

MENDHAM TOWNSHIP SCHOOL DISTRICT

Mendham Township School District
Board of Education
Mendham Township, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018

Comprehensive Annual
Financial Report

of the

Mendham Township School District
Board of Education

Mendham Township, New Jersey

For Fiscal Year Ended June 30, 2018

Prepared by

Mendham Township School District
Board of Education

MENDHAM TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018

INTRODUCTORY SECTION (UNAUDITED)

Letter of Transmittal.....	1
Organizational Chart	5
Roster of Officials	6
Consultants and Advisors	7

FINANCIAL SECTION.....8

Independent Auditors' Report	9
------------------------------------	---

Required Supplementary Information	12
Management's Discussion and Analysis (Unaudited)	13

Basic Financial Statements (Sections A. and B.)	21
---	----

A. District-Wide Financial Statements

A-1 Statement of Net Position.....	23
A-2 Statement of Activities.....	24

B. Fund Financial Statements

B-1 Balance Sheet – Governmental Funds	27
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds.....	29
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
B-4 Statement of Net Position – Proprietary Funds	33
B-5 Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds.....	34
B-6 Statement of Cash Flows – Proprietary Funds	35
B-7 Statement of Fiduciary Net Position – Fiduciary Funds	36
B-8 Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	37

Notes to the Basic Financial Statements.....	38
--	----

Required Supplementary Information (Unaudited)74

L. Schedules Related to Accounting and Reporting for Pensions and Postemployment Benefits Other than Pensions (Unaudited)

L-1 Schedule of District's Proportionate Share of the Net Pension Liability – Public Employees Retirement System	75
L-2 Schedule of District Contributions – Public Employees Retirement System.....	76
L-3 Schedule of State's Proportionate Share of the Net Pension Liability – Attributable to the District - Teachers' Pension and Annuity Fund.....	77
L-4 Schedule of State's Contributions – Attributable to the District - Teacher's Pension and Annuity Fund.....	78
L-5 - Schedule of Changes in the State's Total OPEB Liability and Related Ratios.....	79
Notes to Required Supplementary Information	80

MENDHAM TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

FINANCIAL SECTION (Cont'd)

Supplementary Schedules (Sections C. to I.)

C. Budgetary Comparison Schedules (Unaudited).....	81
C-1 Budgetary Comparison Schedule – General Fund	82
C-2 Budgetary Comparison Schedule – Budgetary Basis - Special Revenue Fund.....	94
C-3 Budgetary Comparison Schedule – Notes to Required Supplementary Information.....	95

Other Supplementary Schedules (D.-I.)

D. School Level Schedules (Not Applicable)	96
E. Special Revenue Fund.....	97
E-1 Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis	98
E-2 Preschool Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable)	
F. Capital Projects Fund (Not Applicable).....	99
G. Proprietary Funds.....	100
Enterprise Fund:	
G-1 Statement of Net Position.....	101
G-2 Statement of Revenue, Expenses and Changes in Fund Net Position.....	102
G-3 Statement of Cash Flows.....	103
H. Fiduciary Funds	104
H-1 Combining Statement of Fiduciary Net Position	105
H-2 Combining Statement of Changes in Fiduciary Net Position.....	106
H-3 Student Activity Agency Fund Statement of Activity.....	107
H-4 Student Activity Agency Fund Schedule of Receipts and Disbursements.....	108
H-5 Payroll Agency Fund Schedule of Receipts and Disbursements.....	109
I. Long-Term Debt	110
I-1 Schedule of Serial Bonds	111
I-2 Schedule of Obligations Under Capital Leases.....	112
I-3 Debt Service Fund Budgetary Comparison Schedule	113

MENDHAM TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

FINANCIAL SECTION (Cont'd)

J.	Statistical Section (Unaudited).....	114
J-1	Net Position by Component	115
J-2	Changes in Net Position	116
J-3	Fund Balance – Governmental Funds	118
J-4	Changes in Fund Balances – Governmental Funds.....	119
J-5	General Fund Other Local Revenue by Source.....	121
J-6	Assessed Value and Actual Value of Taxable Property	122
J-7	Direct and Overlapping Property Taxpayers.....	123
J-8	Principal Property Taxpayers	124
J-9	Property Tax Levies and Collections	125
J-10	Ratio of Outstanding Debt by Type	126
J-11	Ratios of Net General Bonded Debt Outstanding	127
J-12	Ratios of Overlapping Governmental Activities Debt	128
J-13	Legal Debt Margin	129
J-14	Demographic and Economic Statistics.....	130
J-15	Principal Employers	131
J-16	Full-Time Equivalent District Employees by Function/Program.....	132
J-17	Operating Statistics	133
J-18	School Building Information.....	134
J-19	Schedule of Required Maintenance for School Facilities	135
J-20	Insurance Schedule.....	136
K.	Single Audit Section	137
K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	138
K-2	Report on Compliance For Each Major State Program; Report on Internal Control over Compliance	140
K-3	Schedule of Expenditures of Federal Awards.....	142
K-4	Schedule of Expenditures of State Awards.....	143
K-5	Notes to the Schedules of Expenditures of Federal and State Awards	144
K-6	Schedule of Findings and Questioned Costs.....	146
K-7	Summary Schedule of Prior Audit Findings.....	148

INTRODUCTORY SECTION
(UNAUDITED)

Mendham Township Board of Education

18 West Main Street * Post Office Box 510
Brookside, NJ 07926

Salvatore M. Constantino, Ed.D.
Superintendent
sconstantino@mendhamtp.org
Fax 973-543-5537



January 18, 2019

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

Dear Honorable President and Board Members:

The Comprehensive Annual Financial Report of the Mendham Township School District (the "District") for the fiscal year ended June 30, 2018 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 Mendham Township Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes The Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of 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' report 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:** Mendham Township 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 Township Board of Education and its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These included regular as well as special education for classified children. The District completed the 2017-2018 fiscal year with an enrollment of 697 students.

2. **ECONOMIC CONDITION AND OUTLOOK:** The Mendham Township area is currently experiencing a period of slow development. The slow down in home sales resulted in a declined enrollment, however enrollment seems to have stabilized somewhat over the last two years. The Mendham Township area is highly desirable community in Morris County with a reputation for excellence in their schools.

Mendham Township Board of Education

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The Honorable President and Members
of the Board of Education
Mendham Township School District
Page 2
January 18, 2019

3. **MAJOR INITIATIVES:** Mendham Township continues to be a unique and special school district. Class size has been kept at an average below those recommended by the State of New Jersey. Our rationale is that the individual needs of students can best be served when the teacher has the time to work with each student and can plan accordingly. The nurturing environment of our District provides parents, teachers and students with many opportunities to exchange ideas, concerns, progress and problems. Further, it ensures that the concept of a partnership in the education of district youngsters is at the forefront of our program. The changes that do occur in our curriculum are based upon the direct needs of our students in relation to the state requirements and the New Jersey Core Curriculum Content Standards.

Our students continue to score above the State mean in grades three through eight on the PARCC Assessments. We offer an integrated preschool program and a Pre-K disabled program for youngsters experiencing developmental language problems as well as a resource room and inclusion programs for classified students K-8. Speech and language services make up a significant part of our related services.

With the exception of severely handicapped youngsters, all special needs students are served by and in our local schools. Often, we are asked to tailor programs to meet the special talents of youngsters and we have accomplished that through modified schedules, special curricular programs and cooperative programs with the regional high school.

The uniqueness of our small school district is most clearly seen in the scope of educational and extracurricular activities that are provided to our students. Currently, an extensive world language program is offered to our students in grades K-8, focusing on verbal, written and cultural proficiencies. Students may participate in club programs, interscholastic sports (nine seasonal sports), and consortium programs on a district, county and state level as well as national academic competitions. There is a student government program in grades 5-8. Many of our staff members give freely of their time to sponsor field experiences, outdoor education and teacher exchange programs. Teachers have received county, state and national recognition for programs in mathematics, science and world languages.

Mendham Township Public Schools do not stand still very long. We have a rich tradition of providing a sound program as well as being receptive to proven educational progress. Our students move forward well prepared for secondary education mentally, physically, socially and emotionally.

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.

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The Honorable President and Members
of the Board of Education
Mendham Township School District
Page 3
January 18, 2019

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

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

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the 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 cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2018.

6. ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (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, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property, contents, and fidelity bonds. The Board oversees Risk Management for the District. A schedule of insurance coverage is found on Exhibit J-20.

Mendham Township Board of Education

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The Honorable President and Members
of the Board of Education
Mendham Township School District
Page 4
January 18, 2019

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. 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 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

10. **ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the Mendham Township School Board 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 our financial and accounting staff.

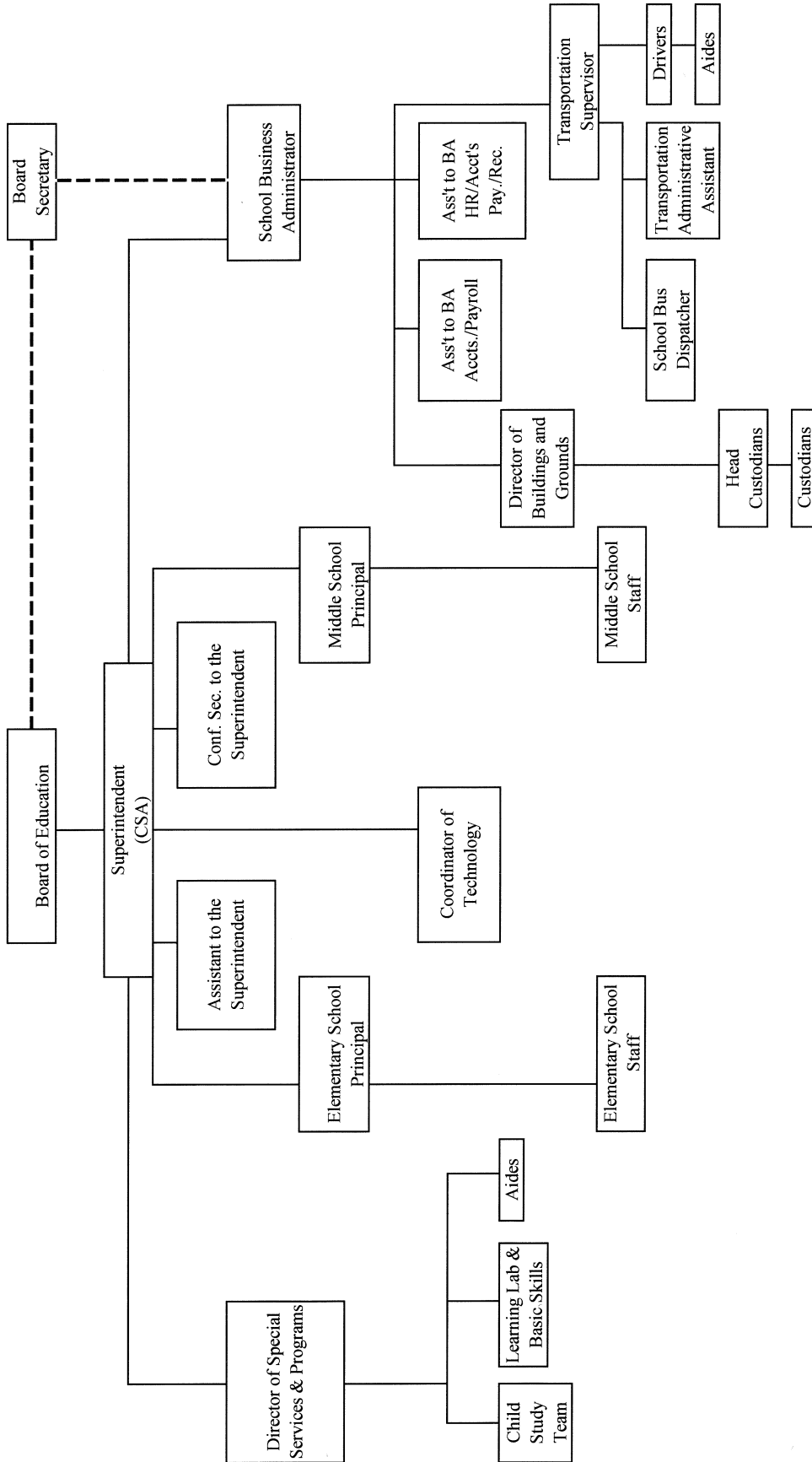
Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Salvatore Constantino', written over a horizontal line.

