

**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, 2017**

**Comprehensive Annual  
Financial Report**

**of the**

**Mendham Borough School District**

**Mendham, New Jersey**

**For the Fiscal Year Ended June 30, 2017**

**Prepared by**

**Mendham Borough School District  
Board of Education**

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INTRODUCTORY SECTION

**Mendham Borough Public Schools**  
**12 Hilltop Road**  
**Mendham, New Jersey 07945**

September 4, 2017

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, 2017, 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 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 2016-17 fiscal year with an average daily enrollment of 538 students, which is a decrease of 31 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.

### 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.

The major goal for the 2016-2017 school year budget was to maintain our quality educational programs, appropriately staff them given the challenge of declining enrollment, and meet all state and federal requirements. All current programs have been maintained and class size has been kept at existing levels. The district was able to manage increases in special education costs and provide financial support for staffing required to develop special education programs that appropriately meet our student's needs.

Major district initiatives include the following:

- The effective implementation of newly aligned curricula and benchmark assessments that parallel the Common Core Curriculum Standards.
- The expansion of instructional technology through innovative courses, technology integration and interdisciplinary and cross-curricular teaching and additional Chromebooks to facilitate a 1:1 school environment.
- Resources that support the social and emotional learning of our students: school counselors and Board Certified Behavior Analyst.
- The expansion of the Pre-School program that will provide three different program options for preschoolers with a disability (Integrated PS, PS Disabled and Full-day PS).
- Providing a continuum of services for our at-risk students and students with disabilities.

The district has successfully managed our financial resources to keep pace with our facilities maintenance and address priority capital improvements necessary to provide a safe, secure and efficient educational environment for our students and staff. Among these capital projects are facility repairs & renovations that included the broken concrete patio at Hilltop, student bathrooms, parking lots and athletic field at Mountain View. In addition, building security enhancements included security blinds at Mountain View.

The district continues to allocate funds to support the district's strategic plan, five-year curriculum plan, facilities plan, professional development plan, and technology plan.

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.



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, 2017.

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 Schools 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:

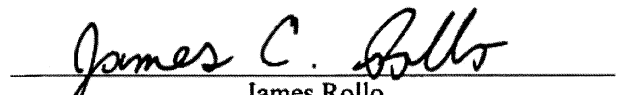
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP CPAs, was selected by the Board of Education at its last organization meeting. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of 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 4, 2017

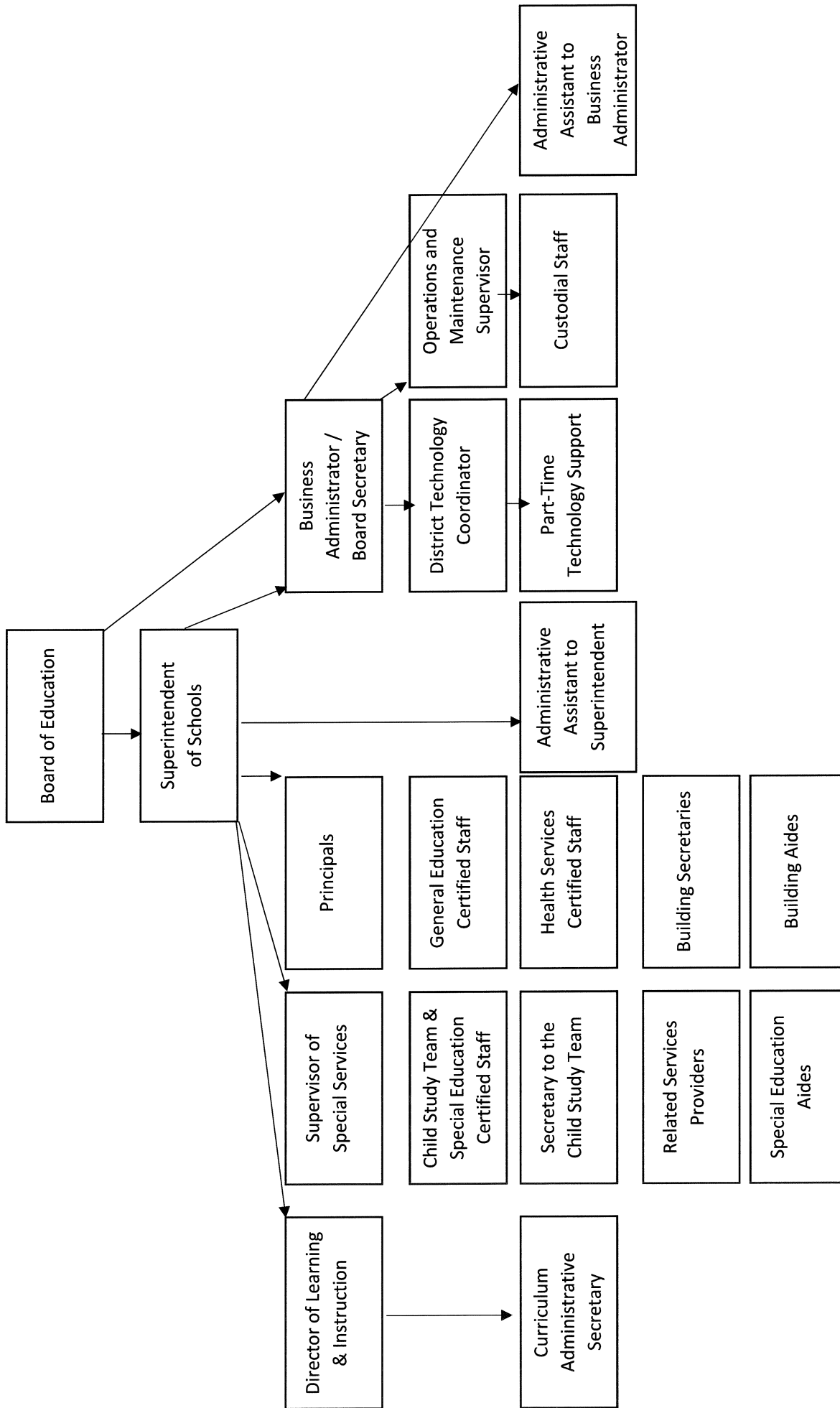
10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Mendham Borough Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance 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 2016-2017



MENDHAM BOROUGH SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2017

Members of the Board of Education

Term Expires

Beth Cocuzza, President	11/2018
Stephen Dolan, Vice President	11/2018
Raechelle Raimondo	11/2019
John Jennings	11/2017
William Corbett	11/2017
Paul Fechhelm	11/2017
AnnMarie Hornyak	11/2018
John Vitale	11/2019
James Gillespie	11/2019

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**

Scarinci Hollenbeck  
1100 Valley Brook Avenue  
Lyndhurst, NJ 07071

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

## 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 Board of Education of the Mendham Borough School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2017, 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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Mendham Borough School District, in the County of Morris, as of June 30, 2017, 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-4 and the related notes and the budgetary comparison information in Exhibits C-1 through C-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 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 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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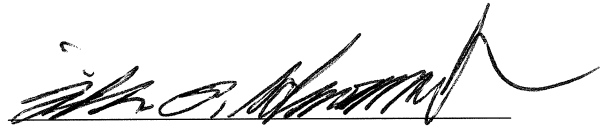
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2017 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 4, 2017  
Mount Arlington, New Jersey

NISIVOCCIA LLP

A handwritten signature in black ink, appearing to read 'W. F. Schroeder', written over a horizontal line.

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, 2017. 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 \$15.17 million.
- Overall expenses were \$14.41 million.
- The District's financial position increased \$758,762 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**

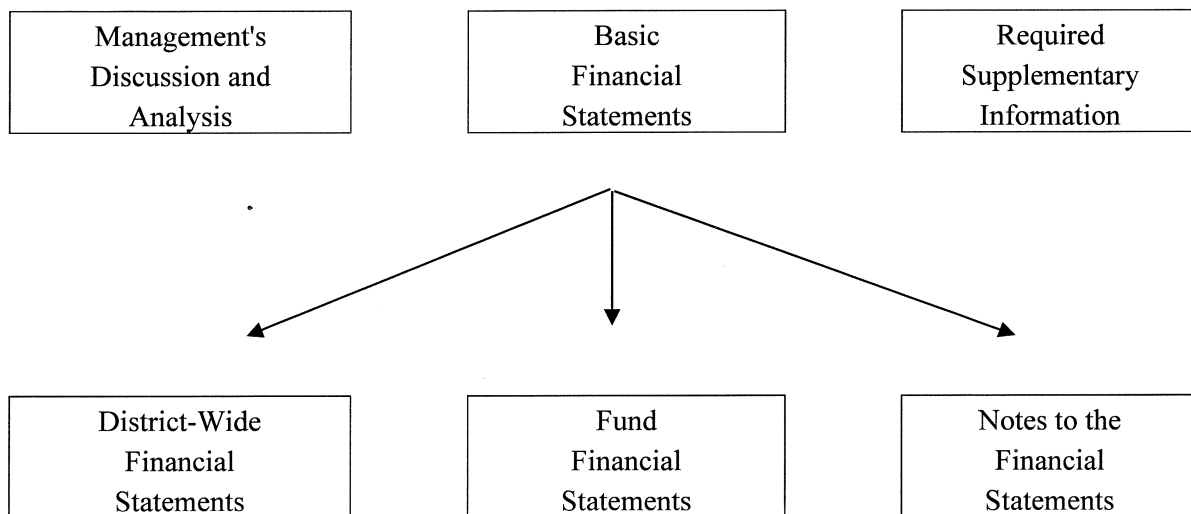


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents 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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

***District-wide Statements***

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, 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

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*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 \$758,762. Net position from governmental activities increased \$754,061 and net position from business-type activities increased \$4,701. Net position invested in capital assets decreased \$72,555, restricted net position increased \$397,951, and unrestricted net position increased by \$433,366.

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

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
Current and Other Assets	\$ 2,543,330	\$ 1,960,198	\$ 9,189	\$ 5,249	\$ 2,552,519	\$ 1,965,447	29.87%
Capital Assets, Net	9,194,415	9,354,760	3,899	8,591	9,198,314	9,363,351	-1.76%
Total Assets	<u>11,737,745</u>	<u>11,314,958</u>	<u>13,088</u>	<u>13,840</u>	<u>11,750,833</u>	<u>11,328,798</u>	3.73%
Deferred Outflows of Resources	<u>1,266,607</u>	<u>475,459</u>			<u>1,266,607</u>	<u>475,459</u>	166.40%
Other Liabilities	528,309	326,339	3,498	8,951	531,807	335,290	58.61%
Long-Term Liabilities	<u>8,695,328</u>	<u>8,357,728</u>			<u>8,695,328</u>	<u>8,357,728</u>	4.04%
Total Liabilities	<u>9,223,637</u>	<u>8,684,067</u>	<u>3,498</u>	<u>8,951</u>	<u>9,227,135</u>	<u>8,693,018</u>	6.14%
Deferred Inflows of Resources	<u>155,275</u>	<u>234,971</u>			<u>155,275</u>	<u>234,971</u>	-33.92%
Net Position:							
Net Investment in Capital Assets	3,806,897	3,327,517	3,899	8,591	3,810,796	3,336,108	14.23%
Restricted	1,709,416	1,311,465			1,709,416	1,311,465	30.34%
Unrestricted/(Deficit)	<u>(1,890,873)</u>	<u>(1,767,603)</u>	<u>5,691</u>	<u>(3,702)</u>	<u>(1,885,182)</u>	<u>(1,771,305)</u>	-6.43%
Total Net Position	<u>\$ 3,625,440</u>	<u>\$ 2,871,379</u>	<u>\$ 9,590</u>	<u>\$ 4,889</u>	<u>\$ 3,635,030</u>	<u>\$ 2,876,268</u>	26.38%

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*Changes in Net Position.* The District's *combined* net position was \$3,635,030 on June 30, 2017, \$758,762 or 26.38% higher than it was the year before. (See Figure A-3). Net position invested in capital assets decreased by \$72,555 or 1.87% as a result of \$585,000 of long-term debt maturities and \$179,305 in net capital acquisitions offset by Unamortized Bond Premiums of \$492,518, and depreciation of \$339,650 in its governmental and \$4,692 in business-type activities. Restricted net position increased by \$397,951 or 30.34% due to a decrease of \$324,581 in Capital Reserve and a decrease in restricted Debt Service Fund Balance of \$69,733 offset by an increase of \$315,590 in excess surplus designated for subsequent year's expenditures, an increase of \$401,634 in Capital Reserve, and an increase of \$75,041 in Maintenance Reserve. Unrestricted net position increased by \$433,366 or 18.69% due to the following- an increase of \$52,017 in encumbrances payable, an increase in net pension liability of \$1,023,638, and an increase of \$206,854 in Fund Balance provided by operations in the General Fund offset by a decrease of \$46,313 in Compensated Absences Payable, an increase in deferred outflows for pensions of \$602,144, and a decrease in deferred inflows for pensions of \$ 200,686 (See Figure A-3).

