Instruction	\$ 5,604,650	\$ 4,656,847	\$ 5,436,828	\$ 4,699,004
Pupil and Instruction Services	1,835,103	1,430,893	1,746,726	1,382,785
Administrative and Business	1,084,278	1,084,278	1,174,420	1,174,420
Maintenance and Operations	1,180,338	1,176,018	1,252,281	1,252,281
Transportation	211,566	205,516	188,904	177,850
Other	372,795	372,795	495,407	485,992
	<u>\$ 10,288,730</u>	<u>\$ 8,926,347</u>	<u>\$ 10,294,566</u>	<u>\$ 9,172,332</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 (\$1.36 million).
- Most of the District's costs, however, were financed by District taxpayers (\$9.72 million).
- A portion of the governmental activities was financed with approximately \$184,851 in state aid based on the General Fund State Aid Payments Formula, which is included in the \$1.36 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 \$6,310 (Refer to Figure A-4). Factors contributing to these results included:

- Food service expenses exceeded revenues by \$6,310, 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 increased significantly despite the rising cost of fixed obligations. This year the District received state aid, but had 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.

**Mendham Borough School District
Management's Discussion and Analysis
(Unaudited)**

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 2011/12
	Government Activities		Business-Type Activities		Total School District		
	<u>2011/12</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2010/11</u>	
Land	\$ 251	\$ 251			\$ 251	\$ 251	0.00%
Site Improvements	122,040	137,655			122,040	137,655	-11.34%
Buildings and Building Improvements	11,606,293	11,929,055			11,606,293	11,929,055	-2.71%
Machinery and Equipment	<u>328,483</u>	<u>244,341</u>	<u>\$ 22,695</u>	<u>\$ 28,722</u>	<u>351,178</u>	<u>273,063</u>	28.61%
Total Capital Assets (Net of Depreciation)	<u><u>\$ 12,057,067</u></u>	<u><u>\$ 12,311,302</u></u>	<u><u>\$ 22,695</u></u>	<u><u>\$ 28,722</u></u>	<u><u>\$ 12,079,762</u></u>	<u><u>\$ 12,340,024</u></u>	-2.11%

During the fiscal year, total depreciation expense was \$393,845 for governmental activities and \$6,027 for business-type activities. Additions for government activities totaled \$143,616 offset by \$4,006 of deletions.

Long-term Debt

At year-end, the District had \$8,345,000 in general obligation bonds outstanding – a decrease of \$560,000 in bonds from last year as well as an increase of \$11,083 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 2011/12
	<u>2011/12</u>	<u>2010/11</u>	<u>2011/12</u>
Bonds Payable	\$ 8,345,000	\$ 8,905,000	-6.29%
Compensated Absences Payable	<u>168,925</u>	<u>157,842</u>	7.02%
	<u><u>\$ 8,513,925</u></u>	<u><u>\$ 9,062,842</u></u>	-6.06%

- The District continued to pay down its debt, retiring \$560,000 of outstanding bonds.

**Mendham Borough School District
Management's Discussion and Analysis
(Unaudited)**

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. The rising cost of sales in the food service account has caused a loss in the current year for the food service fund. The District has decided to discontinue their participation in the Federal and State School Lunch Programs beginning in fiscal year 2012-13. The District also started an extended summer program for special education students that saved the District money.

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, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 819,341	\$ 13,442	\$ 832,783
Receivables from Other Governments:			
Federal	68,029	654	68,683
State	52,811	64	52,875
Other Accounts Receivable	1,241	1,366	2,607
Internal Balances	8,915	(8,915)	
Inventory		4,651	4,651
Restricted Assets:			
Capital Reserve Account - Cash	524,273		524,273
Maintenance Reserve Account - Cash	50,497		50,497
Capital Assets, Net			
Sites (Land)	251		251
Depreciable Site Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment	<u>12,056,816</u>	<u>22,695</u>	<u>12,079,511</u>
Total Assets	<u>13,582,174</u>	<u>33,957</u>	<u>13,616,131</u>
LIABILITIES			
Accrued Interest Payable	113,893		113,893
Accounts Payable - Vendors	63,233	5,476	68,709
Payable to State Government	720		720
Deferred Revenue	6,623	1,079	7,702
Noncurrent Liabilities:			
Due Within One Year	585,000		585,000
Due Beyond One Year	<u>7,928,925</u>		<u>7,928,925</u>
Total Liabilities	<u>8,698,394</u>	<u>6,555</u>	<u>8,704,949</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,712,067	22,695	3,734,762
Restricted for:			
Capital Projects	577,713		577,713
Other Purposes	530,356		530,356
Unrestricted	<u>63,644</u>	<u>4,707</u>	<u>68,351</u>
Total Net Assets	<u>\$ 4,883,780</u>	<u>\$ 27,402</u>	<u>\$ 4,911,182</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, 2012

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	\$ 4,684,574		\$ 615,508		\$ (4,069,066)		\$ (4,069,066)
Special Education	851,995		332,295		(519,700)		(519,700)
Other Instruction	68,081				(68,081)		(68,081)
Support Services:							
Tuition	421,473		155,373		(266,100)		(266,100)
Student & Instruction Related Services	1,413,630		248,837		(1,164,793)		(1,164,793)
General Administrative Services	458,764				(458,764)		(458,764)
School Administrative Services	405,599				(405,599)		(405,599)
Plant Operations and Maintenance	1,180,338			\$ 4,320	(1,176,018)		(1,176,018)
Pupil Transportation	211,566		6,050		(205,516)		(205,516)
Central Services	219,915				(219,915)		(219,915)
Interest on Long-Term Debt	372,795				(372,795)		(372,795)
Total Governmental Activities	10,288,730		1,358,063	4,320	(8,926,347)		(8,926,347)

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Business-Type Activities:							
Food Service	\$ 185,207	\$ 154,885	\$ 13,438			\$ (16,884)	\$ (16,884)
Total Business-Type Activities	<u>185,207</u>	<u>154,885</u>	<u>13,438</u>			<u>(16,884)</u>	<u>(16,884)</u>
Total Primary Government	<u>\$ 10,473,937</u>	<u>\$ 154,885</u>	<u>\$ 1,371,501</u>	<u>\$ 4,320</u>	<u>\$ (8,926,347)</u>	<u>(16,884)</u>	<u>(8,943,231)</u>
General Revenue:							
Taxes:							
Property Taxes, Levied for General Purposes, Net							
				8,802,752			8,802,752
Taxes Levied for Debt Service							
				921,981			921,981
Investment Earnings							
				3,958	8,767		12,725
Miscellaneous Income							
				55,358	1,807		57,165
Total General Revenues							
				<u>9,784,049</u>	<u>10,574</u>		<u>9,794,623</u>
Change in Net Assets							
				857,702	(6,310)		851,392
Net Assets - Beginning							
				<u>4,026,078</u>	<u>33,712</u>		<u>4,059,790</u>
Net Assets - Ending							
				<u>\$ 4,883,780</u>	<u>\$ 27,402</u>		<u>\$ 4,911,182</u>

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, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 718,812		\$ 100,529		\$ 819,341
Interfund Receivable:					
Capital Projects Fund	100,529				100,529
Special Revenue Fund	12,474				12,474
Food Service Fund	8,915				8,915
Receivables From Other Governments:					
Federal		\$ 68,029			68,029
State	51,999	812			52,811
Other Accounts Receivable	1,241				1,241
Restricted Assets:					
Capital Reserve Account - Cash	524,273				524,273
Maintenance Reserve Account - Cash	50,497				50,497
Total Assets	\$ 1,468,740	\$ 68,841	\$ 100,529	\$ -0-	\$ 1,638,110
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable - Vendors	\$ 14,209	\$ 49,024			\$ 63,233
Interfund Payable:					
General Fund		12,474	\$ 100,529		113,003
Payable to State Government		720			720
Deferred Revenue		6,623			6,623
Total Liabilities	14,209	68,841	100,529	\$ -0-	183,579

MENDHAM BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Fund Balances:					
Restricted for:					
Capital Reserve Account	\$ 577,713				\$ 577,713
Maintenance Reserve Account	50,497				50,497
Excess Surplus	365,590				365,590
Excess Surplus - Designated for Subsequent Year's Expenditures	114,269				114,269
Assigned to:					
Encumbrances	51,699				51,699
Unassigned:					
General Fund	294,763				294,763
Total Fund Balances	1,454,531				1,454,531
Total Liabilities and Fund Balances	\$ 1,468,740	\$ 68,841	\$ 100,529	\$ -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 \$16,334,458 and the accumulated depreciation is \$4,277,391.

12,057,067

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.

(8,513,925)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

(113,893)

Net Assets of Governmental Activities

\$ 4,883,780

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, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Governmental Funds
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 8,802,752			\$ 921,981	\$ 9,724,733
Tuition Charges	33,550				33,550
Interest Earned on Capital Reserve Funds	680				680
Interest Earned on Maintenance Reserve Funds	46				46
Interest Earned	3,053		\$ 179		3,232
Miscellaneous	55,358	\$ 28,764			84,122
Total - Local Sources	8,895,439	28,764	179	921,981	9,846,363
State Sources	998,615	65,457	4,320		1,068,392
Federal Sources	12,745	218,932			231,677
Total Revenue	9,906,799	313,153	4,499	921,981	11,146,432
EXPENDITURES					
Current:					
Regular Instruction	3,382,335	63,220			3,445,555
Special Education Instruction	604,702				604,702
Other Instruction	62,275				62,275
Support Services and Undistributed Costs:					
Tuition	299,650	121,823			421,473
Student & Instruction Related Services	921,018	128,110			1,049,128
General Administrative Services	433,096				433,096
School Administrative Services	360,975				360,975
Central Services	171,569				171,569
Pupil Transportation	211,566				211,566

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Governmental Funds
EXPENDITURES					
Plant Operations and Maintenance	\$ 685,453				\$ 685,453
Benefits - Allocated and Unallocated	2,130,061				2,130,061
Debt Service:					
Principal				\$ 560,000	560,000
Interest and Other Charges				361,981	361,981
Capital Outlay	74,764				74,764
Total Expenditures	<u>9,337,464</u>	<u>\$ 313,153</u>		<u>921,981</u>	<u>10,572,598</u>
Excess/(Deficiency) of Revenue over Expenditures	<u>569,335</u>		<u>\$ 4,499</u>		<u>573,834</u>
OTHER FINANCING SOURCES/(USES)					
Transfers In	4,499				4,499
Transfers Out			(4,499)		(4,499)
Total Other Financing Sources/(Uses)	<u>4,499</u>		<u>(4,499)</u>		
Net Change in Fund Balances	573,834				573,834
Fund Balance—July 1	<u>880,697</u>				<u>880,697</u>
Fund Balance—June 30	<u>\$ 1,454,531</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 1,454,531</u>

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, 2012

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 573,834

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 and disposal of assets exceeded capital outlays in the period.

