

**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, 2013**

**Comprehensive Annual  
Financial Report**

**of the**

**Mendham Borough School District**

**Mendham, New Jersey**

**For the Fiscal Year Ended June 30, 2013**

**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

September 13, 2013

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, 2013, 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 Auditors' 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 Governmental 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 2012-13 fiscal year with an average daily enrollment of 650 students, which is a decrease of 23 students from the previous year's enrollment.

The Honorable President and Members  
of the Board of Education  
Mendham Borough School District  
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## 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 650 students are enrolled at the two elementary schools (K-4 and Grades 5-8). Students in Grades 9-12 attend the West Morris Mendham High School.

## 3) MAJOR INITIATIVES:

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

Major district initiatives include the following:

- Ongoing, focused professional development and implementation that supports expanded student achievement in reading and writing as designed by the Teachers College workshops
- Teacher training to ensure successful instruction using the new edition of Everyday Mathematics for grades pre-kindergarten through fifth
- Research concerning models for gifted education in districts similar to our own
- Preparation for and planning stages of a long-range strategic plan
- Creation and modification of new BOE policies
- Successful support of a large group of new teaching staff members
- Using Smart boards for instructional presentation in Grade 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 is 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.

The Honorable President and Members  
of the Board of Education  
Mendham Borough School District  
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September 13, 2013

**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/or assignments of fund balance at June 30, 2013.

**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) 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.

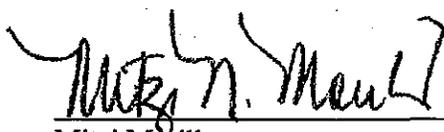
**9) OTHER INFORMATION:**

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 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*. 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 and *Government Auditing Standards* are included in the single audit section of this report.

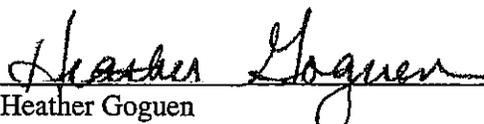
The Honorable President and Members  
of the Board of Education  
Mendham Borough School District  
Page 4  
September 13, 2013

10) 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,

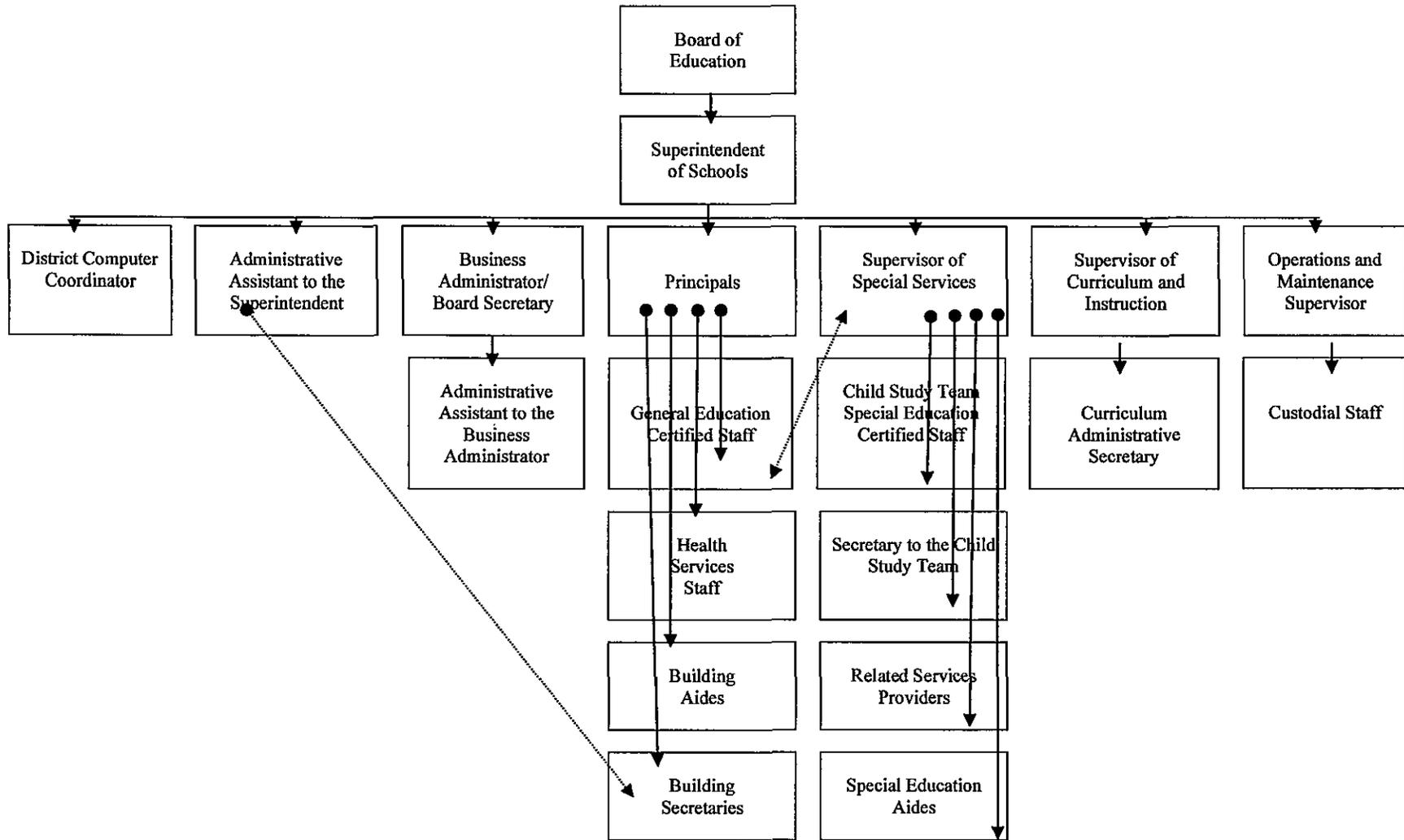


Mitzi Morillo  
Superintendent



Heather Goguen  
Board Secretary/Business Administrator

MENDHAM BOROUGH SCHOOLS  
 ORGANIZATION CHART 2012-2013



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

MENDHAM BOROUGH SCHOOL DISTRICT  
 ROSTER OF OFFICIALS  
 JUNE 30, 2013

<u>Members of the Board of Education</u>	<u>Term Expires</u>
John Vitale, President	11/2014
Steven Andrew, Vice President	11/2014
Michael Craver	11/2014
Alice Boushie	11/2015
William Corbett	11/2015
Paul Fechhelm	11/2015
AnnMarie Hornyak	11/2016
Beth Cocuzza	11/2016
Fred Scheonbrodt	11/2016

<u>Other Officials</u>	<u>Title</u>
Mitzi Morillo	Superintendent
Heather Goguen	Business Administrator/Board Secretary

**MENDHAM BOROUGH SCHOOL DISTRICT**  
Consultants and Advisors

**Audit Firm**

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

**Attorneys**

Schenck, Price, Smith & King, LLP  
220 Park Avenue  
Florham Park, NJ 07932

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

### **Report on the Financial Statements**

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 Mendham Borough School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable President and Members  
of the Board of Education  
Mendham Borough School District  
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### *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 Mendham Borough School District, in the County of Morris, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, and the 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the 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*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable President and Members  
of the Board of Education  
Mendham Borough School District  
Page 3

The accompanying other information such as the introductory and statistical sections 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2013 on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

September 13, 2013  
Mount Arlington, New Jersey

NISIVOCIA LLP



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

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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, 2013. 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 \$11.53 million.
- The net position of the District's business-type activity – food services – decreased by \$8,046.
- The net position of the District's government-type activities increased by \$680,972.

**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**

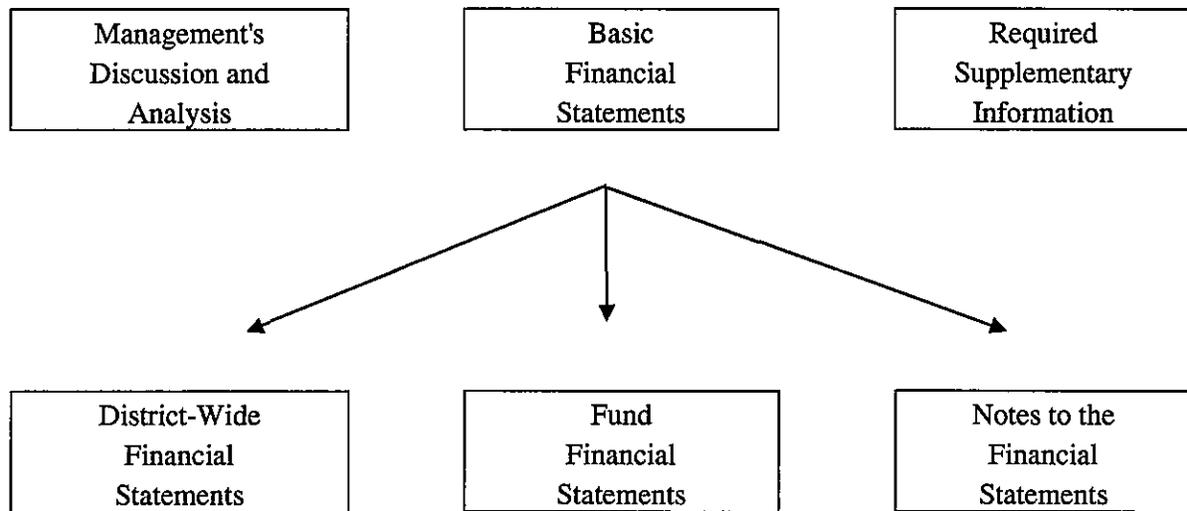


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents 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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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 position 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 position* and how they have changed. Net position – 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 position 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 Position.* The District's combined net position increased \$672,926. Net position from governmental activities increased \$680,972 and net position from business-type activities decreased \$8,046. Net position invested in capital assets increased \$325,092, restricted net position increased \$414,911, and unrestricted net position decreased by \$67,077.

**Figure A-3**  
**Condensed Statement of Net Position**

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
Current and							
Other Assets	\$ 1,884,490	\$ 1,525,107	\$ 15,113	\$ 11,262	\$ 1,899,603	\$ 1,536,369	23.64%
Capital Assets	11,803,186	12,057,067	16,668	22,695	11,819,854	12,079,762	-2.15%
Total Assets	<u>13,687,676</u>	<u>13,582,174</u>	<u>31,781</u>	<u>33,957</u>	<u>13,719,457</u>	<u>13,616,131</u>	0.76%
Long-Term Debt							
Outstanding	7,948,294	8,513,925			7,948,294	8,513,925	-6.64%
Other Liabilities	174,630	184,469	12,425	6,555	187,055	191,024	-2.08%
Total Liabilities	<u>8,122,924</u>	<u>8,698,394</u>	<u>12,425</u>	<u>6,555</u>	<u>8,135,349</u>	<u>8,704,949</u>	-6.54%
Net Position:							
Net Investment in							
Capital Assets	4,043,186	3,712,067	16,668	22,695	4,059,854	3,734,762	8.70%
Restricted	1,522,980	1,108,069			1,522,980	1,108,069	37.44%
Unrestricted	<u>(1,414)</u>	<u>63,644</u>	<u>2,688</u>	<u>4,707</u>	<u>1,274</u>	<u>68,351</u>	-98.14%
Total Net Position	<u>\$ 5,564,752</u>	<u>\$ 4,883,780</u>	<u>\$ 19,356</u>	<u>\$ 27,402</u>	<u>\$ 5,584,108</u>	<u>\$ 4,911,182</u>	13.70%

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

*Changes in Net Position.* The District's *combined* net position was \$5,584,108 on June 30, 2013, \$672,926 or 13.70% higher than it was the year before. (See Figure A-3). Net position invested in capital assets increased by \$325,092 or 8.70% as a result of \$585,000 of long-term debt maturities, \$146,764 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 \$6,800. Restricted net position increased by \$414,911 or 37.44% is due to the following increases - \$534,142 in Capital Reserve, \$38 in Maintenance Reserve and an increase of \$251,321 in excess surplus designated for subsequent year's expenditures offset by a decrease of \$365,590 in current year excess surplus and a withdrawal of \$5,000 from Maintenance Reserve. Unrestricted net position decreased by \$67,077 or 98.14% due to the following- increases of \$19,369 in Compensated Absences Payable and \$12,100 of fund balance assigned as Designated for Subsequent Year's Expenditures offset by decreases of \$98,546 of Fund Balance used by operations in the General Fund. (See Figure A-3).