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

	Governmental Activities <u>2016/17</u>	Business-Type Activities <u>2016/17</u>	Total School District <u>2016/17</u>	Governmental Activities <u>2015/16</u>	Business-Type Activities <u>2015/16</u>	Total School District <u>2015/16</u>	Total Percentage Change <u>2016/17</u>
Revenue:							
Program Revenue:							
Charges for Services	\$ 15,000	\$ 159,386	\$ 174,386	\$ 16,265	\$ 158,666	\$ 174,931	-0.31%
Operating Grants and Contributions	3,990,648		3,990,648	3,038,132		3,038,132	31.35%
General Revenue:							
Property Taxes	10,930,223		10,930,223	10,521,537		10,521,537	3.88%
Other	68,421	8,363	76,784	60,543	7,059	67,602	13.58%
<b>Total Revenue</b>	<u>15,004,292</u>	<u>167,749</u>	<u>15,172,041</u>	<u>13,636,477</u>	<u>165,725</u>	<u>13,802,202</u>	9.92%
Expenses:							
Instruction	8,462,519		8,462,519	7,602,394		7,602,394	11.31%
Pupil and Instruction Services	2,801,901		2,801,901	2,711,433		2,711,433	3.34%
Administrative and Business	1,152,453		1,152,453	1,120,864		1,120,864	2.82%
Maintenance and Operations	1,174,984		1,174,984	1,089,433		1,089,433	7.85%
Pupil Transportation	324,340		324,340	276,940		276,940	17.12%
Other	324,034	173,048	497,082	234,037	182,677	416,714	19.29%
<b>Total Expenses</b>	<u>14,240,231</u>	<u>173,048</u>	<u>14,413,279</u>	<u>13,035,101</u>	<u>182,677</u>	<u>13,217,778</u>	9.04%
Other Items:							
Capital Asset Adjustment					(7,133)	(7,133)	-100.00%
Transfers	(10,000)	10,000		(6,870)	6,870		
<b>Increase/(Decrease) in Net Position</b>	<u>\$ 754,061</u>	<u>\$ 4,701</u>	<u>\$ 758,762</u>	<u>\$ 594,506</u>	<u>\$ (17,215)</u>	<u>\$ 577,291</u>	31.43%



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*Revenue Sources.* The District's total revenue for the 2016/2017 school year was \$15,172,041. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, accounting for \$11,142,495 of the total, or 73.44 percent. (See Figure A-5). Another 24.91 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 2017**

	<u>Amount</u>	<u>Percentage</u>
Sources of Income:		
State Formula Aid	\$ 212,272	1.40%
Property Taxes	10,930,223	72.04%
Federal and State Categorical Grants	3,778,376	24.91%
Charges for Services	174,386	1.15%
Other	76,784	0.50%
	<u>\$ 15,172,041</u>	<u>100.00%</u>

The total cost of all programs and services was \$14,413,279. The District's expenses are predominantly related to instructing, caring for and transporting pupil services (80.40 percent instruction). The administrative and business activities of the schools were 8.00 percent. (See Figure A-6.) The District's maintenance and operations accounted for 8.15 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 \$344,342 in depreciation of which a large portion was charged to Maintenance and Operations.

**Figure A-6**

**Expenses for Fiscal Year 2017**

	<u>Amount</u>	<u>Percentage</u>
Expense Category:		
Instruction	\$ 8,462,519	58.71%
Pupil and Instruction Services	2,801,901	19.44%
Administrative and Business	1,152,453	8.00%
Maintenance and Operations	1,174,984	8.15%
Transportation	324,340	2.25%
Other	497,082	3.45%
	<u>\$ 14,413,279</u>	<u>100.00%</u>

***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.

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

**Figure A-7**

	<b>Net Cost of Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2016/17</u>	<u>2016/17</u>	<u>2015/16</u>	<u>2015/16</u>
Instruction	\$ 8,462,519	\$ 5,195,045	\$ 7,602,394	\$ 5,238,746
Pupil and Instruction Services	2,801,901	2,088,335	2,711,433	2,043,988
Administrative and Business	1,152,453	1,152,453	1,120,864	1,120,864
Maintenance and Operations	1,174,984	1,174,984	1,089,433	1,089,433
Transportation	324,340	299,732	276,940	253,636
Other	324,034	324,034	234,037	234,037
	<u>\$ 14,240,231</u>	<u>\$ 10,234,583</u>	<u>\$ 13,035,101</u>	<u>\$ 9,980,704</u>

- The cost of all governmental activities this year was \$14.24 million.
- The federal and state governments subsidized certain programs with grants and aid (\$3.99 million).
- Most of the District's costs, however, were financed by District taxpayers (\$10.93 million).
- A portion of the governmental activities was financed with approximately \$254,725 in state aid based on the SFRA schedule, which is included in the \$3.99 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 increased \$4,701 (Refer to Figure A-4). Factors contributing to these results included:

- Food service expenses exceeded revenues by \$5,299. There were also operating transfers from the General Fund of \$10,000. These various factors accounted for the overall increase 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  
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**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 Long Term Liabilities Administration**

**Figure A-8**

	<b>Capital Assets (Net of Depreciation)</b>						Percentage Change 2016/17
	Government Activities		Business-Type Activities		Total School District		
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	
Land	\$ 251	\$ 251			\$ 251	\$ 251	0.00%
Construction in Progress	319,240	319,240			319,240	319,240	0.00%
Site Improvements	767,620	625,879			767,620	625,879	22.65%
Buildings and Building Improvements	7,856,274	8,082,944			7,856,274	8,082,944	-2.80%
Furniture, Machinery and Equipment	251,030	326,446	\$ 3,899	\$ 8,591	254,929	335,037	-23.91%
<b>Total Capital Assets (Net of Depreciation)</b>	<b>\$ 9,194,415</b>	<b>\$ 9,354,760</b>	<b>\$ 3,899</b>	<b>\$ 8,591</b>	<b>\$ 9,198,314</b>	<b>\$ 9,363,351</b>	<b>-1.76%</b>

During the fiscal year, total depreciation expense was \$339,650 for governmental activities and \$4,692 for business-type activities. Additions totaled \$179,305 for governmental activities.

**Long-term Liabilities**

At year-end, the District had \$4,895,000 in general obligation bonds outstanding – a decrease of \$585,000 in bonds from last year, a net increase of \$1,023,638 in net pension liability, as well as a decrease of \$46,313 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**

	<b>Outstanding Long-Term Liabilities</b>		
	2016/17	2015/16	Percentage Change 2016/17
Bonds Payable	\$ 4,895,000	\$ 5,480,000	-10.68%
Unamortized Bond Premium Payable	492,518	547,243	-10.00%
Net Pension Liability	3,173,025	2,149,387	47.62%
Compensated Absences Payable	134,785	181,098	-25.57%
	<b>\$ 8,695,328</b>	<b>\$ 8,357,728</b>	<b>4.04%</b>

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

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

The two greatest factors that bear on the district's financials are the rising costs of employee health benefits and the rising costs of out of district special education placements. The 2016-2017 school year did not witness any additional out of district tuition students, which contributed toward a higher than usual year end surplus. However, the number of out of district placements is not proportional to other enrollment trends, such as the overall decline in enrollment. In fact, in 2016-17 had one more out of district placement than in 2015-16, despite a general decline in overall enrollment.

The district reached Tier 4 of Chapter 78's employee contributions in 2014-2015. Since that year employee contribution percentages toward healthcare premiums have not increased, leaving the district to absorb the lion's share of the increases in health insurance premiums. However, the district did exit the School Employee Health Benefits Plan as of July 1, 2017. By doing so the district avoided a 13% increase in health insurance premiums that would have gone into effect in 2018. The district continues to seek new opportunities for efficiencies and expense reduction in this area. The district has completed the 2016-17 year with an unsettled contract with the Mendham Borough Education Association. While negotiations are ongoing, the outcome of those negotiations will impact the financial position of the district.

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

MENDHAM BOROUGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 958,195	\$ 6,207	\$ 964,402
Receivables from Other Governments:			
Federal	29,210		29,210
State	117,843		117,843
Other Accounts Receivable	8,508		8,508
Inventory		2,982	2,982
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	1,252,218		1,252,218
Maintenance Reserve Account - Cash and Cash Equivalents	95,684		95,684
Capital Assets, Net			
Sites (Land)	251		251
Construction in Progress	319,240		319,240
Depreciable Site Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment	8,874,924	3,899	8,878,823
Total Assets	<u>11,656,073</u>	<u>13,088</u>	<u>11,669,161</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Amount on Refunding	101,244		101,244
Differences Between Expected and Actual - Pensions	59,009		59,009
Changes in Proportions - Pensions	248,819		248,819
Changes in Assumptions - Pensions	657,281		657,281
Net Difference between Projected and Actual			
Investment Earnings - Pensions	120,990		120,990
District Contribution Subsequent to Measurement Date - Pensions	79,264		79,264
Total Deferred Outflow of Resources	<u>1,266,607</u>		<u>1,266,607</u>
<b>LIABILITIES</b>			
Accrued Interest Payable	66,150		66,150
Accounts Payable - Vendors	296,544		296,544
Accounts Payable - Cash Deficit	202		202
Payable to State Government	68,005		68,005
Unearned Revenue	15,736	3,498	19,234
Noncurrent Liabilities:			
Due Within One Year	629,725		629,725
Due Beyond One Year	8,065,603		8,065,603
Total Liabilities	<u>9,141,965</u>	<u>3,498</u>	<u>9,145,463</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Changes in Proportion - Pensions	155,275		155,275
Total Deferred Inflow of Resources	<u>155,275</u>		<u>155,275</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,806,897	3,899	3,810,796
Restricted for:			
Capital Projects	1,252,218		1,252,218
Other Purposes	457,198		457,198
Unrestricted/(Deficit)	(1,890,873)	5,691	(1,885,182)
Total Net Position	<u>\$ 3,625,440</u>	<u>\$ 9,590</u>	<u>\$ 3,635,030</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, 2017

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 7,045,914	\$ 15,000	\$ 2,564,856	\$ (4,466,058)	\$	\$ (4,466,058)
Special Education	1,317,990		687,618	(630,372)		(630,372)
Other Instruction	98,615			(98,615)		(98,615)
Support Services:						
Tuition	680,709		67,714	(612,995)		(612,995)
Student & Instruction Related Services	2,121,192		645,852	(1,475,340)		(1,475,340)
General Administrative Services	361,196			(361,196)		(361,196)
School Administrative Services	531,481			(531,481)		(531,481)
Plant Operations and Maintenance	1,174,984			(1,174,984)		(1,174,984)
Pupil Transportation	324,340		24,608	(299,732)		(299,732)
Central Services	259,776			(259,776)		(259,776)
Interest on Long-Term Debt	170,575			(170,575)		(170,575)
Capital Outlay	153,459			(153,459)		(153,459)
Total Governmental Activities	14,240,231	15,000	3,990,648	(10,234,583)		(10,234,583)



MENDHAM BOROUGH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenue		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:						
Food Service	\$ 173,048	\$ 159,386			\$ (13,662)	\$ (13,662)
Total Business-Type Activities	173,048	159,386			(13,662)	(13,662)
Total Primary Government	\$ 14,413,279	\$ 174,386	\$ 3,990,648	\$ (10,234,583)	(13,662)	(10,248,245)
General Revenue:						
Taxes:						
				Property Taxes, Levied for General Purposes, Net	10,192,738	10,192,738
				Taxes Levied for Debt Service	737,485	737,485
				Investment Earnings	5,166	5,171
				Miscellaneous Income	63,255	71,613
				Transfers	(10,000)	
				Total General Revenues	10,988,644	11,007,007
				Change in Net Position	754,061	758,762
				Net Position - Beginning	2,871,379	2,876,268
				Net Position - Ending	\$ 3,625,440	\$ 3,635,030

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, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 402,201	\$ 104,127	\$ 451,867		\$ 958,195
Interfund Receivable:					
Capital Projects Fund	368,710			1,252	369,962
Special Revenue Fund	46,449				46,449
Receivables From Other Governments:					
Federal		29,210			29,210
State	117,093		750		117,843
Other Accounts Receivable	4,405	4,103			8,508
Restricted Assets:					
Capital Reserve Account - Cash and Cash Equivalents	1,252,218				1,252,218
Maintenance Reserve Account - Cash and Cash Equivalents	95,684				95,684
<b>Total Assets</b>	<u>\$ 2,286,760</u>	<u>\$ 137,440</u>	<u>\$ 452,617</u>	<u>\$ 1,252</u>	<u>\$ 2,878,069</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Accounts Payable - Vendors	\$ 210,030	\$ 7,250			\$ 217,280
Accounts Payable - Cash Deficit				202	202
Interfund Payable:					
General Fund		46,449	\$ 368,710		415,159
Debt Service Fund			1,252		1,252
Payable to State Government		68,005			68,005
Unearned Revenue		15,736			15,736
<b>Total Liabilities</b>	<u>210,030</u>	<u>137,440</u>	<u>369,962</u>	<u>\$ 202</u>	<u>717,634</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Fund Balances:					
Restricted for:					
Capital Reserve Account	\$ 1,252,218				\$ 1,252,218
Maintenance Reserve Account	95,684				95,684
Excess Surplus	315,590				315,590
Excess Surplus - Designated For Subsequent Year's Expenditures	45,924				45,924
Debt Service		\$ 1,050			1,050
Assigned to:					
Year End Encumbrances	71,765				71,765
Committed:					
Capital Projects			\$ 82,655		82,655
Unassigned:					
General Fund	295,549				295,549
Total Fund Balances	<u>2,076,730</u>	<u>137,440</u>	<u>82,655</u>	<u>1,050</u>	<u>2,160,435</u>
Total Liabilities and Fund Balances	<u>\$ 2,286,760</u>	<u>\$ 137,440</u>	<u>\$ 452,617</u>	<u>\$ 1,252</u>	<u>\$ 2,160,435</u>

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 \$14,492,794 and the accumulated depreciation is \$5,298,379.

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 \$164,173.

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.

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

Deferred amount on refunding are not reported as expenditures in governmental funds in the year of the expenditure. The deferred amount is \$134,992 and accumulated amortization is \$33,748.

The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.