	\$	(393,845)	
Depreciation expense		(4,006)	
Disposal of Assets with Carrying Value		143,616	(254,235)
Capital outlays			

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 (+). (11,083)

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. (+) 560,000

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. (-) (10,814)

Change in Net Assets - Governmental Funds (Exhibit A-2) \$ 857,702

Exhibit B-4

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 13,442
Intergovernmental Accounts Receivable:	
State	64
Federal	654
Other	1,366
Inventories	4,651
	20,177
Total Current Assets	
Capital Assets:	
Equipment	127,175
Accumulated depreciation	(104,480)
	22,695
Total Capital Assets	
Total Assets	42,872
 LIABILITIES:	
Current Liabilities:	
Accounts Payable- Vendors	5,476
Deferred Revenue	1,079
Interfund Payable - General Fund	8,915
	15,470
Total Liabilities	
 NET ASSETS:	
Invested in Capital Assets net of Related Debt	22,695
Unrestricted	4,707
	\$ 27,402

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, 2012

	<u>Business-Type Activities - Enterprise Funds</u>
Operating revenue	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 64,292
Daily Sales - Reimbursable Programs	90,593
Other Non-Reimbursable Sales	<u>1,807</u>
Total Operating Revenue	<u>156,692</u>
Operating Expenses:	
Cost of Sales	82,987
Salaries, Benefits & Payroll Taxes	68,905
Supplies, Insurance & Other Costs	6,647
Management Fee	13,413
Depreciation	6,027
Miscellaneous Expenses	<u>7,228</u>
Total Operating Expenses	<u>185,207</u>
Operating Loss	<u>(28,515)</u>
Non-Operating Revenue	
Local Sources:	
Interest Income	14
State Sources:	
State School Lunch Program	1,146
Federal Sources:	
National School Lunch Program	12,278
Food Distribution Program	<u>8,767</u>
Total Non-Operating Revenue	<u>22,205</u>
Change in Net Assets	(6,310)
Net Assets - Beginning of Year	<u>33,712</u>
Net Assets - End of Year	<u>\$ 27,402</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, 2012

	<u>Business-Type Activities - Enterprise Funds</u>
Cash Flows From Operating Activities:	
Receipts from Customers	\$ 155,326
Payments to Food Service Vendor	(159,570)
Payments to Suppliers	<u>(7,228)</u>
Net Cash Used for Operating Activities	<u>(11,472)</u>
Cash Flows From Investing Activities:	
Interest Income	<u>14</u>
Net Cash Provided by Investing Activities	<u>14</u>
Cash Flows from Noncapital Financing Activities:	
State Sources:	
State School Lunch Program	1,166
Federal Sources:	
National School Lunch Program	<u>12,320</u>
Net Cash Provided by Noncapital Financing Activities	<u>13,486</u>
Net Increase in Cash and Cash Equivalents	2,028
Cash and Cash Equivalents, July 1	<u>11,414</u>
Cash and Cash Equivalents, June 30	<u>\$ 13,442</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (28,515)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	6,027
Food Distribution Program	8,767
Changes in Assets and Liabilities:	
(Increase) in Inventory	(613)
(Decrease) in Deferred Revenue	(334)
Increase in Accounts Payable	4,562
(Increase) in Accounts Receivable	<u>(1,366)</u>
Net Cash Used for Operating Activities	<u>\$ (11,472)</u>

Non-Cash Investing, Capital and Financing Activities:

The District received commodities valued at \$8,767, used commodities valued at \$9,101, and had \$1,079 in commodities at June 30, 2012.

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, 2012

<u>ASSETS:</u>	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
Cash and Cash Equivalents	\$ 57,901	\$ 4,057	\$ 118,521
Total Assets	<u>57,901</u>	<u>4,057</u>	<u>118,521</u>
<u>LIABILITIES:</u>			
Payroll Deductions and Withholdings	658		
Due to Student Groups	<u>57,243</u>		
Total Liabilities	<u>57,901</u>		
<u>NET ASSETS:</u>			
Held in Trust for Flex Spending Claims		4,057	
Restricted for Unemployment Claims			<u>118,521</u>
Total Net Assets	<u>\$ - 0 -</u>	<u>\$ 4,057</u>	<u>\$ 118,521</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, 2012

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
Additions:		
Contributions:		
Plan Contributions	\$ 10,380	
Employee Deductions		\$ 14,963
Board Contributions		50,000
Total Contributions	<u>10,380</u>	<u>64,963</u>
Investment Earnings:		
Interest	<u>1</u>	<u>160</u>
Net Investment Earnings	<u>1</u>	<u>160</u>
Total Additions	<u>10,381</u>	<u>65,123</u>
Deductions:		
Flex Spending Claims	6,324	
Unemployment Compensation Claims		44,602
Total Deductions	<u>6,324</u>	<u>44,602</u>
Change in Net Assets	4,057	20,521
Net Assets - Beginning of the Year		<u>98,000</u>
Net Assets - End of the Year	<u>\$ 4,057</u>	<u>\$ 118,521</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, 2012

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, 2012
(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, 2012
(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, 2012
(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 budget for the fiscal year ended June 30, 2012 was submitted to the County office and was voted upon at the annual school election on the fourth Wednesday in April 2011. 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).

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 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.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 9,913,372	\$ 306,740
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.		6,413
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	663	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(7,236)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 9,906,799</u>	<u>\$ 313,153</u>

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 9,337,464	\$ 313,153
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.		(6,413)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 9,337,464	\$ 306,740

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, 2012
(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, 2012.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 governmental 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, 2012.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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.

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 \$1,454,531 General Fund fund balance at June 30, 2012, \$51,699 is assigned for encumbrances, \$577,713 is restricted in the capital reserve account; \$50,497 is restricted in the maintenance reserve account; \$365,590 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, 2014; \$114,269 is restricted as prior year excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2013, and \$294,763 is unassigned which is \$7,236 less than the Budgetary basis, due to the final state aid payments, which are not recognized until the fiscal year ending June 30, 2013.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2012 is \$-0-.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2012 is \$ -0- .

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 above.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$7,236 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 prior 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 have been restricted, committed or assigned.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 and a maintenance 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 no committed resources at June 30, 2012.

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 in the General Fund at June 30, 2012.

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, 2012
(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 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, 2012
(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.

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MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 2012
(Continued)

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

As of June 30, 2012, 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	<u>\$ 1,013,262</u>	<u>\$ 524,273</u>	<u>\$ 50,497</u>	<u>\$ 1,588,032</u>
	<u>\$ 1,013,262</u>	<u>\$ 524,273</u>	<u>\$ 50,497</u>	<u>\$ 1,588,032</u>

During the period ended June 30, 2012 the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2012, was \$1,588,032 and the bank balance was \$1,847,362.

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, 2011 to June 30, 2012 fiscal year is as follows:

Beginning Balance, July 1, 2011	\$ 372,713
Unexpended Capital Projects Funds Returned	4,320
Interest Earnings	680
Increased by Board Resolution June 12, 2012	<u>200,000</u>
Ending Balance, June 30, 2012	<u>\$ 577,713</u>

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The June 30, 2012 Capital Reserve balance does not exceed the local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP").

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2012 the District made a transfer of \$50,420 to the capital outlay accounts. The transfer was approved by the County Superintendent.

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.

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 restricted 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.

The activity of the maintenance reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Beginning Balance, July 1, 2011	\$ 20,451
Interest Earnings	46
Increased by Board Resolution June 12, 2012	<u>30,000</u>
Ending Balance, June 30, 2012	<u>\$ 50,497</u>

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2012 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	650,533	\$ 143,616	\$ (175,968)	618,181
Total Capital Assets Being Depreciated	<u>16,366,559</u>	<u>143,616</u>	<u>(175,968)</u>	<u>16,334,207</u>
Governmental Activities Capital Assets	<u>16,366,810</u>	<u>143,616</u>	<u>(175,968)</u>	<u>16,334,458</u>
Less Accumulated Depreciation for:				
Site Improvements	(174,640)	(15,615)		(190,255)
Buildings and Building Improvements	(3,474,676)	(322,762)		(3,797,438)
Machinery and Equipment	(406,192)	(55,468)	171,962	(289,698)
	<u>(4,055,508)</u>	<u>(393,845)</u>	<u>171,962</u>	<u>(4,277,391)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$12,311,302</u>	<u>\$ (250,229)</u>	<u>\$ (4,006)</u>	<u>\$12,057,067</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 127,175			\$ 127,175
Less Accumulated Depreciation	(98,453)	\$ (6,027)		(104,480)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 28,722</u>	<u>\$ (6,027)</u>	<u>\$ - 0 -</u>	<u>\$ 22,695</u>

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

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 5,081
Special Education Instruction	5,632
Student and Instruction Related Services	1,378
School Administrative Services	15,833
Operations and Maintenance of Plant	<u>365,921</u>
	<u>\$ 393,845</u>

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 2012 were approximately \$91,558. Future minimum lease payments are as follows:

Year Ended June 30,	Amount
2013	\$ 46,318
2014	3,177
2015	530
Total Future Minimum Lease Payments	\$ 50,025

NOTE 9. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2012, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2011	Accrued	Retired	Balance 6/30/2012
Bonds Payable	\$ 8,905,000		\$ 560,000	\$ 8,345,000
Compensated Absences Payable	157,842	\$ 16,083	5,000	168,925
	\$ 9,062,842	\$ 16,083	\$ 565,000	\$ 8,513,925

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, 2012 as follows:

	<u>Serial Bonds</u>		
Final Maturity Date	Interest Rate		Amount
6/30/2026	3.750%- 4.250%		\$ 8,345,000
			\$ 8,345,000

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(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>	
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	625,000	244,944	869,944
2018-2022	3,055,000	845,825	3,900,825
2023-2026	2,210,000	224,188	2,434,188
	<u>\$ 8,345,000</u>	<u>\$ 2,541,470</u>	<u>\$10,886,470</u>

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

B. Bonds Authorized But Not Issued:

As of June 30, 2012, 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 \$168,925 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, 2012

(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 legislation. Effective with the first payroll on or after October 1, 2011 the employer contributions for PERS and TPAF went from 5.5% to 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in the TPAF and PERS.