Salvatore Constantino, Ed.D.
Superintendent

Board of Education of the Township of Mendham

ORGANIZATIONAL CHART



MENDHAM TOWNSHIP SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2018

Members of the Board of Education

Term
Expires

Brian Jendryka, President	2019
Aadithya Thayyar, Vice President	2018
Jocelyn deGrandpre	2018
Heather Fraser	2020
Richard Gondek	2020
Gretchen Holquist	2019
Fion Wood	2018

Other Officials

Title

Salvatore Constantino, Ed.D.	Superintendent/Principal
Thomas Kryger	School Business Administrator/Board Secretary
Liz George, CPA	Treasurer of School Monies
Matthew J. Giacobbe	School Board Attorney
(Cleary, Giacobbe, Alfieri, Jacobs,LLC)	

MENDHAM TOWNSHIP SCHOOL DISTRICT

Consultants and Advisors
Year Ended June 30, 2018

Audit Firm

Nisivoccia LLP
Mount Arlington Corporate Center
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Mount Arlington, NJ 07856
and
Lawrence Business Park
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Newton, NJ 07860

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Bond Attorney

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Wilentz, Goldman, Spitzer
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Woodbridge, NJ 07095

Architect of Record

EI Associates
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Cedar Knolls, NJ 07927

Official Depositories

Lakeland Bank
98 East Main Street
Mendham, NJ 07945

FINANCIAL SECTION

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Mendham Township 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 Township School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2018, 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 Township School District, in the County of Morris, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 17 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

Other Matters

The financial statements of the Mendham Township School District as of June 30, 2017 were audited by another auditor whose report dated November 30, 2017 expressed an unmodified opinion on those statements.

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 and post-retirement benefit schedules in Exhibits L-1 through L-5 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 section 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 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.

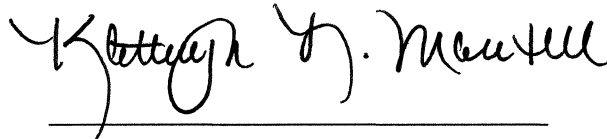
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019 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.

January 18, 2019
Mount Arlington, New Jersey



NISIVOCIA LLP



Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION -
MANAGEMENT'S DISCUSSION AND ANALYSIS

**MENDHAM TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

This section of Mendham Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2018. 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.

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, a two-year-old program, an enrichment program, a middle school play program, and a pre-school services program.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

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

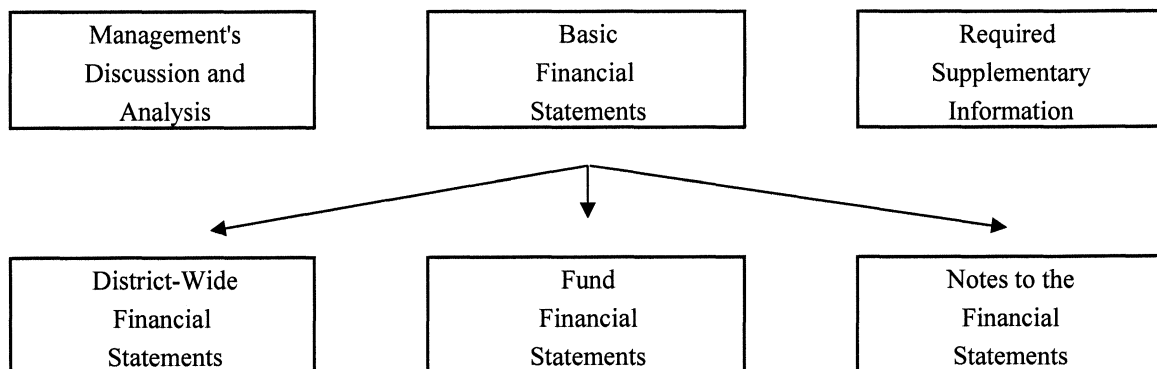


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**MENDHAM TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

**Figure A-2
Major Features of the District-Wide and Fund Financial Statements**

	Fund Financial Statements			
	District-Wide 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, a two-year-old program, enrichment program, a middle school play program, and pre-school program	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenue, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual Accounting and Economic Resources focus	Modified Accrual Accounting and Current Financial 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	Assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are 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 year end; expenditures when goods services have been received and 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 TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
(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, two-year-old program, enrichment program, middle school play program, and the pre-school services program 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.

**MENDHAM TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *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

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

Financial Analysis of the District as a Whole

The District's combined net position was \$10,409,124 at year-end – an increase of \$35,424, or .34%. Net position invested in capital assets increased \$618,005, restricted net position decreased \$501,808 and unrestricted net position decreased \$80,773.

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

	Governmental Activities		Business-Type Activities		Total School District		Percent Change 2017-2018
	2018	2017	2018	2017	2018	2017	
Current and Other Assets	\$ 2,685,661	\$ 4,136,002	\$ 855,003	\$ 479,842	\$ 3,540,664	\$ 4,615,844	
Capital Assets, Net	18,954,153	19,323,550	41,641	43,094	18,995,794	19,366,644	
Total Assets	<u>21,639,814</u>	<u>23,459,552</u>	<u>896,644</u>	<u>522,936</u>	<u>22,536,458</u>	<u>23,982,488</u>	-6.03%
Deferred Outflows of Resources	<u>2,007,915</u>	<u>2,796,527</u>			<u>2,007,915</u>	<u>2,796,527</u>	-28.20%
Long-Term Liabilities	12,035,639	15,142,034			12,035,639	15,142,034	
Other Liabilities	359,667	433,960	53,430	622,960	413,097	1,056,920	
Total Liabilities	<u>12,395,306</u>	<u>15,575,994</u>	<u>53,430</u>	<u>622,960</u>	<u>12,448,736</u>	<u>16,198,954</u>	-23.15%
Deferred Inflows of Resources	<u>1,686,513</u>	<u>206,362</u>			<u>1,686,513</u>	<u>206,362</u>	717.26%
Net Position:							
Investment in Capital Assets	13,622,432	13,002,974	41,641	43,094	13,664,073	13,046,068	
Restricted	2,779,563	3,281,371			2,779,563	3,281,371	
Unrestricted/(Deficit)	<u>(6,089,767)</u>	<u>(5,810,621)</u>	<u>55,255</u>	<u>(143,118)</u>	<u>(6,034,512)</u>	<u>(5,953,739)</u>	
Total Net Position/(Deficit)	<u>\$ 10,312,228</u>	<u>\$ 10,473,724</u>	<u>\$ 96,896</u>	<u>\$ (100,024)</u>	<u>\$ 10,409,124</u>	<u>\$ 10,373,700</u>	0.34%

**MENDHAM TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

The Changes in the Net Position shows the cost of program services and the revenues of the District on a comparative schedule (see Figure A-4).

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

	Governmental Activities		Business-Type Activities		Total School District		Percent Change 2017-2018
	2018	2017	2018	2017	2018	2017	
Revenue:							
Program Revenue:							
Charges for Services	\$ 859,516	\$ 867,743	\$ 730,665	\$ 655,310	\$ 1,590,181	\$ 1,523,053	
Operating Grants and Contributions	6,207,991	1,863,123	3,546	3,729	6,211,537	1,866,852	
General Revenue:							
Property Taxes	15,850,628	15,548,343			15,850,628	15,548,343	
Unrestricted Federal and State Aid	34,804	581,687			34,804	581,687	
Other	21,639	48,578	20,663	1,294	42,302	49,872	
Total Revenue	22,974,578	18,909,474	754,874	660,333	23,729,452	19,569,807	21.26%
Expenses:							
Instruction	12,546,179	8,937,222			12,546,179	8,937,222	
Tuition	199,346	239,943			199,346	239,943	
Pupil & Instruction Services	2,993,835	1,993,151			2,993,835	1,993,151	
Administrative and Business	2,287,270	1,782,325			2,287,270	1,782,325	
Maintenance & Operations	2,267,846	2,583,776			2,267,846	2,583,776	
Transportation	2,256,004	2,619,195			2,256,004	2,619,195	
Other	585,594	989,153	557,954	308,288	1,143,548	1,297,441	
Total Expenses	23,136,074	19,144,765	557,954	308,288	23,694,028	19,453,053	21.80%
Transfers		581,181		(581,181)			
Change in Net Position	\$ (161,496)	\$ 345,890	\$ 196,920	\$(229,136)	\$ 35,424	\$ 116,754	-69.66%

**MENDHAM TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District remains strong. Maintaining existing programs with regular pupil enrollment and the provision of a multitude of special programs and services for special needs pupils place great demands on the District's resources. Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions continued during the year were:

Figure A-5 presents the cost of seven major District activities: instruction, tuition, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. 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 burden placed on the District's taxpayers by each of these functions:

**Figure A-5
Net Cost of Governmental Activities**

	Total		Net	
	Cost of Services		Cost of Services	
	2018	2017	2018	2017
Instruction	\$ 12,546,179	\$ 8,937,222	\$ 7,896,169	\$ 7,946,222
Tuition	199,346	239,943	199,346	151,173
Pupil & Instruction Services	2,993,835	1,993,151	2,089,297	1,764,046
Administrative and Business	2,287,270	1,782,325	1,691,428	1,597,845
Maintenance & Operations	2,267,846	2,583,776	2,267,846	2,382,106
Transportation	2,256,004	2,619,195	1,338,887	1,583,354
Other	585,594	989,153	585,594	989,153
Total	\$ 23,136,074	\$ 19,144,765	\$ 16,068,567	\$ 16,413,899

Business-Type Activities

Net position from the District's business-type activities increased by \$196,920, primarily due to an increase in charges for services in the current year, cancellation of a prior year interfund payable and a decrease in interfund payable, offset by an increase in expenses both in the major and non-major funds. (refer to Figure A-4).

