

**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, 2016**

**Comprehensive Annual
Financial Report**

of the

Mendham Borough School District

Mendham, New Jersey

For the Fiscal Year Ended June 30, 2016

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 12, 2016

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, 2016, 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 Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the 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 Preschool through 8. These include regular as well as special education for classified children. The District completed the 2015-16 fiscal year with an average daily enrollment of 569 students, which is a decrease of 27 students from the previous year's enrollment.

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 569 students are enrolled at the two elementary schools (Preschool - 4 and Grades 5 - 8). Students in Grades 9 - 12 attend the West Morris Mendham High School.

The Honorable President and Members
of the Board of Education
Mendham Borough School District
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3) MAJOR INITIATIVES:

Mendham Borough, a Preschool - 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 of differentiated instruction through the University of Virginia, literacy training and the use of formative assessment and data analysis to improve instruction.
- The alignment of curriculum and assessments to the Common Core Curriculum Standards, the expansion of instructional technology and the continued preparation of teachers and students for the Partnership for Assessment of Readiness for College and Career (PARCC) Assessments that will be implemented in 2014-15.
- Research concerning models for gifted education, enrichment opportunities and specialized inclusion and self-contained programs in districts similar to our own.
- To promote articulation with surrounding Preschool - 8 districts and the regional high school district.
- Enhance and maintain technology in our schools where staff and students continuously expand their skills as they develop into effective digital citizens.
- To create and sustain a safe, secure learning environment that is equipped to deliver a 21st century instructional program.
- Continue to foster the social and emotional development of all students while providing a first class educational program that meets the needs of our diverse learners.
- To create and develop partnerships between school, home and community through purposeful communication, welcomed feedback, meaningful involvement, successful partnerships and pride in school community.

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
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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 a vote of the Board of Education. 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, 2016.

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 Insurance Group (NJSIG). NJSIG 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 NJSIG 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 Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *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.

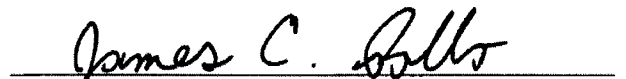
The Honorable President and Members
of the Board of Education
Mendham Borough School District
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September 12, 2016

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,

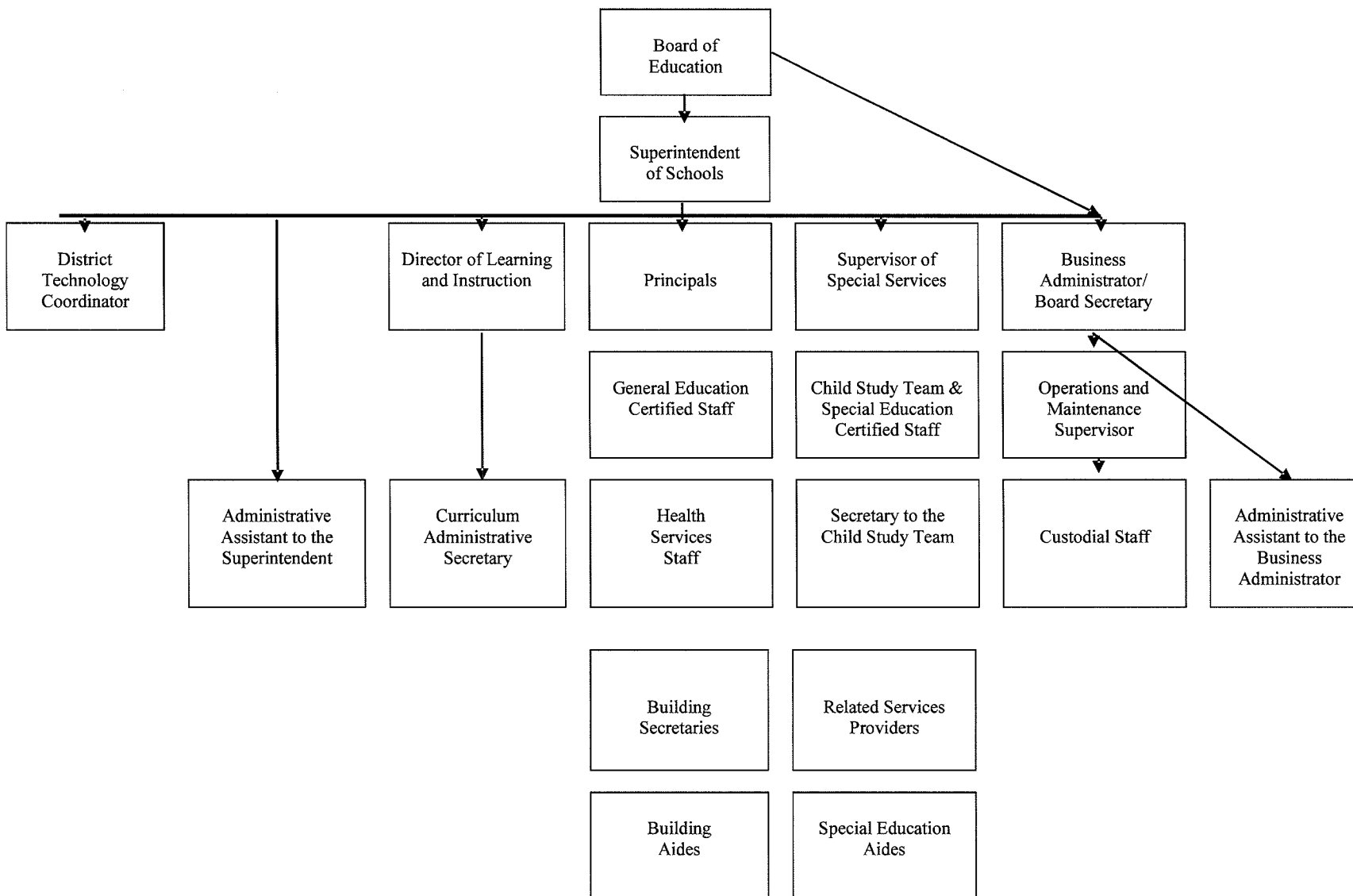


Mitzi N. Morillo, Ed. M.
Superintendent



James Rollo
Board Secretary/Business Administrator

MENDHAM BOROUGH SCHOOL DISTRICT
 ORGANIZATION CHART
 2015-2016



MENDHAM BOROUGH SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2016

Members of the Board of Education

Term Expires

John Vitale, President	11/2016
Steven Andrew, Vice President	11/2016
Raechelle Raimondo	11/2016
John Jennings	11/2017
William Corbett	11/2017
Paul Fechhelm	11/2017
AnnMarie Hornyak	11/2018
Beth Cocuzza	11/2018
Stephen Dolan	11/2018

Other Officials

Title

Mitzi Morillo	Superintendent
James Rollo	Business Administrator/Board Secretary

MENDHAM BOROUGH SCHOOL DISTRICT
Consultants and Advisors

Audit Firm

Nisivoccia LLP
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, 2016, 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, 2016, 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, the pension schedules in exhibits L-1 through L-3 and the related notes, 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 and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections 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
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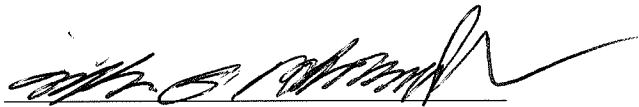
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2016 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 12, 2016
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

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

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

This section of Mendham Borough School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2016. 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

- Overall revenue was \$13.80 million.
- Overall expenses were \$13.22 million.
- The District's financial position increased \$577,291 over the course of the year on a district-wide basis.

Overview of the Financial Statements

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

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

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

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

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

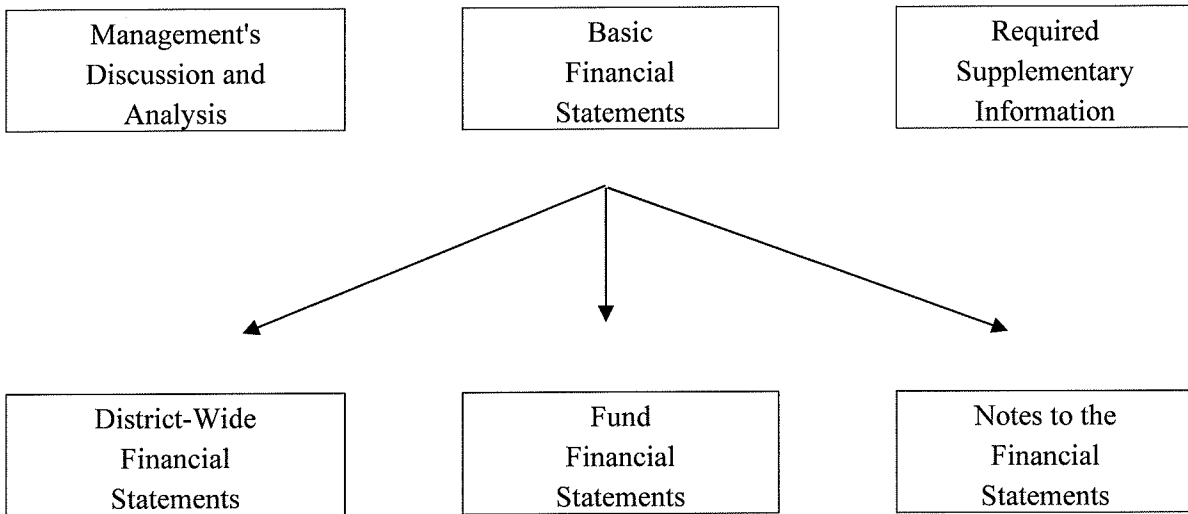


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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, deferred inflows and outflows, 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, deferred inflows and outflows, 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 the Basic 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 \$577,291. Net position from governmental activities increased \$594,506 and net position from business-type activities decreased \$17,215. Net position invested in capital assets increased \$329,573, restricted net position increased \$254,973, and unrestricted net position decreased by \$7,255.

Figure A-3
Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
Current and Other Assets	\$ 1,960,198	\$ 1,549,496	\$ 5,249	\$ 5,627	\$ 1,965,447	\$ 1,555,123	26.39%
Capital Assets, Net	9,354,760	9,598,362	8,591	20,416	9,363,351	9,618,778	-2.66%
Total Assets	<u>11,314,958</u>	<u>11,147,858</u>	<u>13,840</u>	<u>26,043</u>	<u>11,328,798</u>	<u>11,173,901</u>	1.39%
Deferred Outflows of Resources	<u>475,459</u>	<u>177,118</u>			<u>475,459</u>	<u>177,118</u>	168.44%
Other Liabilities	873,582	760,450	8,951	3,939	882,533	764,389	15.46%
Long-Term Liabilities							
Outstanding	<u>7,810,485</u>	<u>7,940,947</u>			<u>7,810,485</u>	<u>7,940,947</u>	-1.64%
Total Liabilities	<u>8,684,067</u>	<u>8,701,397</u>	<u>8,951</u>	<u>3,939</u>	<u>8,693,018</u>	<u>8,705,336</u>	-0.14%
Deferred Inflows of Resources	<u>234,971</u>	<u>346,706</u>			<u>234,971</u>	<u>346,706</u>	-32.23%
Net Position:							
Net Investment in Capital Assets	3,874,760	3,533,362	8,591	20,416	3,883,351	3,553,778	9.27%
Restricted	1,311,465	1,056,492			1,311,465	1,056,492	24.13%
Unrestricted/(Deficit)	<u>(2,314,846)</u>	<u>(2,312,981)</u>	<u>(3,702)</u>	<u>1,688</u>	<u>(2,318,548)</u>	<u>(2,311,293)</u>	-0.31%
Total Net Position	<u>\$ 2,871,379</u>	<u>\$ 2,276,873</u>	<u>\$ 4,889</u>	<u>\$ 22,104</u>	<u>\$ 2,876,268</u>	<u>\$ 2,298,977</u>	25.11%

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

Changes in Net Position. The District's combined net position was \$2,876,268 on June 30, 2016, \$594,506 or 25.11% higher than it was the year before. (See Figure A-3). Net position invested in capital assets increased by \$329,573 or 9.27% as a result of \$585,000 of long-term debt maturities and \$91,532 in net capital acquisitions offset by depreciation of \$335,134 in its governmental and \$4,692 in business-type activities, and capital deletions of \$7,133 in business-type activities. Restricted net position increased by \$254,973 or 24.13% due to a decrease of \$24,955 in Maintenance Reserve and a decrease of \$110,339 in excess surplus designated for subsequent year's expenditures offset by an increase of \$389,899 in Maintenance Reserve, an increase in restricted Debt Service Fund Balance of \$368. Unrestricted net position decreased by \$7,255 or 0.31% due to the following- an increase of \$2,536 in Compensated Absences Payable, an increase in net pension liability of \$452,002 offset by a decrease in encumbrances of \$11,457 and decreases of \$450,336 in 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 2015/16	Business-Type Activities 2015/16	Total School District 2015/16	Governmental Activities 2014/15	Business-Type Activities 2014/15	Total School District 2014/15	Total Percentage Change 2015/16
Revenue:							
Program Revenue:							
Charges for Services	\$ 16,265	\$ 158,666	\$ 174,931	\$ 54,165	\$ 138,880	\$ 193,045	-9.38%
Operating Grants and Contributions	3,038,132		3,038,132	2,707,976		2,707,976	12.19%
General Revenue:							
Property Taxes	10,521,537		10,521,537	10,253,853		10,253,853	2.61%
Other	60,543	7,059	67,602	31,781	7,581	39,362	71.74%
Total Revenue	13,636,477	165,725	13,802,202	13,047,775	146,461	13,194,236	4.61%
Expenses:							
Instruction	7,602,394		7,602,394	6,758,122		6,758,122	12.49%
Pupil and Instruction Services	2,711,433		2,711,433	2,570,021		2,570,021	5.50%
Administrative and Business	1,120,864		1,120,864	1,178,174		1,178,174	-4.86%
Maintenance and Operations	1,089,433		1,089,433	1,211,672		1,211,672	-10.09%
Pupil Transportation	276,940		276,940	240,034		240,034	15.38%
Other	234,037	182,677	416,714	160,746	148,408	309,154	34.79%
Total Expenses	13,035,101	182,677	13,217,778	12,118,769	148,408	12,267,177	7.75%
Special Items:							
Capital Asset Adjustment		(7,133)	(7,133)		(2,250)	(2,250)	217.02%
Transfers	(6,870)	6,870					
Increase/(Decrease) in Net Position	\$ 594,506	\$ (17,215)	\$ 577,291	\$ 929,006	\$ (4,197)	\$ 924,809	-37.58%

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

Revenue Sources. The District's total revenue for the 2015/16 school year was \$13,802,202. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$10,521,537 of the total, or 76.23 percent. (See Figure A-5). Another 22.02 percent came from state and federal aid for specific programs and the remainder from charges for services and miscellaneous sources. The Mendham Borough School District basically conducts its operations from the revenues it receives from its local taxpayers and state funding.