**Figure A-4**  
**Changes in Net Position from Operating Results**

	Governmental Activities	Business-Type Activities	Total School District	Governmental Activities	Business-Type Activities	Total School District	Total Percentage Change
	2012/13	2012/13	2012/13	2011/12	2011/12	2011/12	2012/13
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Charges for Services		\$ 147,012	\$ 147,012		\$ 154,885	\$ 154,885	-5.08%
Operating Grants and Contributions	\$ 1,504,664	10	1,504,674	\$ 1,358,063	22,191	1,380,254	9.01%
Capital Grants and Contributions				4,320		4,320	-100.00%
<b>General Revenue:</b>							
Property Taxes	9,817,460		9,817,460	9,724,733		9,724,733	0.95%
Other	46,811	15,374	62,185	59,316	1,821	61,137	1.71%
<b>Total Revenue</b>	<u>11,368,935</u>	<u>162,396</u>	<u>11,531,331</u>	<u>11,146,432</u>	<u>178,897</u>	<u>11,325,329</u>	1.82%
<b>Expenses:</b>							
Instruction	5,954,260		5,954,260	5,604,650		5,604,650	6.24%
Pupil and Instruction Services	1,816,165		1,816,165	1,835,103		1,835,103	-1.03%
Administrative and Business	1,111,172		1,111,172	1,084,278		1,084,278	2.48%
Maintenance and Operations	1,240,889		1,240,889	1,180,338		1,180,338	5.13%
Pupil Transportation	209,032		209,032	211,566		211,566	-1.20%
Other	356,445	170,442	526,887	372,795	185,207	558,002	-5.58%
<b>Total Expenses</b>	<u>10,687,963</u>	<u>170,442</u>	<u>10,858,405</u>	<u>10,288,730</u>	<u>185,207</u>	<u>10,473,937</u>	3.67%
<b>Increase/(Decrease) in Net Position</b>	<u>\$ 680,972</u>	<u>\$ (8,046)</u>	<u>\$ 672,926</u>	<u>\$ 857,702</u>	<u>\$ (6,310)</u>	<u>\$ 851,392</u>	-20.96%

*Revenue Sources.* The District's total revenue for the 2012/13 school year was \$11,531,331. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$9,817,460 of the total, or 85.13 percent. (See Figure A-5). Another 13.25 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 2013**

	<u>Amount</u>	<u>Percentage</u>
Sources of Income:		
State Formula Aid	\$ 200,512	1.74%
Property Taxes	9,817,460	85.13%
Federal and State Categorical Grants	1,304,162	11.31%
Charges for Services	147,012	1.27%
Other	62,185	0.55%
	<u>\$ 11,531,331</u>	<u>100.00%</u>

The total cost of all programs and services was \$10,858,405. The District's expenses are predominantly related to instructing and caring for pupil services (71.57 percent instruction). The administrative and business activities of the schools were 10.23 percent. (See Figure A-6.) The District's maintenance and operations accounted for 11.43 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 2013**

	<u>Amount</u>	<u>Percentage</u>
Expense Category:		
Instruction	\$ 5,954,260	54.84%
Pupil and Instruction Services	1,816,165	16.73%
Administrative and Business	1,111,172	10.23%
Maintenance and Operations	1,240,889	11.43%
Transportation	209,032	1.94%
Other	526,887	4.83%
	<u>\$ 10,858,405</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  
(Unaudited)**

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**

	<b>Net Cost of Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2012/13</u>	<u>2012/13</u>	<u>2011/12</u>	<u>2011/12</u>
Instruction	\$ 5,954,260	\$ 4,857,464	\$ 5,604,650	\$ 4,656,847
Pupil and Instruction Services	1,816,165	1,416,319	1,835,103	1,430,893
Administrative and Business	1,111,172	1,111,172	1,084,278	1,084,278
Maintenance and Operations	1,240,889	1,240,889	1,180,338	1,176,018
Transportation	209,032	201,010	211,566	205,516
Other	356,445	356,445	372,795	372,795
	<u>\$ 10,687,963</u>	<u>\$ 9,183,299</u>	<u>\$ 10,288,730</u>	<u>\$ 8,926,347</u>

- The cost of all governmental activities this year was \$10.69 million.
- The federal and state governments subsidized certain programs with grants and aid (\$1.50 million).
- Most of the District's costs, however, were financed by District taxpayers (\$9.82 million).
- A portion of the governmental activities was financed with approximately \$200,512 in state aid based on the General Fund State Aid Payments Formula, which is included in the \$1.53 million above.
- The remainder of the funding came from miscellaneous revenue and investment earnings.

***Business-Type Activities***

Net position from the District's business-type activity decreased \$8,046 (Refer to Figure A-4). Factors contributing to these results included:

- Food service expenses exceeded revenues by \$8,046, accounting for all of the decrease in the net position 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. 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)**

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

It has proven to be another challenging year as we explored different avenues of saving money and reducing expenses. The District initiated a Pay To Participate program in 2011-2012 for sports and clubs. In the Fall of 2012, the Board resumed some of the cost, but parents are still responsible for paying a fee of \$60 for their children to participate in middle school sports and activities. The District also has had an outside food service company for two years and continues to not participate in the Federal and State School Lunch Programs in order to better serve the students in the Mendham Borough School District.

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 POSITION  
JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 646,691	\$ 12,203	\$ 658,894
Receivables from Other Governments:			
Federal	9,112		9,112
State	66,517		66,517
Other Accounts Receivable	4,780		4,780
Inventory		2,910	2,910
Restricted Assets:			
Capital Reserve Account - Cash	1,111,855		1,111,855
Maintenance Reserve Account - Cash	45,535		45,535
Capital Assets, Net			
Sites (Land)	251		251
Depreciable Site Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment	<u>11,802,935</u>	<u>16,668</u>	<u>11,819,603</u>
Total Assets	<u>13,687,676</u>	<u>31,781</u>	<u>13,719,457</u>
<b>LIABILITIES</b>			
Accrued Interest Payable	106,581		106,581
Accounts Payable - Vendors	58,015	10,787	68,802
Payable to State Government	720		720
Unearned Revenue	9,314	1,638	10,952
Noncurrent Liabilities:			
Due Within One Year	615,000		615,000
Due Beyond One Year	<u>7,333,294</u>		<u>7,333,294</u>
Total Liabilities	<u>8,122,924</u>	<u>12,425</u>	<u>8,135,349</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,043,186	16,668	4,059,854
Restricted for:			
Capital Projects	1,111,855		1,111,855
Other Purposes	411,125		411,125
Unrestricted	<u>(1,414)</u>	<u>2,688</u>	<u>1,274</u>
Total Net Position	<u>\$ 5,564,752</u>	<u>\$ 19,356</u>	<u>\$ 5,584,108</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, 2013

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>						
<b>Instruction:</b>						
Regular	\$ 4,883,460		\$ 691,524	\$ (4,191,936)		\$ (4,191,936)
Special Education	964,696		405,272	(559,424)		(559,424)
Other Instruction	106,104			(106,104)		(106,104)
<b>Support Services:</b>						
Tuition	335,006		170,871	(164,135)		(164,135)
Student & Instruction Related Services	1,481,159		228,975	(1,252,184)		(1,252,184)
General Administrative Services	396,745			(396,745)		(396,745)
School Administrative Services	486,753			(486,753)		(486,753)
Plant Operations and Maintenance	1,240,889			(1,240,889)		(1,240,889)
Pupil Transportation	209,032		8,022	(201,010)		(201,010)
Central Services	227,674			(227,674)		(227,674)
Interest on Long-Term Debt	334,369			(334,369)		(334,369)
Capital Outlay	22,076			(22,076)		(22,076)
<b>Total Governmental Activities</b>	<b>10,687,963</b>		<b>1,504,664</b>	<b>(9,183,299)</b>		<b>(9,183,299)</b>

MENDHAM BOROUGH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Business-Type Activities:						
Food Service	\$ 170,442	\$ 147,012	\$ 10		\$ (23,420)	\$ (23,420)
Total Business-Type Activities	170,442	147,012	10		(23,420)	(23,420)
Total Primary Government	<u>\$ 10,858,405</u>	<u>\$ 147,012</u>	<u>\$ 1,504,674</u>	<u>\$ (9,183,299)</u>	<u>(23,420)</u>	<u>(9,206,719)</u>
General Revenue:						
Taxes:						
				8,890,779		8,890,779
				926,681		926,681
				2,663	1,627	4,290
				44,148	13,747	57,895
				<u>9,864,271</u>	<u>15,374</u>	<u>9,879,645</u>
				680,972	(8,046)	672,926
				4,883,780	27,402	4,911,182
				<u>\$ 5,564,752</u>	<u>\$ 19,356</u>	<u>\$ 5,584,108</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, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 550,219	\$ 46,877	\$ 49,470	\$ 125	\$ 646,691
Interfund Receivable:					
Capital Projects Fund	49,470				49,470
Special Revenue Fund	45,978				45,978
Receivables From Other Governments:					
Federal		9,112			9,112
State	65,405	1,112			66,517
Other Accounts Receivable		4,780			4,780
Restricted Assets:					
Capital Reserve Account - Cash	1,111,855				1,111,855
Maintenance Reserve Account - Cash	45,535				45,535
<b>Total Assets</b>	<b><u>\$ 1,868,462</u></b>	<b><u>\$ 61,881</u></b>	<b><u>\$ 49,470</u></b>	<b><u>\$ 125</u></b>	<b><u>\$ 1,979,938</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable - Vendors	\$ 52,146	\$ 5,869			\$ 58,015
Interfund Payable:					
General Fund		45,978	\$ 49,470		95,448
Payable to State Government		720			720
Unearned Revenue		9,314			9,314
<b>Total Liabilities</b>	<b><u>52,146</u></b>	<b><u>61,881</u></b>	<b><u>49,470</u></b>	<b><u>\$ -0-</u></b>	<b><u>163,497</u></b>

MENDHAM BOROUGH SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Fund Balances:					
Restricted for:					
Capital Reserve Account	\$ 1,111,855				\$ 1,111,855
Maintenance Reserve Account	45,535				45,535
Excess Surplus - For Subsequent Year's Expenditures	365,590				365,590
Debt Service				\$ 125	125
Assigned to:					
For Subsequent Year's Expenditures	12,100				12,100
Unassigned:					
General Fund	281,236				281,236
<b>Total Fund Balances</b>	<b>1,816,316</b>			<b>125</b>	<b>1,816,441</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,868,462</b>	<b>\$ 61,881</b>	<b>\$ 49,470</b>	<b>\$ 125</b>	

Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) is 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 \$16,474,422 and the accumulated depreciation is \$4,671,236.

11,803,186

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.