Financial Analysis of the District's Funds

The District's fund balance in the General Fund decreased \$508,179 due to increases in special education instruction and related services, student transportation, health benefits and capital outlay expenditures. Additionally, the District utilized \$1,458,229 of its surplus to fund the 2017-2018 Budget. The District's fund balance in the Special Revenue and Debt Service Funds were \$-0- and remained unchanged from the previous year.

**MENDHAM TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

General Fund Budgetary Highlights

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

Capital Assets

At year end, the District's capital assets were \$18,995,794 – a decrease of \$370,850, or 1.91% from the previous year. During the fiscal year, the District acquired \$527,606 of capital assets consisting of building improvements and the acquisition of equipment, \$251,112 of capital asset disposals and depreciated \$647,344 of its capital assets. (More detailed information about the District's capital assets is presented in Note 6 to the financial statements.)

**Figure A-6
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total School District		Percent Change
	2018	2017	2018	2017	2018	2017	
Land	\$ 14,000	\$ 14,000			\$ 14,000	\$ 14,000	
Site Improvements	757,490	251,372			757,490	251,372	
Buildings/Improvements	17,533,789	18,410,576			17,533,789	18,410,576	
Machinery and Equipment	648,874	647,602	\$ 41,641	\$ 43,094	690,515	690,696	
Total	\$18,954,153	\$19,323,550	\$41,641	\$43,094	\$18,995,794	\$19,366,644	-1.91%

Long-Term Liabilities

At year-end, the District had \$12,035,639 in general obligation bonds, net pension liability and other long-term liabilities outstanding – a decrease of \$3,106,395 from the prior year due primarily to the decrease in Net Pension Liability – as shown in Figure A-7. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

**Figure A-7
Outstanding Long-Term Liabilities**

	Total School District		Percent Change 2017-2018
	2018	2017	
General Obligation Bonds (Financed with Property Taxes)	\$ 4,875,000	\$ 5,840,000	
Net Pension Liability	6,415,453	8,581,772	
Other Long Term Liabilities	745,186	720,262	
Total	\$12,035,639	\$15,142,034	-20.52%

**MENDHAM TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was in a good financial position and there were no significant factors bearing on the District's future.

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, 18 West Main Street, Brookside, New Jersey 07926.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

MENDHAM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,646,138	\$ 844,973	\$ 2,491,111
Receivable from Federal Government	267,173		267,173
Receivable from State Government	187,755	309	188,064
Receivable from Other Governments	170,474		170,474
Other Accounts Receivable		4,611	4,611
Internal Balances	746,318	(746,318)	
Inventories		5,110	5,110
Restricted Assets:			
Maintenance Reserve Account - Cash and Cash Equivalents	136,057		136,057
Capital Reserve Account - Cash and Cash Equivalents	278,064		278,064
Capital Assets:			
Land	14,000		14,000
Depreciable Buildings and Building Improvements and Machinery and Equipment	18,940,153	41,641	18,981,794
Total Assets	<u>22,386,132</u>	<u>150,326</u>	<u>22,536,458</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	2,007,915		2,007,915
Total Deferred Outflows of Resources	<u>2,007,915</u>		<u>2,007,915</u>
LIABILITIES			
Accounts Payable	161,781	26,254	188,035
Accrued Interest Payable	53,097		53,097
Unearned Revenue	144,789	27,176	171,965
Noncurrent Liabilities:			
Due Within One Year	1,181,399		1,181,399
Due Beyond One Year	10,854,240		10,854,240
Total Liabilities	<u>12,395,306</u>	<u>53,430</u>	<u>12,448,736</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	1,686,513		1,686,513
Total Deferred Inflows of Resources	<u>1,686,513</u>		<u>1,686,513</u>
NET POSITION			
Net Investment in Capital Assets	\$ 13,622,432	\$ 41,641	\$ 13,664,073
Restricted for:			
Capital Projects	278,064		278,064
Maintenance	136,057		136,057
Excess Surplus	2,365,442		2,365,442
Unrestricted/(Deficit)	(6,089,767)	55,255	(6,034,512)
Total Net Position	<u>\$ 10,312,228</u>	<u>\$ 96,896</u>	<u>\$ 10,409,124</u>

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	\$ 8,986,249	\$ 48,607	\$ 2,844,330	(6,093,312)	\$	\$ (6,093,312)
Special Education	2,777,430		1,513,629	(1,263,801)		(1,263,801)
Other Instruction	686,537			(686,537)		(686,537)
School-Sponsored Instruction	95,963		243,444	147,481		147,481
Support Services:						
Tuition	199,346			(199,346)		(199,346)
Student & Instruction Related Services	2,993,835		904,538	(2,089,297)		(2,089,297)
General Administrative Services	708,975		180,378	(528,597)		(528,597)
School Administrative Services	1,144,566		285,809	(858,757)		(858,757)
Central Services and Administrative						
Information Technology	433,729		129,655	(304,074)		(304,074)
Plant Operations and Maintenance	2,267,846			(2,267,846)		(2,267,846)
Pupil Transportation	2,256,004	810,909	106,208	(1,338,887)		(1,338,887)
Interest and Other Charges	244,899			(244,899)		(244,899)
Capital Outlay	314,714			(314,714)		(314,714)
Unallocated Depreciation	5,027			(5,027)		(5,027)
Transfer to Charter School	20,954			(20,954)		(20,954)
Total Governmental Activities	23,136,074	859,516	6,207,991	(16,068,567)		(16,068,567)

MENDHAM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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:						
Preschool Program	\$ 104,165	\$ 298,776		\$ 194,611	\$ 194,611	\$ 194,611
2 Year Old Program	85,311	91,277		5,966	5,966	5,966
Enrichment Program	26,235	153		(26,082)	(26,082)	(26,082)
Middle School Play	26,178	20,759		(5,419)	(5,419)	(5,419)
Food Service	316,065	319,700	\$ 3,546	7,181	7,181	7,181
Total Business-Type Activities	557,954	730,665	3,546	176,257	176,257	176,257
Total Primary Government	\$ 23,694,028	\$ 1,590,181	\$ 6,211,537	\$ (16,068,567)	\$ 176,257	(15,892,310)
General Revenue, Transfers and Other Items						
Taxes:						
Property Taxes, Levied for General Purposes, Net				14,645,103		14,645,103
Taxes Levied for Debt Service				1,205,525		1,205,525
Federal and State Aid not Restricted:				34,804		34,804
Miscellaneous Income				21,639	965	22,604
Other Items					19,698	19,698
Total General Revenue, Transfers and Other Special Items				15,907,071	20,663	15,927,734
Change in Net Position				(161,496)	196,920	35,424
Net Position/(Deficit) - Beginning				10,473,724	(100,024)	10,373,700
Net Position - Ending				\$ 10,312,228	\$ 96,896	\$ 10,409,124

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

FUND FINANCIAL STATEMENTS

MENDHAM TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
Cash and Cash Equivalents	\$ 1,305,702		\$ 340,436	\$ 1,646,138
Receivables From Federal Government		\$ 267,173		267,173
Receivables From State Government	187,755			187,755
Receivables From Other Governments	170,266	208		170,474
Interfund Receivable	1,206,707			1,206,707
Restricted Cash and Cash Equivalents	414,121			414,121
Total Assets	\$ 3,284,551	\$ 267,381	\$ 340,436	\$ 3,892,368

LIABILITIES AND FUND BALANCES:

Liabilities:				
Accounts Payable	\$ 38,996	\$ 5,607		\$ 44,603
Interfund Payable	2,968	116,985	\$ 340,436	460,389
Unearned Revenue		144,789		144,789
Total Liabilities	41,964	267,381	340,436	649,781
Fund Balances:				
Restricted:				
Capital Reserve Account	278,064			278,064
Maintenance Reserve	136,057			136,057
Excess Surplus	906,111			906,111
Excess Surplus - For Subsequent Year's Expenditures	1,459,331			1,459,331
Assigned:				
Year-End Encumbrances	7,179			7,179
Unassigned	455,845			455,845

MENDHAM TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
Total Fund Balances	\$ 3,242,587			\$ 3,242,587
Total Liabilities and Fund Balances	\$ 3,284,551	\$ 267,381	\$ 340,436	\$ 3,892,368

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

Total Fund Balances from Above	\$	3,242,587		\$ 3,242,587
Capital Assets Used in Governmental Activities are not Financial Resources and therefore are not reported in the Funds.				18,954,153
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.				(53,097)
Long-Term Liabilities, Including Bonds Payable and Compensated Absences, Are Not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds				(5,620,186)
The Net Pension Liability for PERS is not due/payable in the current period and is not Reported in the Governmental Funds.				(6,415,453)
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				1,890,737
Deferred Inflows				(1,686,513)
Net Position of Governmental Activities				\$ 10,312,228

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local Sources:				
Local Tax Levy	\$ 14,645,103		\$ 1,205,525	\$ 15,850,628
Tuition	48,607			48,607
Transportation Fees from Other LEASs	810,909			810,909
Rents and Royalties	11,429			11,429
Interest Earned on Maintenance Reserve Funds	271			271
Interest Earned on Capital Reserve Funds	455			455
Miscellaneous	9,484	\$ 2,293		11,777
Total - Local Sources	15,526,258	2,293	1,205,525	16,734,076
State Sources	2,666,120			2,666,120
Federal Sources		282,360		282,360
Total Revenues	18,192,378	284,653	1,205,525	19,682,556
EXPENDITURES:				
Current:				
Regular Instruction	4,597,722	103,411		4,701,133
Special Education Instruction	1,259,160	181,242		1,440,402
Other Instruction	301,073			301,073
School-Sponsored	95,963			95,963
Support Services and Undistributed Costs:				
Tuition	199,346			199,346
Student and Other Instruction Related Services	1,543,113			1,543,113
General Administration Services	420,729			420,729
School Administration Services	599,137			599,137

MENDHAM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:				
Central Services & Administrative Information Technology	\$ 229,223			\$ 229,223
Plant Operations and Maintenance	1,479,374			1,479,374
Student Transportation	1,907,814			1,907,814
Unallocated Benefits	5,667,319			5,667,319
Debt Service:				
Interest and Other Charges			\$ 240,525	240,525
Principal			965,000	965,000
Capital Outlay	589,321			589,321
Transfer of Funds to Charter School	20,954			20,954
Total Expenditures	<u>18,910,248</u>	<u>\$ 284,653</u>	<u>1,205,525</u>	<u>20,400,426</u>
Excess/(Deficit) of Revenue Over/(Under) Expenditures	<u>(717,870)</u>			<u>(717,870)</u>
OTHER FINANCING SOURCES/(USES):				
Capital Leases (Non-Budgeted)	209,691			209,691
Total Other Financing Sources/(Uses)	<u>209,691</u>			<u>209,691</u>
Net Change in Fund Balances	<u>(508,179)</u>			<u>(508,179)</u>
Fund Balance - July 1	<u>3,750,766</u>			<u>3,750,766</u>
Fund Balance - June 30	<u>\$ 3,242,587</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 3,242,587</u>

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ (508,179)

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 capital outlays differ from depreciation and capital outlay adjustments.