Figure A-5

Sources of Revenue for Fiscal Year 2016

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 212,272	1.54%
Property Taxes	10,521,537	76.23%
Federal and State Categorical Grants	2,825,860	20.48%
Charges for Services	174,931	1.27%
Other	67,602	0.48%
	\$ 13,802,202	100.00%

The total cost of all programs and services was \$13,217,778. The District's expenses are predominantly related to instructing, caring for and transporting pupil services (80.13 percent instruction). The administrative and business activities of the schools were 8.48 percent. (See Figure A-6.) The District's maintenance and operations accounted for 8.24 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 \$339,826 in depreciation of which a large portion was charged to Maintenance and Operations.

Figure A-6

Expenses for Fiscal Year 2016

	Amount	Percentage
Expense Category:		
Instruction	\$ 7,602,394	57.52%
Pupil and Instruction Services	2,711,433	20.51%
Administrative and Business	1,120,864	8.48%
Maintenance and Operations	1,089,433	8.24%
Transportation	276,940	2.10%
Other	416,714	3.15%
	\$ 13,217,778	100.00%

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District increased 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

	Net Cost of Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2015/16	2015/16	2014/15	2014/15
Instruction	\$ 7,602,394	\$ 5,238,746	\$ 6,758,122	\$ 4,722,577
Pupil and Instruction Services	2,711,433	2,043,988	2,570,021	1,994,712
Administrative and Business	1,120,864	1,120,864	1,178,174	1,178,174
Maintenance and Operations	1,089,433	1,089,433	1,211,672	1,211,672
Transportation	276,940	253,636	240,034	216,443
Other	234,037	234,037	160,746	160,746
	<u>\$ 13,035,101</u>	<u>\$ 9,980,704</u>	<u>\$ 12,118,769</u>	<u>\$ 9,484,324</u>

- The cost of all governmental activities this year was \$13.04 million.
- The federal and state governments subsidized certain programs with grants and aid (\$3.04 million).
- Most of the District's costs, however, were financed by District taxpayers (\$10.52 million).
- A portion of the governmental activities was financed with approximately \$212,272 in state aid based on the SFRA schedule, which is included in the \$3.04 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 \$17,215 (Refer to Figure A-4). Factors contributing to these results included:

- Food service expenses exceeded revenues by \$16,952. There was also an adjustment which decreased capital assets by \$7,133 which was offset by operating transfers from the General Fund of \$6,870. These various factors accounted for the overall decrease in the net position of the business-type activities.

Financial Analysis of the District's Funds

The District's financial position increased during the year mostly due to increased revenue from grants and contributions offset by the rising costs 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)**

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Figure A-8

	Capital Assets (Net of Depreciation)						Percentage Change 2015/16
	Government Activities		Business-Type Activities		Total School District		
	<u>2015/16</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2014/15</u>	
Land	\$ 251	\$ 251			\$ 251	\$ 251	0.00%
Construction in Progress	319,240	319,240			319,240	319,240	0.00%
Site Improvements	625,879	655,060			625,879	655,060	-4.45%
Buildings and Building Improvements	8,082,944	8,309,614			8,082,944	8,309,614	-2.73%
Machinery and Equipment	<u>326,446</u>	<u>314,197</u>	<u>\$ 8,591</u>	<u>\$ 20,416</u>	<u>335,037</u>	<u>334,613</u>	0.13%
Total Capital Assets (Net of Depreciation)	<u><u>\$ 9,354,760</u></u>	<u><u>\$ 9,598,362</u></u>	<u><u>\$ 8,591</u></u>	<u><u>\$ 20,416</u></u>	<u><u>\$ 9,363,351</u></u>	<u><u>\$ 9,618,778</u></u>	-2.66%

During the fiscal year, total depreciation expense was \$335,134 for governmental activities and \$4,692 for business-type activities. Additions totaled \$91,532 for governmental activities offset by disposals of \$7,133 for business-type activities.

Long-term Liabilities

At year-end, the District had \$5,480,000 in general obligation bonds outstanding – a decrease of \$585,000 in bonds from last year, a net increase of \$452,002 in net pension liability, as well as an increase of \$2,536 in compensated absences liability from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 9 to the financial statements.)

Figure A-9

	Outstanding Long-Term Liabilities		Percentage Change 2015/16
	<u>2015/16</u>	<u>2014/15</u>	
Bonds Payable	\$ 5,480,000	\$ 6,065,000	-9.65%
Net Pension Liability	2,149,387	1,697,385	26.63%
Compensated Absences Payable	<u>181,098</u>	<u>178,562</u>	1.42%
	<u><u>\$ 7,810,485</u></u>	<u><u>\$ 7,940,947</u></u>	-1.64%

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

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

It has proven to be a challenging year as we explored different avenues of saving money and reducing expenses. The District initiated a Pay To Participate program in 2012 for sports and clubs. Parents were responsible for paying for their children to participate in middle school sports. For the 2015-2016 school year, the cost that parents pay was only \$60 per player per sport. The District also contracted with an outside food service company to manage the cafeterias in both schools. The declining student participation in the food service program and the rising cost of sales has caused a loss in the current year for the food service fund. The District has discontinued its participation in the Federal and State School Lunch Programs and the likely result is that any profit generated by the foods operations will be offset by the expense of subsidizing the underprivileged students.

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 provides 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, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 483,102	\$ 1,058	\$ 484,160
Receivables from Other Governments:			
Federal	46,660		46,660
State	227,395		227,395
Other Accounts Receivable	7,233		7,233
Inventory		4,191	4,191
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	1,175,165		1,175,165
Maintenance Reserve Account - Cash and Cash Equivalents	20,643		20,643
Capital Assets, Net			
Sites (Land)	251		251
Depreciable Site Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment	9,354,509	8,591	9,363,100
Total Assets	<u>11,314,958</u>	<u>13,840</u>	<u>11,328,798</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Amount on Refunding	112,494		112,494
Differences Between Expected and Actual - Pensions	51,277		51,277
Changes in Proportions - Pensions	80,861		80,861
Changes in Assumptions - Pensions	230,827		230,827
Total Deferred Outflow of Resources	<u>475,459</u>		<u>475,459</u>
LIABILITIES			
Accrued Interest Payable	73,950		73,950
Accounts Payable - Vendors	54,413	1,557	55,970
Accounts Payable - Cash Deficit	102,021		102,021
Payable to State Government	56,678		56,678
Unamortized Bond Insurance Premium	547,243		547,243
Unearned Revenue	39,277	7,394	46,671
Noncurrent Liabilities:			
Due Within One Year	585,000		585,000
Due Beyond One Year	7,225,485		7,225,485
Total Liabilities	<u>8,684,067</u>	<u>8,951</u>	<u>8,693,018</u>
DEFERRED INFLOW OF RESOURCES			
Changes in Proportion - Pensions	200,413		200,413
Investment Gains - Pensions	34,558		34,558
Total Deferred Inflow of Resources	<u>234,971</u>		<u>234,971</u>
NET POSITION			
Net Investment in Capital Assets	3,874,760	8,591	3,883,351
Restricted for:			
Capital Projects	1,175,165		1,175,165
Other Purposes	136,300		136,300
Unrestricted/(Deficit)	<u>(2,314,846)</u>	<u>(3,702)</u>	<u>(2,318,548)</u>
Total Net Position	<u>\$ 2,871,379</u>	<u>\$ 4,889</u>	<u>\$ 2,876,268</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, 2016

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
Governmental Activities:						
Instruction:						
Regular	\$ 6,312,295	\$ 16,265	\$ 1,678,793	\$ (4,617,237)		\$ (4,617,237)
Special Education	1,205,337		668,590	(536,747)		(536,747)
Other Instruction	84,762			(84,762)		(84,762)
Support Services:						
Tuition	708,273		145,290	(562,983)		(562,983)
Student & Instruction Related Services	2,003,160		522,155	(1,481,005)		(1,481,005)
General Administrative Services	347,787			(347,787)		(347,787)
School Administrative Services	532,630			(532,630)		(532,630)
Plant Operations and Maintenance	1,089,433			(1,089,433)		(1,089,433)
Pupil Transportation	276,940		23,304	(253,636)		(253,636)
Central Services	240,447			(240,447)		(240,447)
Interest on Long-Term Debt	193,975			(193,975)		(193,975)
Capital Outlay	40,062			(40,062)		(40,062)
Total Governmental Activities	13,035,101	16,265	3,038,132	(9,980,704)		(9,980,704)

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</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	\$ 182,677	\$ 158,666			\$ (24,011)	\$ (24,011)
Total Business-Type Activities	<u>182,677</u>	<u>158,666</u>			<u>(24,011)</u>	<u>(24,011)</u>
Total Primary Government	<u>\$ 13,217,778</u>	<u>\$ 174,931</u>	<u>\$ 3,038,132</u>	<u>\$ (9,980,704)</u>	<u>(24,011)</u>	<u>(10,004,715)</u>
General Revenue:						
Taxes:						
Property Taxes, Levied for						
General Purposes, Net						
				9,691,287		9,691,287
Taxes Levied for Debt Service						
				830,250		830,250
Investment Earnings						
				2,101	3	2,104
Miscellaneous Income						
				58,442	7,056	65,498
Transfers						
				<u>(6,870)</u>	<u>6,870</u>	
Total General Revenues						
				<u>10,575,210</u>	<u>13,929</u>	<u>10,589,139</u>
Special Item - Change in Net Capital Assets Valuation						
					<u>(7,133)</u>	<u>(7,133)</u>
Change in Net Position						
				594,506	(17,215)	577,291
Net Position - Beginning						
				<u>2,276,873</u>	<u>22,104</u>	<u>2,298,977</u>
Net Position - Ending						
				<u>\$ 2,871,379</u>	<u>\$ 4,889</u>	<u>\$ 2,876,268</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, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents		\$ 89,700	\$ 324,239	\$ 69,163	\$ 483,102
Interfund Receivable:					
Capital Projects Fund	\$ 368,710			570	369,280
Special Revenue Fund	46,449				46,449
Receivables From Other Governments:					
Federal		46,660			46,660
State	99,699		127,696		227,395
Other Accounts Receivable	3,053	4,180			7,233
Restricted Assets:					
Capital Reserve Account - Cash and Cash Equivalents	1,175,165				1,175,165
Maintenance Reserve Account - Cash and Cash Equivalents	20,643				20,643
Total Assets	<u>\$ 1,713,719</u>	<u>\$ 140,540</u>	<u>\$ 451,935</u>	<u>\$ 69,733</u>	<u>\$ 2,375,927</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable - Vendors	\$ 53,957	\$ 456			\$ 54,413
Accounts Payable - Cash Deficit	102,021				102,021
Interfund Payable:					
General Fund		46,449	\$ 368,710		415,159
Debt Service Fund			570		570
Payable to State Government		56,678			56,678
Unearned Revenue	2,320	36,957			39,277
Total Liabilities	<u>158,298</u>	<u>140,540</u>	<u>369,280</u>	<u>\$ -0-</u>	<u>668,118</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Fund Balances:					
Restricted for:					
Capital Reserve Account	\$ 1,175,165				\$ 1,175,165
Maintenance Reserve Account	20,643				20,643
Excess Surplus - For Subsequent Year's Expenditures	45,924				45,924
Debt Service				\$ 69,733	69,733
Assigned to:					
Year End Encumbrances	19,658				19,658
Committed:					
Capital Projects			\$ 82,655		82,655
Unassigned:					
General Fund	294,031				294,031
Total Fund Balances	1,555,421		82,655	69,733	1,707,809
Total Liabilities and Fund Balances	\$ 1,713,719	\$ 140,540	\$ 451,935	\$ 69,733	

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 \$14,313,489 and the accumulated depreciation is \$4,958,729. 9,354,760

Bond issuance premium is reported as revenue in the governmental funds in the year of the related expenditure. The cost is \$656,691 and accumulated amortization is \$109,448. (547,243)

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. (5,661,098)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (73,950)

Deferred interest costs are not reported as expenditures in governmental funds in the year of the expenditure. The deferred interest is \$134,992 and accumulated amortization is \$22,498. 112,494

The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds. (2,149,387)

Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:

Deferred Outflows/(Inflows):	
Difference Between Expected and Actual - Pensions	51,277
Changes in Proportions - Pensions	80,861
Changes in Assumptions - Pensions	230,827
Investment Gains - Pensions	(34,558)
Changes in Proportions - Pensions	(200,413)
Net Position of Governmental Activities	\$ 2,871,379

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 9,691,287			\$ 830,250	\$ 10,521,537
Tuition Charges	16,265				16,265
Interest Earned on Capital Reserve Funds	789				789
Interest Earned on Maintenance Reserve Funds	45				45
Interest Earned	899		\$ 368		1,267
Miscellaneous	58,442	\$ 421			58,863
Total - Local Sources	9,767,727	421	368	830,250	10,598,766
State Sources	1,479,548	66,184			1,545,732
Federal Sources		190,901			190,901
Total Revenue	11,247,275	257,506	368	830,250	12,335,399
EXPENDITURES					
Current:					
Regular Instruction	3,378,415	24,439			3,402,854
Special Education Instruction	648,494				648,494
Other Instruction	83,324				83,324
Support Services and Undistributed Costs:					
Tuition	562,983	145,290			708,273
Student & Instruction Related Services	1,130,997	87,777			1,218,774
General Administrative Services	320,775				320,775
School Administrative Services	513,695				513,695
Central Services	232,780				232,780
Pupil Transportation	276,940				276,940

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
EXPENDITURES					
Plant Operations and Maintenance	\$ 699,059				\$ 699,059
Benefits - Allocated and Unallocated	3,026,671				3,026,671
Debt Service:					
Principal				\$ 585,000	585,000
Interest and Other Charges				245,250	245,250
Capital Outlay	131,594				131,594
Total Expenditures	<u>11,005,727</u>	<u>\$ 257,506</u>		<u>830,250</u>	<u>12,093,483</u>
Excess/(Deficiency) of Revenue over/(under) Expenditures	<u>241,548</u>		<u>\$ 368</u>		<u>241,916</u>
OTHER FINANCING SOURCES/(USES)					
Transfers In				368	368
Transfers Out	(6,870)		(368)		(7,238)
Total Other Financing Sources/(Uses)	<u>(6,870)</u>		<u>(368)</u>	<u>368</u>	<u>(6,870)</u>
Net Change in Fund Balances	234,678			368	235,046
Fund Balance—July 1	<u>1,320,743</u>		<u>82,655</u>	<u>69,365</u>	<u>1,472,763</u>
Fund Balance—June 30	<u>\$ 1,555,421</u>	<u>\$ - 0 -</u>	<u>\$ 82,655</u>	<u>\$ 69,733</u>	<u>\$ 1,707,809</u>

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

Exhibit B-3

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, 2016

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$	235,046
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 differs from capital outlays in the period.		
Depreciation expense	\$ (335,134)	
Capital outlays	<u>91,532</u>	(243,602)
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 (+).		(2,536)
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. When accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		7,800
The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (+)		54,724
The governmental funds report the effect of bond issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (-)		(11,249)
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		
Change in Net Pension Liability		(452,002)
Deferred Outflows:		
Difference between Expected and Actual Experience		51,277
Changes in Proportions		80,861
Changes in Assumptions		177,452
Deferred Inflows:		
Changes in Proportion		
Net Difference Between Projected and Actual Investment Earnings on Pension		66,597
Plan Investments		<u>45,138</u>
Change in Net Position - Governmental Funds (Exhibit A-2)	\$	<u>594,506</u>