(7,948,294)

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

(106,581)

Net Position of Governmental Activities

**\$ 5,564,752**

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, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Governmental Funds
<b>REVENUE:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 8,890,779			\$ 926,681	\$ 9,817,460
Tuition Charges	45,961				45,961
Interest Earned on Capital Reserve Funds	413				413
Interest Earned on Maintenance Reserve Funds	38				38
Interest Earned	2,107		\$ 105		2,212
Miscellaneous	44,128	\$ 4,678		20	48,826
<b>Total - Local Sources</b>	<b>8,983,426</b>	<b>4,678</b>	<b>105</b>	<b>926,701</b>	<b>9,914,910</b>
State Sources	1,219,452	82,788			1,302,240
Federal Sources		151,785			151,785
<b>Total Revenue</b>	<b>10,202,878</b>	<b>239,251</b>	<b>105</b>	<b>926,701</b>	<b>11,368,935</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Regular Instruction	3,526,722	49,310			3,576,032
Special Education Instruction	660,853				660,853
Other Instruction	96,363				96,363
<b>Support Services and Undistributed Costs:</b>					
Tuition	210,096	124,910			335,006
Student & Instruction Related Services	979,567	65,031			1,044,598
General Administrative Services	338,396				338,396
School Administrative Services	386,299				386,299
Central Services	173,727				173,727
Pupil Transportation	209,032				209,032

MENDHAM BOROUGH SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Governmental Funds
EXPENDITURES					
Plant Operations and Maintenance	\$ 714,404				\$ 714,404
Benefits - Allocated and Unallocated	2,383,594				2,383,594
Debt Service:					
Principal				\$ 585,000	585,000
Interest and Other Charges				341,681	341,681
Capital Outlay	162,040				162,040
Total Expenditures	9,841,093	\$ 239,251		926,681	11,007,025
Excess/(Deficiency) of Revenue over Expenditures	361,785		\$ 105	20	361,910
OTHER FINANCING SOURCES/(USES)					
Transfers In				105	105
Transfers Out			(105)		(105)
Total Other Financing Sources/(Uses)			(105)	105	
Net Change in Fund Balances	361,785			125	361,910
Fund Balance—July 1	1,454,531				1,454,531
Fund Balance—June 30	\$ 1,816,316	\$ - 0 -	\$ - 0 -	\$ 125	\$ 1,816,441

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, 2013

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ 361,910
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.		
Depreciation expense	\$ (393,845)	
Disposal of assets with carrying value	(6,800)	
Capital outlays	<u>146,764</u>	(253,881)
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 (+).		
		(19,369)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. (+)		
		585,000
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. (-)		
		<u>7,312</u>
Change in Net Position - Governmental Funds (Exhibit A-2)		<u><u>\$ 680,972</u></u>

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

Exhibit B-4

MENDHAM BOROUGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 12,203
Inventories	2,910
	15,113
Total Current Assets	
Capital Assets:	
Equipment	127,175
Accumulated depreciation	(110,507)
	16,668
Total Capital Assets	
Total Assets	31,781
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable- Vendors	10,787
Prepaid Sales	1,638
	12,425
Total Liabilities	
<b>NET POSITION:</b>	
Net Investment in Capital Assets	16,668
Unrestricted	2,688
	19,356
Total Net Position	\$ 19,356

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 POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>
Operating revenue	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 147,012
Other Non-Reimbursable Sales	10,151
	157,163
Total Operating Revenue	157,163
Operating Expenses:	
Cost of Sales	77,070
Salaries, Benefits & Payroll Taxes	62,686
Supplies, Insurance & Other Costs	5,013
Management Fee	14,635
Depreciation	6,027
Miscellaneous Expenses	5,011
	170,442
Total Operating Expenses	170,442
Operating Loss	(13,279)
Non-Operating Revenue	
Local Sources:	
Interest Income	10
Federal Sources:	
Food Distribution Program	1,627
Insurance Claim Reimbursement	3,596
	5,233
Total Non-Operating Revenue	5,233
Change in Net Position	(8,046)
Net Position - Beginning of Year	27,402
Net Position - End of Year	\$ 19,356

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, 2013

	<u>Business-Type Activities - Enterprise Funds</u>
Cash Flows From Operating Activities:	
Receipts from Customers	\$ 162,953
Payments to Food Service Vendor	(163,506)
Payments to Suppliers	<u>(5,011)</u>
Net Cash Used for Operating Activities	<u>(5,564)</u>
Cash Flows From Investing Activities:	
Interest Income	<u>10</u>
Net Cash Provided by Investing Activities	<u>10</u>
Cash Flows from Noncapital Financing Activities:	
State Sources:	
State School Lunch Program	64
Federal Sources:	
National School Lunch Program	654
Insurance Claim	<u>3,597</u>
Net Cash Provided by Noncapital Financing Activities	<u>4,315</u>
Net Decrease in Cash and Cash Equivalents	(1,239)
Cash and Cash Equivalents, July 1	<u>13,442</u>
Cash and Cash Equivalents, June 30	<u>\$ 12,203</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (13,279)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	6,027
Food Distribution Program	1,627
Changes in Assets and Liabilities:	
Decrease in Inventory	1,740
Decrease in Accounts Receivable	2,084
(Decrease) in Accounts Payable	(3,604)
(Decrease) in Unearned Revenue	(1,079)
Increase in Prepaid Sales	<u>1,638</u>
Net Cash Used for Operating Activities	<u>\$ (4,846)</u>

Non-Cash Investing, Capital and Financing Activities:

The District received commodities valued at \$548, used commodities valued at \$1,627, and had \$ -0- in commodities at June 30, 2013.

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

Exhibit B-7

MENDHAM BOROUGH SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

<u>ASSETS:</u>	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
Cash and Cash Equivalents	\$ 157,039	\$ 6,664	\$ 104,093
Total Assets	<u>157,039</u>	<u>6,664</u>	<u>104,093</u>
<u>LIABILITIES:</u>			
Payroll Deductions and Withholdings Due to Student Groups	89,032 <u>68,007</u>		
Total Liabilities	<u>157,039</u>		
<u>NET POSITION:</u>			
Held in Trust for Flex Spending Claims Restricted for Unemployment Claims		6,664	<u>104,093</u>
Total Net Position	<u>\$ - 0 -</u>	<u>\$ 6,664</u>	<u>\$ 104,093</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 POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
Additions:		
Contributions:		
Plan Contributions	\$ 17,690	
Employee Deductions		\$ 11,159
Total Contributions	<u>17,690</u>	<u>11,159</u>
Investment Earnings:		
Interest	<u>5</u>	<u>125</u>
Net Investment Earnings	<u>5</u>	<u>125</u>
Total Additions	<u>17,695</u>	<u>11,284</u>
Deductions:		
Flex Spending Claims	15,088	
Unemployment Compensation Claims		25,712
Total Deductions	<u>15,088</u>	<u>25,712</u>
Change in Net Position	2,607	(14,428)
Net Position - Beginning of the Year	<u>4,057</u>	<u>118,521</u>
Net Position - End of the Year	<u>\$ 6,664</u>	<u>\$ 104,093</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, 2013

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 and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to 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 position 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, 2013  
(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, 2013  
(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, Flexible Spending Trust 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 position 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.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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, 2013 was submitted to the County office and was approved by a vote of the Board of Education. 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.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 10,213,762	\$ 239,251
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	7,236	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(18,120)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 10,202,878	\$ 239,251
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 9,841,093	\$ 239,251
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 9,841,093	\$ 239,251

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

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.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, 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.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

H. Encumbrances: (Cont'd)

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as unearned 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, 2013.

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.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

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

L. Long Term Liabilities:

In the district-wide and enterprise fund statements of net position, 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, 2013.

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 Position*, 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. Unearned Revenue:

Unearned 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 \$1,816,316 General Fund fund balance at June 30, 2013, \$1,111,855 is restricted in the capital reserve account; \$45,535 is restricted in the maintenance reserve account; \$365,590 is restricted as prior year excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2014, \$12,100 is assigned as designated for subsequent year's expenditures and included as anticipated revenue for the year ending June 30, 2014, and \$281,236 is unassigned which is \$18,120 less than the Budgetary basis, due to the final state aid payments, which are not recognized until the fiscal year ending June 30, 2014.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2013 is \$-0-.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2013 is \$125 is restricted.

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.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$18,120 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. Deficit in Net Position:

The District did not have a deficit in net position at June 30, 2013.

R. Net Position:

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District did not have any deferred inflows or outflows of resources at June 30, 2013.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

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

R. Net Position: (Cont'd)

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 position is available.

S. Deficit in Net Position:

The District has a \$1,414 deficit in net position in unrestricted assets in its governmental activities as of June 30, 2013. This deficit does not indicate that the District is having financial difficulties and is permitted practice under generally accepted accounting principles.

T. Fund Balance Restrictions, Commitments and Assignments:

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.

Fund balance restrictions have been established for excess surplus, a capital reserve and a maintenance reserve and debt service.

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, 2013.

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 no assigned resources at June 30, 2013.

U. 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.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

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

V. 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.

W. 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, 2013  
(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, 2013  
(Continued)

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

As of June 30, 2013, 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	\$ 926,690	\$ 1,111,855	\$ 45,535	\$ 2,084,080
	<u>\$ 926,690</u>	<u>\$ 1,111,855</u>	<u>\$ 45,535</u>	<u>\$ 2,084,080</u>

During the period ended June 30, 2013 the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2013, was \$2,084,080 and the bank balance was \$2,339,831.

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, 2012 to June 30, 2013 fiscal year is as follows:

Beginning Balance, July 1, 2012	\$ 528,675
Increased by:	
Interest Earnings	413
Board Resolution June 26, 2013	<u>582,767</u>
Ending Balance, June 30, 2013	<u>\$ 1,111,855</u>

The June 30, 2013 Capital Reserve balance does not exceed the local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP").

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 5. 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, 2012 to June 30, 2013 fiscal year is as follows:

Beginning Balance, July 1, 2012	\$	50,497
Increased by:		
Interest Earnings		38
Decreased by:		
Withdrawal through Board Resolution		<u>(5,000)</u>
Ending Balance, June 30, 2013	\$	<u>45,535</u>

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2013, the District did not make any transfers to the capital outlay accounts.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2013 were as follows:

	<u>Beginning Balance</u>	<u>Adjustments/ Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
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	618,181	\$ 146,764	\$ (6,800)	758,145
Total Capital Assets Being Depreciated	<u>16,334,207</u>	<u>146,764</u>	<u>(6,800)</u>	<u>16,474,171</u>
Governmental Activities Capital Assets	<u>16,334,458</u>	<u>146,764</u>	<u>(6,800)</u>	<u>16,474,422</u>
Less Accumulated Depreciation for:				
Site Improvements	(190,255)	(15,615)		(205,870)
Buildings and Building Improvements	(3,797,438)	(322,762)		(4,120,200)
Machinery and Equipment	(289,698)	(55,468)		(345,166)
	<u>(4,277,391)</u>	<u>(393,845)</u>		<u>(4,671,236)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 12,057,067</u>	<u>\$ (247,081)</u>	<u>\$ (6,800)</u>	<u>\$ 11,803,186</u>
<b>Business Type Activities:</b>				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 127,175			\$ 127,175
Less Accumulated Depreciation	(104,480)	\$ (6,027)		(110,507)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 22,695</u>	<u>\$ (6,027)</u>	<u>\$ - 0 -</u>	<u>\$ 16,668</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, 2013  
(Continued)

NOTE 8. OPERATING LEASES

The District has commitments to lease copying equipment, computers and mail meters under operating leases which expire in 2016. Total operating lease payments made during the year ended June 30, 2013 were approximately \$47,095. Future minimum lease payments are as follows:

Year Ended June 30,	Amount
2014	\$ 5,097
2015	2,450
2016	1,920
Total Future Minimum Lease Payments	\$ 9,467

NOTE 9. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2013, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2012	Accrued	Retired	Balance 6/30/2013
Bonds Payable	\$ 8,345,000		\$ 585,000	\$ 7,760,000
Compensated Absences Payable	168,925	\$ 19,369		188,294
	\$ 8,513,925	\$ 19,369	\$ 585,000	\$ 7,948,294

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, 2013 as follows:

	<u>Serial Bonds</u>		Amount
Final Maturity Date	Interest Rate		
6/30/2026	4.000%- 4.250%		\$ 7,760,000
			\$ 7,760,000

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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:

Ending June 30,	Bonds		Total
	Principal	Interest	
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	620,000	219,944	839,944
2019-2023	3,030,000	719,806	3,749,806
2024-2026	1,615,000	130,263	1,745,263
	<u>\$ 7,760,000</u>	<u>\$ 2,199,789</u>	<u>\$ 9,959,789</u>

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

B. Bonds Authorized But Not Issued:

As of June 30, 2013, 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 and business type activities in the current year. The long-term liability balance of compensated absences is \$188,294 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, 2013  
(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 July 1, 2012, the employee contributions for PERS and TPAF increased from 6.5% to 6.64% of employees' annual compensation, as defined. Subsequent increases are being phased in over 7 years effective each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in the TPAF and PERS.

District Contributions to PERS amounted to \$77,676, \$80,977, and \$89,836 for the fiscal years ended June 30, 2013, 2012, and 2011 respectively.

During the fiscal years ended June 30, 2013, 2012, and 2011 the State of New Jersey contributed \$294,362, \$149,242, 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. P.L. 2007, c.103 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, 2012, there were 97,661 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 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, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District were \$332,849, \$300,016 and \$312,071, for 2013, 2012 and 2011, respectively.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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, 2013 is not available as of the date of this report. Selected financial information for NJSBAIG as of June 30, 2012 is as follows:

	<u>New Jersey School Board's Association Insurance Group</u>
Total Assets	\$ 267,924,509
Net Position	\$ 64,143,384
Total Revenue	\$ 85,639,095
Total Expenses	\$ 84,297,968
Change in Net Position	\$ 1,341,127
Members Dividends	\$ -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, 2013  
(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>
2012-2013		\$ 11,284	\$ 25,712	\$ 104,093
2011-2012	\$ 50,000	15,123	44,602	118,521
2010-2011	125,000	17,421	116,910	98,000

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, 2013:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 95,448	
Special Revenue Fund		\$ 45,978
Capital Projects Fund		49,470
	<u>\$ 95,448</u>	<u>\$ 95,448</u>

The interfund payable from Capital Project Fund and the interfund receivable in the General Fund as of June 30, 2013 represents transfers of \$100,529 made to the Capital Projects Fund due to the General Fund in prior years, of which \$51,059 has been paid back in the current year. The interfund payable from the Special Revenue Fund and the interfund receivable in the General Fund as of June 30, 2013 represents a cash deficit in the Special Revenue Fund due to grants receivable.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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, 2013  
 (Continued)

NOTE 17. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

At June 30, 2013, there were no encumbrances in the governmental funds.