Depreciation Expense	\$ (644,004)
Capital Outlays Adjustments	(252,999)
Capital Outlays	527,606

(369,397)

In the statement of activities, certain operating expenses, e.g., compensated absences 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 (+).

(48,779)

Repayment of serial bonds 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.

965,000

Repayment of capital lease 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.

233,546

Capital leases entered into by the district are an other financing source in the governmental funds, however, the acquisition increases long-term liabilities in the statement of net position and is not reported in the statement of activities.

(209,691)

MENDHAM TOWNSHIP BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 the 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 (+).

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:

Changes in Net Pension Liability	2,166,319
Change in Deferred Outflows	(905,790)
Change in Deferred Inflows	<u>(1,480,151)</u>
Total Liabilities and Fund Balances	<u>\$ (161,496)</u>

MENDHAM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-type Activities - Enterprise Funds			
	Major Funds			Enterprise Funds Total
	Preschool Program	2 Year Old Program	Non-Major Funds	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 521,599	\$ 170,759	\$ 152,615	\$ 844,973
Intergovernmental Accounts Receivable:				
Federal			309	309
Student Accounts Receivable	1,403	3,208		4,611
Interfund Accounts Receivable			2,968	2,968
Inventories			5,110	5,110
Total Current Assets	<u>523,002</u>	<u>173,967</u>	<u>161,002</u>	<u>857,971</u>
Non-Current Assets:				
Capital Assets	43,869		106,838	150,707
Less: Accumulated Depreciation	<u>(12,338)</u>		<u>(96,728)</u>	<u>(109,066)</u>
Total Non-Current Assets	<u>31,531</u>		<u>10,110</u>	<u>41,641</u>
Total Assets	<u>554,533</u>	<u>173,967</u>	<u>171,112</u>	<u>899,612</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable - Vendors			26,254	26,254
Interfund Accounts Payable	505,284	167,117	76,885	749,286
Unearned Revenue			2,608	2,608
Unearned Revenue - Program Fees	17,718	6,850		24,568
Total Current Liabilities	<u>523,002</u>	<u>173,967</u>	<u>105,747</u>	<u>802,716</u>
NET POSITION:				
Investment in Capital Assets	31,531		10,110	41,641
Unrestricted			55,255	55,255
Total Net Position	<u>\$ 31,531</u>	<u>\$ -0-</u>	<u>\$ 65,365</u>	<u>\$ 96,896</u>

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds			
	Major Funds			Enterprise Funds Total
	Preschool Program	2 Year Old Program	Non-Major Funds	
Operating Revenue:				
Local Sources:				
Daily Sales - Special Milk Program			\$ 3,998	\$ 3,998
Daily Sales - Non-Reimbursable Meals			315,702	315,702
Charges for Services - Program Fees	\$ 298,776	\$ 91,277	20,912	410,965
Total Operating Revenue	298,776	91,277	340,612	730,665
Operating Expenses:				
Cost of Sales - Reimbursable Programs			138,198	138,198
Salaries, Benefits & Payroll Taxes	70,420	84,809	144,679	299,908
Supplies, Insurance & Other Costs	4,452		40,699	45,151
Management Fee			17,577	17,577
Miscellaneous		27		27
Program Expenses	27,100	475	26,178	53,753
Depreciation Expense	2,193		1,147	3,340
Total Operating Expenses	104,165	85,311	368,478	557,954
Operating Income/(Loss)	194,611	5,966	(27,866)	172,711
Non-Operating Revenue:				
Local Sources:				
Interest Income	761	36	168	965
Federal Sources:				
Special Milk Program			3,546	3,546
Total Non-Operating Revenue	761	36	3,714	4,511
Change in Net Position Before Other Items	195,372	6,002	(24,152)	177,222
Other Items:				
Cancellation to Prior Year Interfund Payable	\$ 17,260	\$ 551		17,811
Adjustment to Capital Assets	3,123		\$ (1,236)	1,887
Total Other Items	20,383	551	(1,236)	19,698
Change in Net Position After Other Items	215,755	6,553	(25,388)	196,920
Net Position/(Deficit) - Beginning of Year	(184,224)	(6,553)	90,753	(100,024)
Net Position - End of Year	\$ 31,531	\$ -0-	\$ 65,365	\$ 96,896

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds			
	Major Funds		Non-Major Funds	Enterprise Funds Total
	Preschool Program	2 Year Old Program		
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 285,383	\$ 87,984	\$ 334,356	\$ 707,723
Payments for Programs	(27,100)	(502)	(26,178)	(53,780)
Payments to Food Service Vendor			(291,204)	(291,204)
Net Cash Used for Operating Activities	<u>258,283</u>	<u>87,482</u>	<u>16,974</u>	<u>362,739</u>
Cash Flows from Investing Activities:				
Local Sources:				
Interest Income	761	36	168	965
Net Cash Provided by Investing Activities	<u>761</u>	<u>36</u>	<u>168</u>	<u>965</u>
Cash Flows from Noncapital Financing Activities:				
Cash Received from Federal Reimbursements			3,997	3,997
Net Cash Provided by Noncapital Financing Activities			<u>3,997</u>	<u>3,997</u>
Net Increase in Cash and Cash Equivalents	259,044	87,518	21,139	367,701
Cash and Cash Equivalents, July 1	<u>262,555</u>	<u>83,241</u>	<u>131,476</u>	<u>477,272</u>
Cash and Cash Equivalents, June 30	<u>\$ 521,599</u>	<u>\$ 170,759</u>	<u>\$ 152,615</u>	<u>\$ 844,973</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used) for Operating Activities:				
Operating Income/(Loss)	\$ 194,611	\$ 5,966	\$ (27,866)	\$ 172,711
Adjustment to Reconcile Operating Income/(Loss) to Cash Provided by/(Used) for Operating Activities:				
Depreciation	2,193		1,147	3,340
Changes in Assets and Liabilities:				
(Increase)/Decrease in Accounts Receivable	(1,402)	(3,208)		(4,610)
(Increase)/Decrease in Inventory			(2,540)	(2,540)
Increase/(Decrease) in Interfund Payable	74,872	84,809	26,235	185,916
Increase/(Decrease) in Unearned Revenue	(11,991)	(85)	(6,256)	(18,332)
Increase/(Decrease) in Accounts Payable			26,254	26,254
Net Cash Provided by/(Used) for Operating Activities	<u>\$ 258,283</u>	<u>\$ 87,482</u>	<u>\$ 16,974</u>	<u>\$ 362,739</u>

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Totals</u>
ASSETS:				
Cash and Cash Equivalents	\$ 616,812	\$ 102,786	\$ 2,694	\$ 722,292
Total Assets	<u>616,812</u>	<u>102,786</u>	<u>2,694</u>	<u>722,292</u>
LIABILITIES:				
Due to Student Groups	76,304			76,304
Due to Athletics	4,450			4,450
Accrued Payroll - Summer Savings	446,644			446,644
Payroll Deductions and Withholdings	89,414			89,414
Total Liabilities	<u>616,812</u>			<u>616,812</u>
NET POSITION:				
Held in Trust for:				
Unemployment Claims		102,786		102,786
Flexible Spending Claims			2,694	2,694
Total Net Position	<u>\$ -0-</u>	<u>\$ 102,786</u>	<u>\$ 2,694</u>	<u>\$ 105,480</u>

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Unemployment Compensation Trust	Flexible Spending Trust	Totals
Additions:			
Contributions:			
Plan Contributions	\$ 29,692	\$ 7,250	\$ 36,942
Total Contributions	29,692	7,250	36,942
Investment Earnings:			
Interest	193	4	197
Net Investment Earnings	193	4	197
Total Additions	29,885	7,254	37,139
Deductions:			
Unemployment Compensation Claims	25,066		25,066
Flexible Spending Claims		6,927	6,927
Transfer Interest to General Fund	188		188
Total Deductions	25,254	6,927	32,181
Change in Net Position	4,631	327	4,958
Net Position - Beginning of the Year	98,155	2,367	100,522
Net Position - End of the Year	\$ 102,786	\$ 2,694	\$ 105,480

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of the Mendham Township 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.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

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.

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

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements: (Cont'd)

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

Enterprise Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's two-year-old, enrichment, food service, middle school play, and pre-school program operations. The Enterprise Funds are 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 includes the Student Activities Fund, Payroll Agency Fund, Unemployment Compensation Insurance Trust Fund and Private Purpose 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 TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the County office and are 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. All budget Amendments/Transfers must be made by School Board resolution. All budgeting 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 the payments on the GAAP financial statements.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 18,197,648	\$ 284,653
Differences - Budget to GAAP:		
Prior Year State Aid Payment Recognized for GAAP Statements, not Recognized for Budgetary Statements	35,778	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(41,048)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 18,192,378	\$ 284,653

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$18,910,248	\$ 284,653
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$18,910,248	\$ 284,653

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 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 has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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 source/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.

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, 2018.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

K. Capital Assets:

The District has established a formal system of accounting for its capital assets. 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. Donated capital assets are valued at acquisition value. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

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

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	50 Years
Site Improvements	20 Years
Machinery and Equipment	10 to 15 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.

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 premiums 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 allows employees who provide services to the District over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there is \$446,644 of accrued salaries and wages as of June 30, 2018.

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB. 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 ordinary sick pay and begin vesting with the employee after fifteen years of service.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

N. Compensated Absences: (Cont'd)

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 \$3,242,587 General Fund fund balance at June 30, 2018, \$7,179 is assigned for year-end encumbrances; \$278,064 is restricted in the capital reserve account; \$136,057 is restricted in the maintenance reserve account; \$2,365,442 is restricted for excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (51701) (\$1,459,331 of prior year excess surplus has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2019; \$906,111 of current year excess surplus will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2020); and \$455,845 is unassigned fund balance (which is \$41,048 less than the calculated maximum unassigned fund balance, on a Budgetary basis, due to the final state aid payments, which are not recognized until the fiscal year ended June 30, 2018).