District Contributions to PERS amounted to \$80,977, \$89,836, and \$71,413 for the fiscal years ended June 30, 2012, 2011, and 2010 respectively.

During the fiscal years ended June 30, 2012, 2011, and 2010 the State of New Jersey contributed \$149,242, \$-0-, and \$-0-, respectively, to the TPAF for 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, 2011, there were 93,323 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, TPAF and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District were \$300,016, \$312,071 and \$304,024, for 2012, 2011 and 2010, respectively.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(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, 2012 is not available as of the date of this report. Selected financial information for NJSBAIG as of June 30, 2011 is as follows:

	<u>New Jersey School Board's Association Insurance Group</u>
Total Assets	\$ 253,890,161
Net Assets	\$ 62,802,257
Total Revenue	\$ 83,993,678
Total Expenses	\$ 79,175,491
Change in Net Assets	\$ 4,818,187
Net Asset Distribution to Participating Members	\$ -0-

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

Willis Pooling
340 Scotch Road
West Trenton, NJ 08628
(609) 538-0159

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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>
2011-2012	\$ 50,000	\$ 15,123	\$ 44,602	\$ 118,521
2010-2011	125,000	17,421	116,910	98,000
2009-2010	50,000	12,418	39,376	72,489

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, 2012:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 121,918	
Special Revenue Fund		\$ 12,474
Capital Projects Fund		100,529
Fiduciary Fund		8,915
	<u>\$ 121,918</u>	<u>\$ 121,918</u>

The interfund payable from Capital Project Fund and the interfund receivable in the General Fund as of June 30, 2012 represents transfers of \$100,529 made to the Capital Projects Fund due to the General Fund in prior years. The interfund payable from the Special Revenue Fund and the interfund receivable in the General Fund as of June 30, 2012 represents a cash deficit in the Special Revenue Fund due to grant receivable. The interfund payable from the Food Service Fund is from a prior year amount transferred from the General Fund to cover a deficit which has not been returned as of June 30, 2012.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(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, permit 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.

Arbitrage

The District is not subject to liability for arbitrage payable to the federal government relative to its \$9,160,000 Refunding Bonds dated November 3, 2005 as the District is considered a small issuer with debt under \$15,000,000.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 17. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

At June 30, 2012, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Special Revenue Fund	Total Governmental Activities
\$ 51,699	\$ 1,103	\$ 52,802

On the District's Governmental Funds Balance Sheet as of June 30, 2012, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$1,103 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in deferred revenue in the Special Revenue Fund.

SUPPLEMENTARY SCHEDULES

BUDGETARY COMPARISON SCHEDULES

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<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	\$ 8,802,752		\$ 8,802,752	\$ 8,802,752	
Tuition	39,000		39,000	33,550	\$ (5,450)
Interest Earned on Capital Reserve Funds				680	680
Interest Earned on Maintenance Reserve Funds	2,500	\$ (2,500)		46	46
Miscellaneous	37,500	2,500	40,000	58,411	18,411
Total - Local Sources	<u>8,881,752</u>		<u>8,881,752</u>	<u>8,895,439</u>	<u>13,687</u>
State Sources:					
Categorical Special Education Aid	92,426	92,425	184,851	184,851	
Extraordinary Aid				45,949	45,949
Nonpublic School Transportation Costs				6,050	6,050
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				149,242	149,242
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				300,016	300,016
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				319,080	319,080
Total State Sources	<u>92,426</u>	<u>92,425</u>	<u>184,851</u>	<u>1,005,188</u>	<u>820,337</u>
Federal Sources:					
Education Jobs Fund		12,745	12,745	12,745	
Total Federal Sources		<u>12,745</u>	<u>12,745</u>	<u>12,745</u>	
Total Revenues	<u>8,974,178</u>	<u>105,170</u>	<u>9,079,348</u>	<u>9,913,372</u>	<u>834,024</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<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	\$ 250,183	\$ (54,646)	\$ 195,537	\$ 185,704	\$ 9,833
Grades 1-5 - Salaries of Teachers	1,522,813	18,568	1,541,381	1,522,595	18,786
Grades 6-8 - Salaries of Teachers	1,251,713	12,460	1,264,173	1,240,486	23,687
Regular Programs - Home Instruction:					
Salaries of Teachers	3,500		3,500	315	3,185
Purchased Professional-Educational Services	1,000	5,621	6,621	4,036	2,585
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	38,414	13,000	51,414	50,580	834
Purchased Professional-Educational Services	14,393	3,500	17,893	17,768	125
Other Purchased Services	187,942	6,782	194,724	172,171	22,553
General Supplies	145,764	24,120	169,884	155,768	14,116
Textbooks	35,956	(20)	35,936	32,912	3,024
Other Objects	1,900	1,300	3,200		3,200
Total Regular Programs - Instruction	3,453,578	30,685	3,484,263	3,382,335	101,928
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	533,208	(15,229)	517,979	491,985	25,994
Other Salaries for Instruction	20,694	27,546	48,240	48,240	
General Supplies	2,226	450	2,676	2,661	15
Total Resource Room/Resource Center	556,128	12,767	568,895	542,886	26,009

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Preschool Disabilities - Full Time:					
Salaries of Teachers	\$ 81,381		\$ 81,381	\$ 48,132	\$ 33,249
Other Salaries for Instruction	17,524	\$ (48)	17,476	12,466	5,010
General Supplies	1,170	48	1,218	1,218	
Total Preschool Disabilities - Full Time	100,075		100,075	61,816	38,259
Total Special Education - Instruction	656,203	12,767	668,970	604,702	64,268
Basic Skills/Remedial - Instruction:					
Salaries of Teachers		150	150	150	
Total Basic Skills/Remedial - Instruction		150	150	150	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	24,259	8,743	33,002	33,002	
Other Objects	515		515	423	92
Total School-Sponsored Cocurricular Activities - Instruction	24,774	8,743	33,517	33,425	92
School-Sponsored Cocurricular Activities - Athletics:					
Salaries	22,729	5,971	28,700	28,700	
Total School-Sponsored Cocurricular Activities - Athletics	22,729	5,971	28,700	28,700	
Total Instruction	4,157,284	58,316	4,215,600	4,049,638	165,962
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State - Special	113,800	(30,000)	83,800	63,235	20,565
Tuition to Private Schools for the Disabled Within the State	208,082	50,425	258,507	236,415	22,092
Total Undistributed Expenditures - Instruction	321,882	20,425	342,307	299,650	42,657

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Health Services:					
Salaries	\$ 115,601	\$ 1,659	\$ 117,260	\$ 117,260	
Purchased Professional and Technical Services	4,500		4,500	4,500	
Other Purchased Services	150	(1)	149		\$ 149
Supplies and Materials	3,697		3,697	3,697	
Total Health Services	123,948	1,658	125,606	125,457	149
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	156,244	(34,716)	121,528	57,548	63,980
Purchased Professional - Educational Services	62,194	(10,230)	51,964	14,248	37,716
Supplies and Materials	448	30	478	478	
Total Other Support Services - Speech, OT, PT and Related Services	218,886	(44,916)	173,970	72,274	101,696
Other Support Services - Students - Extra Services					
Purchased Professional - Educational Services	123,161	10,000	133,161	118,444	14,717
Supplies and Materials	900	(171)	729	683	46
Total Other Support Services - Students - Extra Services	124,061	9,829	133,890	119,127	14,763
Other Support Services - Students - Guidance					
Salaries of Other Professional Staff		30,000	30,000	28,215	1,785
Other Purchased Professional and Technical Services	350		350		350
Supplies and Materials	880		880	880	
Total Other Support Services - Students - Guidance	1,230	30,000	31,230	29,095	2,135

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Other Support Services - Students - Child Study Team					
Salaries of Other Professional Staff	\$ 195,395		\$ 195,395	\$ 173,113	\$ 22,282
Salaries of Secretarial and Clerical Assistants	40,275		40,275	40,275	
Purchased Professional - Educational Services	9,410	\$ (632)	8,778	1,275	7,503
Other Purchased Services	600	(350)	250	79	171
Supplies and Materials	2,694	1,135	3,829	3,123	706
Other Objects	370	48	418	418	
Total Other Support Services - Students - Child Study Team	248,744	201	248,945	218,283	30,662
Improvement of Instructional Staff:					
Salaries of Other Professional Staff	25,403	(3,478)	21,925	19,785	2,140
Salaries of Secretarial and Clerical Assistants	20,910		20,910	20,910	
Other Salaries	108,120	3,478	111,598	111,598	
Purchased Professional - Educational Services	6,000	(3,300)	2,700	1,100	1,600
Other Purchased Services	6,075	(2,000)	4,075	1,795	2,280
Supplies and Materials	1,908	(1)	1,907	1,794	113
Other Objects	429		429	344	85
Total Improvement of Instructional Staff	168,845	(5,301)	163,544	157,326	6,218
Educational Media Services/School Library:					
Salaries	85,120	699	85,819	85,819	
Salaries of Technology Coordinators	66,522		66,522	66,427	95
Other Purchased Services	31,624	(5,620)	26,004	18,954	7,050
Supplies and Materials	16,641		16,641	16,522	119
Other Objects	525		525	525	
Total Educational Media Services/School Library	200,432	(4,921)	195,511	188,247	7,264