NOTE 18. ACCOUNTS PAYABLE

Payables as of June 30, 2013 were:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Activities</u>	<u>Total Business Type Activities</u>
Vendors	<u>\$ 52,146</u>	<u>\$ 5,869</u>	<u>\$ 58,015</u>	<u>\$ 10,787</u>

**SUPPLEMENTARY SCHEDULES**

**BUDGETARY COMPARISON SCHEDULES**

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2013  
(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	\$ 8,890,779		\$ 8,890,779	\$ 8,890,779	
Tuition	29,925		29,925	45,961	\$ 16,036
Interest Revenue				2,107	2,107
Interest Earned on Capital Reserve Funds				413	413
Interest Earned on Maintenance Reserve Funds	700		700	38	(662)
Miscellaneous	44,800		44,800	44,128	(672)
Total - Local Sources	<u>8,966,204</u>		<u>8,966,204</u>	<u>8,983,426</u>	<u>17,222</u>
State Sources:					
Categorical Special Education Aid	215,599		215,599	215,599	
Categorical Security Aid	10,091		10,091	10,091	
Categorical Transportation Aid	11,685		11,685	11,685	
Nonpublic Transportation Aid				8,022	8,022
Extraordinary Aid				41,334	41,334
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				294,362	294,362
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				332,849	332,849
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				316,394	316,394
Total State Sources	<u>237,375</u>		<u>237,375</u>	<u>1,230,336</u>	<u>992,961</u>
Total Revenues	<u>9,203,579</u>		<u>9,203,579</u>	<u>10,213,762</u>	<u>1,010,183</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 248,843	\$ (32,080)	\$ 216,763	\$ 189,721	\$ 27,042
Grades 1-5 - Salaries of Teachers	1,512,625	32,751	1,545,376	1,545,257	119
Grades 6-8 - Salaries of Teachers	1,285,406	(11,237)	1,274,169	1,274,165	4
Regular Programs - Home Instruction:					
Salaries of Teachers	4,000		4,000	2,447	1,553
Purchased Professional-Educational Services	1,000	(1,000)			
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	59,491		59,491	53,647	5,844
Purchased Professional-Educational Services	14,682	6,531	21,213	21,213	
Other Purchased Services	234,703	(22,242)	212,461	201,473	10,988
General Supplies	164,261	54,459	218,720	215,897	2,823
Textbooks	26,883	(3,600)	23,283	22,902	381
Other Objects	1,100	1,800	2,900		2,900
<b>Total Regular Programs - Instruction</b>	<b>3,552,994</b>	<b>25,382</b>	<b>3,578,376</b>	<b>3,526,722</b>	<b>51,654</b>
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	506,677	38,534	545,211	539,416	5,795
Other Salaries for Instruction	45,969	(6,453)	39,516	39,074	442
General Supplies	2,612	923	3,535	3,268	267
<b>Total Resource Room/Resource Center</b>	<b>555,258</b>	<b>33,004</b>	<b>588,262</b>	<b>581,758</b>	<b>6,504</b>

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Preschool Disabilities - Full Time:					
Salaries of Teachers	\$ 66,492	\$ (8,667)	\$ 57,825	\$ 55,817	\$ 2,008
Other Salaries for Instruction	18,219	8,667	26,886	21,718	5,168
General Supplies	1,170	422	1,592	1,560	32
Total Preschool Disabilities - Full Time	85,881	422	86,303	79,095	7,208
Total Special Education - Instruction	641,139	33,426	674,565	660,853	13,712
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	32,918	8,759	41,677	41,677	
Other Objects	1,290	(1,040)	250	250	
Total School-Sponsored Cocurricular Activities - Instruction	34,208	7,719	41,927	41,927	
School-Sponsored Cocurricular Activities - Athletics:					
Salaries	39,838	2,681	42,519	42,519	
Purchased Services	3,912	(3,276)	636		636
Supplies and Materials	10,622	90	10,712	10,712	
Other Objects	2,342	(90)	2,252	1,205	1,047
Total School-Sponsored Cocurricular Activities - Athletics	56,714	(595)	56,119	54,436	1,683
Total Instruction	4,285,055	65,932	4,350,987	4,283,938	67,049
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State - Special	72,656	1	72,657	56,302	16,355
Tuition to Private Schools for the Disabled Within the State	210,132	20,357	230,489	153,794	76,695
Total Undistributed Expenditures - Instruction	282,788	20,358	303,146	210,096	93,050

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2013  
(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	\$ 119,084	\$ 2,800	\$ 121,884	\$ 120,484	\$ 1,400
Purchased Professional and Technical Services	4,500		4,500	4,500	
Supplies and Materials	3,195		3,195	3,041	154
<b>Total Health Services</b>	<b>126,779</b>	<b>2,800</b>	<b>129,579</b>	<b>128,025</b>	<b>1,554</b>
Speech, OT, PT and Related Services:					
Salaries	58,012	1,601	59,613	59,613	
Purchased Professional - Educational Services	12,860	(3,001)	9,859	6,300	3,559
Supplies and Materials	423		423	368	55
<b>Total Speech, OT, PT and Related Services</b>	<b>71,295</b>	<b>(1,400)</b>	<b>69,895</b>	<b>66,281</b>	<b>3,614</b>
Students - Extra Services					
Purchased Professional - Educational Services	102,316	(15,314)	87,002	75,815	11,187
Supplies and Materials	900		900	815	85
<b>Total Students - Extra Services</b>	<b>103,216</b>	<b>(15,314)</b>	<b>87,902</b>	<b>76,630</b>	<b>11,272</b>
Other Support Services - Students - Guidance					
Salaries of Other Professional Staff	57,012		57,012	57,012	
Other Purchased Professional and Technical Services	900		900		900
Supplies and Materials	1,314		1,314	532	782
<b>Total Other Support Services - Students - Guidance</b>	<b>59,226</b>		<b>59,226</b>	<b>57,544</b>	<b>1,682</b>

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Other Students - Child Study Team					
Salaries of Other Professional Staff	\$ 230,032		\$ 230,032	\$ 221,413	\$ 8,619
Salaries of Secretarial and Clerical Assistants	41,081		41,081	41,081	
Purchased Professional - Educational Services	8,950	\$ (1,860)	7,090	5,943	1,147
Other Purchased Services	424		424	105	319
Supplies and Materials	3,399	8,689	12,088	11,257	831
<b>Total Students - Child Study Team</b>	<b>283,886</b>	<b>6,829</b>	<b>290,715</b>	<b>279,799</b>	<b>10,916</b>
Improvement of Instructional Staff:					
Salaries of Other Professional Staff	24,576	(4,875)	19,701	19,701	
Salaries of Secretarial and Clerical Assistants	21,328		21,328	21,328	
Other Salaries	110,282		110,282	110,282	
Purchased Professional - Educational Services	14,000	(532)	13,468	13,468	
Other Purchased Services	7,875	(188)	7,687	7,445	242
Supplies and Materials	1,552	(1)	1,551	1,516	35
Other Objects	762		762	744	18
<b>Total Improvement of Instructional Staff</b>	<b>180,375</b>	<b>(5,596)</b>	<b>174,779</b>	<b>174,484</b>	<b>295</b>
Educational Media Services/School Library:					
Salaries	87,918	2,101	90,019	90,019	
Salaries of Technology Coordinators	76,145		76,145	67,644	8,501
Other Purchased Services	32,341	(2,806)	29,535	9,262	20,273
Supplies and Materials	16,285	(2)	16,283	15,851	432
Other Objects	525		525	525	
<b>Total Educational Media Services/School Library</b>	<b>213,214</b>	<b>(707)</b>	<b>212,507</b>	<b>183,301</b>	<b>29,206</b>

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Instructional Staff Training Services:					
Other Purchased Services	\$ 15,000		\$ 15,000	\$ 13,503	\$ 1,497
Total Instructional Staff Training Services	<u>15,000</u>		<u>15,000</u>	<u>13,503</u>	<u>1,497</u>
Support Services - General Administration:					
Salaries	204,210	\$ (2,976)	201,234	181,229	20,005
Legal Services	31,500	22,756	54,256	50,047	4,209
Audit Fees	19,125		19,125	19,125	
Architectural/Engineering Services	5,000	(5,000)			
Other Purchased Professional Services	3,000	10,500	13,500	7,900	5,600
Communications/Telephone	32,940	1,500	34,440	24,676	9,764
Other Purchased Services (400-500 series)	48,244	(6,798)	41,446	41,396	50
Supplies and Materials		1,898	1,898		1,898
General Supplies	5,100	(400)	4,700	3,861	839
BOE In-House Training/Meeting Supplies	3,100	(2,100)	1,000	547	453
Miscellaneous Expenditures	13,756	400	14,156	9,615	4,541
Total Support Services - General Administration	<u>365,975</u>	<u>19,780</u>	<u>385,755</u>	<u>338,396</u>	<u>47,359</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	243,780		243,780	243,780	
Salaries of Secretarial and Clerical Assistants	111,032	3,120	114,152	114,152	
Purchased Professional and Technical Services	3,000	(138)	2,862	1,114	1,748
Other Purchased Services	23,417		23,417	18,402	5,015
Supplies and Materials	6,036	139	6,175	6,175	
Other Objects	3,014		3,014	2,676	338
Total Support Services - School Administration	<u>390,279</u>	<u>3,121</u>	<u>393,400</u>	<u>386,299</u>	<u>7,101</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Support Services - Central Services:					
Salaries	\$ 162,449		\$ 162,449	\$ 155,588	\$ 6,861
Purchased Professional Services	3,800	\$ 1,400	5,200	5,200	
Miscellaneous Purchased Services	2,172		2,172	1,116	1,056
Supplies and Materials	4,491		4,491	4,122	369
Miscellaneous Expenditures	2,259		2,259	1,931	328
<b>Total Support Services - Central Services</b>	<b>175,171</b>	<b>1,400</b>	<b>176,571</b>	<b>167,957</b>	<b>8,614</b>
Administrative Information Technology:					
Salaries		7,900	7,900	5,770	2,130
<b>Total Administrative Information Technology</b>		<b>7,900</b>	<b>7,900</b>	<b>5,770</b>	<b>2,130</b>
Custodial Services:					
Salaries	200,519	7,769	208,288	203,240	5,048
Purchased Professional Services	5,000	(5,000)			
Purchased Professional - Technical Services	52,732		52,732	51,948	784
Cleaning, Repair and Maintenance Services	51,745	18,512	70,257	64,047	6,210
Other Purchased Property Services	18,750		18,750	18,241	509
Insurance	28,944	(23)	28,921	28,901	20
Miscellaneous Purchased Services	3,040		3,040	2,639	401
General Supplies	20,000	25,130	45,130	45,114	16
Energy (Electricity)	167,724	28,410	196,134	153,633	42,501
Energy (Natural Gas)	80,007	(80,007)			
<b>Total Custodial Services</b>	<b>628,461</b>	<b>(5,209)</b>	<b>623,252</b>	<b>567,763</b>	<b>55,489</b>
Required Maintenance of School Facilities:					
Salaries	79,611	(279)	79,332	79,332	
Cleaning, Repair and Maintenance Services	52,070	14,439	66,509	52,001	14,508
Other Purchased Services		5,498	5,498	5,457	41
General Supplies	13,513	(3,661)	9,852	9,851	1
<b>Total Required Maintenance of School Facilities</b>	<b>145,194</b>	<b>15,997</b>	<b>161,191</b>	<b>146,641</b>	<b>14,550</b>