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2018 is \$-0-.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, c.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General 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 indicated above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$41,048 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event state school aid payments are not made until the following school budget year, districts must record the related state aid payments 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 two 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 two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Q. Deficit Net Position

The District has a deficit in unrestricted net position of \$6,089,767 in governmental activities, which is primarily due to compensated absences payable, and net pension liability, offset by deferred inflows and outflows related to pensions. The deficit does not indicate that the District is in 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 deferred outflows of resources at June 30, 2018 for changes in assumption, the difference between expected and actual experience in pensions, the net difference between projected and actual investment earnings in pensions, changes in proportion in pension, and the district contribution subsequent to measurement date in pensions.

The District had deferred inflows of resources at June 30, 2018 for changes in assumption and changes in proportion in pension.

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.

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.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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

Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

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

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 or resources. The District has no committed resources at June 30, 2018.

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 a restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances at June 30, 2018.

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.

U. Fund Balance Restrictions, Commitments and Assignments

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 TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

V. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for food service, two-year-old, enrichment, middle school play, and the pre-school program. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the respective Enterprise Fund.

W. Management Estimates:

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

X. 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 in the section entitled Investments.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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.

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 of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law”, P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Investments: (Cont'd)

- (6) Local government investment pools;
- (7) 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
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.) ;
 - (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; or
- (9) Deposit of funds in accordance with the following conditions:
 - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
 - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
 - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

As of June 30, 2018, cash and cash equivalents of the District consisted of the following:

	Restricted		Unrestricted	Total
	Cash and Cash Equivalents	Cash and Cash Equivalents	Cash and Cash Equivalents	
	Capital Reserve	Maintenance Reserve		
Checking & Savings Accounts	\$ 278,064	\$ 136,057	\$ 3,213,403	\$ 3,627,524
	<u>\$ 278,064</u>	<u>\$ 136,057</u>	<u>\$ 3,213,403</u>	<u>\$ 3,627,524</u>

During the period ended June 30, 2018, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2018, was \$3,627,524 and the bank balance was \$3,786,847.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Mendham Township School District by inclusion of \$1 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 Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Balance at June 30, 2017	\$ 228,025
Interest	455
Budgeted Increase	139,584
Budgeted Withdrawal	<u>(90,000)</u>
Balance at June 30, 2018	<u>\$ 278,064</u>

The balance in the capital reserve account at June 30, 2018 does not exceed the Long-Range Facilities Plan balance of local support costs of uncompleted projects.

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2018, the District transferred \$56,580 to the capital outlay accounts for equipment which did not require approval of the County Superintendent.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Balance 6/30/2017	Increases	Decreases	Balance 6/30/2018
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 14,000			\$ 14,000
Total Capital Assets not Being Depreciated	<u>14,000</u>			<u>14,000</u>
Capital Assets Being Depreciated:				
Site Improvements	644,212		\$ 683,403	1,327,615
Buildings and Building Improvements	26,169,488	\$ 317,915	(659,258)	25,828,145
Machinery and Equipment	4,628,015	209,691	(872,345)	3,965,361
Total Capital Assets Being Depreciated	<u>31,441,715</u>	<u>527,606</u>	<u>(848,200)</u>	<u>31,121,121</u>
Governmental Activities Capital Assets	<u>31,441,715</u>	<u>527,606</u>	<u>(848,200)</u>	<u>31,121,121</u>
Less Accumulated Depreciated for:				
Site Improvements	(392,840)	(29,227)	(148,058)	(570,125)
Buildings and Building Improvements	(7,758,912)	(486,543)	(48,901)	(8,294,356)
Machinery and Equipment	(3,980,413)	(128,234)	792,160	(3,316,487)
Total Accumulated Depreciation	<u>(12,132,165)</u>	<u>(644,004)</u>	<u>595,201</u>	<u>(12,180,968)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 19,323,550</u>	<u>\$ (116,398)</u>	<u>\$ (252,999)</u>	<u>\$ 18,954,153</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 153,807		\$ (3,100)	\$ 150,707
Less Accumulated Depreciation	(110,713)	\$ (3,340)	4,987	(109,066)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 43,094</u>	<u>\$ (3,340)</u>	<u>\$ 1,887</u>	<u>\$ 41,641</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 2,110
Special Education Instruction	40
General Administrative Services	2,469
School Administrative Services	29,208
Operations & Maintenance of Plant	525,585
Student Transportation	79,565
General/Unallocated	5,027
	<u>\$ 644,004</u>

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2017	Accrued	Retired/ Adjusted	Balance 6/30/2018
Bonds Payable	\$ 5,840,000		\$ 965,000	\$ 4,875,000
Net Pension Liability	8,581,772		2,166,319	6,415,453
Compensated Absences Payable	239,686	\$ 97,778	48,999	288,465
Capital Leases Payable	480,576	209,691	233,546	456,721
	<u>\$ 15,142,034</u>	<u>\$ 307,469</u>	<u>\$ 3,413,864</u>	<u>\$ 12,035,639</u>

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 and will be liquidated by the Debt Service Fund.

The District had bonds outstanding as of June 30, 2018 as follows:

Purpose	Final Maturity Date	Interest Rate	Amount
Refunding Bonds of 2010	12/1/21	4.50-5.00%	\$ 1,325,000
Refunding Bonds of 2011	4/1/23	4.00%	3,550,000
			<u>\$ 4,875,000</u>

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

Year Ending June 30,	Bonds		Total
	Principal	Interest	
2019	\$ 990,000	\$ 199,038	\$ 1,189,038
2020	1,060,000	156,925	1,216,925
2021	1,060,000	111,175	1,171,175
2022	1,045,000	65,800	1,110,800
2023	720,000	28,800	748,800
	<u>\$ 4,875,000</u>	<u>\$ 561,738</u>	<u>\$ 5,436,738</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2018, the Board has no bonds authorized but not issued.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. LONG-TERM LIABILITIES: (Cont'd)

C. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities and the current portion of the compensated absences balance of the governmental funds is \$-0- and is separated from the long-term liability balance of compensated absences of \$288,465. The compensated absences payable will be liquidated by the General Fund. There is no liability for compensated absences in the District's Enterprise Funds.

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, 2018 is \$-0- and the long-term portion is \$6,415,453. See Note 8 for further information on the PERS.

E. Capital Leases Payable

The District's currently leases vehicles and technology equipment valued at \$1,237,533, of which \$780,812 has matured and been repaid. The capital leases are for five-year terms and will be liquidated by the General Fund. The following is a schedule of the future lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2018:

Year	Amount
2019	\$ 202,677
2020	136,267
2021	94,629
2022	45,106
2023	872
	\$ 479,551
Less: Amount Representing Interest	(22,830)
Total Future Minimum Lease Payments	\$ 456,721

The current portion of capital leases payable at June 30, 2018 is \$191,399 and the long-term portion is \$265,322. The General Fund will be used to liquidate the capital leases payable.

NOTE 8. 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.nj.gov/treasury/pensions/financial-reports.shtml.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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 \$262,653 for 2018.

The employee contribution rate was 7.34% effective July 1, 2017. 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 TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Pension Liabilities and Pension Expense

At June 30, 2018, the District's liability was \$6,415,453 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the District's proportion was .027%, which was a decrease of 0.001% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized actual pension expense in the amount of \$475,673. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferral Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 72,777	
	2015	5.72	306,554	
	2016	5.57	913,162	
	2017	5.48		\$(1,287,754)
			<u>1,292,493</u>	<u>(1,287,754)</u>
Changes in Proportion	2014	6.44		(146,374)
	2015	5.72	177,036	
	2016	5.57	226,461	
	2017	5.48		(252,385)
			<u>403,497</u>	<u>(398,759)</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(76,876)	
	2015	5.00	65,580	
	2016	5.00	274,966	
	2017	5.00	(219,985)	
			<u>43,685</u>	
Difference Between Expected and Actual Experience	2015	5.72	85,052	
	2016	5.57	27,712	
	2017	5.48	38,298	
			<u>151,062</u>	
District Contribution Subsequent to the Measurement Date	2017	1.00	117,178	
			<u>\$ 2,007,915</u>	<u>\$(1,686,513)</u>

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

Fiscal Year Ending June 30,	Total
2018	\$ 151,026
2019	227,902
2020	138,097
2021	(183,669)
2022	(133,870)
	\$ 199,486

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

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, 2016 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 TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. 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 (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Discount Rate (Cont'd)

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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, 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 to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2017 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:

	June 30, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's proportionate share of the Net Pension Liability	\$ 7,958,805	\$ 6,415,453	\$ 5,129,650

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.nj.gov/treasury/pensions/financial-reports.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.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

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 to 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 member 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 2018, the State's pension contribution was less than the actuarial 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 2018, the State of New Jersey contributed \$895,105 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$2,869,934.

The employee contribution rate was 7.34% effective July 1, 2017. 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 TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. 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

At June 30, 2018, the State's proportionate share of the net pension liability associated with the District was \$41,428,178. The net pension liability was measured as of June 30, 2017, 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, 2017, the District's proportion was 0.061%, which was a decrease of 0.002% from its proportion measured as of June 30, 2016.

District's Proportionate Share of the Net Pension Liability	\$ - 0 -
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>41,428,178</u>
Total	<u>\$ 41,428,178</u>

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the District in the amount of \$2,869,934 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 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:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,383,974,317	
	2015	8.3	3,776,126,119	
	2016	8.3	8,218,154,928	
	2017	8.3		\$ 11,684,858,458
				<u>13,378,255,364</u>
Difference Between Expected and Actual Experience	2014	8.5		13,181,413
	2015	8.3	233,218,057	
	2016	8.3		102,199,790
	2017	8.3	207,898,332	
				<u>441,116,389</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(435,309,142)	
	2015	5	385,284,122	
	2016	5	1,295,565,574	
	2017	5	(904,033,050)	
				<u>341,507,504</u>
			<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</u>

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. 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
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	(1,714,363,628)
	\$ 2,360,639,596

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

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, 2016 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 (7.00% at June 30, 2017) 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 TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. 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>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 on the contribution rate in the most recent fiscal year. The State contributed 40% 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 2036. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Sensitivity of the State'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, 2017 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:

	June 30, 2017		
	At 1% Decrease (3.25%)	At Current Discount Rate (4.25%)	At 1% Increase (5.25%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 49,217,976	\$ 41,428,178	\$ 35,010,910

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$20,057 for the fiscal year ended June 30, 2018. Employee contributions to DCRP amounted to \$33,075 for the fiscal year ended June 30, 2018.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. 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 Board offers several plan administrators for its employees to utilize.

AXA Equitable VALIC
Lincoln Investment Planning Vanguard Small Business

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Health Benefits are provided to the employees through the State of New Jersey Health Benefits Plan.

Property, Liability and Health Benefits

The District is a member of the School Alliance Insurance Fund (“SAIF”). 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 SAIF 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 SAIF are elected.