Exhibit B-4

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,058
Inventories	4,191
	5,249
Total Current Assets	
Capital Assets:	
Equipment	91,396
Accumulated Depreciation	(82,805)
	8,591
Total Capital Assets	
Total Assets	13,840
LIABILITIES:	
Current Liabilities:	
Accounts Payable- Vendors	1,557
Unearned Revenue - Prepaid Sales	7,394
	8,951
Total Liabilities	
NET POSITION:	
Net Investment in Capital Assets	8,591
Unrestricted/(Deficit)	(3,702)
	\$ 4,889

THE ACCOMPANYING NOTES TO THE BASIC 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, 2016

	<u>Business-Type Activities - Enterprise Funds</u>
Operating revenue	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 158,666
Other Non-Reimbursable Sales	7,056
	165,722
Total Operating Revenue	165,722
Operating Expenses:	
Cost of Sales - Non-Reimbursable Programs	87,757
Salaries, Benefits & Payroll Taxes	60,292
Supplies, Insurance & Other Costs	6,865
Management Fee	14,799
Depreciation	4,692
Miscellaneous Expenses	8,272
	182,677
Total Operating Expenses	182,677
Operating (Loss)	(16,955)
Non-Operating Revenue	
Local Sources:	
Interest Income	3
	3
Total Non-Operating Revenue	3
Changes in Net Position Before Special Items	(16,952)
Operating Transfers from General Fund	6,870
Capital Assets Adjustment	(7,133)
Change Net Position After Special Items	(17,215)
Net Position - Beginning of Year	22,104
Net Position - End of Year	\$ 4,889

THE ACCOMPANYING NOTES TO THE BASIC 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, 2016

	<u>Business-Type Activities - Enterprise Funds</u>
Cash Flows From Operating Activities:	
Receipts from Customers	\$ 165,722
Payments to Food Service Vendor	(165,282)
Payments to Suppliers	<u>(8,272)</u>
Net Cash Used for Operating Activities	<u>(7,832)</u>
Cash Flows From Investing Activities:	
Interest Income	<u>3</u>
Net Cash Provided by Investing Activities	<u>3</u>
Cash Flows from Noncapital Financing Activities:	
Operating Transfer from General Fund	<u>6,870</u>
Net Cash Provided by Noncapital Financing Activities	<u>6,870</u>
Net Decrease in Cash and Cash Equivalents	(959)
Cash and Cash Equivalents, July 1	<u>2,017</u>
Cash and Cash Equivalents, June 30	<u>\$ 1,058</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (16,955)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	4,692
Changes in Assets and Liabilities:	
(Increase) in Inventory	(581)
Increase in Accounts Payable	1,557
Increase in Prepaid Sales	<u>3,455</u>
Net Cash Used for Operating Activities	<u>\$ (7,832)</u>

THE ACCOMPANYING NOTES TO THE BASIC 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, 2016

	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 79,769	\$ 15,714	\$ 55,222
Total Assets	<u>79,769</u>	<u>15,714</u>	<u>55,222</u>
<u>LIABILITIES:</u>			
Payroll Deductions and Withholdings	12,700		
Due to Student Groups	<u>67,069</u>		
Total Liabilities	<u>79,769</u>		
<u>NET POSITION:</u>			
Held in Trust for Flexible Spending Claims		15,714	
Restricted for Unemployment Claims			<u>55,222</u>
Total Net Position	<u>\$ - 0 -</u>	<u>\$ 15,714</u>	<u>\$ 55,222</u>

THE ACCOMPANYING NOTES TO THE BASIC 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, 2016

	Flexible Spending Trust	Unemployment Compensation Trust
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Plan Contributions	\$ 33,915	
Employee Deductions		\$ 5,844
Total Contributions	<u> 33,915</u>	<u> 5,844</u>
Investment Earnings:		
Interest	<u> 14</u>	<u> 57</u>
Net Investment Earnings	<u> 14</u>	<u> 57</u>
Total Additions	<u> 33,929</u>	<u> 5,901</u>
Deductions:		
Flexible Spending Claims	35,123	
Unemployment Compensation Claims		<u> 1,672</u>
Total Deductions	<u> 35,123</u>	<u> 1,672</u>
Change in Net Position	(1,194)	4,229
Net Position - Beginning of the Year	<u> 16,908</u>	<u> 50,993</u>
Net Position - End of the Year	<u> \$ 15,714</u>	<u> \$ 55,222</u>

THE ACCOMPANYING NOTES TO THE BASIC 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, 2016

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

B. Basis of Presentation: (Cont'd)

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 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, 2016
(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, 2016
(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, 2016 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.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 11,248,125	\$ 245,778
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary basis recognizes Encumbrances as Expenditures and Revenue whereas the GAAP basis does not.		11,728
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	19,784	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(20,634)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 11,247,275</u>	<u>\$ 257,506</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 11,005,727	\$ 245,778
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		<u>11,728</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 11,005,727</u>	<u>\$ 257,506</u>

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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, 2016
(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, 2016.

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, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital 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, 2016
(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 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, 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.

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, 2016.

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 \$1,555,421 General Fund fund balance at June 30, 2016, \$1,175,165 is restricted in the capital reserve account; \$20,643 is restricted in the maintenance reserve account; \$45,924 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the year ending June 30, 2017, \$19,658 is assigned for year end encumbrances, and \$294,031 is unassigned which is \$20,634 less than the Budgetary basis, due to the final state aid payments, which are not recognized until the fiscal year ending June 30, 2017.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2016 is \$82,655 and is committed.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2016 is \$69,733 and 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.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$20,634 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 two 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 two state aid payments.

Q. Deficit in Net Position:

The District had a deficit in the governmental activities unrestricted net position at June 30, 2016 of \$2,314,846. This deficit resulted from compensated absence liabilities of \$181,098, investment gains in pensions of \$34,558, changes in proportion in pensions of \$ 200,413, unamortized bond premiums of \$547,243, net pension liability of \$2,149,387, and accrued interest payable of \$73,950; net of \$230,827 for changes in pension assumptions, \$80,861 for changes in proportion in pensions, \$51,277 for the difference between expected and actual experience in pensions, and deferred interest of \$112,494, year end encumbrances of \$19,658, Capital Projects committed fund balance of \$82,655, and General Fund unassigned fund balance of \$294,031. The deficit in the governmental activities unrestricted net position does not indicate that the District is facing financial difficulties and is a permitted practice under generally accepted accounting principles. The District also had a \$3,702 deficit in its business-type activities unrestricted net position at June 30, 2016 primarily due to expenses exceeding revenues of the business-type activities. The District plans to reduce the expenses of the business-type activities to eliminate this deficit in the future.

R. Net Position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

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 had a deferred outflow of resources at June 30, 2016 for the deferred amount on refunding of debt related to the District's refunding bonds, changes in assumptions in pensions, changes in proportion in pensions, and the difference between expected and actual experience in pensions.

The District had deferred inflows of resources at June 30, 2016 for the changes in proportion in pension and the net difference between projected and actual investment earnings on pension plan investments.

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, 2016
(Continued)

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

S. 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 committed resources in the Capital Projects Fund at June 30, 2016.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources in the General Fund for year-end encumbrances at June 30, 2016.

T. 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, 2016
(Continued)

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

U. 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.

V. 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.

W. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

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.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

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.

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, 2016
(Continued)

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

As of June 30, 2016, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents</u>		<u>Total</u>
		<u>Capital Reserve Account</u>	<u>Maintenance Reserve Account</u>	
Checking & Savings Accounts	\$ 532,844	\$ 1,175,165	\$ 20,643	\$ 1,728,652
	<u>\$ 532,844</u>	<u>\$ 1,175,165</u>	<u>\$ 20,643</u>	<u>\$ 1,728,652</u>

During the period ended June 30, 2016 the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2016, was \$1,830,673 and the bank balance was \$1,941,619. The cash and cash equivalents balance at June 30, 2016 of \$1,830,673 differs from the total of \$1,728,652 on the Governmental Funds Balance Sheet and Proprietary Funds and Fiduciary Fund Statements of Net Position at June 30, 2016 by \$102,021. This difference is the result of cash deficit in the General Fund due to the board approved transfer of funds to Capital Reserve and Restricted Cash and Cash Equivalents. This cash deficit of \$102,021 is also included as accounts payable on the Balance Sheet.

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.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	\$	814,376
Increased by:		
Interest Earnings		789
Board Resolution June 14, 2016		400,000
		1,215,165
Decreased by:		
Budgeted Withdrawal		(40,000)
Ending Balance, June 30, 2016		\$ 1,175,165

The June 30, 2016 Capital Reserve balance does not exceed the local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP"). The withdrawal from the capital reserve was for use in DOE approved facilities projects, consistent with the District's LRFP.

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, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	\$	45,598
Increased by:		
Interest Earnings		45
		45,643
Decreased by:		
Withdrawal through Board Resolution		(25,000)
Ending Balance, June 30, 2016		\$ 20,643

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2016, the District made transfers to the capital outlay accounts in the amount of \$500 for equipment which did not require the approval of the County Superintendent.

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 251			\$ 251
Construction in Progress	319,240			319,240
Total Capital Assets Not Being Depreciated	<u>319,491</u>			<u>319,491</u>
Capital Assets Being Depreciated:				
Site Improvements	1,026,389			1,026,389
Buildings and Building Improvements	11,951,244			11,951,244
Machinery and Equipment	924,833	\$ 91,532		1,016,365
Total Capital Assets Being Depreciated	<u>13,902,466</u>	<u>91,532</u>		<u>13,993,998</u>
Governmental Activities Capital Assets	<u>14,221,957</u>	<u>91,532</u>		<u>14,313,489</u>
Less Accumulated Depreciation for:				
Site Improvements	(371,329)	(29,181)		(400,510)
Buildings and Building Improvements	(3,641,630)	(226,670)		(3,868,300)
Machinery and Equipment	(610,636)	(79,283)		(689,919)
	<u>(4,623,595)</u>	<u>(335,134)</u>		<u>(4,958,729)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 9,598,362</u>	<u>\$ (243,602)</u>	<u>\$ - 0 -</u>	<u>\$ 9,354,760</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 98,529		\$ (7,133)	\$ 91,396
Less Accumulated Depreciation	(78,113)	\$ (4,692)		(82,805)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 20,416</u>	<u>\$ (4,692)</u>	<u>\$ (7,133)</u>	<u>\$ 8,591</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 5,286
Student and Instruction Related Services	2,865
School Administrative Services	13,807
Operations and Maintenance of Plant	<u>313,176</u>
	<u>\$ 335,134</u>

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. OPERATING LEASES

The District has commitments to lease copying equipment, computers and mail meters under operating leases which expire in 2017. Total operating lease payments made during the year ended June 30, 2016 were approximately \$16,499. Future minimum lease payments are as follows:

Fiscal Year Ended June 30,	Amount
2017	\$ 16,499
Total Future Minimum Lease Payments	\$ 16,499

NOTE 9. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2016, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2015	Accrued	Retired	Balance 6/30/2016
Bonds Payable	\$ 6,065,000		\$ 585,000	\$ 5,480,000
Compensated Absences Payable	178,562	\$ 2,536		181,098
Net Pension Liability - PERS	1,697,385	452,002		2,149,387
	\$ 7,940,947	\$ 454,538	\$ 585,000	\$ 7,810,485

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, 2016 as follows:

Final Maturity Date	<u>Serial Bonds</u> Interest Rate	Amount
3/1/2026	3.00% - 5.00%	\$ 5,480,000

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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:

Fiscal Year Ending June 30,	Bonds		Total
	Principal	Interest	
2017	\$ 585,000	\$ 221,850	\$ 806,850
2018	575,000	198,450	773,450
2019	575,000	169,700	744,700
2020	575,000	140,950	715,950
2021	575,000	112,200	687,200
2022-2026	2,595,000	232,155	2,827,155
	<u>\$ 5,480,000</u>	<u>\$ 1,075,305</u>	<u>\$ 6,555,305</u>

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

B. Bonds Authorized But Not Issued:

As of June 30, 2016, 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 \$181,098 for Governmental Activities and \$ - 0 - for Business-type Activities.

Compensated absences will be liquidated by the General Fund.

D. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2016 is \$-0- and the long-term portion is \$2,149,387. See Note 10 for further information on the PERS.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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; or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$88,286 for fiscal year 2016.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$2,149,387 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.010%, which was an increase of 0.001% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$112,994. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	6.44	\$ 46,009	
Changes in Assumptions - 2015	5.72	184,818	
Changes in Proportion - 2014	6.44		\$ 200,413
Changes in Proportion - 2015	5.72	80,861	
Difference Between Expected and Actual Experience- 2015	5.72	51,277	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	5.0	45,568	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	5.0		80,126
		<u>\$ 408,533</u>	<u>\$ 280,539</u>

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ 45,066
2017	45,066
2018	45,066
2019	71,775
2020	40,574
	<u>\$ 247,546</u>

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Discount Rate (Cont'd)

payments after that date in determining the total pension liability. projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2015 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the Net Pension Liability	\$ 2,671,425	\$ 2,149,387	\$ 1,711,714

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts. The following represents the membership tiers for TPAF:

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2016, the State of New Jersey contributed \$367,791 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,668,869.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the State's proportionate share of the net pension liability associated with the District was \$27,332,067. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.043%, which was a decrease of 0.002% from its proportion measured as of June 30, 2014.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	27,332,067
Total	<u>\$ 27,332,067</u>

For the fiscal year ended June 30, 2015, the State recognized pension expense on behalf of the District in the amount of \$1,668,869 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions from the following sources:

	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions - 2014	8.5	\$ 1,999,074,013	
Changes in Assumptions - 2015	8.3	5,201,079,373	
Difference Between Expected and Actual Experience - 2014	8.5		\$ 19,039,817
Difference Between Expected and Actual Experience - 2015	8.3	321,224,871	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5.0		1,305,927,430
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5.0		(770,568,242)
		<u>\$ 7,521,378,257</u>	<u>\$ 554,399,005</u>

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

Fiscal Year Ending June 30,	Total
2016	\$ 818,433,596
2017	818,433,596
2018	818,433,598
2019	1,253,742,742
2020	1,061,100,680
Thereafter	2,196,835,040
	<u>\$ 6,966,979,252</u>

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Cash	5.00%	0.53%
U.S. Government Bonds	1.75%	1.39%
U.S. Credit Bonds	13.50%	2.72%
U.S. Mortgages	2.10%	2.54%
U.S. Inflation-Indexed Bonds	1.50%	1.47%
U.S. High Yield Bonds	2.00%	4.57%
U.S. Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability Associated with the District to Changes in the Discount Rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2015 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Sensitivity of the District's Proportionate Share of the Net Pension Liability Associated with the District to Changes in the Discount Rate (Cont'd)

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Total Net Pension Liability	\$ 32,483,140	\$ 27,332,067	\$ 22,894,110

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

NOTE 11. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Laws 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, of Public Laws 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publically available financial report that includes financial statements and required supplementary information for SEHBP. The report for the School Employees Health Benefits Program may be obtained from the Treasury website at <http://nj.gov/treasury/pensions/pdf/financial2015combined.pdf>.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid 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 \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District were \$437,937, \$371,148 and \$310,654, for 2016, 2015 and 2014, respectively.