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:

Difference Between Expected and Actual - Pensions	59,009
Changes in Assumptions - Pensions	657,281
Net Difference between Projected and Actual Investment Earnings - Pension	120,990
Changes in Proportions - Pensions	248,819

Deferred Inflows:

Changes in Proportions - Pensions	(155,275)
Net Position of Governmental Activities	<u>\$ 3,625,440</u>

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

MENDHAM BOROUGH SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 10,192,738			\$ 737,485	\$ 10,930,223
Tuition Charges	15,000				15,000
Interest Earned on Capital Reserve Funds	1,634				1,634
Interest Earned on Maintenance Reserve Funds	41				41
Interest Earned	2,809		\$ 682		3,491
Miscellaneous	63,255	\$ 25,371			88,626
Total - Local Sources	10,275,477	25,371	682	737,485	11,039,015
State Sources	1,547,450	76,783			1,624,233
Federal Sources	101,543				101,543
Total Revenue	11,822,927	203,697	682	737,485	12,764,791

EXPENDITURES					
Current:					
Regular Instruction	3,359,334	102,533			3,461,867
Special Education Instruction	634,961				634,961
Other Instruction	91,520				91,520
Support Services and Undistributed Costs:					
Tuition	612,995	67,714			680,709
Student & Instruction Related Services	1,159,906	33,450			1,193,356
General Administrative Services	326,380				326,380
School Administrative Services	477,036				477,036
Central Services	241,502				241,502
Pupil Transportation	324,340				324,340

MENDHAM BOROUGH SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>EXPENDITURES</b>					
Plant Operations and Maintenance	\$ 818,254				\$ 818,254
Benefits - Allocated and Unallocated	2,912,626				2,912,626
Debt Service:					
Principal				\$ 585,000	585,000
Interest and Other Charges				221,850	221,850
Capital Outlay	332,764				332,764
Total Expenditures	<u>11,291,618</u>	<u>\$ 203,697</u>		<u>806,850</u>	<u>12,302,165</u>
Excess/(Deficiency) of Revenue over/(under) Expenditures	<u>531,309</u>		<u>\$ 682</u>	<u>(69,365)</u>	<u>462,626</u>
<b>OTHER FINANCING SOURCES/(USES)</b>					
Transfers In				682	682
Transfers Out	<u>(10,000)</u>		<u>(682)</u>		<u>(10,682)</u>
Total Other Financing Sources/(Uses)	<u>(10,000)</u>		<u>(682)</u>	<u>682</u>	<u>(10,000)</u>
Net Change in Fund Balances	521,309			(68,683)	452,626
Fund Balance—July 1	<u>1,555,421</u>		<u>82,655</u>	<u>69,733</u>	<u>1,707,809</u>
Fund Balance—June 30	<u>\$ 2,076,730</u>	<u>\$ - 0 -</u>	<u>\$ 82,655</u>	<u>\$ 1,050</u>	<u>\$ 2,160,435</u>

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

MENDHAM BOROUGH SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$	452,626
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	\$ (339,650)	
Capital outlays	<u>179,305</u>	(160,345)
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 (+).		46,313
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. (+)		54,725
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. (-)		(11,250)
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		(1,023,638)
Deferred Outflows:		
Difference between Expected and Actual Experience		7,732
Changes in Proportions		426,454
Changes in Assumptions		167,958
Deferred Inflows:		
Changes in Proportion		155,548
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		<u>45,138</u>
Change in Net Position - Governmental Funds (Exhibit A-2)	\$	<u><u>754,061</u></u>

MENDHAM BOROUGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 6,207
Inventories	2,982
	9,189
Total Current Assets	9,189
Capital Assets:	
Equipment	91,396
Less: Accumulated Depreciation	(87,497)
	3,899
Total Capital Assets	3,899
Total Assets	13,088
<b>LIABILITIES:</b>	
Current Liabilities:	
Unearned Revenue - Prepaid Sales	3,498
	3,498
Total Liabilities	3,498
<b>NET POSITION:</b>	
Investment in Capital Assets	3,899
Unrestricted	5,691
	9,590
Total Net Position	\$ 9,590

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



MENDHAM BOROUGH SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>
Operating revenue	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 159,386
Other Non-Reimbursable Sales	<u>8,358</u>
Total Operating Revenue	<u>167,744</u>
Operating Expenses:	
Cost of Sales - Non-Reimbursable Programs	72,274
Salaries, Benefits & Payroll Taxes	65,088
Supplies, Insurance & Other Costs	7,272
Management Fee	14,980
Depreciation	4,692
Miscellaneous Expenses	<u>8,742</u>
Total Operating Expenses	<u>173,048</u>
Operating (Loss)	<u>(5,304)</u>
Non-Operating Revenue	
Local Sources:	
Interest Income	<u>5</u>
Total Non-Operating Revenue	<u>5</u>
Changes in Net Position Before Transfers	(5,299)
Transfers from General Fund	10,000
Change Net Position After Transfers	4,701
Net Position - Beginning of Year	<u>4,889</u>
Net Position - End of Year	<u><u>\$ 9,590</u></u>

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

MENDHAM BOROUGH SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>
Cash Flows From Operating Activities:	
Receipts from Customers	\$ 167,744
Payments to Food Service Vendor	(163,858)
Payments to Suppliers	(8,742)
	(4,856)
Net Cash Used for Operating Activities	(4,856)
Cash Flows From Investing Activities:	
Interest Income	5
	5
Net Cash Provided by Investing Activities	5
Cash Flows from Noncapital Financing Activities:	
Transfer from General Fund	10,000
	10,000
Net Cash Provided by Noncapital Financing Activities	10,000
Net Increase in Cash and Cash Equivalents	5,149
Cash and Cash Equivalents, July 1	1,058
Cash and Cash Equivalents, June 30	\$ 6,207
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (5,304)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	4,692
Changes in Assets and Liabilities:	
Decrease in Inventory	1,209
(Decrease) in Accounts Payable	(1,557)
(Decrease) in Prepaid Sales	(3,896)
	(3,896)
Net Cash Used for Operating Activities	\$ (4,856)

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

MENDHAM BOROUGH SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 137,301	\$ 12,776	\$ 35,126
Total Assets	<u>137,301</u>	<u>12,776</u>	<u>35,126</u>
<u>LIABILITIES:</u>			
Payroll Deductions and Withholdings	69,653		
Due to Student Groups	<u>67,648</u>		
Total Liabilities	<u>137,301</u>		
<u>NET POSITION:</u>			
Held in Trust for Flexible Spending Claims		12,776	
Restricted for Unemployment Claims			<u>35,126</u>
Total Net Position	<u>\$ - 0 -</u>	<u>\$ 12,776</u>	<u>\$ 35,126</u>

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

MENDHAM BOROUGH SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Flexible Spending Trust	Unemployment Compensation Trust
	<hr/>	<hr/>
Additions:		
Contributions:		
Plan Contributions	\$ 27,775	
Employee Deductions		\$ 688
Total Contributions	<hr/> 27,775	<hr/> 688
Investment Earnings:		
Interest	16	91
Net Investment Earnings	<hr/> 16	<hr/> 91
Total Additions	<hr/> 27,791	<hr/> 779
Deductions:		
Flexible Spending Claims	30,729	
Unemployment Compensation Claims		20,875
Total Deductions	<hr/> 30,729	<hr/> 20,875
Change in Net Position	(2,938)	(20,096)
Net Position - Beginning of the Year	<hr/> 15,714	<hr/> 55,222
Net Position - End of the Year	<hr/> <u>\$ 12,776</u>	<hr/> <u>\$ 35,126</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, 2017

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 ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. 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, 2017  
(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, 2017  
(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, 2017  
(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, 2017 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, 2017  
(Continued)

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

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

	General Fund	Special Revenue Fund
	<u>                    </u>	<u>                    </u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 11,824,579	\$ 203,318
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.		379
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	20,634	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(22,286)</u>	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 <u>\$ 11,822,927</u>	 <u>\$ 203,697</u>
 Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 11,291,618	\$ 203,318
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>379</u>
 Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u>\$ 11,291,618</u>	 <u>\$ 203,697</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(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

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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, 2017  
(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, 2017.

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:

	Estimated Useful Life
Buildings and Building Improvements	50 years
Site Improvements	20 years
Furniture, Machinery 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, 2017  
(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, 2017.

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 \$2,076,730 General Fund fund balance at June 30, 2017, \$1,252,218 is restricted in the capital reserve account; \$95,684 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, 2018, \$315,590 is restricted as excess surplus and will be included as anticipated revenue for the year ending June 30, 2019, \$71,765 is assigned for year end encumbrances, and \$295,549 is unassigned which is \$22,286 less than the Budgetary basis, due to the final state aid payments, which are not recognized until the fiscal year ending June 30, 2018.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2017 is \$82,655 and is committed.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2017 is \$1,050 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, 2017

(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 \$22,286 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, 2017 of \$1,890,873. This deficit resulted from compensated absence liabilities of \$134,785, changes in proportion in pensions of \$ 155,275, net pension liability of \$3,173,025, and accrued interest payable of \$66,150; net of investment losses in pensions of \$120,990, \$657,281 for changes in pension assumptions, \$248,819 for changes in proportion in pensions, \$59,009 for the difference between expected and actual experience in pensions, and deferred interest of \$101,244, year-end encumbrances of \$71,765, Capital Projects committed fund balance of \$82,655, Debt Service committed fund balance of \$1,050, and General Fund unassigned fund balance of \$295,549. 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.

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, 2017 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, 2017 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, 2017  
(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, 2017.

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, 2017.

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, 2017  
(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.

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 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, 2017  
(Continued)

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

Custodial Credit Risk – The District’s policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

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 Local Government Services in the Department of Community Affairs for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (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 section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.



MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

As of June 30, 2017, 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	\$ 1,149,403	\$ 1,252,218	\$ 95,684	\$ 2,497,305
	<u>\$ 1,149,403</u>	<u>\$ 1,252,218</u>	<u>\$ 95,684</u>	<u>\$ 2,497,305</u>

During the period ended June 30, 2017 the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2017, was \$2,497,305 and the bank balance was \$3,609,024. The cash and cash equivalents balance at June 30, 2017 of \$2,497,305 differs from the total of \$2,579,179 on the Governmental Funds Balance Sheet and Proprietary Funds and Fiduciary Fund Statements of Net Position at June 30, 2017 by \$202. This difference is the result of cash deficit in the Debt Service Fund due to the full amount of the Debt Service tax levy being less than the amount of the debt service payments in the current year. This cash deficit of \$202 is included in the subsequent year's budget and will be raised in the following year.

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, 2017  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning Balance, July 1, 2016	\$ 1,175,165
Increased by:	
Interest Earnings	1,634
Board Resolution June 13, 2017	400,000
	1,576,799
Decreased by:	
Budgeted Withdrawal	(324,581)
Ending Balance, June 30, 2017	\$ 1,252,218

The June 30, 2017 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, 2016 to June 30, 2017 fiscal year is as follows:

Beginning Balance, July 1, 2016	\$ 20,643
Increased by:	
Interest Earnings	41
Increased by Board Resolution June 13, 2017	75,000
Ending Balance, June 30, 2017	\$ 95,684

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2017, 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, 2017 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	\$ 175,305		1,201,694
Buildings and Building Improvements	11,951,244			11,951,244
Machinery and Equipment	1,016,365	4,000		1,020,365
Total Capital Assets Being Depreciated	<u>13,993,998</u>	<u>179,305</u>		<u>14,173,303</u>
Governmental Activities Capital Assets	<u>14,313,489</u>	<u>179,305</u>		<u>14,492,794</u>
Less Accumulated Depreciation for:				
Site Improvements	(400,510)	(33,564)		(434,074)
Buildings and Building Improvements	(3,868,300)	(226,670)		(4,094,970)
Machinery and Equipment	(689,919)	(79,416)		(769,335)
	<u>(4,958,729)</u>	<u>(339,650)</u>		<u>(5,298,379)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 9,354,760</u>	<u>\$ (160,345)</u>	<u>\$ - 0 -</u>	<u>\$ 9,194,415</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 91,396			\$ 91,396
Less Accumulated Depreciation	(82,805)	\$ (4,692)		(87,497)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 8,591</u>	<u>\$ (4,692)</u>	<u>\$ - 0 -</u>	<u>\$ 3,899</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 4,854
Student and Instruction Related Services	2,632
School Administrative Services	9,624
Operations and Maintenance of Plant	<u>322,540</u>
	<u>\$ 339,650</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2016	Accrued	Retired	Balance 6/30/2017
Bonds Payable	\$ 5,480,000		\$ 585,000	\$ 4,895,000
Compensated Absences Payable	181,098		46,313	134,785
Unamortized Bond Premium	547,243		54,725	492,518
Net Pension Liability - PERS	2,149,387	\$ 1,023,638		3,173,025
	\$ 8,357,728	\$ 1,023,638	\$ 686,038	\$ 8,695,328

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, 2017 as follows:

Final Maturity Date	Serial Bonds Interest Rate	Amount
3/1/2026	3.00% - 5.00%	\$ 4,895,000

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

Fiscal Year Ending June 30,	Bonds		Total
	Principal	Interest	
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	570,000	83,455	653,455
2023-2026	2,025,000	148,700	2,173,700
	\$ 4,895,000	\$ 853,455	\$ 5,748,455

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

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

B. Bonds Authorized But Not Issued:

As of June 30, 2017, 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 \$134,785 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, 2017 is \$-0- and the long-term portion is \$3,173,025. See Note 10 for further information on the PERS.

E. Bond Premiums:

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$54,275 and is separated from the long-term liability balance of \$438,243

NOTE 9. 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/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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:

<u>Tier</u>	<u>Definition</u>
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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$72,452 for fiscal year 2017.

The employee contribution rate was 7.20% effective July 1, 2016. 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.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 9. 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

At June 30, 2017, the District reported a liability of \$3,173,025 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2016, the District's proportion was 0.011%, which was an increase of 0.001% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$315,529. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 39,886	
	2015	5.72	162,981	
	2016	5.57	454,414	
			<u>657,281</u>	
Changes in Proportion	2014	6.44		\$ 155,275
	2015	5.72	63,279	
	2016	5.57	185,540	
			<u>248,819</u>	<u>155,275</u>
Difference Between Expected and Actual Experience	2015	5.72	45,218	
	2016	5.57	13,791	
			<u>59,009</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.0	(59,769)	
	2015	5.0	38,240	
	2016	5.0	142,519	
			<u>120,990</u>	
Contribution Subsequent to Measurement Date	2016	1.00	79,264	
			<u>\$ 1,165,363</u>	<u>\$ 155,275</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 9. 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:

Fiscal Year Ending June 30,	Total
2017	\$ 188,506
2018	188,506
2019	218,391
2020	183,480
2021	58,398
	\$ 837,280

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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

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, 2011 to June 30, 2014. 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, 2017

(Continued)

NOTE 9. 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 (7.65% 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 method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 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%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 contribution rate of the most recent fiscal year. The local employers contributed 100% of their 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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, 2016 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, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
District's proportionate share of the Net Pension Liability	\$ 3,888,171	\$ 3,173,025	\$ 5,287,395

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/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.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, 2017  
(Continued)

NOTE 9. 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 with 25 or more years of service credit before age 62 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 2016, 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 2017, the State of New Jersey contributed \$475,702 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$2,715,203.