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Student Transportation Services:					
Other than Between Home and School - Vendors	\$ 15,761	\$ 3,733	\$ 19,494	\$ 19,494	
Between Home and School - Joint Agreements	98,886		98,886	95,736	\$ 3,150
Special Education Students - Joint Agreements	2,591	(1,228)	1,363		1,363
Special Education Students - ESCs and CTSAAs	119,525	(18,710)	100,815	79,697	21,118
Aid in Lieu Payments - Non-Public School	12,563	1,542	14,105	14,105	
<b>Total Student Transportation Services</b>	<b>249,326</b>	<b>(14,663)</b>	<b>234,663</b>	<b>209,032</b>	<b>25,631</b>
Allocated Benefits:					
Regular Programs - Instruction:					
Social Security Contributions	14,717	11,782	26,499	26,305	194
Other Retirement Contributions - Regular	8,243		8,243	8,243	
Workmen's Compensation	22,610	172	22,782	22,782	
Health Benefits	721,257	(61,853)	659,404	585,340	74,064
Tuition Reimbursement	25,000	(25,000)			
<b>Total Regular Programs - Instruction</b>	<b>791,827</b>	<b>(74,899)</b>	<b>716,928</b>	<b>642,670</b>	<b>74,258</b>
Special Programs - Instruction:					
Social Security Contributions	5,401		5,401	5,401	
Other Retirement Contributions - Regular	9,270		9,270		9,270
Workmen's Compensation	4,764	(275)	4,489	1,973	2,516
Health Benefits	149,959		149,959	149,959	
<b>Total Special Programs - Instruction</b>	<b>169,394</b>	<b>(275)</b>	<b>169,119</b>	<b>157,333</b>	<b>11,786</b>
Other Instructional Programs - Instruction:					
Social Security Contributions	6,122	3,619	9,741	9,741	
<b>Total Instructional Programs - Instruction</b>	<b>6,122</b>	<b>3,619</b>	<b>9,741</b>	<b>9,741</b>	

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Allocated Benefits:					
Health Services:					
Workmen's Compensation	\$ 849	\$ 2	\$ 851	\$ 851	
Health Benefits	43,427		43,427	43,427	
<b>Total Health Services</b>	<b>44,276</b>	<b>2</b>	<b>44,278</b>	<b>44,278</b>	
Other Support Services - Speech, OT, PT and Related Services:					
Workmen's Compensation	414	1	415	415	
Health Benefits	7,163		7,163	7,163	
<b>Total Other Support Services - Speech, OT, PT and Related Services</b>	<b>7,577</b>	<b>1</b>	<b>7,578</b>	<b>7,578</b>	
Other Support Services - Students - Child Study Team:					
Social Security Contributions	7,577		7,577	7,577	
Other Retirement Contributions - Regular	4,930		4,930	4,930	
Workmen's Compensation	1,934	3	1,937	1,937	
Health Benefits	80,434		80,434	80,434	
<b>Total Other Support Services - Students - Child Study Team</b>	<b>94,875</b>	<b>3</b>	<b>94,878</b>	<b>94,878</b>	
Improvement of Instruction Services:					
Social Security Contributions	1,795		1,795	1,795	
Other Retirement Contributions - Regular	2,559		2,559	2,559	
Workmen's Compensation	939	2	941	941	
Health Benefits	19,595	(1)	19,594	19,594	
Tuition Reimbursement		9,345	9,345	9,345	
<b>Total Improvement of Instruction Services</b>	<b>24,888</b>	<b>9,346</b>	<b>34,234</b>	<b>34,234</b>	
Other Support Services- Guidance:					
Social Security Contributions					
Other Retirement Contributions - Regular	407		407	407	
Workmen's Compensation	15,940		15,940	15,940	
<b>Total Improvement of Instruction Services</b>	<b>16,347</b>		<b>16,347</b>	<b>16,347</b>	

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Allocated Benefits:					
Educational Media Services/School Library:					
Social Security Contributions	\$ 8,546		\$ 8,546	\$ 8,546	
Other Retirement Contributions - Regular	10,550		10,550	10,550	
Workmen's Compensation	1,230	\$ 3	1,233	1,233	
Health Benefits	51,625		51,625	51,625	
<b>Total Educational Media Services/School Library</b>	<b>71,951</b>	<b>3</b>	<b>71,954</b>	<b>71,954</b>	
Support Services - General Administration:					
Social Security Contributions	4,775		4,775	4,775	
Other Retirement Contributions - Regular	5,875		5,875	5,875	
Workmen's Compensation	1,457	2	1,459	1,459	
Health Benefits	38,212		38,212	38,212	
<b>Total General Administration</b>	<b>50,319</b>	<b>2</b>	<b>50,321</b>	<b>50,321</b>	
Support Services - School Administration:					
Social Security Contributions	9,685		9,685	9,685	
Other Retirement Contributions - Regular	13,324		13,324	13,324	
Workmen's Compensation	2,531	5	2,536	2,536	
Health Benefits	57,496		57,496	57,496	
<b>Total School Administration</b>	<b>83,036</b>	<b>5</b>	<b>83,041</b>	<b>83,041</b>	
Support Services - Central Services:					
Social Security Contributions	4,472		4,472	4,472	
Other Retirement Contributions - Regular	6,303		6,303	6,303	
Workmen's Compensation	1,154	277	1,431	1,431	
Health Benefits	41,689		41,689	41,689	
<b>Total Central Services</b>	<b>53,618</b>	<b>277</b>	<b>53,895</b>	<b>53,895</b>	

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2013  
(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:					
Operation and Maintenance of Plant Services:					
Social Security Contributions	\$ 23,562		\$ 23,562	\$ 23,562	
Other Retirement Contributions - Regular	30,643	\$ (1,051)	29,592	26,431	\$ 3,161
Workmen's Compensation	15,396	3	15,399	15,399	
Health Benefits	94,242		94,242	94,242	
Total Operation and Maintenance of Plant Services	<u>163,843</u>	<u>(1,048)</u>	<u>162,795</u>	<u>159,634</u>	<u>3,161</u>
Unallocated Benefits:					
Tuition Reimbursement		14,085	14,085	14,085	
Total Unallocated Benefits		<u>14,085</u>	<u>14,085</u>	<u>14,085</u>	
On-Behalf Contributions:					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				294,362	(294,362)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				332,849	(332,849)
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				316,394	(316,394)
Total On-Behalf Contributions				<u>943,605</u>	<u>(943,605)</u>
Total Personal Services - Employee Benefits	1,578,073	(48,879)	1,529,194	2,383,594	(854,400)
Total Undistributed Expenditures	<u>4,868,258</u>	<u>(13,583)</u>	<u>4,854,675</u>	<u>5,395,115</u>	<u>(540,440)</u>
Total Current Expense	<u>9,153,313</u>	<u>52,349</u>	<u>9,205,662</u>	<u>9,679,053</u>	<u>(473,391)</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Facilities Acquisition and Construction Services:					
Other Objects- Debt Service Assessment	\$ 33,463		\$ 33,463	\$ 33,463	
Construction Services	182,071		182,071	128,577	\$ 53,494
Total Facilities Acquisition and Construction Services	215,534		215,534	162,040	53,494
Total Capital Outlay	215,534		215,534	162,040	53,494
Total Expenditures	9,368,847	\$ 52,349	9,421,196	9,841,093	(419,897)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(165,268)	(52,349)	(217,617)	372,669	590,286
Other Financing Sources/Uses:					
Operating Transfer In:					
Interest Deposit to Capital Reserve	(700)		(700)		700
Total Other Financing Sources/Uses:	(700)		(700)		700
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(165,968)	(52,349)	(218,317)	372,669	590,986
Fund Balance, July 1	1,461,767		1,461,767	1,461,767	
Fund Balance, June 30	<u>\$ 1,295,799</u>	<u>\$ (52,349)</u>	<u>\$ 1,243,450</u>	<u>\$ 1,834,436</u>	<u>\$ 590,986</u>
Recapitulation:					
Restricted for:					
Maintenance Reserve Account				\$ 45,535	
Capital Reserve Account				1,111,855	
Excess Surplus - Designated for Subsequent Year's Expenditures				365,590	
Assigned Fund Balance:					
For Subsequent Year's Expenditures				12,100	
Unassigned				299,356	
				<u>1,834,436</u>	
Reconciliation to Governmental Fund Statement (GAAP):					
Last Two State Aid Payments not Recognized on a GAAP Basis				(18,120)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 1,816,316</u>	

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenue:					
Local Sources		\$ 4,678	\$ 4,678	\$ 4,678	
State Sources	\$ 68,042	14,746	82,788	82,788	
Federal Sources	150,144	1,641.00	151,785	151,785	
<b>Total Revenue</b>	<u>218,186</u>	<u>21,065.00</u>	<u>239,251</u>	<u>239,251</u>	
Expenditures:					
Instruction:					
Salaries of Teachers	24,453	\$ 1,788	26,241	26,241	
Purchased Professional and Technical Services	6,000	282	6,282	6,282	
Tuition	124,000	910	124,910	124,910	
Textbooks	8,933	2,903	11,836	11,836	
Supplies and Materials	4,900	51	4,951	4,951	
<b>Total Instruction</b>	<u>168,286</u>	<u>5,934</u>	<u>174,220</u>	<u>174,220</u>	
Support Services:					
Salaries of Other Professional Staff	18,000	14,830	32,830	32,830	
Purchased Professional/Educational Services	20,000	293	20,293	20,293	
Other Purchased Services	6,850	5	6,855	6,855	
Supplies and Materials	5,050	3	5,053	5,053	
<b>Total Support Services</b>	<u>49,900</u>	<u>15,131</u>	<u>65,031</u>	<u>65,031</u>	
<b>Total Expenditures</b>	<u>218,186</u>	<u>21,065</u>	<u>239,251</u>	<u>239,251</u>	
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<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, 2013  
(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	\$ 10,213,762	\$ 239,251
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	7,236	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(18,120)</u>	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 <u>\$ 10,202,878</u>	 <u>\$ 239,251</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 9,841,093</u>	<u>\$ 239,251</u>
 Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u>\$ 9,841,093</u>	 <u>\$ 239,251</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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, 2013 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest of (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, 2013

	<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 I</u>		
REVENUE:					
Local Sources	\$ 583				
State Sources				\$ 11,836	\$ 16,428
Federal Sources		\$ 11,908	\$ 6,450		
Total Revenue	<u>583</u>	<u>11,908</u>	<u>6,450</u>	<u>11,836</u>	<u>16,428</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers			6,450		
Purchased Professional and Technical Services					
Tuition					
General Supplies	583				
Textbooks				11,836	
Total Instruction	<u>583</u>		<u>6,450</u>	<u>11,836</u>	
Support Services:					
Salaries of Other Professional Staff					16,428
Purchased Professional/Educational Services					
Other Purchased Services		6,855			
Supplies and Materials		5,053			
Total Support Services		<u>11,908</u>			<u>16,428</u>
Total Expenditures	<u>\$ 583</u>	<u>\$ 11,908</u>	<u>\$ 6,450</u>	<u>\$ 11,836</u>	<u>\$ 16,428</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Nonpublic Technology</u>	<u>Chapter 192, Auxiliary Services</u>		<u>Chapter 193, Handicapped Services</u>		
		<u>Home Instruction</u>	<u>Compensatory Education</u>	<u>Examination/ Classification</u>	<u>Corrective Speech</u>	<u>Supplemental Instruction</u>
<b>REVENUE:</b>						
Local Sources						
State Sources	\$ 4,368	\$ 1,251	\$ 13,963	\$ 16,402	\$ 6,329	\$ 12,211
Federal Sources						
<b>Total Revenue</b>	<u>4,368</u>	<u>1,251</u>	<u>13,963</u>	<u>16,402</u>	<u>6,329</u>	<u>12,211</u>
<b>EXPENDITURES:</b>						
<b>Instruction:</b>						
Salaries of Teachers		1,251			6,329	12,211
Purchased Professional and Technical Services						
Tuition						
General Supplies	4,368					
Textbooks						
<b>Total Instruction</b>	<u>4,368</u>	<u>1,251</u>			<u>6,329</u>	<u>12,211</u>
<b>Support Services:</b>						
Salaries of Other Professional Staff				16,402		
Purchased Professional/Educational Services			13,963			
Other Purchased Services						
Supplies and Materials						
<b>Total Support Services</b>			<u>13,963</u>	<u>16,402</u>		
<b>Total Expenditures</b>	<u>\$ 4,368</u>	<u>\$ 1,251</u>	<u>\$ 13,963</u>	<u>\$ 16,402</u>	<u>\$ 6,329</u>	<u>\$ 12,211</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Eric West Grant</u>	<u>IDEA Part B Preschool</u>	<u>IDEA Part B Basic</u>	<u>Totals June 30, 2013</u>
REVENUE:				
Local Sources	\$ 4,095			\$ 4,678
State Sources				82,788
Federal Sources		\$ 6,282	\$ 127,145	151,785
Total Revenue	<u>4,095</u>	<u>6,282</u>	<u>127,145</u>	<u>239,251</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers				26,241
Purchased Professional and Technical Services		6,282		6,282
Tuition			124,910	124,910
General Supplies				4,951
Textbooks				11,836
Total Instruction		<u>6,282</u>	<u>124,910</u>	<u>174,220</u>
Support Services:				
Salaries of Other Professional Staff				32,830
Purchased Professional/Educational Services	4,095		2,235	20,293
Other Purchased Services				6,855
Supplies and Materials				5,053
Total Support Services	<u>4,095</u>		<u>2,235</u>	<u>65,031</u>
Total Expenditures	<u>\$ 4,095</u>	<u>\$ 6,282</u>	<u>\$ 127,145</u>	<u>\$ 239,251</u>