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Instructional Staff Training Services:					
Other Purchased Services	\$ 15,000		\$ 15,000	\$ 11,209	\$ 3,791
Total Instructional Staff Training Services	15,000		15,000	11,209	3,791
Support Services - General Administration:					
Salaries	279,175	\$ 2,848	282,023	282,023	
Legal Services	34,500		34,500	29,793	4,707
Audit Fees	18,750		18,750	18,750	
Architectural/Engineering Services	4,000	3,755	7,755	7,755	
Other Purchased Professional Services	3,000	7,007	10,007	9,407	600
Communications/Telephone	23,529	2,100	25,629	25,367	262
Other Purchased Services (400-500 series)	45,085	(3,976)	41,109	40,463	646
General Supplies	5,061	(410)	4,651	4,651	
BOE In-House Training/Meeting Supplies	1,000		1,000	1,000	
Miscellaneous Expenditures	6,756	1,285	8,041	8,038	3
BOE Membership Dues and Fees	7,000	(929)	6,071	5,849	222
Total Support Services - General Administration	427,856	11,680	439,536	433,096	6,440
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	290,376	(30,120)	260,256	221,042	39,214
Salaries of Secretarial and Clerical Assistants	90,855	19,029	109,884	109,884	
Purchased Professional and Technical Services	3,000		3,000	1,114	1,886
Other Purchased Services	23,121	(186)	22,935	19,121	3,814
Supplies and Materials	6,365	42	6,407	6,372	35
Other Objects	2,459	983	3,442	3,442	
Total Support Services - School Administration	416,176	(10,252)	405,924	360,975	44,949

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Support Services - Central Services:					
Salaries	\$ 160,466	\$ (55)	\$ 160,411	\$ 157,523	\$ 2,888
Purchased Professional Services	3,800		3,800	3,700	100
Miscellaneous Purchased Services	2,362		2,362	2,362	
Supplies and Materials	6,070		6,070	6,070	
Miscellaneous Expenditures	1,990		1,990	1,914	76
Total Support Services - Central Services	174,688	(55)	174,633	171,569	3,064
Custodial Services:					
Salaries	197,922	8,751	206,673	204,373	2,300
Purchased Professional Services	5,500	(1,000)	4,500	4,486	14
Purchased Professional - Technical Services	60,000	(11,772)	48,228	45,491	2,737
Cleaning, Repair and Maintenance Services	51,270	7,493	58,763	54,373	4,390
Other Purchased Property Services	18,200	241	18,441	18,272	169
Insurance	28,000	944	28,944	28,944	
Miscellaneous Purchased Services	3,040		3,040	2,822	218
General Supplies	24,000	7,000	31,000	22,898	8,102
Energy (Electricity)	144,968	(7,500)	137,468	128,521	8,947
Energy (Natural Gas)	54,349	7,500	61,849	50,210	11,639
Total Custodial Services	587,249	11,657	598,906	560,390	38,516
Required Maintenance of School Facilities:					
Salaries	75,863	1,959	77,822	77,822	
Cleaning, Repair and Maintenance Services	40,539	1,997	42,536	39,618	2,918
General Supplies	7,000	623	7,623	7,623	
Total Required Maintenance of School Facilities	123,402	4,579	127,981	125,063	2,918

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Student Transportation Services:					
Other than Between Home and School - Vendors		\$ 1,705	\$ 1,705	\$ 1,701	\$ 4
Between Home and School - Joint Agreements	\$ 83,956	8,426	92,382	92,382	
Special Education Students - Joint Agreements	65,529	(17,475)	48,054	34,244	13,810
Regular Students - ESCs and CTSA's	2,452	2,010	4,462	4,227	235
Special Education Students - ESCs and CTSA's	70,383	(1,426)	68,957	68,196	761
Aid in Lieu Payments - Non-Public School	18,464	(240)	18,224	10,816	7,408
Total Student Transportation Services	<u>240,784</u>	<u>(7,000)</u>	<u>233,784</u>	<u>211,566</u>	<u>22,218</u>
Allocated Benefits:					
Regular Programs - Instruction:					
Social Security Contributions	12,746		12,746	12,746	
Other Retirement Contributions - Regular	13,864	356	14,220	14,220	
Workmen's Compensation	27,933		27,933	21,557	6,376
Health Benefits	660,622	(3,272)	657,350	602,437	54,913
Total Regular Programs - Instruction	<u>715,165</u>	<u>(2,916)</u>	<u>712,249</u>	<u>650,960</u>	<u>61,289</u>
Special Programs - Instruction:					
Social Security Contributions	3,358		3,358	3,358	
Other Retirement Contributions - Regular	5,659		5,659	162	5,497
Workmen's Compensation	5,728	(944)	4,784	4,432	352
Health Benefits	139,686		139,686	115,481	24,205
Total Special Programs - Instruction	<u>154,431</u>	<u>(944)</u>	<u>153,487</u>	<u>123,433</u>	<u>30,054</u>
Other Instructional Programs - Instruction:					
Social Security Contributions	4,134	1,672	5,806	5,806	
Total Instructional Programs - Instruction	<u>4,134</u>	<u>1,672</u>	<u>5,806</u>	<u>5,806</u>	

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Allocated Benefits:					
Health Services:					
Workmen's Compensation	\$ 1,017		\$ 1,017	\$ 800	\$ 217
Health Benefits	40,362		40,362	37,495	2,867
Total Health Services	<u>41,379</u>		<u>41,379</u>	<u>38,295</u>	<u>3,084</u>
Other Support Services - Speech, OT, PT and Related Services:					
Social Security Contributions	7,511		7,511	7,511	
Other Retirement Contributions - Regular	9,562		9,562	9,562	
Workmen's Compensation	970		970	800	170
Health Benefits	17,091		17,091	15,877	1,214
Total Other Support Services - Speech, OT, PT and Related Services	<u>35,134</u>		<u>35,134</u>	<u>33,750</u>	<u>1,384</u>
Other Support Services - Students - Child Study Team:					
Social Security Contributions	7,766		7,766	7,766	
Other Retirement Contributions - Regular	4,511		4,511	4,511	
Workmen's Compensation	2,088		2,088	1,608	480
Health Benefits	58,944		58,944	54,756	4,188
Total Other Support Services - Students - Child Study Team	<u>73,309</u>		<u>73,309</u>	<u>68,641</u>	<u>4,668</u>
Improvement of Instruction Services:					
Social Security Contributions	1,859		1,859	1,859	
Other Retirement Contributions - Regular	2,342		2,342	2,342	
Workmen's Compensation	1,143	\$ 5	1,148	900	248
Health Benefits	19,425	1	19,426	18,046	1,380
Tuition Reimbursement		2,000	2,000	1,833	167
Total Improvement of Instruction Services	<u>24,769</u>	<u>2,006</u>	<u>26,775</u>	<u>24,980</u>	<u>1,795</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Allocated Benefits:					
Educational Media Services/School Library:					
Social Security Contributions	\$ 5,852		\$ 5,852	\$ 5,852	
Other Retirement Contributions - Regular	9,533		9,533	9,533	
Workmen's Compensation	1,344		1,344	1,035	\$ 309
Health Benefits	48,301		48,301	44,870	3,431
Total Educational Media Services/School Library	65,030		65,030	61,290	3,740
Support Services - General Administration:					
Social Security Contributions	7,539		7,539	7,539	
Other Retirement Contributions - Regular	7,682		7,682	7,682	
Workmen's Compensation	2,473		2,473	2,000	473
Health Benefits	16,460	\$ (600)	15,860	15,290	570
Total General Administration	34,154	(600)	33,554	32,511	1,043
Support Services - School Administration:					
Social Security Contributions	9,106		9,106	9,106	
Other Retirement Contributions - Regular	10,176		10,176	10,176	
Workmen's Compensation	3,378		3,378	2,674	704
Health Benefits	51,211		51,211	47,573	3,638
Total School Administration	73,871		73,871	69,529	4,342
Support Services - Central Services:					
Social Security Contributions	4,562	55	4,617	4,562	55
Other Retirement Contributions - Regular	5,767		5,767	5,767	
Workmen's Compensation	1,422		1,422	1,100	322
Health Benefits	39,689		39,689	36,869	2,820
Total Central Services	51,440	55	51,495	48,298	3,197

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Allocated Benefits:					
Operation and Maintenance of Plant Services:					
Social Security Contributions	\$ 24,086	\$ 380	\$ 24,466	\$ 24,266	\$ 200
Other Retirement Contributions - Regular	28,105		28,105	28,105	
Workmen's Compensation	15,129	(3,479)	11,650	11,650	
Health Benefits	87,523		87,523	81,306	6,217
Total Operation and Maintenance of Plant Services	154,843	(3,099)	151,744	145,327	6,417
Unallocated Benefits:					
Other Retirement Contributions- Regular		3,299	3,299	3,299	
Unemployment Contributions		50,000	50,000	50,000	
Tuition Reimbursement	25,000	(27)	24,973	5,604	19,369
Total Unallocated Benefits	25,000	53,272	78,272	58,903	19,369
On-Behalf Contributions:					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				149,242	(149,242)
TPAF Post Retirement (On-Behalf - Non-Budgeted)				300,016	(300,016)
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				319,080	(319,080)
Total On-Behalf Contributions				768,338	(768,338)
Total Personal Services - Employee Benefits	1,452,659	49,446	1,502,105	2,130,061	(627,956)
Total Undistributed Expenditures	4,845,842	67,030	4,912,872	5,213,388	(300,516)
Total Current Expense	9,003,126	125,346	9,128,472	9,262,700	(134,228)