The employee contribution rate was 7.20% effective July 1, 2016. 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, 2017, the State's proportionate share of the net pension liability associated with the District was \$36,137,131. The net pension liability was measured as of June 30, 2016, 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, 2016, the District's proportion was 0.046%, which was an increase of 0.003% from its proportion measured as of June 30, 2015.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. 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		36,137,131
Total	\$	36,137,131

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$2,715,203 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 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:

	<u>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	8.5	\$ 1,691,524,165	
	2015	8.3	4,488,602,746	
	2016	8.3	9,522,623,964	
			15,702,750,875	
Changes in Proportion	2014	8.5		
	2015	8.3		
Difference Between Expected and Actual Experience	2014	8.5		\$ 16,110,615
	2015	8.3	277,221,464	
	2016	8.3		118,421,979
			277,221,464	134,532,594
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.0	(870,618,286)	
	2015	5.0	577,926,182	
	2016	5.0	1,727,420,767	
			1,434,728,663	
		\$ 17,414,701,002	\$ 134,532,594	

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 9. 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)

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
2017	\$ 2,538,535,636
2018	2,538,535,636
2019	2,973,844,781
2020	2,781,202,718
2021	2,349,347,527
Thereafter	4,098,702,110
	\$ 17,280,168,408

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. 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	7.65%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60 years average of Social Security data from 1953 to 2013.

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, 2012 to June 30, 2015.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% 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 method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2016 are summarized in the following table:

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.39%
U.S. Government Bonds	1.50%	1.28%
U.S. Credit Bonds	13.00%	2.76%
U.S. Mortgages	2.00%	2.38%
U.S. Inflation-Indexed Bonds	1.50%	1.41%
U.S. High Yield Bonds	2.00%	4.70%
U.S. Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Market Equities	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. 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 2029. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2029, 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, 2016 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, 2017  
(Continued)

NOTE 9. 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, 2016		
	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
Total Net Pension Liability	\$ 43,155,810	\$ 36,137,131	\$ 30,405,473

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 10. 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, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 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 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 \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

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's on behalf Post Retirement Medical Contributions to TPAF for the District were \$371,148, \$310,654 and \$410,730, for 2015, 2016 and 2017, respectively.

NOTE 11. 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, 2017

(Continued)

NOTE 11. 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, 2017 is not available as of the date of this report. Selected financial information for NJSIG as of June 30, 2016 is as follows:

	New Jersey Schools Insurance Group
Total Assets	\$ 314,444,806
Net Position	\$ 68,222,364
Total Revenue	\$ 124,872,219
Total Expenses	\$ 113,965,181
Change in Net Position	\$ 10,907,038
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, 2017  
(Continued)

NOTE 11. 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>
2016-2017	\$ -0-	\$ 779	\$ 20,875	\$ 35,126
2015-2016	-0-	5,901	1,672	55,222
2014-2015	-0-	57	55,918	50,993

NOTE 12. 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 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2017:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 415,159	
Special Revenue Fund		\$ 46,449
Capital Projects Fund		369,962
Debt Service Fund	1,252	
	<u>\$ 416,411</u>	<u>\$ 416,411</u>

The interfund payable from Capital Project Fund and the interfund receivable in the General Fund as of June 30, 2017 represents expenditures of \$368,710 made from the General Fund on behalf of the Capital Projects Fund, and in addition there is \$1,252 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, 2017 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, 2017

(Continued)

NOTE 14. 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 15. 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 16. 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, 2017

(Continued)

NOTE 16. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

At June 30, 2017, encumbrances in the governmental funds were:

	General Fund	Total Governmental Activities
	<u>\$ 71,765</u>	<u>\$ 71,765</u>

NOTE 17. ACCOUNTS PAYABLE

Payables as of June 30, 2017 were:

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds	District Contribution Subsequent to Measurement Date	Total Governmental Activities
Vendors	\$ 210,030	\$ 7,250		\$ 217,280		\$ 217,280
Due to State of New Jersey					\$ 79,264	79,264
Cash Deficit			\$ 202	202		202
	<u>\$ 210,030</u>	<u>\$ 7,250</u>	<u>\$ 202</u>	<u>\$ 202</u>	<u>\$ 79,264</u>	<u>\$ 296,746</u>

The cash deficit in the Debt Service Fund is attributable to the Debt Service portion of the tax levy being deposited into the General Fund and not transferred to the Debt Service Fund prior to the end of the year.

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,		
	2015	2016	2017
District's proportion of the net pension liability	0.0090659034%	0.0095749628%	0.0107134771%
District's proportionate share of the net pension liability	\$ 1,697,385	\$ 2,149,387	\$ 3,173,025
District's covered employee payroll	\$ 739,333	\$ 734,369	\$ 772,842
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	229.58%	292.68%	410.57%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%

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,		
	2015	2016	2017
Contractually required contribution	\$ 74,738	\$ 82,319	\$ 72,452
Contributions in relation to the contractually required contribution	<u>(74,738)</u>	<u>(82,319)</u>	<u>(72,452)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 739,333	\$ 739,333	\$ 734,369
Contributions as a percentage of covered employee payroll	10.11%	11.13%	9.87%

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,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.0447867418%	0.0432440200%	0.0459372055%
State's proportionate share of the net pension liability attributable to the District	\$ 23,937,056	\$ 27,332,067	\$ 36,137,131
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	538.44%	620.16%	791.18%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%

MENDHAM BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF STATE'S CONTRIBUTIONS - ATTRIBUTABLE TO THE DISTRICT  
TEACHERS' PENSION AND ANNUITY FUND  
LAST THREE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 1,288,038	\$ 1,668,869	\$ 2,715,203
Contributions in relation to the contractually required contribution	<u>(233,793)</u>	<u>(367,791)</u>	<u>(475,702)</u>
Contribution deficiency/(excess)	<u>\$ 1,054,245</u>	<u>\$ 1,301,078</u>	<u>\$ 2,239,501</u>
District's covered employee payroll	\$ 4,445,641	\$ 4,407,267	\$ 4,567,502
Contributions as a percentage of covered employee payroll	28.97%	8.35%	10.41%



MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

The inflation rate changed from 3.04% as of June 30, 2015 to 3.08% as of June 30, 2016. The salary increases changed from 2.15% - 4.40% for 2012 – 2021 to 1.65%-4.15% through 2026 and from 3.15%-5.40% thereafter to 2.65%-5.15% thereafter.

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

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 mortality rates in the July 1, 2015 actuarial valuation were based on the following:

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

B. TEACHERS PENSION AND ANNUITY FUND (Cont'd)

Changes of Assumptions (Cont'd)

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

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 mortality rates in the July 1, 2015 actuarial valuation were based on the following:

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60 years average of Social Security data from 1953 to 2013.

BUDGETARY COMPARISON SCHEDULES

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>General Fund</b>					
<b>Revenues:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 10,192,738		\$ 10,192,738	\$ 10,192,738	
Tuition from Other Individuals	15,000		15,000	15,000	
Transportation Fees from Individuals	5,000		5,000	5,000	
Interest Revenue				2,809	\$ 2,809
Interest Earned on Capital Reserve Funds				1,634	1,634
Interest Earned on Maintenance Reserve Funds				41	41
Miscellaneous	9,126		9,126	58,255	49,129
<b>Total - Local Sources</b>	<u>10,221,864</u>		<u>10,221,864</u>	<u>10,275,477</u>	<u>53,613</u>
<b>State Sources:</b>					
Categorical Special Education Aid	202,997		202,997	202,997	
Categorical Security Aid	11,159		11,159	11,159	
Categorical Transportation Aid	17,314		17,314	17,314	
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	
Professional Learning Commission Aid	5,490		5,490	5,490	
Nonpublic Transportation Aid				7,294	7,294
Extraordinary Aid	35,000		35,000	95,541	60,541
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				475,702	475,702
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				410,730	410,730
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				17,236	17,236
TPAF Long Term Disability Insurance (On-Behalf - Non-Budgeted)				1,491	1,491
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				284,731	284,731
<b>Total State Sources</b>	<u>291,377</u>		<u>291,377</u>	<u>1,549,102</u>	<u>1,257,725</u>
<b>Total Revenues</b>	<u>10,513,241</u>		<u>10,513,241</u>	<u>11,824,579</u>	<u>1,311,338</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Current Expense:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 55,840	\$ 18,939	\$ 74,779	\$ 74,779	\$ 2,072
Kindergarten - Salaries of Teachers	206,850	3,909	210,759	208,687	100
Grades 1-5 - Salaries of Teachers	1,544,448	(46,867)	1,497,581	1,497,481	
Grades 6-8 - Salaries of Teachers	1,265,307	(176,320)	1,088,987	1,088,987	
Regular Programs - Home Instruction:					
Salaries of Teachers	3,000	5,454	8,454	8,454	
Purchased Professional-Educational Services	800	(300)	500		500
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	53,055	(1)	53,054	29,768	23,286
Purchased Professional-Educational Services	6,000	(933)	5,067	3,990	1,077
Other Purchased Services	115,144	169,750	284,894	282,931	1,963
General Supplies	134,430	25,411	159,841	140,762	19,079
Textbooks	23,999		23,999	23,495	504
Total Regular Programs - Instruction	3,408,873	(958)	3,407,915	3,359,334	48,581
Special Education - Instruction:					
Salaries of Teachers	583,525	(15,989)	567,536	567,536	
Other Salaries for Instruction	44,296	18,988	63,284	59,829	3,455
General Supplies	3,000	5,000	8,000	3,441	4,559
Total Resource Room/Resource Center	630,821	7,999	638,820	630,806	8,014

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures:</b>					
Preschool Disabilities - Full Time:					
Salaries of Teachers	\$ 3,600	\$ 600	\$ 4,200	\$ 4,155	\$ 45
Other Salaries for Instruction	1,008	(500)	508		508
General Supplies	1,700	(100)	1,600		1,600
<b>Total Preschool Disabilities - Full Time</b>	<b>6,308</b>		<b>6,308</b>	<b>4,155</b>	<b>2,153</b>
Home Instruction:					
Salaries of Teachers - Home Instruction	720		720		720
<b>Total Home Instruction</b>	<b>720</b>		<b>720</b>		<b>720</b>
<b>Total Special Education - Instruction</b>	<b>637,849</b>	<b>7,999</b>	<b>645,848</b>	<b>634,961</b>	<b>10,887</b>
School-Sponsored Cocurricular Activities:					
Salaries	60,226		60,226	48,769	11,457
Supplies and Materials	800	1,500	2,300	2,218	82
<b>Total School-Sponsored Cocurricular Activities</b>	<b>61,026</b>	<b>1,500</b>	<b>62,526</b>	<b>50,987</b>	<b>11,539</b>
School-Sponsored Athletics:					
Salaries	42,373		42,373	31,340	11,033
Purchased Services	9,320	1,500	10,820	9,193	1,627
Supplies and Materials					
<b>Total School-Sponsored Athletics</b>	<b>51,693</b>	<b>1,500</b>	<b>53,193</b>	<b>40,533</b>	<b>12,660</b>
<b>Total Instruction</b>	<b>4,159,441</b>	<b>10,041</b>	<b>4,169,482</b>	<b>4,085,815</b>	<b>83,667</b>
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State - Regular	96,350	(6,400)	89,950	26,592	63,358
Tuition to Other LEAs Within the State - Special	102,387	(69,000)	33,387		33,387
Tuition to Private Schools for the Disabled Within the State	595,572		595,572	586,403	9,169
<b>Total Undistributed Expenditures - Instruction</b>	<b>794,309</b>	<b>(75,400)</b>	<b>718,909</b>	<b>612,995</b>	<b>105,914</b>

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Health Services:					
Salaries	\$ 135,260		\$ 135,260	\$ 123,475	\$ 11,785
Purchased Professional and Technical Services	4,000	500	4,500	4,216	284
Supplies and Materials	2,100	1,691	3,791	3,791	
Total Health Services	141,360	2,191	143,551	131,482	12,069
Speech, OT, PT and Related Services:					
Salaries	62,794		62,794	61,445	1,349
Purchased Professional - Educational Services	97,760	(148)	97,612	76,461	21,151
Supplies and Materials	500	600	1,100	1,057	43
Total Speech, OT, PT and Related Services	161,054	452	161,506	138,963	22,543
Students - Extraordinary Services:					
Salaries	43,660		43,660		43,660
Purchased Professional - Educational Services	13,600		13,600	10,300	3,300
Supplies and Materials	500		500	8	492
Total Students - Extraordinary Services	57,760		57,760	10,308	47,452
Guidance Services:					
Salaries of Other Professional Staff	100,359		100,359	100,359	
Salaries of Secretarial & Clerical Assistants	29,600	4,000	33,600	30,416	3,184
Other Purchased Professional and Technical Services	12,250	(4,500)	7,750	4,095	3,655
Other Purchased Services	100		100		100
Supplies and Materials	4,700		4,700	4,688	12
Other Objects	3,050		3,050	1,892	1,158
Total Guidance Services	150,059	(500)	149,559	141,450	8,109