As a member of the SAIF, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the SAIF were to be exhausted, members would become responsible for their respective shares of the SAIF’s liabilities. The SAIF 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 report for the fiscal year ended June 30, 2018 was not available as of the date of this report. Selected financial information for the SAIF as of June 30, 2017 is as follows:

	School Alliance Insurance Fund
Total Assets	\$ 41,637,320
Net Position	\$ 10,127,373
Total Revenue	\$ 41,896,275
Total Expenses	\$ 41,231,917
Change in Net Position	\$ 664,358
Members Dividends	\$ - 0 -

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

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

School Alliance Insurance Fund
51 Everett Drive, Suite 40-B
West Windsor, NJ 08550
(609) 275-1155
www.saifund.com

New Jersey Unemployment Compensation Insurance

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

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

Fiscal Year	Employee Contributions and Interest	Amount Reimbursed	Ending Balance
2017-2018	\$ 29,885	\$ 25,254	\$ 102,786
2016-2017	28,845	27,697	98,155

NOTE 11. 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 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.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 13. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account was established by the Mendham Township School District for the accumulation of funds for use as maintenance expenditures in subsequent fiscal years. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds may 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, 2017 to June 30, 2018 fiscal year is as follows:

Balance at June 30, 2017	\$	135,786
Increases: Interest		271
Balance at June 30, 2018	\$	136,057

NOTE 14. ACCOUNTS PAYABLE

Accounts payable recorded in the District's Governmental and Business-Type activities as of June 30, 2018 consisted of the following:

	Governmental Funds		District Contribution Subsequent to the Measurement Date	Total Governmental Activities	Business-Type
	General Fund	Special Revenue Fund			Activities Proprietary Funds
Vendors	\$ 38,996	5,607		\$ 44,603	\$ 26,254
State of New Jersey			\$ 117,178	117,178	
	\$ 38,996	5,607	\$ 117,178	\$ 161,781	26,254

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The following interfund balances remained on the balance sheet at June 30, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,206,707	\$ 2,968
Special Revenue Fund		116,985
Debt Service Fund		340,436
Proprietary Funds - Food Service	2,968	
Proprietary Funds -Enrichment Program		76,885
Proprietary Funds - Preschool Program		505,284
Proprietary Funds - 2yr Old Program		167,117
	<u>\$ 1,209,675</u>	<u>\$ 1,209,675</u>

The interfund receivable in the General Fund from the Special Revenue Fund is for a deficit in cash due to the time lag between request and reimbursement of grant funds. The interfund receivable between the General Fund and the various Proprietary Funds is expenses disbursed from the General Fund on behalf of the respective Proprietary Funds. The interfund payable from the General Fund to the Food Service Proprietary Fund is for Special Milk Program grant funds received in the General Fund and not turned over as of the end of the year. The interfund between the Debt Service Fund and General Fund is due to excess money sent over from the General Fund in prior years.

NOTE 16. COMMITMENTS AND CONTINGENCIES

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.

Encumbrances

At June 30, 2018, there were \$7,179 of encumbrances in the District's General Fund – Governmental Funds. All of the governmental funds are considered to be major funds.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers’ Pension and Annuity Fund (TPAF), the Public Employees’ Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree’s annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	\$ 142,331
Active Plan Members	223,747
Total	\$ 366,078

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%		
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases:			
Through 2026	1.55 - 4.55%	2.15 - 4.15%	2.10 - 8.98%
	based on years of service	based on age	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%	3.10 - 9.98%
	based on years of service	based on age	based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS and PERS, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is 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.

Changes in the State's Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2016	\$ 57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	45,748,749
Net Changes	(4,191,942,326)
Balance at June 30, 2017	\$ 53,639,841,858

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District 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:

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
Total OPEB Liability Attributable to the District	\$ 35,029,210	\$ 29,508,914	\$ 25,130,163

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate (Cont'd)

	June 30, 2016		
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
Total OPEB Liability Attributable to the District	\$ 37,958,781	\$ 31,684,565	\$ 26,745,952

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 24,268,229	\$ 29,508,914	\$ 36,468,482

	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 25,998,068	\$ 31,684,565	\$ 39,286,870

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$1,909,353 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	\$ 1,190,373,242	\$ (6,343,769,032)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)
	\$ (6,343,769,032)

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
District's proportion of the net pension liability	0.0252628146%	0.0271968536%	0.0289757023%
District's proportionate share of the net pension liability	\$ 4,729,890	\$ 6,105,149	\$ 8,581,772
District's covered employee payroll	\$ 1,980,806	\$ 1,860,159	\$ 1,947,394
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	238.79%	328.21%	440.68%
Plan fiduciary net position as a percentage of the total pension liability for the local group	52.08%	47.93%	40.14%
			48.10%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
	2018		
Contractually required contribution	\$ 208,263	\$ 233,820	\$ 257,416
Contributions in relation to the contractually required contribution	(208,263)	(233,820)	(257,416)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 1,941,190	\$ 1,980,806	\$ 1,860,159
Contributions as a percentage of covered employee payroll	10.73%	11.80%	13.84%
			13.24%

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ATTRIBUTABLE TO THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.0650455218%	0.0632541340%	0.0635981239%
State's proportionate share of the net pension liability attributable to the District	\$ 34,764,714	\$ 39,979,314	\$ 50,030,334
District's covered employee payroll	\$ 6,281,501	\$ 6,234,653	\$ 6,326,583
State's proportionate share of the net pension liability attributable to the district as a percentage of its covered employee payroll	553.45%	641.24%	790.80%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.23%
			2018
			0.0614446201%
		\$ 41,428,178	\$ 6,313,240
		656.21%	25.41%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 1,870,668	\$ 2,441,097	\$ 3,759,083
Contributions in relation to the contractually required contribution	(319,023)	(485,030)	(666,965)
Contribution deficiency/(excess)	<u>\$ 1,551,645</u>	<u>\$ 1,956,067</u>	<u>\$ 3,092,118</u>
District's covered employee payroll	\$ 6,281,501	\$ 6,234,653	\$ 6,326,583
Contributions as a percentage of covered employee payroll	5.08%	7.78%	10.54%
			14.18%
			<u>\$ 2,869,934</u>
			<u>(895,105)</u>
			<u>\$ 1,974,829</u>

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

MENDHAM TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Years Ending	
	June 30, 2016	June 30, 2017
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	(1,223,298,019)	(1,242,412,566)
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	46,849,651,824	57,831,784,184
Total OPEB Liability - Ending	\$ 57,831,784,184	\$ 53,639,841,858
State's Covered Employee Payroll *	\$ 13,493,400,208	\$ 13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% as of June 30, 2016 to 2.25% as of June 30, 2017.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 2.50% as of June 30, 2016 to 2.25% as of June 30, 2017.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

BUDGETARY COMPARISON SCHEDULES

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

REVENUES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Local Sources:					
Local Tax Levy	\$ 14,645,103		\$ 14,645,103	\$ 14,645,103	
Tuition	19,292		19,292	48,607	\$ 29,315
Transportation Fees from Other LEASs	623,000		623,000	810,909	187,909
Rents and Royalties	7,800		7,800	11,429	3,629
Interest Earned on Maintenance Reserve Funds	135		135	271	136
Interest Earned on Capital Reserve Funds	400		400	455	55
Miscellaneous	114,718		114,718	9,484	(105,234)
Total - Local Sources	15,410,448		15,410,448	15,526,258	115,810
State Sources:					
Categorical Transportation Aid	79,883		79,883	79,883	
Categorical Special Education Aid	357,973		357,973	357,973	
Categorical Security Aid	13,957		13,957	13,957	
Extraordinary Aid				138,312	138,312
PARCC Readiness Aid	6,970		6,970	6,970	
Per Pupil Growth Aid	6,970		6,970	6,970	
Professional Learning Community Aid	6,460		6,460	6,460	
Nonpublic Transportation				25,281	25,281
On-Behalf TPAF Post Retirement Contributions				592,159	592,159
On-Behalf TPAF Pension Contributions				895,105	895,105
On-Behalf TPAF Non-Contributory Insurance				21,722	21,722
On-Behalf TPAF Long-Term Disability Insurance				1,223	1,223
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				525,375	525,375
Total State Sources	472,213		472,213	2,671,390	2,199,177
TOTAL REVENUES	15,882,661		15,882,661	18,197,648	2,314,987

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 412,533	\$ (26,135)	\$ 386,398	\$ 359,914	\$ 26,484
Grades 1-5 - Salaries of Teachers	1,465,342	33,319	1,498,661	1,498,661	
Grades 6-8 - Salaries of Teachers	2,204,525	(45,699)	2,158,826	2,157,276	1,550
Regular Programs - Home Instruction:					
Salaries of Teachers	5,000	1,828	6,828	6,828	
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	87,434	52,000	139,434	54,105	85,329
Other Purchased Professional and Technical Services	175,000	(64,706)	110,294	109,835	459
Other Purchased Services (400-500 series)	130,003	21,020	151,023	142,290	8,733
General Supplies	374,956	(26,309)	348,647	263,678	84,969
Textbooks	2,345		2,345	649	1,696
Other Objects	5,276		5,276	4,486	790
Total Regular Programs - Instruction	4,862,414	(54,682)	4,807,732	4,597,722	210,010
Special Education:					
Resource Room/Resource Center:					
Salaries of Teachers	952,995	36,983	989,978	989,978	
Other Salaries for Instruction		481	481	480	1
General Supplies	600		600	597	3
Total Resource Room/Resource Center	953,595	37,464	991,059	991,055	4

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Special Education:					
Preschool Disabilities - Part Time:					
Salaries of Teachers	\$ 86,098	\$ 50,463	\$ 136,561	\$ 66,141	\$ 70,420
Other Salaries for Instruction	147,147	49,915	197,062	197,062	
General Supplies	4,750		4,750	4,595	155
Other Objects	500	(118)	382	307	75
Total Preschool Disabilities - Part Time	238,495	100,260	338,755	268,105	70,650
Total Special Education - Instruction	1,192,090	137,724	1,329,814	1,259,160	70,654
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	180,940	4,265	185,205	185,040	165
General Supplies	400		400	399	1
Total Basic Skills/Remedial - Instruction	181,340	4,265	185,605	185,439	166
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	98,084	13,375	111,459	111,459	
Purchased Services (300-500 series)	2,050	(539)	1,511	1,511	
Supplies and Materials	2,660	(974)	1,686	1,503	183
Other Objects	4,283	(2,972)	1,311	1,161	150
Total School-Sponsored Cocurricular Activities - Instruction	107,077	8,890	115,967	115,634	333
School-Sponsored Athletics - Instruction:					
Salaries	70,143	(4,550)	65,593	65,593	
Purchased Services (300-500 series)	10,655		10,655	10,000	655
Supplies and Materials	14,744	3,000	17,744	17,711	33
Other Objects	6,025	(3,000)	3,025	2,659	366
Total School-Sponsored Athletics - Instruction	101,567	(4,550)	97,017	95,963	1,054