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.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 12. RISK MANAGEMENT (Cont'd)

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 Schools Insurance Group ("NJSIG"). 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 NJSIG 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 NJSIG are elected.

As a member of the NJSIG, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the NJSIG were to be exhausted, members would become responsible for their respective shares of the NJSIG's liabilities. The NJSIG 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 NJSIG as of June 30, 2016 is not available as of the date of this report. Selected financial information for NJSIG as of June 30, 2015 is as follows:

	<u>New Jersey Schools Insurance Group</u>
Total Assets	\$ 294,626,089
Net Position	\$ 57,315,326
Total Revenue	\$ 124,104,560
Total Expenses	\$ 121,185,870
Change in Net Position	\$ 2,918,690
Members Dividends	\$ -0-

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

New Jersey Schools Insurance Group
6000 Midlantic Drive
Mount Laurel, NJ 08054
Phone: (609) 386-6060
Fax: (609) 386-8877

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.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 12. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits (Cont'd)

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>Employer Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$ -0-	\$ 5,901	\$ 1,672	\$ 55,222
2014-2015	-0-	57	55,918	50,993
2013-2014	-0-	9,144	6,383	106,854

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, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 415,159	
Special Revenue Fund		\$ 46,449
Capital Projects Fund		369,280
Debt Service Fund	<u>570</u>	
	<u>\$ 415,729</u>	<u>\$ 415,729</u>

The interfund payable from Capital Project Fund and the interfund receivable in the General Fund as of June 30, 2016 represents expenditures of \$368,710 made from the General Fund on behalf of the Capital Projects Fund, and in addition there is \$570 of interest due to the Debt Service Fund. The interfund payable in the Special Revenue Fund and the interfund receivable in the General Fund as of June 30, 2016 represents the prior year cash deficit in Special Revenue Fund which has not yet been returned to the General Fund.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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 \$6,075,000 Refunding Bonds dated November 6, 2014 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, 2016
(Continued)

NOTE 17. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

At June 30, 2016, encumbrances in the governmental funds were:

General Fund	Special Revenue Fund	Total Governmental Activities
\$ 19,658	\$ 457	\$ 20,115

On the District's Governmental Funds Balance Sheet as of June 30, 2016, \$ -0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$457 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

NOTE 18. ACCOUNTS PAYABLE

Payables as of June 30, 2016 were:

	General Fund	Special Revenue Fund	Total Governmental Activities
Vendors	\$ 53,957	\$ 456	\$ 54,413
Cash Deficit	102,021		102,021
	\$ 155,978	\$ 456	\$ 156,434

The cash deficit in the General Fund is attributable to the year-end transfer of funds from the General Fund to the Capital Reserve account.

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

MENDHAM BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
District's proportion of the net pension liability	0.0105868829%	0.0090659034%	0.0095749628%
District's proportionate share of the net pension liability	\$ 2,023,364	\$ 1,697,385	\$ 2,149,387
District's covered employee payroll	\$ 739,333	\$ 734,369	\$ 772,842
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	273.67%	231.14%	278.11%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%	47.93%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

MENDHAM BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
Contractually required contribution	\$ 79,770	\$ 74,738	\$ 82,319
Contributions in relation to the contractually required contribution	<u>(79,770)</u>	<u>(74,738)</u>	<u>(82,319)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 739,333	\$ 739,333	\$ 772,842
Contributions as a percentage of covered employee payroll	10.79%	10.11%	10.65%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

MENDHAM BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
State's proportion of the net pension liability attributable to the District	0.045559890%	0.0447867418%	0.0432440200%
State's proportionate share of the net pension liability attributable to the District	\$ 23,023,639	\$ 23,937,056	\$ 27,332,067
District's covered employee payroll	\$ 4,445,641	\$ 4,407,267	\$ 4,567,502
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	517.89%	543.13%	598.40%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%	28.71%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015. The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

BUDGETARY COMPARISON SCHEDULES

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(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	\$ 9,691,287		\$ 9,691,287	\$ 9,691,287	
Tuition from Other Individuals	50,548		50,548	16,265	\$ (34,283)
Interest Revenue				899	899
Interest Earned on Capital Reserve Funds				789	789
Interest Earned on Maintenance Reserve Funds				45	45
Miscellaneous	12,830		12,830	58,442	45,612
Total - Local Sources	<u>9,754,665</u>		<u>9,754,665</u>	<u>9,767,727</u>	<u>13,062</u>
State Sources:					
Categorical Special Education Aid	204,125		204,125	204,125	
Categorical Security Aid	9,989		9,989	9,989	
Categorical Transportation Aid	15,804		15,804	15,804	
Adjustment Aid	7,457		7,457	7,457	
PARCC Readiness Aid	5,980		5,980	5,980	
Per Pupil Growth Aid	5,980		5,980	5,980	
Nonpublic Transportation Aid				7,500	7,500
Extraordinary Aid	35,000		35,000	92,166	57,166
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				367,791	367,791
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				437,937	437,937
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				325,669	325,669
Total State Sources	<u>284,335</u>		<u>284,335</u>	<u>1,480,398</u>	<u>1,196,063</u>
Total Revenues	<u>10,039,000</u>		<u>10,039,000</u>	<u>11,248,125</u>	<u>1,209,125</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Current Expense:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 55,840	\$ (2,657)	\$ 53,183	\$ 52,425	\$ 758
Kindergarten - Salaries of Teachers	206,850		206,850	205,020	1,830
Grades 1-5 - Salaries of Teachers	1,489,908	51,166	1,541,074	1,539,913	1,161
Grades 6-8 - Salaries of Teachers	1,318,947	(51,752)	1,267,195	1,257,050	10,145
Regular Programs - Home Instruction:					
Salaries of Teachers	4,000	1,120	5,120	5,120	
Purchased Professional-Educational Services	1,600	(1,120)	480		480
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	67,665	(11,685)	55,980	49,970	6,010
Purchased Professional-Educational Services	12,000		12,000	7,420	4,580
Other Purchased Services	122,713		122,713	110,097	12,616
General Supplies	133,984	(2,400)	131,584	119,775	11,809
Textbooks	21,292	7,026	28,318	28,187	131
Other Objects	3,700		3,700	3,438	262
Total Regular Programs - Instruction	<u>3,438,499</u>	<u>(10,302)</u>	<u>3,428,197</u>	<u>3,378,415</u>	<u>49,782</u>
Resource Room/Resource Center:					
Salaries of Teachers	570,165	21,105	591,270	577,290	13,980
Other Salaries for Instruction	63,452	5,353	68,805	68,805	
General Supplies	5,000	(1,653)	3,347	2,399	948
Total Resource Room/Resource Center	<u>638,617</u>	<u>24,805</u>	<u>663,422</u>	<u>648,494</u>	<u>14,928</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Preschool Disabilities - Full Time:					
Salaries of Teachers	\$ 15,840		\$ 15,840		\$ 15,840
Total Preschool Disabilities - Full Time	<u>15,840</u>		<u>15,840</u>		<u>15,840</u>
Home Instruction:					
Salaries of Teachers - Home Instruction	1,400	\$ (1,000)	400		400
Total Home Instruction	<u>1,400</u>	<u>(1,000)</u>	<u>400</u>		<u>400</u>
Total Special Education - Instruction	<u>655,857</u>	<u>23,805</u>	<u>679,662</u>	\$ 648,494	<u>31,168</u>
School-Sponsored Cocurricular Activities:					
Salaries	60,226	(11,325)	48,901	37,284	11,617
Supplies and Materials	2,500		2,500	275	2,225
Total School-Sponsored Cocurricular Activities	<u>62,726</u>	<u>(11,325)</u>	<u>51,401</u>	<u>37,559</u>	<u>13,842</u>
School-Sponsored Athletics:					
Salaries	42,373		42,373	41,234	1,139
Purchased Services	2,500		2,500		2,500
Supplies and Materials	8,570	(3,920)	4,650	4,195	455
Other Objects	1,000		1,000	336	664
Total School-Sponsored Athletics	<u>54,443</u>	<u>(3,920)</u>	<u>50,523</u>	<u>45,765</u>	<u>4,758</u>
Total Instruction	<u>4,211,525</u>	<u>(1,742)</u>	<u>4,209,783</u>	<u>4,110,233</u>	<u>99,550</u>
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State - Regular	63,000	(12,751)	50,249	39,949	10,300
Tuition to Other LEAs Within the State - Special	198,988	(38,124)	160,864	144,528	16,336
Tuition to Private Schools for the Disabled Within the State	400,675	27,216	427,891	378,506	49,385
Total Undistributed Expenditures - Instruction	<u>662,663</u>	<u>(23,659)</u>	<u>639,004</u>	<u>562,983</u>	<u>76,021</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Health Services:					
Salaries	\$ 134,300	\$ 1,920	\$ 136,220	\$ 133,865	\$ 2,355
Purchased Professional and Technical Services	4,000		4,000	4,000	
Supplies and Materials	2,100	143	2,243	2,219	24
Total Health Services	<u>140,400</u>	<u>2,063</u>	<u>142,463</u>	<u>140,084</u>	<u>2,379</u>
Speech, OT, PT and Related Services:					
Salaries	68,465		68,465	60,475	7,990
Purchased Professional - Educational Services	79,051	22,864	101,915	94,140	7,775
Supplies and Materials	500		500	400	100
Total Speech, OT, PT and Related Services	<u>148,016</u>	<u>22,864</u>	<u>170,880</u>	<u>155,015</u>	<u>15,865</u>
Students - Extraordinary Services:					
Purchased Professional - Educational Services	3,500	800	4,300	4,300	
Supplies and Materials	500		500	370	130
Total Students - Extraordinary Services	<u>4,000</u>	<u>800</u>	<u>4,800</u>	<u>4,670</u>	<u>130</u>
Guidance Services:					
Salaries of Other Professional Staff	100,659		100,659	100,359	300
Salaries of Secretarial & Clerical Assistants	9,768	5,949	15,717	15,717	
Other Purchased Professional and Technical Services	12,250	(6,049)	6,201	5,042	1,159
Other Purchased Services	100		100		100
Supplies and Materials	5,700	3,000	8,700	7,882	818
Other Objects	800	(800)			
Total Guidance Services	<u>129,277</u>	<u>2,100</u>	<u>131,377</u>	<u>129,000</u>	<u>2,377</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Child Study Team:					
Salaries of Other Professional Staff	\$ 289,702	\$ (118,205)	\$ 171,497	\$ 167,291	\$ 4,206
Salaries of Secretarial and Clerical Assistants	44,153	915	45,068	45,068	
Purchased Professional - Educational Services	9,575	12,653	22,228	21,626	602
Purchased Professional - Technical Services	6,000	(2,744)	3,256	3,215	41
Other Purchased Services	4,624	(3,773)	851	801	50
Supplies and Materials	9,125	(5,182)	3,943	3,943	
Other Objects	1,353	(1)	1,352	1,352	
Total Child Study Team	364,532	(116,337)	248,195	243,296	4,899
Improvement of Instructional Staff:					
Salaries of Other Professional Staff	13,500		13,500	3,535	9,965
Salaries of Secretarial and Clerical Assistants	22,923	2,520	25,443	24,482	961
Other Salaries	118,530		118,530	118,530	
Purchased Professional - Educational Services	16,221	(13,500)	2,721		2,721
Other Purchased Services	11,075		11,075	3,559	7,516
Supplies and Materials	1,250		1,250	993	257
Other Objects	1,266		1,266	629	637
Total Improvement of Instructional Staff	184,765	(10,980)	173,785	151,728	22,057
Educational Media Services/School Library:					
Salaries	96,400		96,400	96,241	159
Salaries of Technology Coordinators	90,879	20	90,899	90,899	
Other Purchased Services	106,098	2,654	108,752	96,470	12,282
Supplies and Materials	12,910	1,500	14,410	9,911	4,499
Other Objects	525		525	525	
Total Educational Media Services/School Library	306,812	4,174	310,986	294,046	16,940

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(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	\$ 5,000		\$ 5,000	\$ 3,888	\$ 1,112
Total Instructional Staff Training Services	<u>5,000</u>		<u>5,000</u>	<u>3,888</u>	<u>1,112</u>
Support Services - General Administration:					
Salaries	216,171		216,171	216,169	2
Legal Services	45,000	\$ 1,480	46,480	19,159	27,321
Audit Fees	20,500	1,500	22,000	22,000	
Other Purchased Professional Services		2,875	2,875	2,875	
Communications/Telephone	22,600	(2,939)	19,661	14,013	5,648
Other Purchased Services (400-500 series)	50,736	(2,375)	48,361	31,370	16,991
General Supplies	4,000		4,000	3,605	395
BOE In-House Training/Meeting Supplies	1,000		1,000	904	96
Miscellaneous Expenditures	7,900		7,900	6,496	1,404
BOE Membership Dues and Fees	4,556		4,556	4,184	372
Total Support Services - General Administration	<u>372,463</u>	<u>541</u>	<u>373,004</u>	<u>320,775</u>	<u>52,229</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	263,730	109,254	372,984	365,289	7,695
Salaries of Secretarial and Clerical Assistants	119,434	(6,941)	112,493	112,493	
Other Purchased Services	31,500	(3,857)	27,643	27,643	
Supplies and Materials	5,200	(1,651)	3,549	3,549	
Other Objects	6,625	(1,904)	4,721	4,721	
Total Support Services - School Administration	<u>426,489</u>	<u>94,901</u>	<u>521,390</u>	<u>513,695</u>	<u>7,695</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Support Services - Central Services:					
Salaries	\$ 190,433	\$ 15,065	\$ 205,498	\$ 203,374	\$ 2,124
Purchased Professional Services	18,200	1,000	19,200	19,062	138
Miscellaneous Purchased Services	2,200	(69)	2,131	1,895	236
Supplies and Materials	4,500	2,850	7,350	6,765	585
Miscellaneous Expenditures	1,325	359	1,684	1,684	
Total Support Services - Central Services	216,658	19,205	235,863	232,780	3,083
Administrative Information Technology:					
Salaries	14,606		14,606	9,270	5,336
Total Administrative Information Technology	14,606		14,606	9,270	5,336
Custodial Services:					
Salaries	262,299	4,774	267,073	253,516	13,557
Purchased Professional Services	4,300	2,000	6,300	4,245	2,055
Cleaning, Repair and Maintenance Services	16,421	(2,000)	14,421	13,684	737
Other Purchased Property Services	18,750	1,799	20,549	20,549	
Insurance	40,000		40,000	40,000	
Miscellaneous Purchased Services	600		600		600
General Supplies	34,613	927	35,540	34,969	571
Energy (Electricity)	121,019	18,806	139,825	136,853	2,972
Energy (Natural Gas)	149,973	(100,862)	49,111	19,664	29,447
Total Custodial Services	647,975	(74,556)	573,419	523,480	49,939
Required Maintenance of School Facilities:					
Salaries	63,550		63,550	63,550	
Cleaning, Repair and Maintenance Services	141,261	(3,059)	138,202	96,924	41,278
Other Purchased Services					
General Supplies		978	978	729	249
Other Objects	7,240	(5,997)	1,243	542	701
Total Required Maintenance of School Facilities	212,051	(8,078)	203,973	161,745	42,228
Care and Upkeep of Grounds:					
Cleaning, Repair & Maintenance Services	14,254	6	14,260	13,834	426
Total Care and Upkeep of Grounds	14,254	6	14,260	13,834	426