CAPITAL PROJECTS FUND

MENDHAM BOROUGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE- BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Revenue and Other Financing Sources:	
Interest Income	\$ 105
	<hr/>
Total Revenue and Other Financing Sources	105
	<hr/>
Other Financing Uses:	
Operating Transfers Out:	
Debt Service Fund	(105)
	<hr/>
Total Expenditures and Other Financing Uses	(105)
	<hr/>
Excess of Revenue and Other Financing Sources Over Other Financing Uses	-0-
	<hr/>
Fund Balance - Beginning of Year	-0-
	<hr/>
Fund Balance - End of Year	\$ -0-
	<hr/> <hr/>

PROPRIETARY FUNDS

## Exhibit G-1

MENDHAM BOROUGH SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2013

## ASSETS:

## Current Assets:

Cash and Cash Equivalents  
 Inventories

\$ 12,203  
 2,910

Total Current Assets

15,113

## Capital Assets:

Equipment  
 Accumulated Depreciation

127,175  
(110,507)

Total Capital Assets

16,668

Total Assets

31,781

## LIABILITIES:

## Current Liabilities:

Accounts Payable- Vendors  
 Prepaid Sales

10,787  
1,638

Total Current Liabilities

12,425

Total Liabilities

12,425

## NET POSITION:

Net Investment in Capital Assets  
 Unrestricted

16,668  
2,688

Total Net Position

\$ 19,356

MENDHAM BOROUGH SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating revenue	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 147,012
Other Non-Reimbursable Sales	10,151
	<hr/>
Total Operating Revenue	157,163
	<hr/>
Operating Expenses:	
Cost of Sales	77,070
Salaries, Benefits & Payroll Taxes	62,686
Supplies, Insurance & Other Costs	5,013
Management Fee	14,635
Depreciation	6,027
Miscellaneous Expenses	5,011
	<hr/>
Total Operating Expenses	170,442
	<hr/>
Operating Loss	(13,279)
	<hr/>
Non-Operating Revenue	
Local Sources:	
Interest Income	10
Federal Sources:	
Food Distribution Program	1,627
Insurance Claim Reimbursement	3,596
	<hr/>
Total Non-Operating Revenue	5,233
	<hr/>
Change in Net Position	(8,046)
	<hr/>
Net Position - Beginning of Year	27,402
	<hr/>
Net Position - End of Year	\$ 19,356
	<hr/> <hr/>

Exhibit G-3

MENDHAM BOROUGH SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash Flows From Operating Activities:	
Receipts from Customers	\$ 162,953
Payments to Food Service Vendor	(162,788)
Payments to Suppliers	(5,011)
Net Cash Used for Operating Activities	<u>(4,846)</u>
Cash Flows From Investing Activities:	
Interest Income	10
Net Cash Provided by Investing Activities	<u>10</u>
Cash Flows from Noncapital Financing Activities:	
State Sources:	
State School Lunch Program	64
Federal Sources:	
National School Lunch Program	654
Insurance Claim	3,597
Net Cash Provided by Noncapital Financing Activities	<u>4,315</u>
Net Increase in Cash and Cash Equivalents	(521)
Cash and Cash Equivalents, July 1	<u>13,442</u>
Cash and Cash Equivalents, June 30	<u>\$ 12,921</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (13,279)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	6,027
Food Distribution Program	1,627
Changes in Assets and Liabilities:	
Decrease in Inventory	1,740
Decrease in Accounts Receivable	2,084
(Decrease) in Accounts Payable	(3,604)
(Decrease) in Unearned Revenue	(1,079)
Increase in Prepaid Sales	1,638
Net Cash Used for Operating Activities	<u>\$ (4,846)</u>

Non-Cash Investing, Capital and Financing Activities:

The District received commodities valued at \$548, used commodities valued at \$1,627, and had \$ -0- in commodities as of June 30, 2013.

FIDUCIARY FUNDS

MENDHAM BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2013

	<u>Payroll</u>	<u>Agency Student Activities</u>	<u>Total Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
<b><u>ASSETS:</u></b>					
Cash and Cash Equivalents	\$ 89,032	\$ 68,007	\$ 157,039	\$ 6,664	\$ 104,093
Total Assets	<u>89,032</u>	<u>68,007</u>	<u>157,039</u>	<u>6,664</u>	<u>104,093</u>
<b><u>LIABILITIES:</u></b>					
Payroll Deductions and Withholdings Due to Student Groups	89,032	68,007	89,032 68,007		
Total Liabilities	<u>89,032</u>	<u>68,007</u>	<u>157,039</u>		
<b><u>NET POSITION:</u></b>					
Held in Trust for Flex Spending Claims Restricted for Unemployment Claims				6,664	104,093
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 6,664</u>	<u>\$ 104,093</u>

Exhibit H-2

MENDHAM BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGE IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Flexible Spending Trust	Unemployment Compensation Trust
	<u>                    </u>	<u>                    </u>
Additions:		
Contributions:		
Plan Contributions	\$ 17,690	
Employee Deductions		\$ 11,159
Total Contributions	<u>17,690</u>	<u>11,159</u>
Investment Earnings:		
Interest	<u>5</u>	<u>125</u>
Net Investment Earnings	<u>5</u>	<u>125</u>
Total Additions	<u>17,695</u>	<u>11,284</u>
Deductions:		
Flex Spending Claims	15,088	
Unemployment Compensation Claims		<u>25,712</u>
Total Deductions	<u>15,088</u>	<u>25,712</u>
Change in Net Position	2,607	(14,428)
Net Position - Beginning of the Year	<u>4,057</u>	<u>118,521</u>
Net Position - End of the Year	<u>\$ 6,664</u>	<u>\$ 104,093</u>

Exhibit H-3

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

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<b><u>ASSETS:</u></b>				
Cash and Cash Equivalents	\$ 57,243	\$ 136,031	\$ 125,267	\$ 68,007
Total Assets	<u>\$ 57,243</u>	<u>\$ 136,031</u>	<u>\$ 125,267</u>	<u>\$ 68,007</u>
 <b><u>LIABILITIES:</u></b>				
Liabilities:				
Due to Student Groups	\$ 57,243	\$ 136,031	\$ 125,267	\$ 68,007
Total Liabilities	<u>\$ 57,243</u>	<u>\$ 136,031</u>	<u>\$ 125,267</u>	<u>\$ 68,007</u>

Exhibit H-4

MENDHAM BOROUGH SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY

<u>Schools</u>	<u>Balance June 30, 2012</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2013</u>
Hilltop	\$ 12,238	\$ 17,468	\$ 19,729	\$ 9,977
Mountain View	37,807	108,694	94,585	51,916
Mountain View - Pay to Play	7,198	9,869	10,953	6,114
	<u>\$ 57,243</u>	<u>\$ 136,031</u>	<u>\$ 125,267</u>	<u>\$ 68,007</u>

Exhibit H-5

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

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 658	\$ 2,509,817	\$ 2,421,443	\$ 89,032
Total Assets	<u>658</u>	<u>2,509,817</u>	<u>2,421,443</u>	<u>89,032</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	<u>658</u>	<u>\$ 2,509,817</u>	<u>2,421,443</u>	<u>89,032</u>
Total Liabilities	<u>\$ 658</u>	<u>\$ 2,509,817</u>	<u>\$ 2,421,443</u>	<u>\$ 89,032</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, 2013		Interest Rate	Balance June 30, 2012	Matured	Balance June 30, 2013
			Date	Amount				
Refunding of 03/01/2001 Bonds	11/03/2005	\$ 9,160,000	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%			
						\$ 8,345,000	\$ 585,000	\$ 7,760,000
						<u>\$ 8,345,000</u>	<u>\$ 585,000</u>	<u>\$ 7,760,000</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUE:</b>				
Local Sources:				
Local Tax Levy	\$ 926,681	\$ 926,681	\$ 926,681	
Interest			20	\$ 20
<b>Total Revenue</b>	<u>926,681</u>	<u>926,681</u>	<u>926,701</u>	<u>20</u>
<b>EXPENDITURES:</b>				
Regular Debt Service:				
Interest	341,681	341,681	341,681	
Redemption of Principal	585,000	585,000	585,000	
<b>Total Regular Debt Service</b>	<u>926,681</u>	<u>926,681</u>	<u>926,681</u>	
<b>Total Expenditures</b>	<u>926,681</u>	<u>926,681</u>	<u>926,681</u>	
<b>Excess/(Deficiency) of Revenue Over/(Under) Expenditures</b>	<u>-0-</u>	<u>-0-</u>	<u>20</u>	<u>20</u>
Other Financing Sources:				
Transfer In- Capital Projects Fund			105	105
<b>Total Other Financing Sources</b>	<u>-0-</u>	<u>-0-</u>	<u>105</u>	<u>105</u>
<b>Excess/(Deficit) of Revenues and Other Financing Sources Over Expenditures</b>	<u>-0-</u>	<u>-0-</u>	<u>125</u>	<u>125</u>
<b>Fund Balance, July 1</b>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Fund Balance, June 30</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 125</u>	<u>\$ 125</u>
<b>Recapitulation:</b>				
Restricted			<u>\$ 125</u>	

**STATISTICAL SECTION**  
**(UNAUDITED)**

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**

	<b><u>Exhibit</u></b>
<p><b>Financial Trends</b></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><b>Revenue Capacity</b></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><b>Debt Capacity</b></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><b>Demographic and Economic Information</b></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><b>Operating Information</b></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 POSITION BY COMPONENT  
LAST NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
UNAUDITED

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental Activities:</b>									
Net Investment in Capital Assets	\$ 2,479,912	\$ 2,449,320	\$ 2,579,193	\$ 3,059,808	\$ 2,987,309	\$ 3,171,978	\$ 3,406,302	\$ 3,712,067	\$ 4,043,186
Restricted	677,340	816,402	612,149	651,574	554,906	474,633	530,484	1,108,069	1,522,980
Unrestricted (Deficit)	(34,144)	141,470	357,762	2,157	173,945	48,050	89,292	63,644	(1,414)
<b>Total Governmental Activities Net Position</b>	<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>	<u>5,564,752</u>
<b>Business-Type Activities:</b>									
Net Investment in Capital Assets	6,639	4,865	9,872	49,436	41,837	34,981	28,722	22,695	16,668
Unrestricted	18,879	19,733	17,501	15,244	20,353		4,990	4,707	2,688
<b>Total Business-Type Activities Net Position</b>	<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>	<u>19,356</u>
<b>District-Wide:</b>									
Net Investment in Capital Assets	2,486,551	2,454,185	2,589,065	3,109,244	3,029,146	3,206,959	3,435,024	3,734,762	4,059,854
Restricted	677,340	816,402	612,149	651,574	554,906	474,633	530,484	1,108,069	1,522,980
Unrestricted (Deficit)	(15,265)	161,203	375,263	17,401	194,298	48,050	94,282	68,351	1,274
<b>Total District Net Position</b>	<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>	<u>\$ 5,584,108</u>