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital Outlay:					
Equipment:					
Undistributed Expenditures:					
Non-Instructional Equipment		\$ 48,000	\$ 48,000	\$ 47,969	\$ 31
Total Equipment		48,000	48,000	47,969	31
Facilities Acquisition and Construction Services:					
Other Objects- Debt Service Assessment	\$ 24,383		24,383	24,383	
Construction Services		2,420	2,420	2,412	8
Total Facilities Acquisition and Construction Services	24,383	2,420	26,803	26,795	8
Total Capital Outlay	24,383	50,420	74,803	74,764	39
Total Expenditures	9,027,509	175,766	9,203,275	9,337,464	(134,189)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(53,331)	(70,596)	(123,927)	575,908	699,835
Other Financing Sources/Uses:					
Operating Transfer In:					
Transfer from Capital Projects Fund				179	179
Transfer from Capital Projects Fund to Capital Reserve				4,320	4,320
Total Other Financing Sources/Uses:				4,499	4,499
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(53,331)	(70,596)	(123,927)	580,407	704,334
Fund Balance, July 1	881,360		881,360	881,360	
Fund Balance, June 30	\$ 828,029	\$ (70,596)	\$ 757,433	\$ 1,461,767	\$ 704,334

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation:					
Restricted for:					
Maintenance Reserve Account				\$ 50,497	
Capital Reserve Account				577,713	
Excess Surplus				365,590	
Excess Surplus - Designated for Subsequent Year's Expenditures				114,269	
Assigned to:					
Encumbrances				51,699	
Unassigned				301,999	
				1,461,767	
Reconciliation to Governmental Fund Statement (GAAP):					
Last Two State Aid Payments not Recognized on a GAAP Basis				(7,236)	
Fund Balance per Governmental Funds (GAAP)				\$ 1,454,531	

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenue:					
Local Sources		\$ 34,727	\$ 34,727	\$ 23,349	\$ (11,378)
State Sources	\$ 41,439	24,738	66,177	65,457	(720)
Federal Sources	185,513	35,208	220,721	217,934	(2,787)
Total Revenue	<u>226,952</u>	<u>94,673</u>	<u>321,625</u>	<u>306,740</u>	<u>(14,885)</u>
Expenditures:					
Instruction:					
Salaries of Teachers	25,538	(2,444)	23,094	23,094	
Other Salaries for Instruction	4,500		4,500	4,500	
Purchased Professional and Technical Services	3,935	660	4,595	3,928	667
Purchased Professional and Educational Services		812	812	812	
Tuition	83,906	37,917	121,823	121,823	
Textbooks	9,084	1,795	10,879	10,509	370
Supplies and Materials		23,147	23,147	15,433	7,714
Total Instruction	<u>126,963</u>	<u>61,887</u>	<u>188,850</u>	<u>180,099</u>	<u>8,751</u>
Support Services:					
Salaries of Other Professional Staff	10,325	4,686	15,011	15,011	
Purchased Professional/Educational Services	87,782	12,538	100,320	99,600	720
Other Purchased Services		13,389	13,389	9,604	3,785
Supplies and Materials	1,882	2,173	4,055	2,426	1,629
Total Support Services	<u>99,989</u>	<u>32,786</u>	<u>132,775</u>	<u>126,641</u>	<u>6,134</u>
Total Expenditures	<u>226,952</u>	<u>94,673</u>	<u>321,625</u>	<u>306,740</u>	<u>14,885</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

MENDHAM BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISION SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 9,913,372	\$ 306,740
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.		6,413
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	663	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(7,236)</u>	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 <u>\$ 9,906,799</u>	 <u>\$ 313,153</u>
 Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 9,337,464	\$ 306,740
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.		<u>6,413</u>
 Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u>\$ 9,337,464</u>	 <u>\$ 313,153</u>

MENDHAM BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISION SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2012 was submitted to the County office and was voted upon at the annual school election on the fourth Wednesday in April 2011. 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, 2012

	<u>Math Grant</u>	<u>No Child Left Behind</u>		<u>Nonpublic Textbook</u>	<u>Nonpublic Nursing</u>
		<u>Title II A</u>	<u>Title II Part D Carryover</u>		
REVENUE:					
Local Sources	\$ 23,349				
State Sources				\$ 10,509	\$ 15,011
Federal Sources		\$ 10,691	\$ 1,339		
Total Revenue	<u>23,349</u>	<u>10,691</u>	<u>1,339</u>	<u>10,509</u>	<u>15,011</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	7,960				
Other Salaries for Instruction					
Purchased Professional and Technical Services					
Purchased Professional and Educational Services					
Tuition					
General Supplies	15,389				
Textbooks				10,509	
Total Instruction	<u>23,349</u>			<u>10,509</u>	
Support Services:					
Salaries of Other Professional Staff					15,011
Purchased Professional/Educational Services					
Supplies and Materials		1,087	1,339		
Total Support Services		<u>10,691</u>	<u>1,339</u>		<u>15,011</u>
Total Expenditures	<u>\$ 23,349</u>	<u>\$ 10,691</u>	<u>\$ 1,339</u>	<u>\$ 10,509</u>	<u>\$ 15,011</u>

MENDHAM BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Chapter 192, Auxiliary Services		Chapter 193, Handicapped Services		
	Home Instruction	Compensatory Education	Examination/ Classification	Corrective Speech	Supplemental Instruction
REVENUE:					
Local Sources					
State Sources	\$ 812	\$ 4,227	\$ 16,584	\$ 6,318	\$ 11,996
Federal Sources					
Total Revenue	<u>812</u>	<u>4,227</u>	<u>16,584</u>	<u>6,318</u>	<u>11,996</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					11,996
Other Salaries for Instruction					
Purchased Professional and Technical Services					
Purchased Professional and Educational Services	812				
Tuition					
General Supplies					
Textbooks					
Total Instruction	<u>812</u>				<u>11,996</u>
Support Services:					
Salaries of Other Professional Staff					
Purchased Professional/Educational Services		4,227	16,584	6,318	
Supplies and Materials					
Total Support Services		<u>4,227</u>	<u>16,584</u>	<u>6,318</u>	
Total Expenditures	<u>\$ 812</u>	<u>\$ 4,227</u>	<u>\$ 16,584</u>	<u>\$ 6,318</u>	<u>\$ 11,996</u>

MENDHAM BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>IDEA Part B Preschool Carryover</u>	<u>IDEA Part B Preschool</u>	<u>IDEA Part B Basic</u>	<u>IDEA Part B Basic, Carryover</u>	<u>IDEA ARRA Part B Basic, Carryover</u>	<u>Totals June 30, 2012</u>
REVENUE:						
Local Sources						\$ 23,349
State Sources						65,457
Federal Sources	\$ 781	\$ 6,285	\$ 159,445	\$ 34,849	\$ 4,544	217,934
Total Revenue	<u>781</u>	<u>6,285</u>	<u>159,445</u>	<u>34,849</u>	<u>4,544</u>	<u>306,740</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers		3,138				23,094
Other Salaries for Instruction					4,500	4,500
Purchased Professional and Technical Services	781	3,147				3,928
Purchased Professional and Educational Services						812
Tuition			121,823			121,823
General Supplies					44	15,433
Textbooks						10,509
Total Instruction	<u>781</u>	<u>6,285</u>	<u>121,823</u>		<u>4,544</u>	<u>180,099</u>
Support Services:						
Salaries of Other Professional Staff						15,011
Purchased Professional/Educational Services			37,622	34,849		99,600
Supplies and Materials						2,426
Total Support Services			<u>37,622</u>	<u>34,849</u>		<u>126,641</u>
Total Expenditures	<u>\$ 781</u>	<u>\$ 6,285</u>	<u>\$ 159,445</u>	<u>\$ 34,849</u>	<u>\$ 4,544</u>	<u>\$ 306,740</u>

CAPITAL PROJECTS FUND

F-1

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, 2012

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ 4,320
Interest Income	179
	<hr/>
Total Revenue and Other Financing Sources	4,499
	<hr/>
Other Financing Uses:	
Operating Transfers Out:	
General Fund- Capital Outlay	(179)
General Fund- Capital Reserve	(4,320)
	<hr/>
Total Expenditures and Other Financing Uses	(4,499)
	<hr/>
Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	-0-
	<hr/>
Fund Balance - Beginning of Year	-0-
	<hr/>
Fund Balance - End of Year	\$ -0-
	<hr/> <hr/>

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, 2012

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 33,920	\$ 4,320	\$ 38,240	\$ 33,920
Transfer from Capital Reserve Account	50,880	(4,320)	46,560	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-	\$ -0-

Additional Project Information:

Project Number	3096-060-10-G0KH
Grant Date	4/26/2011
Original Authorized Cost	\$ 84,800
Increased Authorization- SDA Grant	4,320
Reduced Authorization- Capital Reserve	(4,320)
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, 2012

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 13,442
Intergovernmental Accounts Receivable:	
State	64
Federal	654
Other	1,366
Inventories	4,651
	<hr/>
Total Current Assets	20,177

Capital Assets:

Equipment	127,175
Accumulated Depreciation	(104,480)
	<hr/>
Total Capital Assets	22,695

Total Assets

LIABILITIES:

Current Liabilities:

Accounts Payable- Vendors	5,476
Deferred Revenue	1,079
Interfund Payable - General Fund	8,915
	<hr/>

Total Current Liabilities

Total Liabilities

NET ASSETS:

Invested in Capital Assets net of Related Debt	22,695
Unrestricted	4,707
	<hr/>
Total Net Assets	\$ 27,402
	<hr/> <hr/>

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, 2012

Operating revenue	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 64,292
Daily Sales - Reimbursable Programs	90,593
Other Non-Reimbursable Sales	<u>1,807</u>
Total Operating Revenue	<u>156,692</u>
Operating Expenses:	
Cost of Sales	82,987
Salaries, Benefits & Payroll Taxes	68,905
Supplies, Insurance & Other Costs	6,647
Management Fee	13,413
Depreciation	6,027
Miscellaneous Expenses	<u>7,228</u>
Total Operating Expenses	<u>185,207</u>
Operating Loss	<u>(28,515)</u>
Non-Operating Revenue	
Local Sources:	
Interest Income	14
State Sources:	
State School Lunch Program	1,146
Federal Sources:	
National School Lunch Program	12,278
Food Distribution Program	<u>8,767</u>
Total Non-Operating Revenue	<u>22,205</u>
Change in Net Assets	(6,310)
Net Assets - Beginning of Year	<u>33,712</u>
Net Assets - End of Year	<u><u>\$ 27,402</u></u>

Exhibit G-3

MENDHAM BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Cash Flows From Operating Activities:	
Receipts from Customers	\$ 155,326
Payments to Food Service Vendor	(159,570)
Payments to Suppliers	(7,228)
Net Cash Used for Operating Activities	<u>(11,472)</u>
Cash Flows From Investing Activities:	
Interest Income	14
Net Cash Provided by Investing Activities	<u>14</u>
Cash Flows from Noncapital Financing Activities:	
State Sources:	
State School Lunch Program	1,166
Federal Sources:	
National School Lunch Program	12,320
Net Cash Provided by Noncapital Financing Activities	<u>13,486</u>
Net Increase in Cash and Cash Equivalents	2,028
Cash and Cash Equivalents, July 1	<u>11,414</u>
Cash and Cash Equivalents, June 30	<u>\$ 13,442</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (28,515)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	6,027
Food Distribution Program	8,767
Changes in Assets and Liabilities:	
(Increase) in Inventory	(613)
(Decrease) in Deferred Revenue	(334)
Increase in Accounts Payable	4,562
(Increase) in Accounts Receivable	(1,366)
Net Cash Used for Operating Activities	<u>\$ (11,472)</u>

Non-Cash Investing, Capital and Financing Activities:

The District received commodities valued at \$8,767, used commodities valued at \$9,101, and had \$1,079 in commodities at June 30, 2012.