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures:</b>					
Child Study Team:					
Salaries of Other Professional Staff	\$ 173,326	\$ (1,322)	\$ 172,004	\$ 158,365	\$ 13,639
Salaries of Secretarial and Clerical Assistants	44,076	1,322	45,398	45,398	
Purchased Professional - Educational Services	24,080	(600)	23,480	8,856	14,624
Purchased Professional - Technical Services	15,000	(150)	15,000	13,769	1,231
Other Purchased Services	1,600		1,450	730	720
Supplies and Materials	10,450		10,450	7,870	2,580
Other Objects	958	150	1,108	1,095	13
Total Child Study Team	269,490	(600)	268,890	236,083	32,807
Improvement of Instructional Staff:					
Salaries of Supervisor of Instruction	22,700		22,700	21,984	
Salaries of Other Professional Staff	15,300	(8,172)	7,128	7,128	
Salaries of Secretarial and Clerical Assistants	23,000	7,108	30,108	30,108	
Other Salaries	118,530	3,556	122,086	122,086	
Purchased Professional - Educational Services	2,575		2,575	2,400	175
Other Purchased Services	11,110	(2,492)	8,618	7,614	1,004
Supplies and Materials	250		250	245	5
Other Objects	898		898	533	365
Total Improvement of Instructional Staff	194,363		194,363	192,098	1,547
Educational Media Services/School Library:					
Salaries	96,400		96,400	96,083	317
Salaries of Technology Coordinators	90,899	2,727	93,626	93,626	
Other Purchased Services	110,706		110,706	100,290	10,416
Supplies and Materials	11,920	(327)	11,593	9,779	1,814
Other Objects	525		525	525	
Total Educational Media Services/School Library	310,450	2,400	312,850	300,303	12,547



MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Instructional Staff Training Services:					
Other Purchased Services	\$ 5,000		\$ 5,000	\$ 2,156	\$ 2,844
Total Instructional Staff Training Services	5,000		5,000	2,156	2,844
Support Services - General Administration:					
Salaries	216,170		216,170	200,340	15,830
Legal Services	26,810	\$ 4,385	31,195	36,670	(5,475)
Audit Fees	22,000	(1,000)	21,000	21,000	
Other Purchased Professional Services	1,500	(1,500)			
Communications/Telephone	5,800	1,214	7,014	6,907	107
Other Purchased Services (400-500 series)	49,736	(4,187)	45,549	44,119	1,430
General Supplies	4,000		4,000	3,419	581
BOE In-House Training/Meeting Supplies	1,000		1,000	909	91
Miscellaneous Expenditures	12,456	1,088	13,544	13,016	528
Total Support Services - General Administration	339,472		339,472	326,380	13,092
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	353,432	18,181	371,613	371,613	
Salaries of Secretarial and Clerical Assistants	99,602	3,103	102,705	102,705	
Other Purchased Services	7,500		7,500	(5,600)	13,100
Supplies and Materials	5,750	(1,600)	4,150	1,018	3,132
Other Objects	8,709	1,600	10,309	7,300	3,009
Total Support Services - School Administration	474,993	21,284	496,277	477,036	19,241

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

Expenditures:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - Central Services:					
Salaries	\$ 203,338	\$ 9,433	\$ 212,771	\$ 212,771	
Purchased Professional Services	18,450		18,450	17,857	\$ 593
Miscellaneous Purchased Services	2,200	605	2,805	2,805	
Supplies and Materials	10,000	(3,546)	6,454	6,454	
Miscellaneous Expenditures	1,475	140	1,615	1,615	
Total Support Services - Central Services	235,463	6,632	242,095	241,502	593
Administrative Information Technology:					
Salaries	14,750	(6,632)	8,118	7,063	1,055
Total Administrative Information Technology	14,750	(6,632)	8,118	7,063	1,055
Custodial Services:					
Salaries	261,165	(5,450)	255,715	249,857	5,858
Purchased Professional Services	22,568	(3)	22,565	22,355	210
Cleaning, Repair and Maintenance Services	16,421	(1,875)	14,546	12,212	2,334
Other Purchased Property Services	18,750	1,279	20,029	20,029	
Insurance	40,800	(21,000)	19,800	19,798	2
Miscellaneous Purchased Services	2,000	(289)	1,711	1,711	
General Supplies	38,941	4,500	43,441	43,251	190
Energy (Electricity)	158,971	(5,000)	153,971	121,673	32,298
Energy (Natural Gas)	123,439	(52,659)	70,780	49,751	21,029
Total Custodial Services	683,055	(80,497)	602,558	538,926	63,632
Required Maintenance of School Facilities:					
Salaries	63,550	5,450	69,000	69,000	
Cleaning, Repair and Maintenance Services	208,581	45,248	253,829	191,191	62,638
Other Objects	6,215		6,215	1,378	4,837
Total Required Maintenance of School Facilities	278,346	50,698	329,044	261,569	67,475
Care and Upkeep of Grounds:					
Cleaning, Repair & Maintenance Services	12,449	2,500	14,949	14,862	87
General Supplies	6,000	(2,500)	3,500	2,608	
Total Care and Upkeep of Grounds	18,449		18,449	17,470	87
Security:					
General Supplies		289	289	289	
Total Security		289	289	289	

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures:</b>					
<b>Student Transportation Services:</b>					
Other than Between Home and School - Vendors		\$ 23,294	\$ 23,294	\$ 23,194	\$ 100
Between Home and School - Joint Agreements	75,000	1,011	76,011	76,011	
Special Education Students - ESCs and CTSA's	156,915	54,353	211,268	200,723	10,545
Aid in Lieu Payments - Non-Public School	14,144	10,254	24,398	24,412	(14)
<b>Total Student Transportation Services</b>	<b>246,059</b>	<b>88,912</b>	<b>334,971</b>	<b>324,340</b>	<b>10,631</b>
<b>Allocated Benefits:</b>					
<b>Regular Programs - Instruction:</b>					
Social Security Contributions	28,622	10,000	38,622	38,622	
Workmen's Compensation	29,274		29,274	29,274	
Health Benefits	851,513	(14,000)	837,513	835,736	1,777
<b>Total Regular Programs - Instruction</b>	<b>909,409</b>	<b>(4,000)</b>	<b>905,409</b>	<b>903,632</b>	<b>1,777</b>
<b>Special Programs - Instruction:</b>					
Social Security Contributions	4,630		4,630	4,630	
Workmen's Compensation	5,769		5,769	5,769	
Health Benefits	124,720	(3,000)	121,720	120,925	795
<b>Total Special Programs - Instruction</b>	<b>135,119</b>	<b>(3,000)</b>	<b>132,119</b>	<b>131,324</b>	<b>795</b>
<b>Other Instructional Programs - Instruction:</b>					
Social Security Contributions	7,095		7,095	7,095	
<b>Total Instructional Programs - Instruction</b>	<b>7,095</b>		<b>7,095</b>	<b>7,095</b>	

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Allocated Benefits:					
Health Services:					
Social Security Contributions	\$ 1,094	\$ 10,000	\$ 10,000	\$ 10,000	
Workmen's Compensation	44,360	(11,543)	32,817	1,094	
Health Benefits				32,817	
Total Health Services	45,454	(1,543)	43,911	43,911	
Other Support Services - Speech, OT, PT and Related Services:					
Workmen's Compensation	534		534	534	
Health Benefits	1,968		1,968	1,968	
Total Other Support Services - Speech, OT, PT and Related Services	2,502		2,502	2,502	
Guidance Services:					
Workmen's Compensation	523		523	523	
Health Benefits	17,625		17,625	17,625	
Total Guidance Services	18,148		18,148	18,148	
Child Study Team:					
Social Security Contributions	4,262		4,262	4,262	
Other Retirement Contributions - PERS	9,068		9,068	9,068	
Health Benefits	103,229		103,229	6,331	\$ 96,898
Total Child Study Team	116,559		116,559	19,661	96,898
Improvement of Instruction Services:					
Social Security Contributions	3,243		3,243	3,243	
Workmen's Compensation	1,209		1,209	1,209	
Health Benefits	25,332		25,332	25,332	
Total Improvement of Instruction Services	29,784		29,784	29,784	

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures:</b>					
<b>Allocated Benefits:</b>					
Educational Media Services/School Library:					
Social Security Contributions	\$ 7,464	\$	\$ 7,464	\$ 7,464	\$ 8,090
Other Retirement Contributions - PERS	11,817	(2,727)	9,090	1,000	
Workmen's Compensation	1,584		1,584	1,584	
Health Benefits	58,627		58,627	58,627	
Total Educational Media Services/School Library	79,492	(2,727)	76,765	68,675	8,090
Support Services - General Administration:					
Social Security Contributions	4,761		4,761	4,761	
Workmen's Compensation	1,875		1,875	1,875	
Total General Administration	6,636		6,636	6,636	
Support Services - School Administration:					
Social Security Contributions	9,961		9,961	9,961	
Workmen's Compensation	3,259		3,259	3,259	
Total School Administration	13,220		13,220	13,220	
Support Services - Central Services:					
Social Security Contributions	4,711		4,711	4,711	
Workmen's Compensation	1,838		1,838	1,838	
Total Central Services	6,549		6,549	6,549	

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures:</b>					
Unallocated Benefits:					
Other Retirement Contributions- PERS	\$ 75,133	\$	75,133	\$ 72,452	\$ 2,681
Health Benefits	436,464	(24,000)	412,464	343,794	68,670
Tuition Reimbursement	59,000		59,000	48,353	10,647
Other Employee Benefits	20,000	7,000	27,000	7,000	20,000
<b>Total Unallocated Benefits</b>	<b>590,597</b>	<b>(17,000)</b>	<b>573,597</b>	<b>471,599</b>	<b>101,998</b>
On-Behalf Contributions:					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				475,702	
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				410,730	
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				17,236	(17,236)
TPAF Long Term Disability Insurance (On-Behalf - Non-Budgeted)				1,491	(1,491)
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				284,731	(284,731)
<b>Total On-Behalf Contributions</b>				<b>1,189,890</b>	<b>(303,458)</b>
<b>Total Personal Services - Employee Benefits</b>	<b>1,960,564</b>	<b>(28,270)</b>	<b>1,932,294</b>	<b>2,912,626</b>	<b>(93,900)</b>
<b>Total Undistributed Expenditures</b>	<b>6,334,996</b>	<b>(19,041)</b>	<b>6,315,955</b>	<b>6,873,039</b>	<b>327,740</b>
<b>Total Current Expense</b>	<b>10,494,437</b>	<b>(9,000)</b>	<b>10,485,437</b>	<b>10,958,854</b>	<b>411,407</b>

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital Outlay:					
Equipment:					
Undistributed Expenditures:					
Instruction	\$ 4,000	\$ 4,000	\$ 4,000		\$ 4,000
Total Equipment	4,000	4,000	4,000		4,000
Facilities Acquisition and Construction Services:					
Architectural / Engineering Services	\$ 21,536		21,536	\$ 15,579	5,957
Other Objects- Debt Service Assessment	33,463		33,463	33,463	
Construction Services	303,045		303,045	283,722	19,323
Total Facilities Acquisition and Construction Services	358,044		358,044	332,764	25,280
Total Capital Outlay	358,044	4,000	362,044	332,764	29,280
Total Expenditures	10,852,481	(5,000)	10,847,481	11,291,618	(444,137)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(339,240)	5,000	(334,240)	532,961	(867,201)
Other Financing Uses:					
Operating Transfers:					
Transfer to Food Service Enterprise Fund	(5,000)	(5,000)	(10,000)	(10,000)	
Total Other Financing Uses	(5,000)	(5,000)	(10,000)	(10,000)	
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing (Uses)	(344,240)		(344,240)	522,961	(867,201)
Fund Balance, July 1	1,576,055		1,576,055	1,576,055	
Fund Balance, June 30	\$ 1,231,815	\$ -0-	\$ 1,231,815	\$ 2,099,016	\$ (867,201)

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

Recapitulation:		
Restricted for:		
Maintenance Reserve Account	\$	95,684
Capital Reserve Account		1,252,218
Excess Surplus - Current Year		315,590
Excess Surplus - Designated for Subsequent Year's Expenditures		45,924
Assigned Fund Balance:		
Year End Encumbrances		71,765
Unassigned		317,835
		<u>2,099,016</u>
Reconciliation to Governmental Fund Statement (GAAP):		
Last Two State Aid Payments not Recognized on a GAAP Basis		(22,286)
Fund Balance per Governmental Funds (GAAP)	\$	<u><u>2,076,730</u></u>



MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenue:					
Local Sources	\$ 25,000	\$ 1,000	\$ 26,000	\$ 25,371	\$ (629)
State Sources	77,525	17,618	95,143	76,783	(18,360)
Federal Sources	189,138	(1,573)	187,565	101,164	(86,401)
Total Revenue	291,663	17,045	308,708	203,318	(105,390)
Expenditures:					
Instruction:					
Salaries of Teachers	24,407	3,619	28,026	16,907	11,119
Tuition	132,566	(6,002)	126,564	67,714	58,850
Supplies and Materials	15,000	6,096	21,096	20,523	573
Textbooks	11,297		11,297	11,297	
Other Objects	24,375	(6,313)	18,062	17,992	70
Total Instruction	207,645	(2,600)	205,045	134,433	70,612
Support Services:					
Salaries of Other Professional Staff	19,980	14,053	34,033	22,704	11,329
Employee Benefits		77	77	77	
Purchased Professional/Educational Services	34,103	9,025	43,128	23,693	19,435
Other Purchased Services	8,084	1,507	9,591	9,122	469
Supplies and Materials	21,851	(5,017)	16,834	13,289	3,545
Total Support Services	84,018	19,645	103,663	68,885	34,778
Total Expenditures	291,663	17,045	308,708	203,318	105,390
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

MENDHAM BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(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	\$ 11,824,579	\$ 203,318
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.		379
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	20,634	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(22,286)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 11,822,927	\$ 203,697
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 11,291,618	\$ 203,318
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.		379
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 11,291,618	\$ 203,697

MENDHAM BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(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, 2017 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, 2017