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

Source: School District Financial Reports

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

Fiscal Year Ending June 30,

	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses:</b>									
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	\$ 4,883,460
Special Education	585,670	563,321	638,325	782,622	1,007,947	1,075,788	854,210	851,995	964,696
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	106,104
Support Services:									
Tuition	134,428	199,272	241,834	74,817	232,066	307,477	286,933	421,473	335,006
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	1,481,159
General Administrative Services	493,321	445,603	510,790	548,161	463,694	518,311	472,335	458,764	396,745
School Administrative Services	458,663	491,279	523,750	508,387	495,115	482,443	491,812	405,599	486,753
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	1,240,889
Pupil Transportation	104,984	137,432	202,206	220,345	294,656	274,925	188,904	211,566	209,032
Central Services	303,087	311,125	366,482	376,971	319,487	200,295	210,273	219,915	227,674
Capital Outlay			17,127	33,451	19,576	21,501	50,142		22,076
Interest on Long- Term Debt	543,848	645,985	527,353	414,614	506,417	486,309	445,265	372,795	334,369
<b>Total Governmental Activities Expenses</b>	<b>8,751,154</b>	<b>9,075,761</b>	<b>9,933,260</b>	<b>10,309,674</b>	<b>10,541,174</b>	<b>10,797,310</b>	<b>10,294,566</b>	<b>10,288,730</b>	<b>10,687,963</b>
Business-Type Activities:									
Food Service	132,775	130,706	134,283	140,159	145,000	168,642	187,226	185,207	170,442
<b>Total Business-type Activities Expense</b>	<b>132,775</b>	<b>130,706</b>	<b>134,283</b>	<b>140,159</b>	<b>145,000</b>	<b>168,642</b>	<b>187,226</b>	<b>185,207</b>	<b>170,442</b>
<b>Total District Expenses</b>	<b>\$ 8,883,929</b>	<b>\$ 9,206,467</b>	<b>\$ 10,067,543</b>	<b>\$ 10,449,833</b>	<b>\$ 10,686,174</b>	<b>\$ 10,965,952</b>	<b>\$ 10,481,792</b>	<b>\$ 10,473,937</b>	<b>\$ 10,858,405</b>

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

Fiscal Year Ending June 30,

	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Program Revenues</b>									
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	\$ 1,504,664
Capital Grants and Contributions	70,000						33,920	4,320	
<b>Total Governmental Activities Program Revenues</b>	<b>1,133,828</b>	<b>1,148,426</b>	<b>1,441,984</b>	<b>1,476,123</b>	<b>1,354,726</b>	<b>1,327,852</b>	<b>1,156,154</b>	<b>1,362,383</b>	<b>1,504,664</b>
Business-Type Activities:									
Charges for Services:									
Food Service	130,029	124,823	125,153	124,296	136,251	131,821	165,529	154,885	147,012
Operating Grants and Contributions	4,941	4,913	4,937	5,802	6,207	5,015	13,433	13,438	10
<b>Total Business-type Activities Program Revenues</b>	<b>134,970</b>	<b>129,736</b>	<b>130,090</b>	<b>130,098</b>	<b>142,458</b>	<b>136,836</b>	<b>178,962</b>	<b>168,323</b>	<b>147,022</b>
<b>Total District Program Revenues</b>	<b>1,268,798</b>	<b>1,278,162</b>	<b>1,572,074</b>	<b>1,606,221</b>	<b>1,497,184</b>	<b>1,464,688</b>	<b>1,335,116</b>	<b>1,530,706</b>	<b>1,651,686</b>
<b>Net (Expense)/Revenue</b>									
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)	(9,183,299)
Business-type Activities	2,195	(970)	(4,193)	(10,061)	(2,542)	(31,806)	(8,264)	(16,884)	(23,420)
<b>Total District-wide Net Expense</b>	<b>(7,615,131)</b>	<b>(7,928,305)</b>	<b>(8,495,469)</b>	<b>(8,843,612)</b>	<b>(9,188,990)</b>	<b>(9,501,264)</b>	<b>(9,146,676)</b>	<b>(8,943,231)</b>	<b>(9,206,719)</b>
<b>General Revenues and Other Changes in Net Position</b>									
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	8,890,779
Taxes Levied for Debt Service	897,755	905,038	870,738	895,943	903,250	914,513	916,656	921,981	926,681
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	2,663
Miscellaneous Income	11,573	39,874	62,497	36,267	41,712	30,924	46,995	55,358	44,148
Cancellation of State Receivable		(9,292)							
Transfers					(20,000)	(54,521)	(129,209)		
<b>Total Governmental Activities</b>	<b>\$ 7,526,323</b>	<b>\$ 8,211,419</b>	<b>\$ 8,633,188</b>	<b>\$ 8,997,986</b>	<b>\$ 9,189,069</b>	<b>\$ 9,447,959</b>	<b>\$ 9,469,829</b>	<b>\$ 9,784,049</b>	<b>\$ 9,864,271</b>

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

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Business-Type Activities:</b>									
Investment Earnings	\$ 192	\$ 50	\$ 68	\$ 59	\$ 52	\$ 27	\$ 17		
Contributed Capital			6,900	47,309					
Miscellaneous Income						49	2,769	\$ 10,574	\$ 15,374
Transfers						4,521	4,209		
<b>Total Business-Type Activities</b>	<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>	<u>15,374</u>
<b>Total District</b>	<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>	<u>9,879,645</u>
<b>Change in Net Position:</b>									
Governmental Activities	(91,003)	284,084	141,912	164,435	2,621	(21,499)	331,417	857,702	680,972
Business-type Activities	2,387	(920)	2,775	37,307	(2,490)	(27,209)	(1,269)	(6,310)	(8,046)
<b>Total District</b>	<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>	<u>\$ 672,926</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 NINE FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
UNAUDITED

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:									
Reserved/ Restricted	\$ 360,269	\$ 671,851	\$ 646,900	\$ 629,836	\$ 544,152	\$ 474,633	\$ 530,484	\$ 1,108,069	\$ 1,522,980
Assigned							17,922	51,699	
Unassigned							332,954	294,763	293,336
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>	<u>\$ 1,816,316</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>							\$ 125
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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125</u>
Governmental Funds:									
Reserved/ Restricted	\$ 544,585	\$ 671,851	\$ 715,802	\$ 629,836	\$ 544,152	\$ 474,633	\$ 530,484	\$ 1,108,069	\$ 1,522,980
Assigned							17,922	51,699	
Unassigned							332,954	294,763	293,461
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>	<u>\$ 1,816,441</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 NINE FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
UNAUDITED

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues:</b>									
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	\$ 9,817,460
Tuition Charges	36,514		3,971	14,667	24,340	32,601	41,423	33,550	45,961
Interest Earnings	5,248	8,735	86,657	61,860	15,530	9,973	5,281	3,958	2,663
Miscellaneous	37,222	50,618	58,526	21,600	44,712	53,546	73,429	84,122	48,826
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	1,302,240
Federal Sources	132,371	144,194	163,003	182,594	172,681	258,354	233,875	231,677	151,785
<b>Total Revenue</b>	<b>8,660,151</b>	<b>9,369,137</b>	<b>10,075,172</b>	<b>10,474,109</b>	<b>10,563,795</b>	<b>10,830,332</b>	<b>10,755,192</b>	<b>11,146,432</b>	<b>11,368,935</b>
<b>Expenditures:</b>									
<b>Instruction</b>									
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	3,576,032
Special Education Instruction	558,965	552,412	608,326	719,379	769,024	864,391	633,114	604,702	660,853
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	96,363
<b>Support Services:</b>									
Tuition	134,428	199,272	241,834	74,817	232,066	307,477	286,933	421,473	335,006
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	1,044,598
General Administrative Services	393,414	429,405	419,185	449,680	410,186	419,031	420,778	433,096	338,396
School Administrative Services	414,904	404,134	438,940	455,421	424,327	471,249	428,641	360,975	386,299
Plant Operations and Maintenance	678,829	736,954	823,558	906,378	763,935	707,089	724,862	685,453	714,404
Pupil Transportation	104,984	137,432	202,206	220,345	294,656	274,925	188,904	211,566	209,032
Central Services	273,614	247,481	271,343	276,859	262,179	160,736	165,676	171,569	173,727
Allocated and Unallocated Benefits	559,558	650,622	946,416	936,019	1,810,736	1,954,612	1,914,679	2,130,061	2,383,594
Capital Outlay	185,650	265,790	70,857	177,632	37,663	30,201	133,468	74,764	162,040
<b>Debt Service:</b>									
Principal	350,000	440,000	430,000	450,000	475,000	505,000	530,000	560,000	585,000
Interest and Other Charges	547,756	442,983	462,795	445,943	428,250	409,513	386,656	361,981	341,681
<b>Total Expenditures</b>	<b>9,020,962</b>	<b>9,294,717</b>	<b>10,025,457</b>	<b>10,613,021</b>	<b>10,569,403</b>	<b>10,911,016</b>	<b>10,500,844</b>	<b>10,572,598</b>	<b>11,007,025</b>
<b>Excess/(Deficiency) of Revenues</b>									
Over/(Under) Expenditures	(360,811)	74,420	49,715	(138,912)	(5,608)	(80,684)	254,348	573,834	361,910

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

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	\$ 105
Transfers Out	(107,056)	(8,118)	(77,591)	(10,572)	(20,225)	(54,604)	(180,132)	(4,499)	(105)
Total Other Financing Sources/(Uses)		(9,292)			(20,000)	(54,521)	(129,209)		
Net Change in Fund Balances	\$ (360,811)	\$ 65,128	\$ 49,715	\$ (138,912)	\$ (25,608)	\$ (135,205)	\$ 125,139	\$ 573,834	\$ 361,910
Debt Service as a Percentage of Noncapital Expenditures	10.2%	9.8%	9.0%	8.6%	8.6%	8.4%	8.8%	8.8%	8.5%

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>
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
2013	2,558	45,961	8,675	35,453	92,647

Source: Mendham Borough School District records

**MENDHAM BOROUGH SCHOOL DISTRICT**  
**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST NINE YEARS**  
**UNAUDITED**

Year Ended December 31.	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	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
2012	7,384,900	1,101,185,800	66,422,700	394,600	109,079,300	2,342,200	1,286,809,500	123,773,600	2,300,875	1,289,110,375	0.47	1,359,104,244

\*- 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

Exhibit J-7

**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 <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	West Morris Regional High School	Municipal Open Space	Mendham Borough	Morris County		
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	
2012	0.43	0.04	0.47	0.75	0.02	0.31	0.34	1.89	

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>	<u>2012</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
V-Fee Realty Shopping Center	\$ 22,000,000	1.71%
Roxiticus Golf Club Inc.	14,178,100	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	0.41%
Taxpayer #5	4,629,500	0.36%
Taxpayer #6	4,607,900	0.35%
Taxpayer #7	4,398,200	0.34%
Total	<u>\$ 81,058,900</u>	<u>6.29%</u>

<u>Taxpayer</u>	<u>2003</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Mendham Investment Co.	\$ 12,400,000	2.01%
Roxiticus Golf Club Inc.	5,510,200	0.89%
Holly Manor	4,587,100	0.74%
Taxpayer #1	3,998,200	0.65%
Taxpayer #2	3,538,800	0.57%
Taxpayer #3	3,552,655	0.57%
Taxpayer #4	3,035,100	0.49%
Taxpayer #5	3,032,500	0.49%
Taxpayer #6	2,919,200	0.47%
Taxpayer #7	2,888,000	0.47%
Total	<u>\$ 45,461,755</u>	<u>7.35%</u>

Note: Individual Taxpayers listed may be different in 2012 and 2003.

Note: Revaluation was done in 2006 and 2010.

Source: Municipal Tax Assessor

Exhibit J-9

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 <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2013	9,817,460	9,817,460	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 NINE FISCAL YEARS  
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Governmental</u> <u>Activities</u>	<u>General</u> <u>Obligation</u>	<u>Total District</u>	<u>Percentage of</u> <u>Personal Income</u> <sup>a</sup>	<u>Per Capita</u> <sup>a</sup>
	<u>Bonds</u>				
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
2013	7,760,000	7,760,000		2.22%	1,550

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.

Exhibit J-11

MENDHAM BOROUGH SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST NINE 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 <sup>a</sup> of</u> <u>Property</u>	<u>Per Capita <sup>b</sup></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
2013	7,760,000	-0-	7,760,000	0.602%	1,550

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, 2012  
UNAUDITED

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Mendham Borough	\$ 5,588,656	100.00%	\$ 5,588,656
West Morris Regional High School District Debt (Borough Share)	20,700,000	15.63%	3,234,817
Morris County General Obligation Debt (Borough Share)	258,802,126	1.45%	<u>3,752,194</u>
Subtotal, Overlapping Debt			12,575,667
Mendham Borough School District Direct Debt			<u>7,760,000</u>
Total Direct and Overlapping Debt			<u>\$ 20,335,667</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.