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Student Transportation Services:					
Other than Between Home and School - Vendors	\$ 17,069	\$ 5,885	\$ 22,954	\$ 22,049	\$ 905
Between Home and School - Joint Agreements	65,000	7,908	72,908	72,874	34
Special Education Students - Joint Agreements	5,100	(3,722)	1,378	846	532
Special Education Students - ESCs and CTSA's	102,977	60,614	163,591	157,617	5,974
Aid in Lieu Payments - Non-Public School	14,144	9,410	23,554	23,554	
Total Student Transportation Services	204,290	80,095	284,385	276,940	7,445
Allocated Benefits:					
Regular Programs - Instruction:					
Social Security Contributions	25,396	21,000	46,396	45,836	560
Workmen's Compensation	27,617		27,617	27,617	
Health Benefits	809,388	(43,572)	765,816	763,061	2,755
Other Employee Benefits		956	956	956	
Total Regular Programs - Instruction	862,401	(21,616)	840,785	837,470	3,315
Special Programs - Instruction:					
Social Security Contributions	4,109		4,109	4,109	
Workmen's Compensation	5,443	(956)	4,487	1,603	2,884
Health Benefits	138,520		138,520	125,310	13,210
Total Special Programs - Instruction	148,072	(956)	147,116	131,022	16,094
Other Instructional Programs - Instruction:					
Social Security Contributions	6,295		6,295	1,438	4,857
Total Instructional Programs - Instruction	6,295		6,295	1,438	4,857

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Allocated Benefits:					
Health Services:					
Workmen's Compensation	\$ 1,032		\$ 1,032	\$ 1,032	
Health Benefits	50,310	\$ (2,063)	48,247	40,310	\$ 7,937
Total Health Services	51,342	(2,063)	49,279	41,342	7,937
Other Support Services - Speech, OT, PT and Related Services:					
Workmen's Compensation	504		504	504	
Health Benefits	8,228		8,228	8,228	
Total Other Support Services - Speech, OT, PT and Related Services	8,732		8,732	8,732	
Guidance Services:					
Workmen's Compensation	493		493	493	
Health Benefits	17,683		17,683	17,683	
Total Guidance Services	18,176		18,176	18,176	
Child Study Team:					
Social Security Contributions	3,781	15,000	18,781	18,132	649
Other Retirement Contributions - PERS	6,274	(4,850)	1,424	1,424	
Health Benefits	78,534	(15,050)	63,484	58,534	4,950
Total Child Study Team	88,589	(4,900)	83,689	78,090	5,599
Improvement of Instruction Services:					
Social Security Contributions	2,877		2,877	2,877	
Other Retirement Contributions - PERS	5,660		5,660	5,660	
Workmen's Compensation	1,140		1,140	1,140	
Health Benefits	24,874		24,874	19,874	5,000
Tuition Reimbursement	6,300		6,300	6,006	294
Total Improvement of Instruction Services	40,851		40,851	35,557	5,294

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(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:					
Educational Media Services/School Library:					
Social Security Contributions	\$ 6,623		\$ 6,623	\$ 6,623	
Other Retirement Contributions - PERS	10,512	\$ (20)	10,492	1,495	\$ 10,492
Workmen's Compensation	1,495		1,495	1,495	
Health Benefits	58,041	(13,007)	45,034	44,414	620
Total Educational Media Services/School Library	<u>76,671</u>	<u>(13,027)</u>	<u>63,644</u>	<u>52,532</u>	<u>11,112</u>
Support Services - General Administration:					
Social Security Contributions	4,225		4,225	4,225	
Workmen's Compensation	1,769		1,769	1,769	
Total General Administration	<u>5,994</u>		<u>5,994</u>	<u>5,994</u>	
Support Services - School Administration:					
Social Security Contributions	8,839		8,839	8,839	
Workmen's Compensation	3,075		3,075	3,075	
Total School Administration	<u>11,914</u>		<u>11,914</u>	<u>11,914</u>	
Support Services - Central Services:					
Social Security Contributions	4,180		4,180	4,180	
Workmen's Compensation	1,733		1,733	1,733	
Total Central Services	<u>5,913</u>		<u>5,913</u>	<u>5,913</u>	

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(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		\$ 23,921	\$ 23,921	\$ 23,921	
Other Retirement Contributions - PERS	\$ 33,252	482	33,734	31,508	\$ 2,226
Workmen's Compensation		16,196	16,196	16,196	
Total Operation and Maintenance of Plant Services	<u>33,252</u>	<u>40,599</u>	<u>73,851</u>	<u>71,625</u>	<u>2,226</u>
Unallocated Benefits:					
Other Retirement Contributions- PERS	55,794	(6,100)	49,694	49,694	
Health Benefits	399,813	52,381	452,194	450,060	2,134
Tuition Reimbursement	57,500	1,874	59,374	59,140	234
Other Employee Benefits		37,949	37,949	36,575	1,374
Total Unallocated Benefits	<u>513,107</u>	<u>86,104</u>	<u>599,211</u>	<u>595,469</u>	<u>3,742</u>
On-Behalf Contributions:					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				367,791	(367,791)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				437,937	(437,937)
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				325,669	(325,669)
Total On-Behalf Contributions				<u>1,131,397</u>	<u>(1,131,397)</u>
Total Personal Services - Employee Benefits	<u>1,871,309</u>	<u>84,141</u>	<u>1,955,450</u>	<u>3,026,671</u>	<u>(1,071,221)</u>
Total Undistributed Expenditures	<u>5,925,560</u>	<u>77,280</u>	<u>6,002,840</u>	<u>6,763,900</u>	<u>(761,060)</u>
Total Current Expense	<u>10,137,085</u>	<u>75,538</u>	<u>10,212,623</u>	<u>10,874,133</u>	<u>(661,510)</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Capital Outlay:					
Equipment:					
Undistributed Expenditures:					
Instruction	\$ 30,740		\$ 30,740	\$ 25,631	\$ 5,109
Administrative Information Technology	2,500	\$ 500	3,000	2,997	3
Non-Instructional Equipment	22,750		22,750	22,750	
Total Equipment	<u>55,990</u>	<u>500</u>	<u>56,490</u>	<u>51,378</u>	<u>5,112</u>
Facilities Acquisition and Construction Services:					
Other Objects- Debt Service Assessment	33,463		33,463	33,463	
Construction Services	225,000	(160,000)	65,000	46,753	18,247
Total Facilities Acquisition and Construction Services	<u>258,463</u>	<u>(160,000)</u>	<u>98,463</u>	<u>80,216</u>	<u>18,247</u>
Total Capital Outlay	<u>314,453</u>	<u>(159,500)</u>	<u>154,953</u>	<u>131,594</u>	<u>23,359</u>
Total Expenditures	<u>10,451,538</u>	<u>(83,962)</u>	<u>10,367,576</u>	<u>11,005,727</u>	<u>(638,151)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(412,538)</u>	<u>83,962</u>	<u>(328,576)</u>	<u>242,398</u>	<u>570,974</u>
Other Financing Uses:					
Operating Transfers:					
Transfer to Food Service Enterprise Fund		(6,870)	(6,870)	(6,870)	
Total Other Financing Uses		<u>(6,870)</u>	<u>(6,870)</u>	<u>(6,870)</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing (Uses)	<u>(412,538)</u>	<u>77,092</u>	<u>(335,446)</u>	<u>235,528</u>	<u>570,974</u>
Fund Balance, July 1	<u>1,340,527</u>		<u>1,340,527</u>	<u>1,340,527</u>	
Fund Balance, June 30	<u>\$ 927,989</u>	<u>\$ 77,092</u>	<u>\$ 1,005,081</u>	<u>\$ 1,576,055</u>	<u>\$ 570,974</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Recapitulation:

Restricted for:

Maintenance Reserve Account

\$ 20,643

Capital Reserve Account

1,175,165

Excess Surplus

45,924

Assigned Fund Balance:

Year End Encumbrances

19,658

Unassigned

314,665

1,576,055

Reconciliation to Governmental Fund Statement (GAAP):

Last Two State Aid Payments not Recognized on a GAAP Basis

(20,634)

Fund Balance per Governmental Funds (GAAP)

\$ 1,555,421

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenue:					
Local Sources	\$ 2,400	\$ 24,316	\$ 26,716	\$ 421	\$ (26,295)
State Sources	86,435	3,332	89,767	66,184	(23,583)
Federal Sources	149,730	72,044	221,774	179,173	(42,601)
Total Revenue	<u>238,565</u>	<u>99,692</u>	<u>338,257</u>	<u>245,778</u>	<u>(92,479)</u>
Expenditures:					
Instruction:					
Salaries of Teachers	21,433	7,233	28,666	15,080	13,586
Tuition	135,079	19,943	155,022	144,869	10,153
Supplies and Materials	6,883	14,846	21,729	6,323	15,406
Textbooks	11,597	1,365	12,962	12,962	
Other Objects	12,945	10,000	22,945	12,801	10,144
Total Instruction	<u>187,937</u>	<u>53,387</u>	<u>241,324</u>	<u>192,035</u>	<u>49,289</u>
Support Services:					
Salaries of Other Professional Staff	34,231	1,967	36,198	25,289	10,909
Employee Benefits			448	448	
Purchased Professional/Educational Services		32,834	32,834	17,835	14,999
Other Purchased Services	10,484	2,867	13,351	10,171	3,180
Supplies and Materials	5,913	8,189	14,102		14,102
Total Support Services	<u>50,628</u>	<u>45,857</u>	<u>96,933</u>	<u>53,743</u>	<u>43,190</u>
Total Expenditures	<u>238,565</u>	<u>99,244</u>	<u>338,257</u>	<u>245,778</u>	<u>92,479</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>\$ -0-</u>	<u>\$ 448</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

MENDHAM BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 11,248,125	\$ 245,778
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary basis recognizes Encumbrances and Revenue whereas the GAAP Basis does not.		11,728
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	19,784	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(20,634)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 11,247,275	\$ 257,506
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 11,005,727	\$ 245,778
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		11,728
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 11,005,727	\$ 257,506

MENDHAM BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISION SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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, 2016 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, 2016

	No Child Left Behind		Nonpublic Technology	Nonpublic Nursing	Nonpublic Textbooks
	Title II A	Title I			
REVENUE:					
Local Sources					
State Sources			\$ 5,902	\$ 20,430	\$ 12,962
Federal Sources	\$ 10,171	\$ 6,298			
Total Revenue	10,171	6,298	5,902	20,430	12,962
EXPENDITURES:					
Instruction:					
Salaries of Teachers		5,850			
Tuition					
General Supplies			5,902		
Textbooks					12,962
Other Objects					
Total Instruction		5,850	5,902		12,962
Support Services:					
Salaries of Other Professional Staff				20,430	
Employee Benefits		448			
Purchased Professional/Educational Services					
Other Purchased Services	10,171				
Total Support Services	10,171	448		20,430	
Total Expenditures	\$ 10,171	\$ 6,298	\$ 5,902	\$ 20,430	\$ 12,962

MENDHAM BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Chapter 192, Auxiliary Services	Chapter 193, Handicapped Services			STEM Grant
	Compensatory Education	Examination/ Classification	Supplemental Instruction	Corrective Speech	
REVENUE:					
Local Sources					\$ 421
State Sources	\$ 12,801	\$ 4,859	\$ 7,725	\$ 1,505	
Federal Sources					
Total Revenue	<u>12,801</u>	<u>4,859</u>	<u>7,725</u>	<u>1,505</u>	<u>421</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers			7,725	1,505	
Tuition					
General Supplies					421
Textbooks					
Other Objects	12,801				
Total Instruction	<u>12,801</u>		<u>7,725</u>	<u>1,505</u>	<u>421</u>
Support Services:					
Salaries of Other Professional Staff		4,859			
Employee Benefits					
Purchased Professional/Educational Services					
Other Purchased Services					
Total Support Services		<u>4,859</u>			
Total Expenditures	<u>\$ 12,801</u>	<u>\$ 4,859</u>	<u>\$ 7,725</u>	<u>\$ 1,505</u>	<u>\$ 421</u>

MENDHAM BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	IDEA Part B Preschool	IDEA Part B Basic	Totals June 30, 2016
REVENUE:			
Local Sources			\$ 421
State Sources			66,184
Federal Sources	\$ 5,219	\$ 157,485	179,173
	5,219	157,485	245,778
Total Revenue			
EXPENDITURES:			
Instruction:			
Salaries of Teachers			15,080
Tuition	5,219	139,650	144,869
General Supplies			6,323
Textbooks			12,962
Other Objects			12,801
	5,219	139,650	192,035
Total Instruction			
Support Services:			
Salaries of Other Professional Staff			25,289
Employee Benefits			448
Purchased Professional/Educational Services		17,835	17,835
Other Purchased Services			10,171
	17,835	17,835	53,743
Total Support Services			
Total Expenditures	\$ 5,219	\$ 157,485	\$ 245,778

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, 2016

Revenue and Other Financing Sources:	
Interest Income	368
Total Revenue and Other Financing Sources	368
Other Financing Uses:	
Operating Transfers Out:	
Debt Service Fund	(368)
Total Other Financing Uses	(368)
Excess of Revenue and Other Financing Sources Over Other Financing Uses	-0-
Fund Balance - Beginning of Year	82,655
Fund Balance - End of Year	\$ 82,655

MENDHAM BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
HILLTOP ELEMENTARY MASONRY REPAIR/ WINDOW REPAIR/REPLACEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Periods	Totals	Revised Authorized Cost
Revenue and Other Financing Sources:			
State Sources - SDA Grant	\$ 127,696	\$ 127,696	\$ 138,800
Transfer from Capital Reserve Account	274,199	274,199	208,200
Total Revenue and Other Financing Sources	401,895	401,895	347,000
Expenditures			
Purchased Professional and Technical Services	25,365	25,365	32,000
Construction Services	293,875	293,875	315,000
Total Expenditures	319,240	319,240	347,000
Excess/(deficit) of Revenue and Other Financing Sources Over/(Under)Expenditures	\$ 82,655	\$ 82,655	\$ -0-

Additional Project Information:

Project Number	3090-050-14-1001
Grant Date	3/28/2014
Original Authorized Cost	\$ 456,998
Revised Authorized Cost	347,000
Percentage Decrease from Original Authorized Cost	24.07%
Percentage Completion	100.00%
Original Target Completion Date	9/2014
Revised Target Completion Date	Not Applicable