	No Child Left Behind							
	Title II A	Title I	Nonpublic Security	Nonpublic Technology	Nonpublic Nursing	Nonpublic Textbooks		
<b>REVENUE:</b>								
Local Sources								
State Sources	\$ 9,122	\$ 635	\$ 13,289	\$ 5,096	\$ 17,640	\$ 11,297		
Federal Sources								
<b>Total Revenue</b>	<u>9,122</u>	<u>635</u>	<u>13,289</u>	<u>5,096</u>	<u>17,640</u>	<u>11,297</u>		
<b>EXPENDITURES:</b>								
Instruction:								
Salaries of Teachers		558						
Tuition								
Supplies and Materials				5,096		11,297		
Textbooks								
Other Objects								
<b>Total Instruction</b>		<u>558</u>		<u>5,096</u>		<u>11,297</u>		
Support Services:								
Salaries of Other Professional Staff					17,640			
Employee Benefits		77						
Purchased Professional/Educational Services								
Other Purchased Services	9,122		13,289					
Supplies and Materials								
<b>Total Support Services</b>	<u>9,122</u>	<u>77</u>	<u>13,289</u>		<u>17,640</u>			
<b>Total Expenditures</b>	<u>\$ 9,122</u>	<u>\$ 635</u>	<u>\$ 13,289</u>	<u>\$ 5,096</u>	<u>\$ 17,640</u>	<u>\$ 11,297</u>		

MENDHAM BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Chapter 192	Chapter 193, Handicapped Services			
REVENUE:	Auxiliary Services	Examination/ Classification	Supplemental Instruction	Corrective Speech	STEM Grant
Local Sources					
State Sources	\$ 8,048	\$ 5,064	\$ 10,099	\$ 6,250	\$ 500
Federal Sources					
Total Revenue	8,048	5,064	10,099	6,250	500
EXPENDITURES:					
Instruction:					
Salaries of Teachers			10,099	6,250	
Tuition					
Supplies and Materials					500
Textbooks					
Other Objects	8,048				
Total Instruction	8,048		10,099	6,250	500
Support Services:					
Salaries of Other Professional Staff		5,064			
Employee Benefits					
Purchased Professional/Educational Services					
Other Purchased Services					
Supplies and Materials					
Total Support Services		5,064			
Total Expenditures	\$ 8,048	\$ 5,064	\$ 10,099	\$ 6,250	\$ 500

MENDHAM BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>H.S.A</u>	<u>IDEA</u>	<u>Totals</u>
	<u>Grant</u>	<u>Part B Basic</u>	<u>June 30, 2017</u>
<b>REVENUE:</b>			
Local Sources	24,871		\$ 25,371
State Sources			76,783
Federal Sources		\$ 91,407	101,164
<b>Total Revenue</b>	<u>24,871</u>	<u>91,407</u>	<u>203,318</u>
<b>EXPENDITURES:</b>			
<b>Instruction:</b>			
Salaries of Teachers			16,907
Tuition		67,714	67,714
Supplies and Materials	14,927		20,523
Textbooks			11,297
Other Objects	9,944		17,992
<b>Total Instruction</b>	<u>24,871</u>	<u>67,714</u>	<u>134,433</u>
<b>Support Services:</b>			
Salaries of Other Professional Staff			22,704
Employee Benefits			77
Purchased Professional/Educational Services		23,693	23,693
Other Purchased Services			9,122
Supplies and Materials			13,289
<b>Total Support Services</b>		<u>23,693</u>	<u>68,885</u>
<b>Total Expenditures</b>	<u>\$ 24,871</u>	<u>\$ 91,407</u>	<u>\$ 203,318</u>



CAPITAL PROJECTS FUND

MENDHAM BOROUGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE- BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Revenue and Other Financing Sources:	
Interest Income	\$       682
	<u>682</u>
Total Revenue and Other Financing Sources	<u>682</u>
Other Financing Uses:	
Operating Transfers Out:	
Debt Service Fund	(682)
	<u>(682)</u>
Total Other Financing Uses	<u>(682)</u>
Excess of Revenue and Other Financing Sources Over Other Financing Uses	<u>-0-</u>
Fund Balance - Beginning of Year	<u>82,655</u>
Fund Balance - End of Year	<u>\$    82,655</u>
Recapitulation	
Fund Balance Budgetary Basis	<u>82,655</u>
Fund Balance GAAP Basis	<u>82,655</u>

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, 2017

	<u>Prior Periods</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
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	<u>401,895</u>	<u>401,895</u>	<u>347,000</u>
Expenditures			
Purchased Professional and Technical Services	25,365	25,365	32,000
Construction Services	293,875	293,875	315,000
Total Expenditures	<u>319,240</u>	<u>319,240</u>	<u>347,000</u>
Excess/(deficit) of Revenue and Other Financing Sources Over/(Under)Expenditures	<u>\$ 82,655</u>	<u>\$ 82,655</u>	<u>\$ -0-</u>

## 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

MENDHAM BOROUGH SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2017

## ASSETS:

## Current Assets:

Cash and Cash Equivalents	\$ 6,207	
Inventories	2,982	

Total Current Assets		9,189
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## Capital Assets:

Equipment	91,396	
Less: Accumulated Depreciation	(87,497)	

Total Capital Assets		3,899
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Total Assets		13,088
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## LIABILITIES:

## Current Liabilities:

Unearned Revenue - Prepaid Sales		3,498
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Total Liabilities		3,498
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## NET POSITION:

Investment in Capital Assets	3,899	
Unrestricted	5,691	

Total Net Position		\$ 9,590
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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, 2017

Operating revenue	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 159,386
Other Non-Reimbursable Sales	<u>8,358</u>
Total Operating Revenue	<u>167,744</u>
Operating Expenses:	
Cost of Sales - Non-Reimbursable Programs	72,274
Salaries, Benefits & Payroll Taxes	65,088
Supplies, Insurance & Other Costs	7,272
Management Fee	14,980
Depreciation	4,692
Miscellaneous Expenses	<u>8,742</u>
Total Operating Expenses	<u>173,048</u>
Operating Loss	<u>(5,304)</u>
Non-Operating Revenue	
Local Sources:	
Interest Income	<u>5</u>
Total Non-Operating Revenue	<u>5</u>
Change in Net Position Before Special Items	(5,299)
Operating Transfers from General Fund	<u>10,000</u>
Changes in Net Position After Special Items	4,701
Net Position - Beginning of Year	<u>4,889</u>
Net Position - End of Year	<u>\$ 9,590</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash Flows From Operating Activities:	
Receipts from Customers	\$ 167,744
Payments to Food Service Vendor	(163,858)
Payments to Suppliers	(8,742)
Net Cash Used for Operating Activities	<u>(4,856)</u>
Cash Flows From Investing Activities:	
Interest Income	5
Net Cash Provided by Investing Activities	<u>5</u>
Cash Flows from Noncapital Financing Activities:	
Operating Transfers from General Fund	10,000
Net Cash Provided by Noncapital Financing Activities	<u>10,000</u>
Net Increase in Cash and Cash Equivalents	5,149
Cash and Cash Equivalents, July 1	<u>1,058</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 6,207</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (5,304)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	4,692
Changes in Assets and Liabilities:	
Decrease in Inventory	1,209
(Decrease) in Accounts Payable	(1,557)
(Decrease) in Prepaid Sales	(3,896)
Net Cash Used for Operating Activities	<u><u>\$ (4,856)</u></u>

FIDUCIARY FUNDS



MENDHAM BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2017

		<u>Agency</u>	<u>Total</u>		
	<u>Payroll</u>	<u>Student</u> <u>Activities</u>	<u>Agency</u>	<u>Flexible</u> <u>Spending</u> <u>Trust</u>	<u>Unemployment</u> <u>Compensation</u> <u>Trust</u>
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 69,653	\$ 67,648	\$ 137,301	\$ 12,776	\$ 35,126
Total Assets	<u>69,653</u>	<u>67,648</u>	<u>137,301</u>	<u>12,776</u>	<u>35,126</u>
<u>LIABILITIES:</u>					
Payroll Deductions and Withholdings Due to Student Groups	69,653	67,648	69,653 67,648		
Total Liabilities	<u>69,653</u>	<u>67,648</u>	<u>137,301</u>		
<u>NET POSITION:</u>					
Held in Trust for Flexible Spending Claims Restricted for Unemployment Claims				12,776	35,126
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 12,776</u>	<u>\$ 35,126</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGE IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Flexible Spending Trust	Unemployment Compensation Trust
	<hr/>	<hr/>
Additions:		
Contributions:		
Plan Contributions	\$ 27,775	
Employee Deductions		\$ 688
Total Contributions	<hr/> 27,775 <hr/>	<hr/> 688 <hr/>
Investment Earnings:		
Interest	16	91
Net Investment Earnings	<hr/> 16 <hr/>	<hr/> 91 <hr/>
Total Additions	<hr/> 27,791 <hr/>	<hr/> 779 <hr/>
Deductions:		
Flexible Spending Claims	30,729	
Unemployment Compensation Claims		20,875
Total Deductions	<hr/> 30,729 <hr/>	<hr/> 20,875 <hr/>
Change in Net Position	(2,938)	(20,096)
Net Position - Beginning of the Year	<hr/> 15,714 <hr/>	<hr/> 55,222 <hr/>
Net Position - End of the Year	<hr/> \$ 12,776 <hr/>	<hr/> \$ 35,126 <hr/>

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

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 67,069	\$ 125,566	\$ 124,987	\$ 67,648
Total Assets	<u>\$ 67,069</u>	<u>\$ 125,566</u>	<u>\$ 124,987</u>	<u>\$ 67,648</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 67,069	\$ 125,566	\$ 124,987	\$ 67,648
Total Liabilities	<u>\$ 67,069</u>	<u>\$ 125,566</u>	<u>\$ 124,987</u>	<u>\$ 67,648</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY

<u>Schools</u>	<u>Balance June 30, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2017</u>
Hilltop	\$ 6,621	\$ 11,674	\$ 13,160	\$ 5,135
Mountain View	58,664	104,345	102,819	60,190
Mountain View - Pay to Play	1,784	9,547	9,008	2,323
	<u>\$ 67,069</u>	<u>\$ 125,566</u>	<u>\$ 124,987</u>	<u>\$ 67,648</u>

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

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 12,700	\$ 2,860,904	\$ 2,803,951	\$ 69,653
Total Assets	<u>\$ 12,700</u>	<u>\$ 2,860,904</u>	<u>\$ 2,803,951</u>	<u>\$ 69,653</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 12,700	\$ 2,860,904	\$ 2,803,951	\$ 69,653
Total Liabilities	<u>\$ 12,700</u>	<u>\$ 2,860,904</u>	<u>\$ 2,803,951</u>	<u>\$ 69,653</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance June 30, 2016	Matured	Balance June 30, 2017
			Date	Amount				
2014 Series Refunding Bonds	12/02/2014	\$ 6,075,000	3/1/2018	\$ 575,000	5.000%	\$ 5,480,000	\$ 585,000	\$ 4,895,000
			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>\$ 5,480,000</u>	<u>\$ 585,000</u>	<u>\$ 4,895,000</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
YEAR ENDED JUNE 30, 2017

NOT APPLICABLE



MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUE:</b>				
Local Sources:				
Local Tax Levy	\$ 737,485	\$ 737,485	\$ 737,485	
Total Revenue	<u>737,485</u>	<u>737,485</u>	<u>737,485</u>	
<b>EXPENDITURES:</b>				
Regular Debt Service:				
Interest	221,850	221,850	221,850	
Redemption of Principal	585,000	585,000	585,000	
Total Regular Debt Service	<u>806,850</u>	<u>806,850</u>	<u>806,850</u>	
Total Expenditures	<u>806,850</u>	<u>806,850</u>	<u>806,850</u>	
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>(69,365)</u>	<u>(69,365)</u>	<u>(69,365)</u>	
<b>Other Financing Sources:</b>				
Transfer In- Capital Projects Fund			682	\$ 682
Total Other Financing Sources	<u>-0-</u>	<u>-0-</u>	<u>682</u>	<u>682</u>
<b>Deficit of Revenues and Other Financing Sources Under Expenditures</b>	<u>\$ (69,365)</u>	<u>\$ (69,365)</u>	<u>(68,683)</u>	<u>682</u>
Fund Balance, July 1	69,733	69,733	69,733	-0-
Fund Balance, June 30	<u>\$ 368</u>	<u>\$ 368</u>	<u>\$ 1,050</u>	<u>\$ 682</u>
<b>Recapitulation:</b>				
Restricted			<u>\$ 1,050</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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities:</b>										
Net Investment in Capital Assets	\$ 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	\$ 3,806,897
Restricted	651,574	554,906	474,633	530,484	1,108,069	1,535,080	1,208,453	1,056,492	1,311,465	1,709,416
Unrestricted/(Deficit)	2,157	173,945	48,050	89,292	63,644	(13,514)	(1,794,337)	(2,312,981)	(2,314,846)	(1,890,873)
Total Governmental Activities Net Position	\$ 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	\$ 3,625,440
<b>Business-Type Activities:</b>										
Investment in Capital Assets	\$ 49,436	\$ 41,837	\$ 34,981	\$ 28,722	\$ 22,695	\$ 16,668	\$ 21,729	\$ 20,416	\$ 8,591	\$ 3,899
Unrestricted/(Deficit)	15,244	20,353		4,990	4,707	2,688	(959)	1,688	(3,702)	5,691
Total Business-Type Activities Net Position	\$ 64,680	\$ 62,190	\$ 34,981	\$ 33,712	\$ 27,402	\$ 19,356	\$ 20,770	\$ 22,104	\$ 4,889	\$ 9,590
<b>District-Wide:</b>										
Net Investment in Capital Assets	\$ 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	\$ 3,810,796
Restricted	651,574	554,906	474,633	530,484	1,108,069	1,535,080	1,208,453	1,056,492	1,311,465	1,709,416
Unrestricted/(Deficit)	17,401	194,298	48,050	94,282	68,351	(10,826)	(1,795,296)	(2,311,293)	(2,318,548)	(1,885,182)
Total District Net Position	\$ 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	\$ 3,635,030