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Total Instruction	\$ 6,444,488	\$ 91,647	\$ 6,536,135	\$ 6,253,918	\$ 282,217
Undistributed Expenditures:					
Instruction:					
Tuition to Private Schools for the Handicapped - Within State	312,785	(30,794)	281,991	199,346	82,645
Total Undistributed Expenditures - Instruction	312,785	(30,794)	281,991	199,346	82,645
Health Services:					
Salaries	152,418	(4,490)	147,928	147,920	8
Other Purchased Professional and Technical Services	4,200	4,200	8,400	8,400	
Other Purchased Services (400-500 series)	420		420	285	135
Supplies and Materials	6,800	(4,067)	2,733	2,733	
Total Health Services	163,838	(4,357)	159,481	159,338	143
Speech, OT, PT & Related Services:					
Salaries	116,784	14,149	130,933	130,933	
Purchased Professional - Educational Services	101,870	18,130	120,000	88,475	31,525
Supplies and Materials	1,800	(157)	1,643	1,568	75
Total Speech, OT, PT & Related Services	220,454	32,122	252,576	220,976	31,600
Other Support Services - Students - Extraordinary Services:					
Salaries	375,282	20,353	395,635	361,902	33,733
Total Other Support Services - Students - Extraordinary Services	375,282	20,353	395,635	361,902	33,733

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Guidance:					
Salaries of Other Professional Staff	\$ 114,197	\$ 6,690	\$ 120,887	\$ 120,887	
Purchased Professional - Educational Services	530	(178)	352	139	\$ 213
Supplies and Materials	3,730	550	4,280	3,531	749
Total Guidance	118,457	7,062	125,519	124,557	962
Undistributed Expenditures:					
Child Study Teams:					
Salaries of Other Professional Staff	316,422	1,415	317,837	317,837	
Salaries of Secretarial and Clerical Assistants	55,672		55,672	55,672	
Other Purchased Professional and Technical Services	7,250	3,225	10,475	10,475	
Other Purchased Services (400-500 series other than resid costs)	4,000	(860)	3,140	45	3,095
Supplies and Materials	7,000		7,000	6,176	824
Other Objects	450	(50)	400	85	315
Total Child Study Teams	390,794	3,730	394,524	390,290	4,234
Improvement of Instruction Services:					
Salaries of Other Professional Staff	170,684	(9,843)	160,841	154,082	6,759
Supplies and Materials	3,450	(1,333)	2,117		2,117
Total Improvement of Instruction Services	174,134	(11,176)	162,958	154,082	8,876
Educational Media Services/School Library:					
Salaries	115,574	(3,746)	111,828	111,828	
Other Purchased Professional and Technical Services	8,300	(1,759)	6,541	6,541	
Supplies and Materials	11,887	(1,251)	10,636	8,771	1,865
Total Educational Media Services/School Library	135,761	(6,756)	129,005	127,140	1,865

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
Instructional Staff Training Services:					
Other Purchased Services (400-500 series)	\$ 16,652	\$	16,652	4,828	\$ 11,824
Total Instructional Staff Training Services	16,652		16,652	4,828	11,824
Support Services - General Administration:					
Salaries	246,551	\$ 21,737	268,288	268,288	
Legal Services	10,000	500	10,500	10,132	368
Audit Fees	22,500	805	23,305	23,305	
Architectural/ Engineering Services	13,973	4,793	18,766	10,766	8,000
Other Purchased Professional Services	7,400	(5,686)	1,714	1,714	
Communications/Telephone	31,150	22,983	54,133	52,984	1,149
BOE Other Purchased Services	3,000	(3,000)			
Miscellaneous Purchased Services (400-500)					
(Other than 530 & 585 Series)	13,400	5,988	19,388	19,216	172
General Supplies	4,450	(4,023)	427	424	3
BOE In-House Training/Meeting Supplies		25,540	25,540	25,522	18
Miscellaneous Expenditures	8,300	78	8,378	8,378	
BOE Membership Dues and Fees	5,000	(5,000)			
Total Support Services - General Administration	365,724	64,715	430,439	420,729	9,710
Support Services - School Administration:					
Salaries of Principals/Assistant Principals/Program Directors	309,247	43,323	352,570	352,570	
Salaries of Other Professional Staff	68,181	4,353	72,534	72,534	
Salaries of Secretarial and Clerical Assistants	139,571	23,920	163,491	163,491	
Other Purchased Professional and Technical Services	8,114	(2,823)	5,291	5,290	1

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
Support Services - School Administration:					
Supplies and Materials	\$ 7,125	\$ (2,162)	\$ 4,963	\$ 4,963	
Other Objects	2,200	(1,561)	639	289	\$ 350
Total Support Services - School Administration	534,438	65,050	599,488	599,137	351
Central Services:					
Salaries	176,397	16,450	192,847	192,847	
Other Purchased Professional Services	20,400	8,195	28,595	26,357	2,238
Miscellaneous Purchased Services (400-500 Series)	2,100	(1,528)	572	543	29
Supplies and Materials	5,750	2,420	8,170	8,161	9
Miscellaneous Expenditures	2,400	(1,025)	1,375	1,315	60
Total Central Services	207,047	24,512	231,559	229,223	2,336
Required Maintenance for School Facilities:					
Salaries	222,922		222,922	217,447	5,475
Cleaning, Repair and Maintenance Services	287,250	(86,584)	200,666	174,024	26,642
General Supplies	87,134	(24,487)	62,647	47,735	14,912
Total Required Maintenance for School Facilities	597,306	(111,071)	486,235	439,206	47,029
Custodial Services:					
Salaries	464,146	6,227	470,373	464,717	5,656
Salaries of Non-Instructional Aides	33,926		33,926	28,468	5,458
Purchased Professional and Technical Services	15,300	(8,000)	7,300	7,000	300
Cleaning, Repair and Maintenance Services	38,290	3,474	41,764	38,512	3,252
Other Purchased Property Services	28,400	2,667	31,067	26,289	4,778

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
Custodial Services:					
Insurance	\$ 163,399	\$ (31,530)	\$ 131,869	\$ 126,096	\$ 5,773
Miscellaneous Purchased Services	16,000	(10,001)	5,999		5,999
General Supplies	48,000	(2,000)	46,000	39,956	6,044
Energy (Natural Gas)	70,500	58,508	129,008	122,184	6,824
Energy (Electricity)	270,000	(86,458)	183,542	162,709	20,833
Energy (Gasoline)	7,000		7,000	3,737	3,263
Other Objects	2,000		2,000	225	1,775
Total Custodial Services	<u>1,156,961</u>	<u>(67,113)</u>	<u>1,089,848</u>	<u>1,019,893</u>	<u>69,955</u>
Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	23,400		23,400	18,322	5,078
General Supplies	4,300		4,300	1,953	2,347
Total Care and Upkeep of Grounds	<u>27,700</u>		<u>27,700</u>	<u>20,275</u>	<u>7,425</u>
Student Transportation Services:					
Salaries (Between Home & School) - Regular	966,059	15,101	981,160	981,160	
Salaries (Between Home & School) - Special Education	120,767	3,765	124,532	124,532	
Salaries (Other Than Between Home & School)	76,000	40,860	116,860	116,860	
Salaries (Between Home & School) - Non Public School	9,000	(9,000)			
Management Fee - ESCs & CTSA Transportation Program	1,200		1,200	871	329
Cleaning, Repair and Maintenance Services	256,150	23,251	279,401	279,313	88
Lease Purchase Payments - School Buses	179,256	(310)	178,946	176,500	2,446

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
Student Transportation Services:					
Contracted Services:					
Other Than Between Home & School - Vendors	\$ 1,000		\$ 1,000	400	\$ 600
Regular Students - ESCs & CTSA's	7,000		7,000	5,487	1,513
Special Education Students - ESC's & CTSA's	45,000	\$ 14,199	59,199	55,857	3,342
Aid in Lieu of Payments - Non Public School	57,000	(5,000)	52,000	50,156	1,844
Miscellaneous Purchased Services - Transportation	18,180	(3,765)	14,415	12,619	1,796
Transportation Supplies	166,200	(62,360)	103,840	103,067	773
Other Objects	3,000	(1,790)	1,210	992	218
Total Student Transportation Services	1,905,812	14,951	1,920,763	1,907,814	12,949
Unallocated Benefits:					
Social Security Contributions	322,793	(16,542)	306,251	306,251	
Other Retirement Contributions - PERS	287,982	(18,950)	269,032	262,653	6,379
Other Retirement Contributions - Regular	16,564	3,493	20,057	20,057	
Unemployment Compensation	43,264	(40,896)	2,368		2,368
Workmen's Compensation	160,812	(74,064)	86,748	84,726	2,022
Health Benefits	2,702,661	(330,518)	2,372,143	2,362,264	9,879
Tuition Reimbursement	124,214	1,294	125,508	121,905	3,603
Other Employee Benefits	126,680	347,199	473,879	473,879	
Total Unallocated Benefits	3,784,970	(128,984)	3,655,986	3,631,735	24,251

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Budget	Variance Final to Actual
EXPENDITURES:				
Current Expense:				
Undistributed Expenditures:				
Unallocated Benefits:				
TPAF Contributions:				
On-Behalf TPAF Post Retirement Contributions	\$ 592,159		\$ (592,159)	
On-Behalf TPAF Pension Contributions	895,105		(895,105)	
On-Behalf TPAF Non-Contributory Insurance	21,722		(21,722)	
On-Behalf TPAF Long-Term Disability Insurance	1,223		(1,223)	
Reimbursed TPAF Social Security Contributions	525,375		(525,375)	
Total TPAF Contributions	2,035,584		(2,035,584)	
Total Personal Services - Employee Benefits	\$ 3,784,970	\$ (128,984)	\$ 3,655,986	(2,011,333)
Total Undistributed Expenses	10,488,115	(127,756)	10,360,359	(1,685,696)
Total Expenditures - Current Expense	16,932,603	(36,109)	16,896,494	(1,403,479)
Capital Outlay:				
Equipment:				
Regular Programs - Instruction:				
Kindergarten	20,250		20,250	
Grades 1-5	136,500		136,500	
Grades 6-8 - Salaries of Teachers	48,000		48,000	33,415
Security	90,000	20,471	110,471	
School Buses - Regular		36,109	36,109	
Total Equipment	294,750	56,580	351,330	33,415