FIDUCIARY FUNDS

MENDHAM BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Payroll</u>	<u>Agency Student Activities</u>	<u>Total Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 658	\$ 57,243	\$ 57,901	\$ 4,057	\$ 118,521
Total Assets	<u>658</u>	<u>57,243</u>	<u>57,901</u>	<u>4,057</u>	<u>118,521</u>
<u>LIABILITIES:</u>					
Payroll Deductions and Withholdings Due to Student Groups	658	57,243	658 57,243		
Total Liabilities	<u>658</u>	<u>57,243</u>	<u>57,901</u>		
<u>NET ASSETS:</u>					
Held in Trust for Flex Spending Claims Reserved for Unemployment Claims				4,057	118,521
Total Net Assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,057</u>	<u>\$ 118,521</u>

Exhibit H-2

MENDHAM BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
Additions:		
Contributions:		
Plan Contributions	\$ 10,380	
Employee Deductions		\$ 14,963
Board Contributions		50,000
Total Contributions	<u>10,380</u>	<u>64,963</u>
Investment Earnings:		
Interest	<u>1</u>	<u>160</u>
Net Investment Earnings	<u>1</u>	<u>160</u>
Total Additions	<u>10,381</u>	<u>65,123</u>
Deductions:		
Flex Spending Claims	6,324	
Unemployment Compensation Claims		44,602
Total Deductions	<u>6,324</u>	<u>44,602</u>
Change in Net Assets	4,057	20,521
Net Assets - Beginning of the Year		<u>98,000</u>
Net Assets - End of the Year	<u>\$ 4,057</u>	<u>\$ 118,521</u>

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

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 50,732	\$ 130,013	\$ 123,502	\$ 57,243
Total Assets	<u>\$ 50,732</u>	<u>\$ 130,013</u>	<u>\$ 123,502</u>	<u>\$ 57,243</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 50,732	\$ 130,013	\$ 123,502	\$ 57,243
Total Liabilities	<u>\$ 50,732</u>	<u>\$ 130,013</u>	<u>\$ 123,502</u>	<u>\$ 57,243</u>

Exhibit H-4

MENDHAM BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

<u>Schools</u>	<u>Balance June 30, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2012</u>
Hilltop	\$ 9,621	\$ 14,119	\$ 11,502	\$ 12,238
Mountain View	37,625	89,690	89,508	37,807
Mountain View - Pay to Play	3,486	26,204	22,492	7,198
	<u>\$ 50,732</u>	<u>\$ 130,013</u>	<u>\$ 123,502</u>	<u>\$ 57,243</u>

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

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 1,295	\$ 2,373,697	\$ 2,374,334	\$ 658
Total Assets	<u>1,295</u>	<u>2,373,697</u>	<u>2,374,334</u>	<u>658</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	<u>1,295</u>	<u>\$ 2,373,697</u>	<u>2,374,334</u>	<u>658</u>
Total Liabilities	<u>\$ 1,295</u>	<u>\$ 2,373,697</u>	<u>\$ 2,374,334</u>	<u>\$ 658</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, 2012		Interest Rate	Balance June 30, 2011	Matured	Balance June 30, 2012
			Date	Amount				
Refunding of 03/01/2001 Bonds	11/03/2005	\$ 9,160,000	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%			
					\$ 8,905,000	\$ 560,000	\$ 8,345,000	
					<u>\$ 8,905,000</u>	<u>\$ 560,000</u>	<u>\$ 8,345,000</u>	

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUE:				
Local Sources:				
Local Tax Levy	\$ 921,981	\$ 921,981	\$ 921,981	
Total Revenue	<u>921,981</u>	<u>921,981</u>	<u>921,981</u>	
EXPENDITURES:				
Regular Debt Service:				
Interest	361,981	361,981	361,981	
Redemption of Principal	<u>560,000</u>	<u>560,000</u>	<u>560,000</u>	
Total Regular Debt Service	<u>921,981</u>	<u>921,981</u>	<u>921,981</u>	
Total Expenditures	<u>921,981</u>	<u>921,981</u>	<u>921,981</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

	<u>Exhibit</u>
<p>Financial Trends</p> <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p>Revenue Capacity</p> <p>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p>	J-6 thru J-9
<p>Debt Capacity</p> <p>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.</p>	J-10 thru J-13
<p>Demographic and Economic Information</p> <p>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.</p>	J-14 thru J-15
<p>Operating Information</p> <p>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.</p>	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, 2004.

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

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 3,712,067
Restricted	677,340	816,402	612,149	651,574	554,906	474,633	530,484	1,108,069
Unrestricted (Deficit)	(34,144)	141,470	357,762	2,157	173,945	48,050	89,292	63,644
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>	<u>4,883,780</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	22,695
Unrestricted	18,879	19,733	17,501	15,244	20,353	4,990	4,990	4,707
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>	<u>27,402</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	3,734,762
Restricted	677,340	816,402	612,149	651,574	554,906	474,633	530,484	1,108,069
Unrestricted (Deficit)	(15,265)	161,203	375,263	17,401	194,298	48,050	94,282	68,351
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>	<u>\$ 4,911,182</u>

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

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

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 4,684,574
Special Education	585,670	563,321	638,325	782,622	1,007,947	1,075,788	854,210	851,995
Other Special Instruction	72,340	77,152	82,385					
School-Sponsored/Other Instruction	90,931	43,920	57,817	222,649	195,328	86,422	39,960	68,081
Support Services:								
Tuition	134,428	199,272	241,834	74,817	232,066	307,477	286,933	421,473
Student & Instruction Related Services	996,240	1,195,084	1,158,322	1,381,013	1,314,469	1,657,900	1,459,793	1,413,630
General Administrative Services	493,321	445,603	510,790	548,161	463,694	518,311	472,335	458,764
School Administrative Services	458,663	491,279	523,750	508,387	495,115	482,443	491,812	405,599
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	1,180,338
Pupil Transportation	104,984	137,432	202,206	220,345	294,656	274,925	188,904	211,566
Central Services	303,087	311,125	366,482	376,971	319,487	200,295	210,273	219,915
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	372,795
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>	<u>10,288,730</u>
Business-Type Activities:								
Food Service	132,775	130,706	134,283	140,159	145,000	168,642	187,226	185,207
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>	<u>185,207</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>	<u>\$ 10,473,937</u>

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

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues								
Governmental Activities:								
Charges for Services:								
Tuition	\$ 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	\$ 1,358,063
Capital Grants and Contributions	70,000						33,920	4,320
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>1,156,154</u>	<u>1,362,383</u>
Business-Type Activities:								
Charges for Services:								
Food Service	130,029	124,823	125,153	124,296	136,251	131,821	165,529	154,885
Operating Grants and Contributions	4,941	4,913	4,937	5,802	6,207	5,015	13,433	13,438
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>	<u>168,323</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>1,335,116</u>	<u>1,530,706</u>
Net (Expense)/Revenue								
Governmental Activities	(7,617,326)	(7,927,335)	(8,491,276)	(8,833,551)	(9,186,448)	(9,469,458)	(9,138,412)	(8,926,347)
Business-type Activities	2,195	(970)	(4,193)	(10,061)	(2,542)	(31,806)	(8,264)	(16,884)
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>(9,146,676)</u>	<u>(8,943,231)</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	8,802,752
Taxes Levied for Debt Service	897,755	905,038	870,738	895,943	903,250	914,513	916,656	921,981
Federal and State Aid not Restricted	71,467	52,018	84,330	97,675	26,086	30,581		
Investment Earnings	24,822	12,019	86,657	61,860	15,530	9,973	5,238	3,958
Miscellaneous Income	11,573	39,874	62,497	36,267	41,712	30,924	46,995	55,358
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>\$ 9,469,829</u>	<u>\$ 9,784,049</u>