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses:</b>										
Governmental Activities										
Instruction:										
Regular	\$ 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	\$ 7,045,914
Special Education	782,622	1,007,947	1,075,788	854,210	851,995	964,696	925,829	916,686	1,205,337	1,317,990
School-Sponsored/Other Instruction	222,649	195,328	86,422	39,960	68,081	106,104	107,527	89,683	84,762	98,615
Support Services:										
Tuition	74,817	232,066	307,477	286,933	421,473	335,006	582,042	708,090	708,273	680,709
Student & Instruction Related Services	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	2,121,192
General Administrative Services	548,161	463,694	518,311	472,335	458,764	396,745	476,372	441,942	347,787	361,196
School Administrative Services	508,387	495,115	482,443	491,812	405,599	486,753	500,426	491,406	532,630	531,481
Plant Operations and Maintenance	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	1,174,984
Pupil Transportation	220,345	294,656	274,925	188,904	211,566	209,032	257,778	240,034	276,940	324,340
Central Services	376,971	319,487	200,295	210,273	219,915	227,674	235,687	244,826	240,447	259,776
Capital Outlay	33,451	19,576	21,501	50,142	219,915	22,076	33,463	40,062	40,062	153,459
Interest on Long-Term Debt	414,614	506,417	486,309	445,265	372,795	334,369	311,544	160,746	193,975	170,575
Total Governmental Activities Expenses	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	14,240,231
Business-Type Activities:										
Food Service	140,159	145,000	168,642	187,226	185,207	170,442	163,459	148,408	182,677	173,048
Total Business-type Activities Expense	140,159	145,000	168,642	187,226	185,207	170,442	163,459	148,408	182,677	173,048
Total District Expenses	\$ 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	\$ 14,413,279

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
Tuition										
Operating Grants and Contributions	\$ 1,476,123	\$ 1,354,726	\$ 1,327,852	\$ 1,122,234	\$ 1,358,063	\$ 1,504,664	\$ 50,000	\$ 54,165	\$ 16,265	\$ 15,000
Capital Grants and Contributions				33,920	4,320		1,422,571	2,580,280	3,038,132	3,990,648
Total Governmental Activities Program Revenues	<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>	<u>4,005,648</u>
Business-Type Activities:										
Charges for Services:										
Food Service	124,296	136,251	131,821	165,529	154,885	147,012	144,663	138,880	158,666	159,386
Operating Grants and Contributions	5,802	6,207	5,015	13,433	13,438	10				
Total Business-type Activities Program Revenues	<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>	<u>159,386</u>
Total District Program Revenues	<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>	<u>\$ 4,165,034</u>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (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)	\$ (10,234,583)
Business-type Activities	(10,061)	(2,542)	(31,806)	(8,264)	(16,884)	(23,420)	(18,796)	(9,528)	(24,011)	(13,662)
Total District-wide Net Expense	<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>	<u>\$ (10,248,245)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 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	\$ 10,192,738
Taxes Levied for Debt Service	895,943	903,250	914,513	916,656	921,981	926,681	934,744	925,144	830,250	737,485
Federal and State Aid not Restricted	97,675	26,086	30,581					127,696		
Investment Earnings	61,860	15,530	9,973	5,238	3,958	2,663	2,789	1,773	2,101	5,166
Miscellaneous Income	36,267	41,712	30,924	46,995	55,358	44,148	102,925	30,008	58,442	63,255
Transfers		(20,000)	(54,521)	(129,209)				(5,531)	(6,870)	(10,000)
Total Governmental Activities	<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>	<u>\$ 10,988,644</u>

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Business-Type Activities:</b>										
Investment Earnings	\$ 59	\$ 52	\$ 27	\$ 17						
Contributed Capital	47,309			2,769	\$ 10,574	\$ 15,374	\$ 20,210	\$ 7,581	\$ 7,059	\$ 8,363
Miscellaneous Income			49	4,209				5,531	6,870	10,000
Transfers			4,521							
Total Business-Type Activities	47,368	52	4,597	6,995	10,574	15,374	20,210	13,112	13,929	18,363
Total District-Wide General Revenue	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	11,007,007
<b>Governmental Activities:</b>										
Special Item- Capital Assets										
Reappraisal Adjustment							(2,737,432)			
Total Special Items							(2,737,432)	(2,250)	(7,133)	
<b>Business-Type Activities:</b>										
Special Item- Capital Assets										
Reappraisal Adjustment										
Total Special Items								(2,250)	(7,133)	
<b>Change in Net Position:</b>										
Governmental Activities	164,435	2,621	(21,499)	331,417	857,702	680,972	(2,187,990)	923,475	594,506	754,061
Business-type Activities	37,307	(2,490)	(27,209)	(1,269)	(6,310)	(8,046)	1,414	1,334	(17,215)	4,701
Total District	\$ 201,742	\$ 131	\$ (48,708)	\$ 330,148	\$ 851,392	\$ 672,926	\$ (2,186,576)	\$ 924,809	\$ 577,291	\$ 758,762

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved/ Restricted	\$ 629,836	\$ 544,152	\$ 474,633	\$ 530,484	\$ 1,108,069	\$ 1,522,980	\$ 1,208,453	\$ 987,127	\$ 1,241,732	\$ 1,709,416
Assigned				17,922	51,699		172,650	31,115	19,658	71,765
Unassigned				332,954	294,763	293,336	308,348	302,501	294,031	295,549
Unreserved	264,797	335,857	280,925							
Total General Fund	\$ 894,633	\$ 880,009	\$ 755,558	\$ 881,360	\$ 1,454,531	\$ 1,816,316	\$ 1,689,451	\$ 1,320,743	\$ 1,555,421	\$ 2,076,730
All Other Governmental Funds:										
Reserved/Restricted						\$ 125	\$ 160	\$ 69,365	\$ 69,733	\$ 1,050
Committed, Reported in:										
Capital Projects Fund								82,655	82,655	82,655
Unreserved, Reported in:										
Capital Projects Fund	\$ 21,738	\$ 10,754								
Debt Service Fund										
Total All Other Governmental Funds	\$ 21,738	\$ 10,754				\$ 125	\$ 160	\$ 152,020	\$ 152,388	\$ 83,705
Governmental Funds:										
Reserved/ Restricted	\$ 629,836	\$ 544,152	\$ 474,633	\$ 530,484	\$ 1,108,069	\$ 1,523,105	\$ 1,208,613	\$ 1,056,492	\$ 1,311,465	\$ 1,710,466
Assigned				17,922	51,699		172,650	31,115	19,658	71,765
Committed								82,655	82,655	82,655
Unassigned				332,954	294,763	293,336	308,348	302,501	294,031	295,549
Unreserved	286,535	346,611	280,925							
Total Governmental Funds	\$ 916,371	\$ 890,763	\$ 755,558	\$ 881,360	\$ 1,454,531	\$ 1,816,441	\$ 1,689,611	\$ 1,472,763	\$ 1,707,809	\$ 2,160,435

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues:</b>										
Tax Levy	\$ 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	\$ 10,930,223
Tuition Charges	14,667	24,340	32,601	41,423	33,550	45,961	50,000	54,165	16,265	15,000
Interest Earnings	61,860	15,530	9,973	5,281	3,958	2,663	2,789	1,773	2,101	5,166
Miscellaneous	21,600	44,712	53,546	73,429	84,122	48,826	125,327	30,008	58,863	88,626
State Sources	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	1,624,233
Federal Sources	182,594	172,681	258,354	233,875	231,677	151,785	192,062	171,879	190,901	101,543
<b>Total Revenue</b>	<b>10,474,109</b>	<b>10,563,795</b>	<b>10,830,332</b>	<b>10,755,192</b>	<b>11,146,432</b>	<b>11,368,935</b>	<b>11,403,808</b>	<b>11,993,530</b>	<b>12,335,399</b>	<b>12,764,791</b>
<b>Expenditures:</b>										
Instruction										
Regular Instruction	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	3,461,867
Special Education Instruction	719,379	769,024	864,391	633,114	604,702	660,853	669,484	539,080	648,494	634,961
School-Sponsored/Other Instruction	168,333	195,328	86,422	39,960	62,275	96,363	101,356	86,519	83,324	91,520
Support Services:										
Tuition	74,817	232,066	307,477	286,933	421,473	335,006	582,042	708,090	708,273	680,709
Student & Instruction Related Services:	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	1,193,356
General Administrative Services	449,680	410,186	419,031	420,778	433,096	338,396	331,894	363,180	320,775	326,380
School Administrative Services	455,421	424,327	471,249	428,641	360,975	386,299	386,198	402,728	513,695	477,036
Plant Operations and Maintenance	906,378	763,935	707,089	724,862	685,453	714,404	187,767	207,771	699,059	818,254
Pupil Transportation	220,345	294,656	274,925	188,904	211,566	209,032	257,778	244,992	276,940	324,340
Central Services	276,859	262,179	160,736	165,676	171,569	173,727	736,752	637,244	232,780	241,502
Allocated and Unallocated Benefits	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	2,912,626
Capital Outlay	177,632	37,663	30,201	133,468	74,764	162,040	387,125	849,214	131,594	332,764
Debt Service:										
Principal	450,000	475,000	505,000	530,000	560,000	585,000	615,000	640,000	585,000	585,000
Interest and Other Charges	445,943	428,250	409,513	386,656	361,981	341,681	319,744	220,852	245,250	221,850
<b>Total Expenditures</b>	<b>10,613,021</b>	<b>10,569,403</b>	<b>10,911,016</b>	<b>10,500,844</b>	<b>10,572,598</b>	<b>11,007,025</b>	<b>11,530,638</b>	<b>12,204,847</b>	<b>12,093,483</b>	<b>12,302,165</b>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	<b>(138,912)</b>	<b>(5,608)</b>	<b>(80,684)</b>	<b>254,348</b>	<b>573,834</b>	<b>361,910</b>	<b>(126,830)</b>	<b>(211,317)</b>	<b>241,916</b>	<b>462,626</b>



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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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 Amount on Refunding								(134,992)		
Transfers In	\$ 10,572	\$ 225	\$ 83	\$ 50,923	\$ 4,499	\$ 105	\$ 35	274,366	\$ 368	\$ 682
Transfers Out	(10,572)	(20,225)	(54,604)	(180,132)	(4,499)	(105)	(35)	(279,897)	(7,238)	(10,682)
Total Other Financing Sources/(Uses)								(5,531)	(6,870)	(10,000)
Net Change in Fund Balances	\$ (138,912)	\$ (25,608)	\$ (135,205)	\$ 125,139	\$ 573,834	\$ 361,910	\$ (126,830)	\$ (216,848)	\$ 235,046	\$ 452,626
Debt Service as a Percentage of Noncapital Expenditures	8.6%	8.6%	8.4%	8.8%	8.8%	8.5%	8.4%	7.6%	6.9%	6.7%

Source: School District Financial Reports

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>
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
2017	4,484	15,000	18,974	44,281	82,739

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 <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
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
2016	9,704,800	1,096,676,700	69,686,700	403,900	102,337,700	2,342,200	1,281,152,000	125,425,900	1,954,098	1,283,106,098	0.84	1,370,993,717

\*. 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 <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	West Morris Regional High School	Municipal Open Space	Mendham Borough	Morris County	
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
2016	0.78	0.06	0.84	0.57	0.01	0.46	0.27	2.15

Source: Municipal Tax Collector and School Business Administrator

\* - Revaluation year

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

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

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

MENDHAM BOROUGH SCHOOL DISTRICT  
PRINCIPAL PROPERTY 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	5,000,000	0.42%
Individual Taxpayer #4	4,398,200	0.40%
Individual Taxpayer #5	4,100,700	0.34%
Goryeb, Joseph P Trust & Etals	4,046,100	0.31%
MTWOL Associates LLC	4,000,000	0.31%
Total	<u>\$ 74,142,200</u>	<u>5.88%</u>

<u>Taxpayer</u>	2007	
	<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 2016 and 2007.

Note: Revaluation was done in 2010.

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2017	10,930,223	10,930,223	100.00%	-0-

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

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

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Governmental</u> <u>Activities</u> <u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Total District</u>	<u>Percentage of</u> <u>Personal Income</u> <u><sup>a</sup></u>	<u>Per Capita <sup>a</sup></u>
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	1.40%	1,213
2016	5,480,000	5,480,000	1.27%	1,099
2017	4,895,000	4,895,000	1.13%	981

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 <sup>a</sup> of</u> <u>Property</u>	<u>Per Capita <sup>b</sup></u>
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%	1,099
2017	4,895,000	-0-	4,895,000	0.381%	981

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, 2016  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Mendham Borough	\$ 2,651,752	100.00%	\$ 3,345,863
West Morris Regional High School District Debt (Borough Share)	14,850,000	16.00%	2,376,000
Morris County General Obligation Debt (Borough Share)	221,180,986	1.53%	3,382,670
Subtotal, Overlapping Debt			9,104,533
Mendham Borough School District Direct Debt			5,480,000
Total Direct and Overlapping Debt			<u>\$ 14,584,533</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.

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

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

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized Valuation Basis	
	2016	2017
	\$ 1,373,594,939	\$ 1,373,594,939
	2015	2014
	1,367,341,547	1,367,341,547
	1,399,439,498	1,399,439,498
	\$ 4,140,375,984	\$ 4,140,375,984
	\$ 1,380,125,328	\$ 1,380,125,328
Average Equalized Valuation of Taxable Property		
	\$ 41,403,760	
Debt Limit (a) (3% of Average Equalization Value)		
	4,895,000	
Net Bonded School Debt		
	\$ 36,508,760	

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 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	\$ 41,403,760
Total Net Debt Applicable to Limit	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	4,895,000
Legal Debt Margin	\$ 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	\$ 36,508,760
Total Net Debt Applicable to the Limit	31.60%	27.71%	24.51%	21.83%	20.56%	18.74%	17.49%	14.75%	13.30%	11.82%
As a Percentage of Debt Limit										

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<sup>a</sup></u>	<u>Morris County Per Capita Personal Income<sup>b</sup></u>	<u>Total County Personal Income<sup>c</sup></u>	<u>Unemployment Rate<sup>d</sup></u>
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	86,582	432,996,582	3.70%
2016	4,988	86,582 *	431,871,016	3.80%
2017	4,988 **	86,582 *	431,871,016 ***	N/A

\* - Latest Morris County per capita personal income available (2015) was used for calculation purposes.

\*\* - Latest population data available (2016) was used for calculation purposes.

\*\*\* - Latest County Personal Income data available (2015) was used for calculation purposes.