PROPRIETARY FUNDS

Exhibit G-1

MENDHAM BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 1,058
Inventories	4,191

Total Current Assets	5,249
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Capital Assets:

Equipment	91,396
Accumulated Depreciation	(82,805)

Total Capital Assets	8,591
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Total Assets	13,840
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LIABILITIES:

Current Liabilities:

Accounts Payable- Vendors	1,557
Unearned Revenue - Prepaid Sales	7,394

Total Liabilities	8,951
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NET POSITION:

Net Investment in Capital Assets	8,591
Unrestricted/(Deficit)	(3,702)

Total Net Position	\$ 4,889
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Exhibit G-2

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, 2016

Operating revenue	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 158,666
Other Non-Reimbursable Sales	<u>7,056</u>
Total Operating Revenue	<u>165,722</u>
Operating Expenses:	
Cost of Sales - Non-Reimbursable Programs	87,757
Salaries, Benefits & Payroll Taxes	60,292
Supplies, Insurance & Other Costs	6,865
Management Fee	14,799
Depreciation	4,692
Miscellaneous Expenses	<u>8,272</u>
Total Operating Expenses	<u>182,677</u>
Operating Loss	<u>(16,955)</u>
Non-Operating Revenue	
Local Sources:	
Interest Income	<u>3</u>
Total Non-Operating Revenue	<u>3</u>
Change in Net Position Before Special Items	(16,952)
Operating Transfers from General Fund	6,870
Capital Asset Adjustment	<u>(7,133)</u>
Changes in Net Position After Special Items	(17,215)
Net Position - Beginning of Year	<u>22,104</u>
Net Position - End of Year	<u><u>\$ 4,889</u></u>

Exhibit G-3

MENDHAM BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash Flows From Operating Activities:	
Receipts from Customers	\$ 165,722
Payments to Food Service Vendor	(165,282)
Payments to Suppliers	(8,272)
Net Cash Used for Operating Activities	<u>(7,832)</u>
Cash Flows From Investing Activities:	
Interest Income	<u>3</u>
Net Cash Provided by Investing Activities	<u>3</u>
Cash Flows from Noncapital Financing Activities:	
Operating Transfers from General Fund	<u>6,870</u>
Net Cash Provided by Noncapital Financing Activities	<u>6,870</u>
Net Decrease in Cash and Cash Equivalents	(959)
Cash and Cash Equivalents, July 1	<u>2,017</u>
Cash and Cash Equivalents, June 30	<u>\$ 1,058</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (16,955)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	4,692
Changes in Assets and Liabilities:	
(Increase) in Inventory	(581)
Increase in Accounts Payable	1,557
Increase in Prepaid Sales	<u>3,455</u>
Net Cash Used for Operating Activities	<u>\$ (7,832)</u>

FIDUCIARY FUNDS

MENDHAM BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Payroll</u>	<u>Agency Student Activities</u>	<u>Total Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 12,700	\$ 67,069	\$ 79,769	\$ 15,714	\$ 55,222
Total Assets	<u>12,700</u>	<u>67,069</u>	<u>79,769</u>	<u>15,714</u>	<u>55,222</u>
<u>LIABILITIES:</u>					
Payroll Deductions and Withholdings Due to Student Groups	12,700	67,069	12,700 67,069		
Total Liabilities	<u>12,700</u>	<u>67,069</u>	<u>79,769</u>		
<u>NET POSITION:</u>					
Held in Trust for Flexible Spending Claims Restricted for Unemployment Claims				15,714	55,222
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 15,714</u>	<u>\$ 55,222</u>

Exhibit H-2

MENDHAM BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGE IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Flexible Spending Trust	Unemployment Compensation Trust
	<hr/>	<hr/>
Additions:		
Contributions:		
Plan Contributions	\$ 33,915	
Employee Deductions		\$ 5,844
Total Contributions	<hr/> 33,915	<hr/> 5,844
Investment Earnings:		
Interest	14	\$ 57
Net Investment Earnings	<hr/> 14	<hr/> 57
Total Additions	<hr/> 33,929	<hr/> 5,901
Deductions:		
Flexible Spending Claims	35,123	
Unemployment Compensation Claims		1,672
Total Deductions	<hr/> 35,123	<hr/> 1,672
Change in Net Position	(1,194)	4,229
Net Position - Beginning of the Year	<hr/> 16,908	<hr/> 50,993
Net Position - End of the Year	<hr/> <hr/> \$ 15,714	<hr/> <hr/> \$ 55,222

Exhibit H-3

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

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 64,738	\$ 143,454	\$ 141,123	\$ 67,069
Total Assets	<u>\$ 64,738</u>	<u>\$ 143,454</u>	<u>\$ 141,123</u>	<u>\$ 67,069</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 64,738	\$ 143,454	\$ 141,123	\$ 67,069
Total Liabilities	<u>\$ 64,738</u>	<u>\$ 143,454</u>	<u>\$ 141,123</u>	<u>\$ 67,069</u>

Exhibit H-4

MENDHAM BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

<u>Schools</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
Hilltop	\$ 8,016	\$ 16,716	\$ 18,111	\$ 6,621
Mountain View	54,228	116,670	112,234	58,664
Mountain View - Pay to Play	2,494	10,068	10,778	1,784
	<u>\$ 64,738</u>	<u>\$ 143,454</u>	<u>\$ 141,123</u>	<u>\$ 67,069</u>

Exhibit H-5

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

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 54,375	\$ 3,027,369	\$ 3,069,044	\$ 12,700
Total Assets	<u>\$ 54,375</u>	<u>\$ 3,027,369</u>	<u>\$ 3,069,044</u>	<u>\$ 12,700</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 54,375	\$ 3,027,369	\$ 3,069,044	\$ 12,700
Total Liabilities	<u>\$ 54,375</u>	<u>\$ 3,027,369</u>	<u>\$ 3,069,044</u>	<u>\$ 12,700</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, 2016		Interest Rate	Balance June 30, 2015	Matured	Balance June 30, 2016
			Date	Amount				
2014 Series Refunding Bonds	12/02/2014	\$ 6,075,000	3/1/2017	\$ 585,000	4.000%	\$ 6,065,000	\$ 585,000	\$ 5,480,000
			3/1/2018	575,000	5.000%			
			3/1/2019	575,000	5.000%			
			3/1/2020	575,000	5.000%			
			3/1/2021	575,000	5.000%			
			3/1/2022	570,000	3.000%			
			3/1/2023	560,000	4.000%			
			3/1/2024	555,000	3.000%			
			3/1/2025	540,000	3.000%			
			3/1/2026	370,000	3.000%			
						<u>\$ 6,065,000</u>	<u>\$ 585,000</u>	<u>\$ 5,480,000</u>

MENDHAM BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
YEAR ENDED JUNE 30, 2016

NOT APPLICABLE

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUE:				
Local Sources:				
Local Tax Levy	\$ 830,250	\$ 830,250	\$ 830,250	
Total Revenue	<u>830,250</u>	<u>830,250</u>	<u>830,250</u>	
EXPENDITURES:				
Regular Debt Service:				
Interest	245,250	245,250	245,250	
Redemption of Principal	585,000	585,000	585,000	
Total Regular Debt Service	<u>830,250</u>	<u>830,250</u>	<u>830,250</u>	
Total Expenditures	<u>830,250</u>	<u>830,250</u>	<u>830,250</u>	
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	
Other Financing Sources:				
Transfer In- Capital Projects Fund			368	\$ 368
Total Other Financing Sources	<u>-0-</u>	<u>-0-</u>	<u>368</u>	<u>368</u>
Excessof Revenues and Other Financing Sources Over Expenditures	<u>-0-</u>	<u>-0-</u>	<u>368</u>	<u>368</u>
Fund Balance, July 1	<u>69,365</u>	<u>69,365</u>	<u>69,365</u>	<u>-0-</u>
Fund Balance, June 30	<u>\$ 69,365</u>	<u>\$ 69,365</u>	<u>\$ 69,733</u>	<u>\$ 368</u>
Recapitulation:				
Restricted			<u>\$ 69,733</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

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

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

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Net Investment in Capital Assets	\$ 2,579,193	\$ 3,059,808	\$ 2,987,309	\$ 3,171,978	\$ 3,406,302	\$ 3,712,067	\$ 4,043,186	\$ 1,939,282	\$ 3,533,362	\$ 3,874,760
Restricted	612,149	651,574	554,906	474,633	530,484	1,108,069	1,535,080	1,208,453	1,056,492	1,311,465
Unrestricted/(Deficit)	357,762	2,157	173,945	48,050	89,292	63,644	(13,514)	(1,794,337)	(2,312,981)	(2,314,846)
Total Governmental Activities Net Position	\$ 3,549,104	\$ 3,713,539	\$ 3,716,160	\$ 3,694,661	\$ 4,026,078	\$ 4,883,780	\$ 5,564,752	\$ 1,353,398	\$ 2,276,873	\$ 2,871,379
Business-Type Activities:										
Net Investment in Capital Assets	\$ 9,872	\$ 49,436	\$ 41,837	\$ 34,981	\$ 28,722	\$ 22,695	\$ 16,668	\$ 21,729	\$ 20,416	\$ 8,591
Unrestricted/(Deficit)	17,501	15,244	20,353		4,990	4,707	2,688	(959)	1,688	(3,702)
Total Business-Type Activities Net Position	\$ 27,373	\$ 64,680	\$ 62,190	\$ 34,981	\$ 33,712	\$ 27,402	\$ 19,356	\$ 20,770	\$ 22,104	\$ 4,889
District-Wide:										
Net Investment in Capital Assets	\$ 2,589,065	\$ 3,109,244	\$ 3,029,146	\$ 3,206,959	\$ 3,435,024	\$ 3,734,762	\$ 4,059,854	\$ 1,961,011	\$ 3,553,778	\$ 3,883,351
Restricted	612,149	651,574	554,906	474,633	530,484	1,108,069	1,535,080	1,208,453	1,056,492	1,311,465
Unrestricted/(Deficit)	375,263	17,401	194,298	48,050	94,282	68,351	(10,826)	(1,795,296)	(2,311,293)	(2,318,548)
Total District Net Position	\$ 3,576,477	\$ 3,778,219	\$ 3,778,350	\$ 3,729,642	\$ 4,059,790	\$ 4,911,182	\$ 5,584,108	\$ 1,374,168	\$ 2,298,977	\$ 2,876,268

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental Activities										
Instruction:										
Regular	\$ 4,175,710	\$ 4,300,858	\$ 4,438,276	\$ 4,503,614	\$ 4,542,658	\$ 4,684,574	\$ 4,883,460	\$ 4,869,654	\$ 5,751,753	\$ 6,312,295
Special Education	638,325	782,622	1,007,947	1,075,788	854,210	851,995	964,696	925,829	916,686	1,205,337
Other Special Instruction	82,385									
School-Sponsored/Other Instruction	57,817	222,649	195,328	86,422	39,960	68,081	106,104	107,527	89,683	84,762
Support Services:										
Tuition	241,834	74,817	232,066	307,477	286,933	421,473	335,006	582,042	708,090	708,273
Student & Instruction Related Services	1,158,322	1,381,013	1,314,469	1,657,900	1,459,793	1,413,630	1,481,159	1,522,972	1,861,931	2,003,160
General Administrative Services	510,790	548,161	463,694	518,311	472,335	458,764	396,745	476,372	441,942	347,787
School Administrative Services	523,750	508,387	495,115	482,443	491,812	405,599	486,753	500,426	491,406	532,630
Plant Operations and Maintenance	1,431,159	1,445,786	1,254,143	1,182,325	1,252,281	1,180,338	1,240,889	1,031,072	1,211,672	1,089,433
Pupil Transportation	202,206	220,345	294,656	274,925	188,904	211,566	209,032	257,778	240,034	276,940
Central Services	366,482	376,971	319,487	200,295	210,273	219,915	227,674	235,687	244,826	240,447
Capital Outlay	17,127	33,451	19,576	21,501	50,142		22,076	33,463		40,062
Interest on Long- Term Debt	527,353	414,614	506,417	486,309	445,265	372,795	334,369	311,544	160,746	193,975
Total Governmental Activities Expenses	9,933,260	10,309,674	10,541,174	10,797,310	10,294,566	10,288,730	10,687,963	10,854,366	12,118,769	13,035,101
Business-Type Activities:										
Food Service	134,283	140,159	145,000	168,642	187,226	185,207	170,442	163,459	148,408	182,677
Total Business-type Activities Expense	134,283	140,159	145,000	168,642	187,226	185,207	170,442	163,459	148,408	182,677
Total District Expenses	\$ 10,067,543	\$ 10,449,833	\$ 10,686,174	\$ 10,965,952	\$ 10,481,792	\$ 10,473,937	\$ 10,858,405	\$ 11,017,825	\$ 12,267,177	\$ 13,217,778

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program Revenues										
Governmental Activities:										
Charges for Services:										
Tuition								\$ 50,000	\$ 54,165	\$ 16,265
Operating Grants and Contributions	\$ 1,441,984	\$ 1,476,123	\$ 1,354,726	\$ 1,327,852	\$ 1,122,234	\$ 1,358,063	\$ 1,504,664	1,422,571	2,580,280	3,038,132
Capital Grants and Contributions					33,920	4,320				
Total Governmental Activities Program Revenues	<u>1,441,984</u>	<u>1,476,123</u>	<u>1,354,726</u>	<u>1,327,852</u>	<u>1,156,154</u>	<u>1,362,383</u>	<u>1,504,664</u>	<u>1,472,571</u>	<u>2,634,445</u>	<u>3,054,397</u>
Business-Type Activities:										
Charges for Services:										
Food Service	125,153	124,296	136,251	131,821	165,529	154,885	147,012	144,663	138,880	158,666
Operating Grants and Contributions	4,937	5,802	6,207	5,015	13,433	13,438	10			
Total Business-type Activities Program Revenues	<u>130,090</u>	<u>130,098</u>	<u>142,458</u>	<u>136,836</u>	<u>178,962</u>	<u>168,323</u>	<u>147,022</u>	<u>144,663</u>	<u>138,880</u>	<u>158,666</u>
Total District Program Revenues	<u>\$ 1,572,074</u>	<u>\$ 1,606,221</u>	<u>\$ 1,497,184</u>	<u>\$ 1,464,688</u>	<u>\$ 1,335,116</u>	<u>\$ 1,530,706</u>	<u>\$ 1,651,686</u>	<u>\$ 1,617,234</u>	<u>\$ 2,773,325</u>	<u>\$ 3,213,063</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (8,491,276)	\$ (8,833,551)	\$ (9,186,448)	\$ (9,469,458)	\$ (9,138,412)	\$ (8,926,347)	\$ (9,183,299)	\$ (9,381,795)	\$ (9,484,324)	\$ (9,980,704)
Business-type Activities	(4,193)	(10,061)	(2,542)	(31,806)	(8,264)	(16,884)	(23,420)	(18,796)	(9,528)	(24,011)
Total District-wide Net Expense	<u>\$ (8,495,469)</u>	<u>\$ (8,843,612)</u>	<u>\$ (9,188,990)</u>	<u>\$ (9,501,264)</u>	<u>\$ (9,146,676)</u>	<u>\$ (8,943,231)</u>	<u>\$ (9,206,719)</u>	<u>\$ (9,400,591)</u>	<u>\$ (9,493,852)</u>	<u>\$ (10,004,715)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 7,528,966	\$ 7,906,241	\$ 8,222,491	\$ 8,516,489	\$ 8,630,149	\$ 8,802,752	\$ 8,890,779	\$ 8,890,779	\$ 9,328,709	\$ 9,691,287
Taxes Levied for Debt Service	870,738	895,943	903,250	914,513	916,656	921,981	926,681	934,744	925,144	830,250
Federal and State Aid not Restricted	84,330	97,675	26,086	30,581					127,696	
Investment Earnings	86,657	61,860	15,530	9,973	5,238	3,958	2,663	2,789	1,773	2,101
Miscellaneous Income	62,497	36,267	41,712	30,924	46,995	55,358	44,148	102,925	30,008	58,442
Transfers			(20,000)	(54,521)	(129,209)				(5,531)	(6,870)
Total Governmental Activities	<u>\$ 8,633,188</u>	<u>\$ 8,997,986</u>	<u>\$ 9,189,069</u>	<u>\$ 9,447,959</u>	<u>\$ 9,469,829</u>	<u>\$ 9,784,049</u>	<u>\$ 9,864,271</u>	<u>\$ 9,931,237</u>	<u>\$ 10,407,799</u>	<u>\$ 10,575,210</u>