<sup>a</sup> 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  
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2013

		Equalized Valuation Basis	
		2012	\$ 1,356,678,440
		2011	\$ 1,375,002,453
		2010	1,409,626,853
			\$ 4,141,307,746
Average Equalized Valuation of Taxable Property			\$ 1,380,435,915
Debt Limit (a) (3% of Average Equalization Value)			\$ 41,413,077
Net Bonded School Debt			7,760,000
Legal Debt Margin			\$ 33,653,077

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 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	\$ 41,413,077
Total Net Debt Applicable to Limit	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	7,760,000
Legal Debt Margin	\$ 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	\$ 33,653,077
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	46.42%	42.22%	35.33%	31.60%	27.71%	24.51%	21.83%	20.56%	19.49%	18.74%

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

Exhibit J-14

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

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Morris County Per Capita Personal Income <sup>b</sup></u>	<u>Total County Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
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
2013	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:

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Per Capita Personal Income provided by the NJ Dept of Labor and Workforce Development

<sup>c</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented

<sup>d</sup> 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

2013			2004		
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
Novartis	6,200	N/A			
U.S. Army Armament Research and Development	5,274	N/A			
Atlantic Health	5,013	N/A			
United Parcel Service	2,332	N/A			Information is Not Available
County of Morris	1,928	N/A			
Automatic Data Processing, Inc.	1,924	N/A			
Saint Clare's Health System	1,841	N/A			
AT&T Corporation	1,550	N/A			
Chilton Memorial	1,440	N/A			
BASF Corporation	1,400	N/A			
<b>Total</b>	<b>28,902</b>	<b>N/A</b>			

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 NINE 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>	<u>2013</u>
Instruction									
Regular	54.95	50.80	50.80	52.40	51.60	51.45	52.60	49.00	49.40
Special Education	9.80	9.80	11.80	15.00	13.00	12.00	14.80	10.80	10.80
Support Services:									
Student & Instruction Related Services	10.80	10.30	10.70	10.80	10.80	12.80	10.30	12.60	12.60
School Administrative Services	4.70	4.70	4.70	4.70	4.70	4.00	4.00	4.00	4.50
General and Business Administrative Services	5.70	5.20	5.20	5.20	5.20	5.00	5.00	4.50	4.00
Plant Operations and Maintenance	5.00	5.00	5.00	5.50	5.50	5.50	5.50	5.00	5.00
Food Service	4.00	4.00	4.00	4.00	4.00	3.50	3.50		
<b>Total</b>	<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>	<u>86.30</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 NINE FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% 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	668	9,539,446	14,281	3.06%	64.2	1:11	1:10	668	641	1.38%	95.91%
2009	666	9,628,490	14,457	1.24%	60.2	1:11	1:10	670	644	0.30%	96.12%
2010	660	9,966,302	15,100	4.45%	62.5	1:08	1:10	674	649	0.60%	96.29%
2011	697	9,450,720	13,559	-10.21%	60.4	1:08	1:10	698	671	3.56%	96.13%
2012	652	9,575,853	14,687	8.32%	56.9	1:11	1:12	673	648	-3.71%	96.29%
2013	652	9,918,304	15,212	3.58%	58.80	1:12	1:10	650	624	-3.41%	96.00%

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 NINE FISCAL YEARS  
UNAUDITED

<u>District Building</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>	<u>2013</u>
<b>Hilltop School</b>									
Square Feet	59,790	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	428
Enrollment	360	353	356	357	354	348	368	336	336
<b>Mountain View School</b>									
Square Feet	55,280	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	383
Enrollment	303	292	298	311	312	312	329	316	316

Number of Schools at June 30, 2013  
 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>
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
2013	76,194	70,447	146,641

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

Source: Mendham Borough School District records

MENDHAM BOROUGH SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2013  
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	190,000	
Treasurer of School Monies	190,000	

SINGLE AUDIT 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

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, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mendham Borough School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 13, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

### **Compliance and Other Matters**

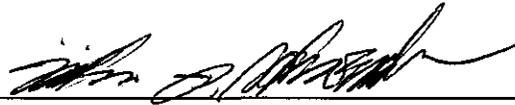
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 13, 2013  
Mount Arlington, New Jersey

NISIVOCIA LLP



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



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Report on Compliance For Each Major State Program;  
 Report on Internal Control Over Compliance Required by 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

**Report on Compliance for Each Major State Program**

We have audited the Mendham Borough School District's (the "District's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on the District's major state program for the fiscal year ended June 30, 2013. The District's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the District's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; OMB 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*. Those standards, 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 District'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 on compliance for the major state program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major State Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2013.

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

### Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District'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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of OMB Circular A-133 or NJOMB 04-04. Accordingly, this report is not suitable for any other purpose.

September 13, 2013  
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, 2013

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title:	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2012			Balance at June 30, 2013		
					Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	Unearned Revenue	(Accounts Receivable)
<b>U.S. Department of Agriculture</b>										
Passed-through State Department of Agriculture:										
Child Nutrition Cluster:										
Food Distribution Program	10.555	N/A	7/1/12-6/30/13	\$ 548			\$ 548	\$ (548)		
Food Distribution Program	10.555	N/A	7/1/11-6/30/12	8,767	\$ 1,079			(1,079)		
Federal School Lunch Program	10.555	N/A	7/1/11-6/30/12	12,278	(654)		654			
<b>Total U.S. Department of Agriculture Child Nutrition Cluster</b>					<b>425</b>		<b>1,202</b>	<b>(1,627)</b>		
<b>Total Enterprise Funds</b>					<b>425</b>		<b>1,202</b>	<b>(1,627)</b>		
<b>U.S. Department of Education</b>										
Passed-through State Department of Education:										
NCLB Consolidated:										
Title II - Part A	84.367	NCLB-3090-12	9/1/12-8/31/13	11,908			9,501	(11,908)		\$ (2,407)
Title II - Part A	84.367	NCLB-3090-12	9/1/11-8/31/12	10,910	(4,289)		4,289			
Title I	84.367	NCLB-3090-12	9/1/12-8/31/13	6,854			6,854	(6,450)	\$ 404	
<b>Total NCLB Consolidated</b>					<b>(4,289)</b>		<b>20,644</b>	<b>(18,358)</b>	<b>404</b>	<b>(2,407)</b>
Special Education Cluster:										
I.D.E.A. Part B, Basic	84.027	IDEA-3090-13	9/1/12-8/31/13	159,425			120,440	(127,145)		(6,705)
I.D.E.A. Part B, Basic	84.027	IDEA-3090-12	9/1/11-8/31/12	159,445	(62,959)		62,959			
I.D.E.A. Part B, Preschool	84.173	IDEA-3090-13	9/1/12-8/31/13	6,282			6,282	(6,282)		
I.D.E.A. Part B, Preschool	84.173	IDEA-3090-12	9/1/11-8/31/12	6,285	(781)		781			
<b>Total Special Education Cluster</b>					<b>(63,740)</b>		<b>190,462</b>	<b>(133,427)</b>		<b>(6,705)</b>
Teacher Quality Enhancement Grant - Carryover	84.336A	N/A	9/1/08-8/31/09	660	660				660	
<b>Total U.S. Department of Education</b>					<b>(67,369)</b>		<b>211,106</b>	<b>(151,785)</b>	<b>1,064</b>	<b>(9,112)</b>
<b>Total Special Revenue Fund</b>					<b>(67,369)</b>		<b>211,106</b>	<b>(151,785)</b>	<b>1,064</b>	<b>(9,112)</b>
<b>Total Federal Financial Awards</b>					<b>\$ (66,944)</b>	<b>\$ -0-</b>	<b>\$ 212,308</b>	<b>\$ (153,412)</b>	<b>\$ 1,064</b>	<b>\$ (9,112)</b>

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, 2013**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2012		Cash Received	Budgetary Expenditures	Repayment of Balances	Balance June 30, 2013		Memo	
				Unearned Revenue/ (Accounts Receivable)	Due to Grantor				GAAP Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Budgetary Unearned Revenue/ (Accounts Receivable)	Cumulative Total Expenditures
<b>State Department of Education:</b>												
Categorical Special Education Aid	13-495-034-5120-085	7/1/12-6/30/13	\$ 215,599			\$ 199,141	\$ (215,599)				\$ (16,458)	\$ 215,599
Security Aid	13-495-034-5120-078	7/1/12-6/30/13	10,091			9,321	(10,091)				(770)	10,091
Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13	11,685			10,793	(11,685)				(892)	11,685
Adjustment Aid	13-495-034-5120-085	7/1/12-6/30/13										
Extraordinary Special Education Costs	13-100-034-5120-473	7/1/12-6/30/13	41,334				(41,334)		\$ (41,334)		(41,334)	41,334
Nonpublic Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13	8,022				(8,022)		(8,022)		(8,022)	8,022
Reimbursed TPAF Social Security Contributions	13-495-034-5095-002	7/1/12-6/30/13	7,326	\$ (7,326)		7,326						7,326
Categorical Special Education Aid	12-495-034-5120-085	7/1/11-6/30/12	184,851									184,851
Extraordinary Special Education Costs	12-100-034-5120-473	7/1/11-6/30/12	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
Reimbursed TPAF Social Security Contributions	13-495-034-5095-002	7/1/12-6/30/13	316,394			300,345	(316,394)		(16,049)		(16,049)	316,394
<b>Total General Fund</b>				<b>(59,325)</b>		<b>578,925</b>	<b>(603,125)</b>		<b>(65,405)</b>		<b>(83,525)</b>	<b>847,301</b>
<b>N.J. Nonpublic Aid:</b>												
Technology Aid	13-100-034-5120-064	7/1/12-6/30/13	4,368			4,368	(4,368)					4,368
Textbook Aid	13-100-034-5120-064	7/1/12-6/30/13	11,836			11,836	(11,836)					11,836
Nursing Services	13-100-034-5120-070	7/1/12-6/30/13	16,428			16,428	(16,428)					16,428
<b>Auxiliary Services:</b>												
Compensatory Education	13-100-034-5120-067	7/1/12-6/30/13	14,047			14,047	(13,963)		\$ 84		84	13,963
Home Instruction	13-100-034-5120-067	7/1/12-6/30/13	12,350			12,350	(13,462)		(1,112)		(1,112)	13,462
Home Instruction	12-100-034-5120-067	7/1/11-6/30/12	812	(812)		812						812
<b>Handicapped Services:</b>												
Examination & Classification	13-100-034-5120-066	9/1/12-6/30/13	16,403			16,403	(16,402)			1		16,402
Examination & Classification	12-100-034-5120-066	9/1/11-6/30/12	16,908		\$ 324					324		16,584
Corrective Speech	13-100-034-5120-066	9/1/12-6/30/13	6,484			6,484	(6,329)			155		6,329
Corrective Speech	12-100-034-5120-066	9/1/11-6/30/12	6,714		396					396		6,318
<b>Total Special Revenue Fund</b>				<b>(812)</b>	<b>720</b>	<b>82,728</b>	<b>(82,788)</b>		<b>(1,112)</b>	<b>960</b>	<b>(1,028)</b>	<b>106,502</b>
<b>Enterprise Fund:</b>												
State School Lunch Program	12-100-034-5120-122	7/1/11-6/30/12	1,146	(64)		64						1,146
<b>Total Enterprise Fund</b>				<b>(64)</b>		<b>64</b>						
<b>Total State Financial Awards</b>				<b>\$ (60,201)</b>	<b>\$ 720</b>	<b>\$ 661,717</b>	<b>\$ (685,913)</b>	<b>\$ -</b>	<b>\$ (66,517)</b>	<b>\$ 960</b>	<b>\$ (84,553)</b>	<b>\$ 953,803</b>

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, 2013

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, 2013. 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 position 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 are 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.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$10,884) for the general 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 \$294,362 and \$332,849 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,219,452	\$ 1,219,452
Special Revenue Fund	\$ 151,785	82,788	234,573
Enterprise Fund	1,627		1,627
Total	<u>\$ 153,412</u>	<u>\$ 1,302,240</u>	<u>\$ 1,455,652</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2013. Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

MENDHAM BOROUGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 program.
- An unqualified report was issued on the District's compliance for its major state program.
- 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, 2013 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>State Programs:</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Reimbursed TPAF Social Security Contributions	13-495-034-5095-002	7/1/12-6/30/13	\$ 316,394	\$ 316,394

- 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, 2013

Status of Prior Year Findings:

There were no prior year findings.