N/A - Information unavailable.

Source:

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

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

	2016	2007	
Employer	Employees	Percentage of Total Employment	Employer
	Employees	Percentage of Total Employment	Employees
U.S. Army Armament R&D	6,000	2.10%	Atlantic Health Systems
Atlantic Health System	5,171	1.96%	Novartis Corporation
Novartis	4,622	1.74%	U.S. Army Armament R&D
Bayer	2,800	0.80%	Lucent Technologies
St. Clare's Health Services	1,504	0.74%	St. Clare's Health Services
County of Morris	1,757	0.65%	County of Morris
Accenture	1,561	0.64%	United Parcel Service
Wyndham Worldwide	1,626	0.64%	Automated Data Processing
BASF Corporation	1,500	0.58%	AT&T
Greystone Psychiatric	1,212	0.58%	Greystone Psychiatric Center
Total	<u>27,753</u>	<u>9.72%</u>	<u>28,007</u>
Total County Labor Force	<u>285,643</u>		<u>263,196</u>

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>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>2017</u>
Instruction										
Regular	52.40	51.60	51.45	52.60	49.00	49.40	45.90	46.00	46.00	46.00
Special Education	15.00	13.00	12.00	14.80	10.80	10.80	10.50	10.50	10.50	10.50
Support Services:										
Student & Instruction Related Services	10.80	10.80	12.80	10.30	12.60	12.60	12.60	13.00	13.00	13.00
School Administrative Services	4.70	4.70	4.00	4.00	4.00	4.50	4.00	4.00	4.00	4.00
General and Business Administrative Services	5.20	5.20	5.00	5.00	4.50	4.00	4.00	4.00	4.20	4.20
Plant Operations and Maintenance	5.50	5.50	5.50	5.50	5.00	5.00	7.00	7.50	7.50	7.50
Food Service	4.00	4.00	3.50	3.50						
<b>Total</b>	<b>97.60</b>	<b>94.80</b>	<b>94.25</b>	<b>95.70</b>	<b>85.90</b>	<b>86.30</b>	<b>84.00</b>	<b>85.00</b>	<b>85.20</b>	<b>85.20</b>

MENDHAM BOROUGH SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Pupil/Teacher Ratio

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Percentage Change	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff <sup>b</sup>	Elementary	Middle School				
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%
2017	538	11,162,551	20,748	5.87%	56.50	1:11	1:10	525	503	-7.73%	95.81%

Sources: Mendham Borough School District records

Note: Enrollment based on annual October district count.

<sup>a</sup> Operating expenditures equal total expenditures less debt service and capital outlay.

<sup>b</sup> Teaching staff includes only full-time equivalents of certificated staff.

<sup>c</sup> Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

<sup>d</sup> 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>District Building</u>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Hilltop School	59,790	59,790	59,790	59,790	59,790	59,790	59,790	59,790	59,790	59,790
Square Feet	428	428	428	428	428	428	428	428	428	428
Capacity (students)	357	354	348	368	336	336	303	307	278	272
Enrollment										
Mountain View School	55,280	55,280	55,280	55,280	55,280	55,280	55,280	55,280	55,280	55,280
Square Feet	383	383	383	383	383	383	383	383	383	383
Capacity (students)	311	312	312	329	316	316	307	292	290	258
Enrollment										

Number of Schools at June 30, 2017

Elementary = 1

Middle School = 1

Source: Mendham Borough School District Facilities Office

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

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Hilltop School</u>	<u>Mountain View School</u>	<u>Total</u>
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	70,540	91,197	161,737
2017	114,088	147,481	261,569

\* 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, 2017  
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

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, 2017, 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 4, 2017.

**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.

**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 4, 2017  
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

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 each of the District's major state programs for the fiscal year ended June 30, 2017. 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 each of the District's major state programs 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 each 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 each of its major state programs for the fiscal year ended June 30, 2017.

### 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.

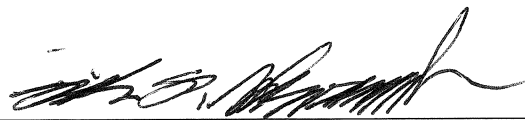
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 4, 2017  
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, 2017

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title:	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2016		Cash Received	Budgetary Expenditures	Balance at June 30, 2017		Amount Paid to Subrecipients
					Unearned Revenue/ (Accounts Receivable)	Due to Grantor			Due to Grantor	Unearned Revenue (Accounts Receivable)	
U.S. Department of Education Passed-through State Department of Education:											
NCLB Consolidated:											
Title II - Part A	84.367	NCLB-3090-17	7/1/16-6/30/17	\$ 9,591			\$ 6,091	\$ (9,122)		\$ (3,031)	
Title II - Part A	84.367	NCLB-3090-16	7/1/15-6/30/16	10,951			5,321			(1,627)	
Title I	84.367	NCLB-3090-17	7/1/16-6/30/17	7,201				(635)		(635)	
Title I	84.367	NCLB-3090-16	7/1/15-6/30/16	6,975			5,849			(449)	
Total NCLB Consolidated							17,261	(9,757)		(5,742)	
Special Education Cluster:											
I.D.E.A. Part B, Basic	84.027	IDEA-3090-17	7/1/16-6/30/17	164,343			67,939	(91,407)		(23,468)	
I.D.E.A. Part B, Basic	84.027	IDEA-3090-16	7/1/15-6/30/16	184,481			33,414				
I.D.E.A. Part B, Preschool	84.173	IDEA-3090-17	7/1/16-6/30/17	6,678							
Total Special Education Cluster							101,353	(91,407)		(23,468)	
Teacher Quality Enhancement Grant - Carryover	84.336A	N/A	9/1/08-8/31/14	660					\$ 660		
Total U.S. Department of Education							118,614	(101,164)	660	(29,210)	
Total Special Revenue Fund							118,614	(101,164)	660	(29,210)	
Total Federal Financial Awards							\$ -0-	\$ (101,164)	\$ -0-	\$ (29,210)	\$ -0-

N/A - Not Applicable

MENDHAM BOROUGH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2016		Cash Received	Budgetary Expenditures	Balance June 30, 2017		Cumulative Total Expenditures
				Unearned Revenue/(Accounts Receivable)	Due to Grantor			GAAP Unearned Revenue/(Accounts Receivable)	Due to Grantor	
State Department of Education:										
Categorical Special Education Aid	17-495-034-5120-085	7/1/16-6/30/17	\$ 202,997			\$ 186,048	\$ (202,997)	\$ (16,949)	\$ 202,997	
Security Aid	17-495-034-5120-078	7/1/16-6/30/17	11,159			10,043	(11,159)	(1,116)	11,159	
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	17,314			15,583	(17,314)	(1,731)	17,314	
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	7,457			6,712	(7,457)	(745)	7,457	
Extraordinary Special Education Costs	17-100-034-5120-473	7/1/16-6/30/17	95,541				(95,541)	(95,541)	95,541	
Nonpublic Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	7,294				(7,294)	(7,294)	7,294	
PARCC Readiness Aid	17-495-034-5120-085	7/1/16-6/30/17	5,980			5,382	(5,980)	(598)	5,980	
Per Pupil Growth Aid	17-495-034-5120-085	7/1/16-6/30/17	5,980			5,382	(5,980)	(598)	5,980	
Professional Learning Commission Aid	17-495-034-5120-085	7/1/16-6/30/17	5,490			4,941	(5,490)	(549)	5,490	
Reimbursed TPAF Social Security Contributions	17-495-034-5095-002	7/1/16-6/30/17	284,731			270,473	(284,731)	(14,258)	284,731	
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	7/1/16-6/30/17	410,730			410,730	(410,730)		410,730	
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16-6/30/17	475,702			475,702	(475,702)		475,702	
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7/1/16-6/30/17	17,236			17,236	(17,236)		17,236	
On-Behalf TPAF Long-Term Disability Insurance	16-495-034-5120-085	7/1/15-6/30/16	1,491			1,491	(1,491)		1,491	
Categorical Special Education Aid	16-495-034-5120-078	7/1/15-6/30/16	204,125	\$ (16,274)		16,274	(204,125)		204,125	
Security Aid	16-495-034-5120-078	7/1/15-6/30/16	9,989	(963)		963			9,989	
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	15,804	(1,524)		1,524			15,804	
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	7,457	(719)		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	
Nonpublic Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	7,500	(7,500)		7,500			7,500	
PARCC Readiness Aid	16-495-034-5120-085	7/1/15-6/30/16	5,980	(577)		577			5,980	
Per Pupil Growth Aid	16-495-034-5120-085	7/1/15-6/30/16	5,980	(577)		577			5,980	
<b>Total General Fund</b>				(120,300)		1,530,023	(1,549,102)	(139,379)	1,898,103	
NJ Nonpublic Aid:										
Technology Aid	17-100-034-5120-064	7/1/16-6/30/17	5,096			5,096	(5,096)		5,096	
Textbook Aid	17-100-034-5120-064	7/1/16-6/30/17	11,297			11,297	(11,297)		11,297	
Nursing Services	17-100-034-5120-070	7/1/16-6/30/17	17,640			17,640	(17,640)		17,640	
Security Aid	17-100-034-5120-064	7/1/16-6/30/17	9,800			9,800	(7,614)		7,614	
Security Aid	16-100-034-5120-064	7/1/15-6/30/16	5,675				(5,675)		5,675	
Auxiliary Services:										
Compensatory Education	17-100-034-5120-067	7/1/16-6/30/17	8,062			8,062	(8,048)		8,048	
Compensatory Education	13-100-034-5120-067	7/1/12-6/30/13	14,047		84				13,963	
Annual Examination	14-100-034-5120-067	7/1/16-6/30/17	5,054			5,054	(5,054)		5,054	
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				1,114	
Handicapped Services:										
Examination & Classification	17-100-034-5120-066	7/1/16-6/30/17	11,339			11,339	(10)		10	
Examination & Classification	16-100-034-5120-066	7/1/15-6/30/16	13,115						4,860	
Examination & Classification	15-100-034-5120-066	7/1/14-6/30/15	18,912						5,125	
Examination & Classification	14-100-034-5120-066	7/1/13-6/30/14	12,254						10,035	
Examination & Classification	13-100-034-5120-066	7/1/12-6/30/13	16,403		1				16,402	
Examination & Classification	12-100-034-5120-066	7/1/11-6/30/12	16,908		324				16,584	
Corrective Speech	17-100-034-5120-066	7/1/16-6/30/17	8,835			8,835	(6,250)		6,250	
Corrective Speech	16-100-034-5120-066	7/1/15-6/30/16	8,361						1,505	
Corrective Speech	15-100-034-5120-066	7/1/14-6/30/15	8,747		6,856				6,329	
Corrective Speech	14-100-034-5120-066	7/1/13-6/30/14	8,593		1,406				7,187	
Corrective Speech	13-100-034-5120-066	7/1/12-6/30/13	6,484		155				6,329	
Corrective Speech	12-100-034-5120-066	7/1/11-6/30/12	6,714		396				6,318	
Supplementary Instruction	17-100-034-5120-066	7/1/16-6/30/17	10,986			10,986	(10,099)		17,263	
Supplementary Instruction	16-100-034-5120-066	7/1/15-6/30/16	11,881		2,891				17,263	
Supplementary Instruction	14-100-034-5120-066	7/1/13-6/30/14	13,183		1,595				11,588	
<b>Total Special Revenue Fund</b>					56,679	88,109	(76,783)	68,005	203,032	



MENDHAM BOROUGH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2016		Balance June 30, 2017		Memo	
				Unearned Revenue/(Accounts Receivable)	Due to Grantor	GAAP Unearned Revenue/(Accounts Receivable)	Due to Grantor	Budgetary Unearned Revenue/(Accounts Receivable)	Cumulative Total Expenditures
Capital Projects Fund:									
NJ School Development Authority:									
Hilltop Elementary School Masonry Repair, Window Repair/Replacement	3030-050-14-1001	1/6/14-11/5/15	\$ 126,946	\$ (126,946)		\$ 126,946			\$ 126,946
				(126,946)		126,946			126,946
Total Capital Projects Fund				\$ (247,246)	\$ 56,679	\$ 1,745,078	\$ (117,093)	\$ 68,005	\$ 2,228,081
Total State Financial Awards						\$ (1,625,885)			
Less: State Awards Not Subject to Single Audit Major Program Determination									
On-Behalf TPAF Pension System Contributions:									
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	7/1/16-6/30/17	410,730						410,730
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16-6/30/17	475,702						475,702
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7/1/16-6/30/17	17,236						17,236
On-Behalf TPAF Long-Term Disability Insurance	17-495-034-5094-004	7/1/16-6/30/17	1,491						1,491
Subtotal - On-Behalf TPAF Pension System Contributions									905,159
Total State Awards Subject to Single Audit Major Program Determination									\$ (720,726)

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, 2017

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, 2017. 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 not 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 (\$1,652) for the general fund and \$379 for the special revenue fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and the special revenue funds. Awards and financial assistance revenue are reported on the Board’s basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund		\$ 1,547,450	\$ 1,547,450
Special Revenue Fund	\$ 101,543	76,783	178,326
Total	\$ 101,543	\$ 1,624,233	\$ 1,725,776

MENDHAM BOROUGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 programs 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 each of the major state programs for the District expresses an unmodified opinion on each of the major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2017 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 major state programs for the current fiscal year consisted of the following:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State Programs:</u>				
Categorical Special Education Aid	17-495-034-5120-085	7/1/16-6/30/17	\$ 202,997	\$ 202,997
Security Aid	17-495-034-5120-078	7/1/16-6/30/17	11,159	11,159
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	7,457	7,457
PARCC Readiness Aid	17-495-034-5120-085	7/1/16-6/30/17	5,980	5,980
Per Pupil Growth Aid	17-495-034-5120-085	7/1/16-6/30/17	5,980	5,980
Professional Learning Commission Aid	17-495-034-5120-085	7/1/16-6/30/17	5,490	5,490

- 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.

MENDHAM BOROUGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2017

Status of Prior Year Findings:

There were no prior year findings.