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-Type Activities:										
Investment Earnings	\$ 68	\$ 59	\$ 52	\$ 27	\$ 17					
Contributed Capital	6,900	47,309								
Miscellaneous Income				49	2,769	\$ 10,574	\$ 15,374	\$ 20,210	\$ 7,581	\$ 7,059
Transfers				4,521	4,209				5,531	6,870
Total Business-Type Activities	6,968	47,368	52	4,597	6,995	10,574	15,374	20,210	13,112	13,929
Total District-Wide General Revenue	8,640,156	9,045,354	9,189,121	9,452,556	9,476,824	9,794,623	9,879,645	9,951,447	10,420,911	10,589,139
Governmental Activities:										
Special Item- Capital Assets Reappraisal Adjustment								(2,737,432)		
Business-Type Activities:										
Special Item- Capital Assets Reappraisal Adjustment									(2,250)	(7,133)
Total Special Items								(2,737,432)	(2,250)	(7,133)
Change in Net Position:										
Governmental Activities	141,912	164,435	2,621	(21,499)	331,417	857,702	680,972	(2,187,990)	923,475	594,506
Business-type Activities	2,775	37,307	(2,490)	(27,209)	(1,269)	(6,310)	(8,046)	1,414	1,334	(17,215)
Total District	\$ 144,687	\$ 201,742	\$ 131	\$ (48,708)	\$ 330,148	\$ 851,392	\$ 672,926	\$ (2,186,576)	\$ 924,809	\$ 577,291

Source: School District Financial Reports

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

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved/ Restricted	\$ 646,900	\$ 629,836	\$ 544,152	\$ 474,633	\$ 530,484	\$ 1,108,069	\$ 1,522,980	\$ 1,208,453	\$ 987,127	\$ 1,241,732
Assigned					17,922	51,699		172,650	31,115	19,658
Unassigned					332,954	294,763	293,336	308,348	302,501	294,031
Unreserved	243,801	264,797	335,857	280,925						
Total General Fund	<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>	<u>\$ 1,689,451</u>	<u>\$ 1,320,743</u>	<u>\$ 1,555,421</u>
All Other Governmental Funds:										
Reserved/Restricted	\$ 68,902						\$ 125	\$ 160	\$ 69,365	\$ 69,733
Committed, Reported in:										
Capital Projects Fund									82,655	82,655
Unreserved, Reported in:										
Capital Projects Fund	95,680	\$ 21,738	\$ 10,754							
Debt Service Fund										
Total All Other Governmental Funds	<u>\$ 164,582</u>	<u>\$ 21,738</u>	<u>\$ 10,754</u>				<u>\$ 125</u>	<u>\$ 160</u>	<u>\$ 152,020</u>	<u>\$ 152,388</u>
Governmental Funds:										
Reserved/ Restricted	\$ 715,802	\$ 629,836	\$ 544,152	\$ 474,633	\$ 530,484	\$ 1,108,069	\$ 1,523,105	\$ 1,208,613	\$ 1,056,492	\$ 1,311,465
Assigned					17,922	51,699		172,650	31,115	19,658
Committed									82,655	82,655
Unassigned					332,954	294,763	293,336	308,348	302,501	294,031
Unreserved	339,481	286,535	346,611	280,925						
Total Governmental Funds	<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>	<u>\$ 1,689,611</u>	<u>\$ 1,472,763</u>	<u>\$ 1,707,809</u>

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Tax Levy	\$ 8,399,704	\$ 8,802,184	\$ 9,125,741	\$ 9,431,002	\$ 9,546,805	\$ 9,724,733	\$ 9,817,460	\$ 9,825,523	\$ 10,253,853	\$ 10,521,537
Tuition Charges	3,971	14,667	24,340	32,601	41,423	33,550	45,961	50,000	54,165	16,265
Interest Earnings	86,657	61,860	15,530	9,973	5,281	3,958	2,663	2,789	1,773	2,101
Miscellaneous	58,526	21,600	44,712	53,546	73,429	84,122	48,826	125,327	30,008	58,863
State Sources	1,363,311	1,391,204	1,180,791	1,044,856	854,379	1,068,392	1,302,240	1,208,107	1,481,852	1,545,732
Federal Sources	163,003	182,594	172,681	258,354	233,875	231,677	151,785	192,062	171,879	190,901
Total Revenue	10,075,172	10,474,109	10,563,795	10,830,332	10,755,192	11,146,432	11,368,935	11,403,808	11,993,530	12,335,399
Expenditures:										
Instruction										
Regular Instruction	3,945,161	4,081,889	3,363,222	3,477,754	3,512,837	3,445,555	3,576,032	3,478,733	3,558,438	3,402,854
Special Education Instruction	608,326	719,379	769,024	864,391	633,114	604,702	660,853	669,484	539,080	648,494
Other Special Instruction	82,385									
School-Sponsored/Other Instruction	52,505	168,333	195,328	86,422	39,960	62,275	96,363	101,356	86,519	83,324
Support Services:										
Tuition	241,834	74,817	232,066	307,477	286,933	421,473	335,006	582,042	708,090	708,273
Student & Instruction Related Service:	1,029,946	1,250,326	1,102,831	1,242,616	1,134,336	1,049,128	1,044,598	1,074,382	1,180,869	1,218,774
General Administrative Services	419,185	449,680	410,186	419,031	420,778	433,096	338,396	331,894	363,180	320,775
School Administrative Services	438,940	455,421	424,327	471,249	428,641	360,975	386,299	386,198	402,728	513,695
Plant Operations and Maintenance	823,558	906,378	763,935	707,089	724,862	685,453	714,404	187,767	207,771	699,059
Pupil Transportation	202,206	220,345	294,656	274,925	188,904	211,566	209,032	257,778	244,992	276,940
Central Services	271,343	276,859	262,179	160,736	165,676	171,569	173,727	736,752	637,244	232,780
Allocated and Unallocated Benefits	946,416	936,019	1,810,736	1,954,612	1,914,679	2,130,061	2,383,594	2,402,383	2,565,870	3,026,671
Capital Outlay	70,857	177,632	37,663	30,201	133,468	74,764	162,040	387,125	849,214	131,594
Debt Service:										
Principal	430,000	450,000	475,000	505,000	530,000	560,000	585,000	615,000	640,000	585,000
Interest and Other Charges	462,795	445,943	428,250	409,513	386,656	361,981	341,681	319,744	220,852	245,250
Total Expenditures	10,025,457	10,613,021	10,569,403	10,911,016	10,500,844	10,572,598	11,007,025	11,530,638	12,204,847	12,093,483
Excess/(Deficiency) of Revenues Over/(Under) Expenditures										
	49,715	(138,912)	(5,608)	(80,684)	254,348	573,834	361,910	(126,830)	(211,317)	241,916

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Other Financing Sources/(Uses):										
Serial Bonds Issued									\$ 6,075,000	
Bond Premium									656,691	
Serial Bonds Defeased									(6,515,000)	
Bond Issuance Costs									(81,699)	
Deferred Interest									(134,992)	
Transfers In	\$ 77,591	\$ 10,572	\$ 225	\$ 83	\$ 50,923	\$ 4,499	\$ 105	\$ 35	274,366	368
Transfers Out	(77,591)	(10,572)	(20,225)	(54,604)	(180,132)	(4,499)	(105)	(35)	(279,897)	(7,238)
Total Other Financing Sources/(Uses)	<u> </u>	<u> </u>	<u>(20,000)</u>	<u>(54,521)</u>	<u>(129,209)</u>	<u> </u>	<u> </u>	<u> </u>	<u>(5,531)</u>	<u>(6,870)</u>
Net Change in Fund Balances	<u>\$ 49,715</u>	<u>\$ (138,912)</u>	<u>\$ (25,608)</u>	<u>\$ (135,205)</u>	<u>\$ 125,139</u>	<u>\$ 573,834</u>	<u>\$ 361,910</u>	<u>\$ (126,830)</u>	<u>\$ (216,848)</u>	<u>\$ 235,046</u>
Debt Service as a Percentage of Noncapital Expenditures	9.0%	8.6%	8.6%	8.4%	8.8%	8.8%	8.5%	8.4%	7.6%	6.9%

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>
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
2014	2,754	50,000	16,542	86,383	155,679
2015	1,773	54,165	11,933	11,255	79,126
2016	1,733	16,265	20,575	37,867	76,440

Source: Mendham Borough School District records

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

Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Farm Qualified	Commercial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
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	0.73	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	0.75	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	0.76	1,359,104,244
2013	7,771,700	1,097,277,400	66,897,700	397,100	105,202,000	2,342,200	1,279,888,100	123,773,600	2,287,733	1,282,175,833	0.76	1,356,943,415
2014	8,207,800	1,100,795,200	66,843,500	400,500	103,997,100	2,342,200	1,282,586,300	124,763,600	1,927,735	1,284,514,035	0.76	1,361,837,683
2015	9,745,800	1,097,432,700	69,620,400	403,900	102,337,700	2,342,200	1,281,882,700	124,865,000	1,927,735	1,283,810,435	0.81	1,403,066,919

*- Revaluation year

Source: Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

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

Year Ended December 31,	Mendham Borough School District Direct Rate			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	West Morris Regional High School	Municipal Open Space	Mendham Borough	Morris County	
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	0.51	0.05	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	* 0.66	0.07	0.73	0.48	0.01	0.41	0.27	1.90
2011	0.68	0.07	0.75	0.47	0.01	0.42	0.26	1.91
2012	0.69	0.07	0.76	0.47	0.01	0.42	0.26	1.92
2013	0.69	0.07	0.76	0.49	0.01	0.43	0.27	1.96
2014	0.65	0.06	0.78	0.45	0.01	0.44	0.27	1.95
2015	0.75	0.06	0.81	0.53	0.01	0.44	0.27	2.07

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>	2016	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
V-Fee Realty Investment LLC	\$ 22,000,000	1.71%
Roxiticus Golf Club, Inc	9,955,300	0.78%
Holly Manor c/o Health Care Reit	8,558,600	0.67%
Individual Taxpayer #1	6,430,800	0.50%
Individual Taxpayer #2	5,652,500	0.44%
Individual Taxpayer #3	5,379,200	0.42%
Individual Taxpayer #4	5,199,900	0.40%
Individual Taxpayer #5	4,398,200	0.34%
Goryeb, Joseph P Trust & Etals	4,046,100	0.31%
MTWOL Associates LLC	4,000,000	0.31%
Total	<u>\$ 75,620,600</u>	<u>5.88%</u>

<u>Taxpayer</u>	2006	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Mendham Investment Co.	\$ 12,400,000	1.98%
Roxiticus Golf Club, Inc	5,510,200	0.88%
holly Mannor Assoc. of NJ	4,587,100	0.73%
Individual Taxpayer #1	3,750,080	0.60%
Individual Taxpayer #2	3,585,900	0.57%
Individual Taxpayer #3	3,538,800	0.57%
Individual Taxpayer #4	3,406,755	0.54%
Individual Taxpayer #5	3,035,100	0.48%
Individual Taxpayer #6	3,032,500	0.48%
Individual Taxpayer #7	3,001,200	0.48%
Total	<u>\$ 45,847,635</u>	<u>7.31%</u>

Note: Individual Taxpayers listed may be different in 2015 and 2006.

Note: Revaluation was done in 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 ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2014	9,825,523	9,825,523	100.00%	-0-
2015	10,253,853	10,253,853	100.00%	-0-
2016	10,521,537	10,521,537	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 TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Total District		
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	2.31%	1,660
2013	7,760,000	7,760,000	2.06%	1,546
2014	7,145,000	7,145,000	1.73%	1,429
2015	6,065,000	6,065,000	1.46%	1,213
2016	5,480,000	5,480,000	1.32%	1,096

Source: School District Financial Reports

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

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

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

<u>General Bonded Debt Outstanding</u>					
<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Deductions</u>	<u>Net General</u> <u>Bonded Debt</u> <u>Outstanding</u>	<u>Percentage of</u> <u>Net Valuation</u> <u>Taxable ^a of</u> <u>Property</u>	<u>Per Capita ^b</u>
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%	1,660
2013	7,760,000	-0-	7,760,000	0.602%	1,546
2014	7,145,000	-0-	7,145,000	0.557%	1,429
2015	6,065,000	-0-	6,065,000	0.473%	1,213
2016	5,480,000	-0-	5,480,000	0.427%	1,096

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.

* - A revaluation was done in 2010.

MENDHAM BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2015
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Mendham Borough	\$ 2,651,752	100.00%	\$ 2,651,752
West Morris Regional High School District Debt (Borough Share)	16,375,000	16.00%	2,620,000
Morris County General Obligation Debt (Borough Share)	226,745,317	1.57%	<u>3,559,838</u>
Subtotal, Overlapping Debt			8,831,590
Mendham Borough School District Direct Debt			<u>6,065,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 14,896,590</u></u>

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

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

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

MENDHAM BOROUGH SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2016

	Equalized Valuation Basis
	2015 \$ 1,354,522,277
	2014 1,399,439,498
	2013 1,367,341,547
	\$ 4,121,303,322
Average Equalized Valuation of Taxable Property	\$ 1,373,767,774
Debt Limit (a) (3% of Average Equalization Value)	\$ 41,213,033
Net Bonded School Debt	5,480,000
Legal Debt Margin	\$ 35,733,033

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 39,213,987	\$ 42,500,182	\$ 45,527,476	\$ 45,886,182	\$ 44,755,889	\$ 42,810,881	\$ 41,413,077	\$ 40,862,032	\$ 41,106,402	\$ 41,213,033
Total Net Debt Applicable to Limit	10,865,000	10,415,000	9,940,000	9,435,000	8,905,000	8,345,000	7,760,000	7,145,000	6,065,000	5,480,000
Legal Debt Margin	\$ 21,268,142	\$ 24,445,907	\$ 28,348,987	\$ 32,085,182	\$ 35,587,476	\$ 36,451,182	\$ 33,653,077	\$ 33,717,032	\$ 35,041,402	\$ 35,733,033
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	35.33%	31.60%	27.71%	24.51%	21.83%	20.56%	18.74%	17.49%	14.75%	13.30%

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

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

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

<u>Year</u>	<u>Population^a</u>	<u>Morris County Per Capita Personal Income^b</u>	<u>Total County Personal Income^c</u>	<u>Unemployment Rate^d</u>
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	7.00%
2012	5,026	71,933	361,535,258	7.10%
2013	5,020	75,054	376,771,080	6.30%
2014	4,999	82,810	413,967,190	4.70%
2015	5,001	82,810 *	414,132,810	N/A
2016	5,001 **	82,810 *	414,132,810 ***	N/A

* - Latest Morris County per capita personal income available (2014) was used for calculation purposes.