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

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Business-Type Activities:								
Investment Earnings	\$ 192	\$ 50	\$ 68	\$ 59	\$ 52	\$ 27	\$ 17	
Contributed Capital			6,900	47,309				\$ 8,767
Miscellaneous Income						49	2,769	1,807
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>	<u>10,574</u>
Total District	<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>9,476,824</u>	<u>9,794,623</u>
Change in Net Assets:								
Governmental Activities	(91,003)	284,084	141,912	164,435	2,621	(21,499)	331,417	857,702
Business-type Activities	2,387	(920)	2,775	37,307	(2,490)	(27,209)	(1,269)	(6,310)
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>	<u>\$ 851,392</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 EIGHT FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:								
Reserved/ Restricted	\$ 360,269	\$ 671,851	\$ 646,900	\$ 629,836	\$ 544,152	\$ 474,633	\$ 530,484	\$ 1,108,069
Assigned							17,922	51,699
Unassigned							332,954	294,763
Unreserved	<u>189,166</u>	<u>189,166</u>	<u>243,801</u>	<u>264,797</u>	<u>335,857</u>	<u>280,925</u>		
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>	<u>1,454,531</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	<u>22,057</u>	<u>22,057</u>						
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	1,108,069
Assigned							17,922	51,699
Unassigned							332,954	294,763
Unreserved	<u>404,317</u>	<u>333,717</u>	<u>339,481</u>	<u>286,535</u>	<u>346,611</u>	<u>280,925</u>		
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>	<u>\$ 1,454,531</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 EIGHT FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:								
Tax Levy	\$ 7,418,461	\$ 8,116,800	\$ 8,399,704	\$ 8,802,184	\$ 9,125,741	\$ 9,431,002	\$ 9,546,805	\$ 9,724,733
Tuition Charges	36,514		3,971	14,667	24,340	32,601	41,423	33,550
Interest Earnings	5,248	8,735	86,657	61,860	15,530	9,973	5,281	3,958
Miscellaneous	37,222	50,618	58,526	21,600	44,712	53,546	73,429	84,122
State Sources	1,030,335	1,048,790	1,363,311	1,391,204	1,180,791	1,044,856	854,379	1,068,392
Federal Sources	132,371	144,194	163,003	182,594	172,681	258,354	233,875	231,677
Total Revenue	8,660,151	9,369,137	10,075,172	10,474,109	10,563,795	10,830,332	10,755,192	11,146,432
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	3,445,555
Special Education Instruction	558,965	552,412	608,326	719,379	769,024	864,391	633,114	604,702
Other Special Instruction	72,340	77,152	82,385					
School-Sponsored/Other Instruction	85,993	38,608	52,505	168,333	195,328	86,422	39,960	62,275
Support Services:								
Tuition	134,428	199,272	241,834	74,817	232,066	307,477	286,933	421,473
Student & Instruction Related Services	925,072	1,049,908	1,029,946	1,250,326	1,102,831	1,242,616	1,134,336	1,049,128
General Administrative Services	393,414	429,405	419,185	449,680	410,186	419,031	420,778	433,096
School Administrative Services	414,904	404,134	438,940	455,421	424,327	471,249	428,641	532,544
Plant Operations and Maintenance	678,829	736,954	823,558	906,378	763,935	707,089	724,862	685,453
Pupil Transportation	104,984	137,432	202,206	220,345	294,656	274,925	188,904	211,566
Central Services	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	2,130,061
Capital Outlay	185,650	265,790	70,857	177,632	37,663	30,201	133,468	74,764
Debt Service:								
Principal	350,000	440,000	430,000	450,000	475,000	505,000	530,000	560,000
Interest and Other Charges	547,756	442,983	462,795	445,943	428,250	409,513	386,656	361,981
Total Expenditures	9,020,962	9,294,717	10,025,457	10,613,021	10,569,403	10,911,016	10,500,844	10,572,598
Excess/(Deficiency) of Revenues								
Over/(Under) Expenditures	(360,811)	74,420	49,715	(138,912)	(5,608)	(80,684)	254,348	573,834

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

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 4,499
Transfers Out	(107,056)	(8,118)	(77,591)	(10,572)	(20,225)	(54,604)	(180,132)	(4,499)
Total Other Financing Sources/(Uses)	<u>(107,056)</u>	<u>(9,292)</u>	<u>(77,591)</u>	<u>(10,572)</u>	<u>(20,000)</u>	<u>(54,521)</u>	<u>(129,209)</u>	<u>(4,499)</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>	<u>\$ 573,834</u>
Debt Service as a Percentage of Noncapital Expenditures	10.2%	9.8%	9.0%	8.6%	8.6%	8.4%	8.8%	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>
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
2012	3,779	33,550	17,675	37,683	92,687

Source: Mendham Borough School District records

MENDHAM BOROUGH SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST EIGHT 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
2011	7,898,100	1,105,338,700	63,764,800	378,500	109,617,500	2,342,200	1,289,339,800	123,773,600	2,300,875	1,291,640,675	0.47	1,410,302,723

*- 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,	Mendham Borough School District Direct Rate			Overlapping Rates				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	
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
2011	0.43	0.05	0.47	0.75	0.01	0.42	0.26	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.

Exhibit J-8

MENDHAM BOROUGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>Taxpayer</u>	2011	
	<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.	14,226,500	1.10%
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	0.42%
Taxpayer #4	5,224,100	0.40%
Taxpayer #5	4,629,500	0.36%
Taxpayer #6	4,398,200	0.34%
Taxpayer #7	4,294,900	0.33%
Total	<u>\$ 80,794,300</u>	<u>6.25%</u>

<u>Taxpayer</u>	2002	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Mendham Investment Co.	\$ 12,400,000	2.15%
Roxiticus Golf Club Inc.	5,510,200	0.95%
Holly Manor Assoc. of NJ	4,587,100	0.79%
Taxpayer #1	3,538,800	0.61%
Taxpayer #2	3,256,220	0.56%
Taxpayer #3	3,035,100	0.53%
Taxpayer #4	3,032,500	0.52%
Taxpayer #5	2,919,200	0.51%
Taxpayer #6	2,888,000	0.50%
Taxpayer #7	2,812,406	0.49%
Total	<u>\$ 43,979,526</u>	<u>7.61%</u>

Note: Individual Taxpayers listed may be different in 2011 and 2002.

Note: Revaluation was done in 2006 and 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	
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-
2012	9,724,733	9,724,733	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.

Exhibit J-10

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

Fiscal Year Ended June 30,	Governmental Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Total District		
2005	\$ 11,270,000	\$ 11,270,000	3.51%	\$ 2,206
2006	11,295,000	11,295,000	3.27%	2,224
2007	10,865,000	10,865,000	3.03%	2,160
2008	10,415,000	10,415,000	2.78%	2,061
2009	9,940,000	9,940,000	2.91%	1,965
2010	9,435,000	9,435,000	2.71%	1,892
2011	8,905,000	8,905,000	2.55%	1,778
2012	8,345,000	8,345,000	2.39%	1,666

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 EIGHT 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%	1,892
2011	8,905,000	-0-	8,905,000	0.687%	1,778
2012	8,345,000	-0-	8,345,000	0.646%	1,666

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, 2011
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	\$ 4,547,857	100.00%	\$ 4,547,857
West Morris Regional High School District Debt (Borough Share)	22,751,000	15.52%	3,529,848
Morris County General Obligation Debt (Borough Share)	269,247,125	1.44%	<u>3,872,599</u>
Subtotal, Overlapping Debt			11,950,304
Mendham Borough School District Direct Debt			<u>8,345,000</u>
Total Direct and Overlapping Debt			<u>\$ 20,295,304</u>

Source: 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 2012

	Equalized Valuation Basis
	2011 \$ 1,375,002,453
	2010 1,409,626,853
	2009 1,496,458,786
	\$ 4,281,088,092
Average Equalized Valuation of Taxable Property	\$ 1,427,029,364
Debt Limit (a) (3% of Average Equalization Value)	\$ 42,810,881
Net Bonded School Debt	8,345,000
Legal Debt Margin	\$ 34,465,881

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 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	\$ 42,810,881
Total Net Debt Applicable to Limit	12,270,000	11,955,000	11,620,000	11,295,000	10,865,000	10,415,000	9,940,000	9,435,000	8,905,000	8,345,000
Legal Debt Margin	\$ 11,404,118	\$ 14,164,532	\$ 16,363,542	\$ 21,268,142	\$ 24,445,907	\$ 28,348,987	\$ 32,085,182	\$ 35,587,476	\$ 36,451,182	\$ 34,465,881
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%	19.49%

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>
2003	5,098	\$ 56,804	\$ 289,586,792	1.90%
2004	5,108	60,780	310,464,240	1.50%
2005	5,109	62,930	321,509,370	1.50%
2006	5,079	67,918	344,955,522	1.50%
2007	5,031	71,191	358,161,921	1.40%
2008	5,054	74,025	374,122,350	1.80%
2009	5,058	67,614	341,991,612	3.20%
2010	4,986	69,811	348,077,646	3.20%
2011	5,008	69,811 *	349,613,488	3.30%
2012	5,008 **	69,811 *	349,613,488 ***	N/A

* - Latest Morris County per capita personal income available (2010) was used for calculation purposes.

** - Latest population data available (2011) was used for calculation purposes.

*** - Latest County Personal Income data available (2010) 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>2011</u>			<u>2002</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			
Picatinny 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	26,271	N/A			

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 EIGHT 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>	<u>2012</u>
Instruction								
Regular	54.95	50.80	50.80	52.40	51.60	51.45	52.60	49.00
Special Education	9.80	9.80	11.80	15.00	13.00	12.00	14.80	10.80
Support Services:								
Student & Instruction Related Services	10.80	10.30	10.70	10.80	10.80	12.80	10.30	12.60
School Administrative Services	4.70	4.70	4.70	4.70	4.70	4.00	4.00	4.00
General and Business Administrative Services	5.70	5.20	5.20	5.20	5.20	5.00	5.00	4.50
Plant Operations and Maintenance	5.00	5.00	5.00	5.50	5.50	5.50	5.50	5.00
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>	<u>85.90</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 EIGHT 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	698	671	3.56%	96.13%
2012	697	9,575,853	13,739	0.89%	56.9	1:11	1:12	673	648	-3.71%	96.29%

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 EIGHT 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>2012</u>
<u>District Building</u>								
Hilltop School								
Square Feet	59,790	59,790	59,790	59,790	59,790	59,790	59,790	59,790
Capacity (students)	428	428	428	428	428	428	428	428
Enrollment	360	353	356	357	354	348	368	336
Mountain View School								
Square Feet	55,280	55,280	55,280	55,280	55,280	55,280	55,280	55,280
Capacity (students)	383	383	383	383	383	383	383	383
Enrollment	303	292	298	311	312	312	329	316
Number of Schools at June 30, 2012								
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.