** - Latest population data available (2015) was used for calculation purposes.

*** - Latest County Personal Income data available (2014) was used for calculation purposes.

N/A - Information unavailable.

Source:

- ^a Population information provided by the NJ Dept of Labor and Workforce Development
- ^b Per Capita Personal Income provided by the NJ Dept of Labor and Workforce Development
- ^c Personal income has been estimated based upon the municipal population and per capita personal income presented
- ^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

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

2016			2007		
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
U.S. Army Armament R&D	6,090	2.29%	Atlantic Health Systems	5,900	2.24%
Atlantic Health System	4,844	1.96%	Novartis Corporation	5,000	1.90%
Novartis	4,749	1.74%	U.S. Army Armament R&D	3,412	1.30%
Bayer	2,665	0.80%	Lucent Technologies	2,300	0.87%
St. Clare's Health Services	1,756	0.74%	St. Clare's Health Services	2,250	0.85%
County of Morris	1,667	0.65%	County of Morris	2,228	0.85%
Accenture	1,621	0.64%	United Parcel Service	2,131	0.81%
Wyndham Worldwide	1,546	0.64%	Automated Data Processing	1,986	0.75%
BASF Corporation	1,500	0.58%	AT&T	1,500	0.57%
Greystone Psychiatric	1,244	0.58%	Greystone Psychiatric Center	1,300	0.49%
Total	27,682	10.41%		28,007	10.64%
Total County Labor Force	265,826			263,196	

Source: Morris County Economic Development Corporation

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

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction										
Regular	50.80	52.40	51.60	51.45	52.60	49.00	49.40	45.90	46.00	46.00
Special Education	11.80	15.00	13.00	12.00	14.80	10.80	10.80	10.50	10.50	10.50
Support Services:										
Student & Instruction Related Services	10.70	10.80	10.80	12.80	10.30	12.60	12.60	12.60	13.00	13.00
School Administrative Services	4.70	4.70	4.70	4.00	4.00	4.00	4.50	4.00	4.00	4.00
General and Business Administrative Services	5.20	5.20	5.20	5.00	5.00	4.50	4.00	4.00	4.00	4.20
Plant Operations and Maintenance	5.00	5.50	5.50	5.50	5.50	5.00	5.00	7.00	7.50	7.50
Food Service	4.00	4.00	4.00	3.50	3.50					
Total	<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>	<u>84.00</u>	<u>85.00</u>	<u>85.20</u>

MENDHAM BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
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	-3.58%	96.29%
2013	652	9,918,304	15,212	3.58%	58.80	1:12	1:10	650	624	-3.42%	96.00%
2014	619	10,208,769	16,492	8.41%	56.40	1:11	1:10	607	585	-6.62%	96.38%
2015	599	10,494,781	17,521	6.24%	56.50	1:11	1:10	596	572	-1.81%	95.97%
2016	568	11,131,639	19,598	11.86%	56.50	1:11	1:10	569	547	-4.53%	96.13%

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 TEN FISCAL YEARS
UNAUDITED

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>District Building</u>										
Hilltop School										
Square Feet	59,790	59,790	59,790	59,790	59,790	59,790	59,790	59,790	59,790	59,790
Capacity (students)	428	428	428	428	428	428	428	428	428	428
Enrollment	356	357	354	348	368	336	336	303	307	278
Mountain View School										
Square Feet	55,280	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	383
Enrollment	298	311	312	312	329	316	316	307	292	290
Number of Schools at June 30, 2016										
Elementary = 1										
Middle School = 1										

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>
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
2014	89,956	87,831	177,787
2015	66,349	85,769	152,118
2016	70,548	91,197	161,745

* 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, 2016
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
New Jersey School Insurance Group (NJSIG)		
School Package Policy- Building & Personal Property/ Boiler/Inland Marine - Auto Physical Damage	\$ 33,499,124	\$ 5,000
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	100,000	1,000
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	200,000	
Treasurer of School Monies	200,000	

SINGLE AUDIT SECTION



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Report on Internal Control Over Financial Reporting and
 on Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable 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, 2016, 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 12, 2016.

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 12, 2016
Mount Arlington, New Jersey

NISIVOCCIA 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

Independent Auditors' Report

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 *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, 2016. 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 and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and OMB Circular 15-08 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, 2016.

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 the Uniform Guidance and NJOMB 15-08, 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.

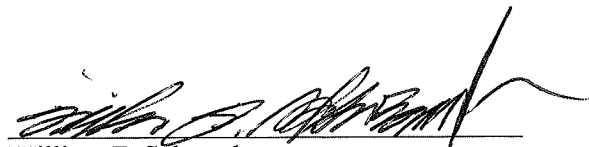
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *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 of that testing based on the requirements of the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

September 12, 2016
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, 2016

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title:	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2015			Balance at June 30, 2016		
					Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	Unearned Revenue	(Accounts Receivable)
U.S. Department of Education										
Passed-through State Department of Education:										
NCLB Consolidated:										
Title II - Part A	84.367	NCLB-3090-14	7/1/13-6/30/14	\$ 11,908	\$ (2,407)		\$ 2,407			
Title II - Part A	84.367	NCLB-3090-15	7/1/14-6/30/15	9,510	(7,832)		7,832			
Title II - Part A	84.367	NCLB-3090-16	7/1/15-6/30/16	10,951			3,223	\$ (10,171)		\$ (6,948)
Title I	84.367	NCLB-3090-14	7/1/13-6/30/14	6,854	(1)		1			
Title I	84.367	NCLB-3090-15	7/1/14-6/30/15	6,957	(6,850)		6,850			
Title I	84.367	NCLB-3090-16	7/1/15-6/30/16	6,975				(6,298)		(6,298)
Title I - High Progress Award	84.367	NCLB-3090-15	7/1/14-6/30/15	26,099	496				\$ 496	
Total NCLB Consolidated					(16,594)		20,313	(16,469)	496	(13,246)
Special Education Cluster:										
I.D.E.A. Part B, Basic	84.027	IDEA-3090-15	7/1/14-6/30/15	159,131	(54,353)		68,916	(14,563)		
I.D.E.A. Part B, Basic	84.027	IDEA-3090-16	7/1/15-6/30/16	184,481			109,508	(142,922)		(33,414)
I.D.E.A. Part B, Preschool	84.173	IDEA-3090-15	7/1/14-6/30/15	5,799	(5,799)		5,799			
I.D.E.A. Part B, Preschool	84.173	IDEA-3090-16	7/1/15-6/30/16	5,965			5,219	(5,219)		
Total Special Education Cluster					(60,152)		189,442	(162,704)		(33,414)
Teacher Quality Enhancement Grant - Carryover	84.336A	N/A	9/1/08-8/31/14	660	660				660	
Total U.S. Department of Education					(76,086)		209,755	(179,173)	1,156	(46,660)
Total Special Revenue Fund					(76,086)		209,755	(179,173)	1,156	(46,660)
Total Federal Financial Awards					\$ (76,086)	\$ -0-	\$ 209,755	\$ (179,173)	\$ 1,156	\$ (46,660) \$ -0-

N/A - Not Applicable

MENDHAM BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2015			Balance June 30, 2016		Memo		
				Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	GAAP Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Budgetary Unearned Revenue/ (Accounts Receivable)	Cumulative Total Expenditures
State Department of Education:											
Categorical Special Education Aid	15-495-034-5120-085	7/1/14-6/30/15	\$ 204,125	\$ (15,570)		\$ 15,570				\$ 204,125	
Security Aid	15-495-034-5120-078	7/1/14-6/30/15	9,989	(931)		931				9,989	
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	15,804	(1,473)		1,473				15,804	
Adjustment Aid	15-495-034-5120-085	7/1/14-6/30/15	7,457	(695)		695				7,457	
Extraordinary Special Education Costs	15-100-034-5120-473	7/1/14-6/30/15	99,498	(99,498)		99,498				99,498	
Nonpublic Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	7,787	(7,787)		7,787				7,787	
PARCC Readiness Aid	15-495-034-5120-085	7/1/14-6/30/15	5,980	(558)		558				5,980	
Per Pupil Growth Aid	15-495-034-5120-085	7/1/14-6/30/15	5,980	(557)		557				5,980	
Categorical Special Education Aid	16-495-034-5120-085	7/1/15-6/30/16	204,125			187,851	\$ (204,125)		\$ (16,274)	204,125	
Security Aid	16-495-034-5120-078	7/1/15-6/30/16	9,989			9,026	(9,989)		(963)	9,989	
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	15,804			14,280	(15,804)		(1,524)	15,804	
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	7,457			6,738	(7,457)		(719)	7,457	
Extraordinary Special Education Costs	16-100-034-5120-044	7/1/15-6/30/16	92,166				(92,166)	\$ (92,166)	(92,166)	92,166	
Nonpublic Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	7,500				(7,500)	(7,500)	(7,500)	7,500	
PARCC Readiness Aid	16-495-034-5120-085	7/1/15-6/30/16	5,980			5,403	(5,980)		(577)	5,980	
Per Pupil Growth Aid	16-495-034-5120-085	7/1/15-6/30/16	5,980			5,403	(5,980)		(577)	5,980	
Reimbursed TPAF Social Security Contributions	16-495-034-5120-003	7/1/15-6/30/16	325,669			325,669	(325,669)			329,344	
Total General Fund				(127,069)		681,439	(674,670)	(99,666)		(120,300)	1,034,965
N.J. Nonpublic Aid:											
Technology Aid	16-100-034-5120-064	7/1/15-6/30/16	5,902			5,902	(5,902)			5,902	
Textbook Aid	16-100-034-5120-064	7/1/15-6/30/16	12,962			12,962	(12,962)			12,962	
Nursing Services	16-100-034-5120-070	7/1/15-6/30/16	20,430			20,430	(20,430)			20,430	
Security Aid	16-100-034-5120-064	7/1/15-6/30/16	5,675			5,675		\$ 5,675			
Auxiliary Services:											
Compensatory Education	16-100-034-5120-067	7/1/15-6/30/16	8,460			8,460	(8,460)			8,460	
Compensatory Education	15-100-034-5120-067	7/1/14-6/30/15	15,299							15,229	
Compensatory Education	13-100-034-5120-067	7/1/12-6/30/13	14,047		\$ 84				84	13,963	
Annual Examination	16-100-034-5120-067	7/1/15-6/30/16	3,075			3,075	(3,075)				
Annual Examination	14-100-034-5120-067	7/1/13-6/30/14	4,150		4,150				4,150		
Home Instruction	13-100-034-5120-067	7/1/12-6/30/13	1,252		138				138	1,114	
Handicapped Services:											
Examination & Classification	16-100-034-5120-066	7/1/15-6/30/16	13,115			13,115	(4,860)		8,255	4,860	
Examination & Classification	15-100-034-5120-066	7/1/14-6/30/15	18,912		13,787				13,787		
Examination & Classification	14-100-034-5120-066	7/1/13-6/30/14	12,254		2,219				2,219	10,035	
Examination & Classification	13-100-034-5120-066	7/1/12-6/30/13	16,403		1				1	16,402	
Examination & Classification	12-100-034-5120-066	7/1/11-6/30/12	16,908		324				324	16,584	
Corrective Speech	16-100-034-5120-066	7/1/15-6/30/16	8,361			8,361	(1,505)		6,856	1,505	
Corrective Speech	15-100-034-5120-066	7/1/14-6/30/15	8,747		8,747				8,747		
Corrective Speech	14-100-034-5120-066	7/1/13-6/30/14	8,593		1,406				1,406	7,187	
Corrective Speech	13-100-034-5120-066	7/1/12-6/30/13	6,484		155				155	6,329	
Corrective Speech	12-100-034-5120-066	7/1/11-6/30/12	6,714		396				396	6,318	
Supplementary Instruction	16-100-034-5120-066	7/1/15-6/30/16	11,881			11,881	(8,990)		2,891	17,263	
Supplementary Instruction	14-100-034-5120-066	7/1/13-6/30/14	13,183		1,595				1,595	11,588	
Total Special Revenue Fund					33,002	89,861	(66,184)		56,679	176,943	
Capital Projects Fund:											
NJ School Development Authority:											
Hilltop Elementary School Masonry Repair, Window Repair/Replacement	3030-050-14-1001	1/6/14-1/5/15	138,800	(127,696)				(127,696)		(127,696)	127,696
Total Capital Projects Fund				(127,696)				(127,696)		(127,696)	127,696
Total State Financial Awards				\$ (254,765)	\$ 33,002	\$ 771,300	\$ (740,854)	\$ (227,362)	\$ 56,679	\$ (247,996)	\$ 1,339,604

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, 2016

NOTE 1. BASIS OF PRESENTATION

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, 2016. The information in these schedules are presented in accordance with the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years

NOTE 3. INDIRECT COST RATE

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. 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 (\$850) for the general fund and \$11,728 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension and Post Retirement Contributions revenue of \$367,791 and \$437,937 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		\$ 1,479,548	\$ 1,479,548
Special Revenue Fund	\$ 190,901	66,184	257,085
Total	<u>\$ 190,901</u>	<u>\$ 1,545,732</u>	<u>\$ 1,736,633</u>

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS (Cont'd)

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 fiscal year ended June 30, 2016.

NOTE 6. NJ SCHOOLS DEVELOPMENT AUTHORITY (NJSDA) GRANT

In the 2014-15 school year, the District was awarded a grant totaling \$138,800 from the New Jersey School Development Authority (NJSDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2016, the District had drawn down and expended \$127,696 in grant funds.

MENDHAM BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state program disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state program for the District expresses an unmodified opinion on the major state program.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2016 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's program tested as a major state program for the current fiscal year consisted of the following:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State Programs:</u>				
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15 - 6/30/16	\$ 325,669	\$ 325,669

- The threshold used for distinguishing between Type A and Type B state programs was \$750,000.
- The District was determined to be a "low-risk" auditee for state programs.

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 the Uniform Guidance and New Jersey's OMB Circular 15-08.

MENDHAM BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Status of Prior Year Findings:

There were no prior year findings.