Exhibit J-19

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>
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
2012	61,523	63,540	125,063

* 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

Exhibit J-20

MENDHAM BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2012
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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 200 Valley Road, Suite 300
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Lawrence Business Center
 11 Lawrence Road
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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, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 Office of School Finance, Department of Education, State of New Jersey. However, we noted certain matters that we have reported to the Board in the *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated September 18, 2012.

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.

September 18, 2012
Mount Arlington, New Jersey

NISIVOCIA 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 OMB's Circular 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, 2012. 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 Office of School Finance, 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 OMB's Circular 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 Non-Profit Organizations*. Those standards, Federal OMB Circular A-133, and New Jersey OMB's Circular 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, 2012.

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.

September 18, 2012
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, 2012

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title:	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2011		Cash Received	Budgetary Expenditures	Adjustment	Balance at June 30, 2012		
					Deferred Revenue/ (Accounts Receivable)	Due to Grantor				Deferred Revenue	(Accounts Receivable)	Due to Grantor
U.S. Department of Education Passed-through State Department of Education:												
General Fund:												
Education Jobs Fund	84.410	Not Available	8/1/10-9/30/12	\$ 12,745			\$ 12,745	\$ (12,745)				
Total General Fund							12,745	(12,745)				
U.S. Department of Agriculture												
Passed-through State Department of Education:												
Child Nutrition Cluster:												
Food Distribution Program	10.555	N/A	7/1/10-6/30/11	4,076	\$ 1,413			(1,413)				
Federal School Lunch Program	10.555	N/A	7/1/10-6/30/11	9,309	(696)	696						
Food Distribution Program	10.555	N/A	7/1/11-6/30/12	8,433		8,433	(7,354)		\$ 1,079			
Federal School Lunch Program	10.555	N/A	7/1/11-6/30/12	12,278		11,624	(12,278)			\$ (654)		
Total U.S. Department of Agriculture Child Nutrition Cluster					717		20,753	(21,045)	1,079	(654)		
Total Enterprise Funds					717		20,753	(21,045)	1,079	(654)		
U.S. Department of Education												
Passed-through State Department of Education:												
NCLB Consolidated:												
Title II - Part A - Carryover	84.367	NCLB-3090-11	9/1/10-8/31/11	11,328	1,496			(1,339)	\$ (157)			
Title II - Part A	84.367	NCLB-3090-12	9/1/11-8/31/12	10,910		6,401	(10,691)			(4,290)		
Title IV	84.186	NCLB-3090-11	9/1/09-8/31/11	1,242	971				(971)			
Total NCLB Consolidated					2,467		6,401	(12,030)	(1,128)	(4,290)		
Special Education Cluster:												
I.D.E.A. Part B, Basic	84.027	IDEA-3090-12	9/1/11-8/31/12	159,445			96,487	(159,445)			(62,958)	
I.D.E.A. Part B, Basic- Carryover	84.027	IDEA-3090-11	9/1/10-8/31/11	157,537	(29,267)		29,267					
I.D.E.A. Part B, Basic- Carryover	84.027	IDEA-3090-10	9/1/09-8/31/10	164,021			34,849	(34,849)				
I.D.E.A. Part B, Basic- Carryover	84.027	IDEA-3090-09	9/1/08-8/31/09	143,089		\$ 10			(10)			
I.D.E.A. Part B, Preschool	84.173	IDEA-3090-12	9/1/11-8/31/12	6,285			5,504	(6,285)			(781)	
I.D.E.A. Part B, Preschool- Carryover	84.173	IDEA-3090-11	9/1/10-8/31/12	7,030			781	(781)				
I.D.E.A. Part B, Preschool- Carryover	84.173	IDEA-3090-09	9/1/08-8/31/09	6,035	7				(7)			
ARRA - I.D.E.A. Part B, Basic	84.391	ARRA309010	9/1/09-8/31/12	180,204	(39,201)		43,745	(4,544)				
ARRA - I.D.E.A. Part B, Preschool	84.392	ARRA309010	9/1/09-8/31/12	6,523	(2,104)		2,104					
Total Special Education Cluster					(70,565)	10	212,737	(205,904)	(17)		(63,739)	
Teacher Quality Enhancement Grant - Carryover	84.336A	N/A	9/1/08-8/31/09	660	660					660		
Total U.S. Department of Education					(67,438)	10	219,138	(217,934)	(1,145)	660	(68,029)	
Total Special Revenue Fund					(67,438)	10	219,138	(217,934)	(1,145)	660	(68,029)	
Total Federal Financial Awards					\$ (66,721)	\$ 10	\$ 252,636	\$ (251,724)	\$ (1,145)	\$ 1,739	\$ (68,683)	\$ -0-

N/A - Not Applicable

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

MENDHAM BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2011		Cash Received	Budgetary Expenditures	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
Nonpublic Transportation Aid	11-495-034-5120-014	7/1/10-6/30/11	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	(16,346)		16,346						317,878
Categorical Special Education Aid	12-495-034-5120-085	7/1/11-6/30/12	184,851			177,615	\$ (184,851)				\$ (7,236)	184,851
Extraordinary Special Education Costs	N/A	7/1/11-6/30/12	45,949				(45,949)		\$ (45,949)		(45,949)	45,949
Nonpublic Transportation Aid	12-495-034-5120-014	7/1/11-6/30/12	6,050				(6,050)		(6,050)		(6,050)	6,050
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	7/1/11-6/30/12	319,080			319,080	(319,080)					319,080
Total General Fund				<u>(99,963)</u>		<u>596,658</u>	<u>(555,930)</u>		<u>(51,999)</u>		<u>(59,235)</u>	<u>957,425</u>
N.J. Nonpublic Aid:												
Textbook Aid	12-100-034-5120-064	7/1/11-6/30/12	10,509			10,509	(10,509)					10,509
Nursing Services	12-100-034-5120-070	7/1/11-6/30/12	15,011			15,011	(15,011)					15,011
Auxiliary Services:												
Compensatory Education	12-100-034-5120-064	7/1/11-6/30/12	4,227			4,227	(4,227)					4,227
Compensatory Education	11-100-034-5120-067	7/1/10-6/30/11	6,698		\$ 837			\$ (837)				5,861
Home Instruction	N/A	7/1/11-6/30/12	812				(812)		(812)			812
Handicapped Services:												
Examination & Classification	12-100-034-5120-066	9/1/11-6/30/12	16,908			16,908	(16,584)			\$ 324		16,584
Examination & Classification	11-100-034-5120-066	9/1/10-6/30/11	19,297		7,495			(7,495)				14,065
Examination & Classification	10-100-034-5120-066	9/1/09-6/30/10	27,413		375			(375)				6,318
Corrective Speech	12-100-034-5120-066	9/1/11-6/30/12	6,714			6,714	(6,318)			396		5,946
Corrective Speech	11-100-034-5120-066	9/1/10-6/30/11	14,082		8,136			(8,136)				11,996
Supplementary Instruction	12-100-034-5120-066	9/1/11-6/30/12	11,996			11,996	(11,996)					9,727
Supplementary Instruction	11-100-034-5120-066	9/1/10-6/30/11	14,591		4,864			(4,864)				101,056
Total Special Revenue Fund					<u>21,707</u>	<u>65,365</u>	<u>(65,457)</u>		<u>(21,707)</u>	<u>(812)</u>	<u>720</u>	<u>101,056</u>
U.S. Department of Agriculture												
Passed-through State Department of Education:												
State School Lunch Program	11-100-034-5120-122	7/1/10-6/30/11	1,020	(84)		84						1,020
State School Lunch Program	12-100-034-5120-122	7/1/11-6/30/12	1,146			1,082	(1,146)		(64)			1,146
Total Enterprise Fund				<u>(84)</u>		<u>1,166</u>	<u>(1,146)</u>		<u>(64)</u>			
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	38,240	(33,920)		38,240	(4,320)					38,240
Total Capital Projects Fund				<u>(33,920)</u>		<u>38,240</u>	<u>(4,320)</u>					<u>38,240</u>
Total State Financial Awards				<u>\$ (133,967)</u>	<u>\$ 21,707</u>	<u>\$ 701,429</u>	<u>\$ (626,853)</u>	<u>\$ (21,707)</u>	<u>\$ (52,875)</u>	<u>\$ 720</u>	<u>\$ (59,235)</u>	<u>\$ 1,096,721</u>

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, 2012

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, 2012. 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 OMB's Circular 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 year, 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. Grant revenue in the capital projects fund is recognized on the budgetary basis in the year of award while on the GAAP basis revenue is recognized based on grant expenditures.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$6,573) for the general fund and \$6,413 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 Pension and Post Retirement Contributions revenue of \$149,242 and \$300,016 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 12,745	\$ 998,615	\$ 1,011,360
Special Revenue Fund	218,932	65,457	284,389
Capital Projects Fund		4,320	4,320
Enterprise Fund	21,045	1,146	22,191
Total	<u>\$ 252,722</u>	<u>\$ 1,069,538</u>	<u>\$ 1,322,260</u>

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, 2012. Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

NOTE 6. NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANT

The District had a \$33,920 grant from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act in connection with an H.V.A.C. project on Mountain View School. The District realized the grant in full on a budgetary basis during the fiscal year ended June 30, 2011. During the current fiscal year, the District submitted a reimbursement request for eligible grant expenditures of \$4,320 which is reflected as revenue on the GAAP basis and included in the Schedule of Expenditures of State Awards. Reimbursement of \$4,320 was received during the current fiscal year.

MENDHAM BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 audit did not disclose any audit findings which are required to be reported in accordance with Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04.
- The District was not subject to the single audit provisions of the Federal OMB Circular A-133 for the fiscal year end June 30, 2012 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Federal Circular.
- The District's major state program 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	12-495-034-5095-002	7/1/11-6/30/12	\$ 319,080	\$ 319,080

- The threshold for distinguishing Type A and Type B state programs was \$300,000.
- The District qualified as a "low-risk" auditee for state programs under the provisions of section 530 of the Federal 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 OMB's Circular 04-04.

MENDHAM BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Status of Prior Year Findings:

There were no prior year findings.