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Capital Outlay:					
Facilities Acquisition and Construction Services:					
Assessment for Debt Service	\$ 61,715		\$ 61,715	\$ 61,715	
Total Facilities Acquisition and Construction Services	61,715		61,715	61,715	
Assets Acquired Under Capital Leases (Non-Budgeted):					
Undistributed Expenditures:					
School Administration				11,200	\$ (11,200)
Student Transportation - School Bus				198,491	(198,491)
Assets Acquired Under Capital Leases (Non-Budgeted)				209,691	(209,691)
Total Capital Outlay	356,465	\$ 56,580	413,045	589,321	(176,276)
Transfer of Fund to Charter Schools	42,941	(20,471)	22,470	20,954	1,516
TOTAL EXPENDITURES	17,332,009		17,332,009	18,910,248	(1,578,239)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,449,348)		(1,449,348)	(712,600)	736,748
Other Financing Sources:					
Capital Leases (Non-Budgeted)				209,691	209,691
Total Other Financing Sources				209,691	209,691
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(1,449,348)		(1,449,348)	(502,909)	946,439

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Fund Balance, July 1	\$ 3,786,544		\$ 3,786,544	\$ 3,786,544	
Fund Balance, June 30	\$ 2,337,196	\$ - 0 -	\$ 2,337,196	\$ 3,283,635	\$ 946,439

Recapitulation:

Restricted:	
Capital Reserve	\$ 278,064
Maintenance Reserve	136,057
Excess Surplus	906,111
Excess Surplus - Subsequent Year's Expenditures	1,459,331
Assigned:	
Year-End Encumbrances	7,179
Unassigned	496,893
	<u>3,283,635</u>

Reconciliation to Governmental Funds Statement (GAAP):

Last Two State Aid Payments not Recognized on GAAP Basis

Fund Balance per Governmental Funds (GAAP)

	(41,048)
	<u>\$ 3,242,587</u>

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	\$ 1,000	\$ 7,015	\$ 8,015	\$ 2,293	\$ (5,722)
Federal Sources	182,284	130,757	313,041	282,360	(30,681)
Total Revenues	183,284	137,772	321,056	284,653	(36,403)
EXPENDITURES:					
Instruction:					
Purchased Professional and Technical Services	16,715	27,458	44,173	44,173	
Other Purchased Professional Services	138,136	1,772	139,908	139,908	
General Supplies		95,289	95,289	75,000	20,289
Total Instruction	154,851	124,519	279,370	259,081	20,289
Support Services:					
Purchased Professional and Technical Services	22,433	9,338	31,771	23,279	8,492
Purchased Property Services		2,035	2,035	208	1,827
Supplies and Materials	1,000	1,880	2,880	2,085	795
Total Support Services	23,433	13,253	36,686	25,572	11,114
Equipment:					
Instructional Equipment	5,000		5,000		5,000
Total Equipment	5,000		5,000		5,000
Total Expenditures	\$ 183,284	\$ 137,772	\$ 321,056	\$ 284,653	\$ 36,403
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

MENDHAM TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 18,197,648	\$ 284,653
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Statements	35,778	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(41,048)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and and Changes in Fund Balances - Governmental Funds.	<u>\$ 18,192,378</u>	<u>\$ 284,653</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 18,910,248</u>	<u>\$ 284,653</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 18,910,248</u>	<u>\$ 284,653</u>

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, 2018 was submitted to the County office and are 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)l. 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 recognition of the June state aid payments for the current year. Since the State is recording the June 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 TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Elementary and Secondary Education Act		IDEA Part B		Local Grants	Totals
	Title I	Title II, Part A	Title IV	Basic		
REVENUE:						
Local Sources	\$ 87,177	\$ 8,941	\$ 5,000	\$ 146,136	\$ 16,110	\$ 18,996
Federal Sources						\$ 2,293
Total Revenue	87,177	8,941	5,000	146,136	16,110	18,996
EXPENDITURES:						
Instruction:						
Purchased Professional and Technical Services	17,177			8,000		18,996
Other Purchased Professional Services				138,136	1,772	
General Supplies	70,000		5,000			
Total Instruction	87,177		5,000	146,136	1,772	18,996
Support Services:						
Purchased Professional and Technical Services		8,941			14,338	
Purchased Property Services						208
Supplies and Materials						2,085
Total Support Services		8,941			14,338	2,293
Total Expenditures	\$ 87,177	\$ 8,941	\$ 5,000	\$ 146,136	\$ 16,110	\$ 18,996
						\$ 2,293
						\$ 284,653

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

MENDHAM TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	Major Funds			Non-Major Funds			Enterprise Funds Total
	Preschool Program	2 Year Old Program	Enrichment Program	Middle School Play	Food Service	Totals	
ASSETS:							
Current Assets:							
Cash and Cash Equivalents	\$ 521,599	\$ 170,759	\$ 76,885	\$ 2,462	\$ 73,268	\$ 152,615	\$ 844,973
Intergovernmental Accounts Receivable:							
Federal					309	309	309
Student Accounts Receivable	1,403	3,208					4,611
Interfund Accounts Receivable					2,968	2,968	2,968
Inventories					5,110	5,110	5,110
Total Current Assets	523,002	173,967	76,885	2,462	81,655	161,002	857,971
Non-Current Assets:							
Capital Assets	43,869				106,838	106,838	150,707
Less: Accumulated Depreciation	(12,338)				(96,728)	(96,728)	(109,066)
Total Non-Current Assets	31,531				10,110	10,110	41,641
Total Assets	554,533	173,967	76,885	2,462	91,765	171,112	899,612
LIABILITIES:							
Current Liabilities:							
Accounts Payable - Vendors					26,254	26,254	26,254
Interfund Accounts Payable	505,284	167,117	76,885			76,885	749,286
Unearned Revenue	17,718	6,850			2,608	2,608	27,176
Total Current Liabilities	523,002	173,967	76,885		28,862	105,747	802,716
NET POSITION:							
Investment in Capital Assets	31,531			2,462	10,110	10,110	41,641
Unrestricted					52,793	55,255	55,255
Total Net Position	\$ 31,531	\$ -0-	\$ -0-	\$ 2,462	\$ 62,903	\$ 65,365	\$ 96,896

MENDHAM TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
 COMBINING STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Major Funds			Non-Major Funds			Enterprise Funds Total
	Preschool Program	2 Year Old Program	Enrichment Program	Middle School Play	Food Service	Total	
Operating Revenue:							
Local Sources:							
Daily Sales - Special Milk Program					\$ 3,998	\$ 3,998	\$ 3,998
Daily Sales - Non-Reimbursable Meals					315,702	315,702	315,702
Charges for Services:							
Program Fees	\$ 298,776	\$ 91,277	\$ 153	\$ 20,759		20,912	410,965
Total Operating Revenue	298,776	91,277	153	20,759	319,700	340,612	730,665
Operating Expenses:							
Cost of Sales - Reimbursable Programs					138,198	138,198	138,198
Salaries, Benefits & Payroll Taxes	70,420	84,809	26,235		118,444	144,679	299,908
Supplies, Insurance & Other Costs	4,452				40,699	40,699	45,151
Management Fee					17,577	17,577	17,577
Miscellaneous		27					27
Program Expenses	27,100	475		26,178		26,178	53,753
Depreciation Expense	2,193				1,147	1,147	3,340
Total Operating Expenses	104,165	85,311	26,235	26,178	316,065	368,478	557,954
Operating Income/(Loss)	194,611	5,966	(26,082)	(5,419)	3,635	(27,866)	172,711
Non-Operating Revenue:							
Local Sources:							
Interest Income	761	36		12	156	168	965
Federal Sources:							
Special Milk Program					3,546	3,546	3,546
Total Non-Operating Revenue	761	36		12	3,702	3,714	4,511
Change in Net Position Before Other Items	195,372	6,002	(26,082)	(5,407)	7,337	(24,152)	177,222
Other Items:							
Cancellation to Prior Year Interfund Payable	17,260	551					17,811
Adjustment to Capital Assets	3,123				(1,236)	(1,236)	1,887
Total Other Items	20,383	551			(1,236)	(1,236)	19,698
Change in Net Position After Other Items	215,755	6,553	(26,082)	(5,407)	6,101	(25,388)	196,920
Net Position/(Deficit) - Beginning of Year	(184,224)	(6,553)	26,082	7,869	56,802	90,753	(100,024)
Net Position - End of Year	\$ 31,531	\$ - 0 -	\$ - 0 -	\$ 2,462	\$ 62,903	\$ 65,365	\$ 96,896

MENDHAM TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Major Funds		Non-Major Funds			Enterprise Funds Total
	Preschool Program	2 Year Old Program	Enrichment Program	Middle School Play	Food Service	
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 285,383	\$ 87,984	\$ 153	\$ 20,759	\$ 313,444	\$ 707,723
Payments for Programs	(27,100)	(502)		(26,178)	(26,178)	(53,780)
Payments to Food Service Vendor				(291,204)	(291,204)	(291,204)
Net Cash Provided by/(Used for) Operating Activities	258,283	87,482	153	(5,419)	22,240	362,739
Cash Flows from Investing Activities:						
Local Sources:						
Interest Income	761	36		12	156	965
Net Cash Provided by Investing Activities	761	36		12	156	965
Cash Flows from Noncapital Financing Activities:						
Cash Received from Federal Reimbursements					3,997	3,997
Net Cash Provided by Noncapital Financing Activities					3,997	3,997
Net Increase/(Decrease) in Cash and Cash Equivalents	259,044	87,518	153	(5,407)	26,393	367,701
Cash and Cash Equivalents, July 1	262,555	83,241	76,732	7,869	46,875	477,272
Cash and Cash Equivalents, June 30	\$ 521,599	\$ 170,759	\$ 76,885	\$ 2,462	\$ 73,268	\$ 844,973
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used) for Operating Activities:						
Operating Income/(Loss)	\$ 194,611	\$ 5,966	\$ (26,082)	\$ (5,419)	\$ 3,635	\$ 172,711
Adjustment to Reconcile Operating Income/(Loss) to Cash Provided by/(Used for) Operating Activities:						
Depreciation	2,193				1,147	3,340
Changes in Assets and Liabilities:						
(Increase)/Decrease in Accounts Receivable	(1,402)	(3,208)			(2,540)	(4,610)
(Increase)/Decrease in Inventory						(2,540)
Increase/(Decrease) in Interfund Payable	74,872	84,809	26,235		26,235	185,916
Increase/(Decrease) in Unearned Revenue	(11,991)	(85)			(6,256)	(18,332)
Increase/(Decrease) in Accounts Payable					26,254	26,254
Net Cash Provided by/(Used for) Operating Activities	\$ 258,283	\$ 87,482	\$ 153	\$ (5,419)	\$ 22,240	\$ 362,739

FIDUCIARY FUNDS

MENDHAM TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	Student Activities	Payroll Agency	Total Agency	Unemployment Compensation Trust	Flexible Spending Trust
ASSETS:					
Cash and Cash Equivalents	\$ 80,754	\$ 536,058	\$ 616,812	\$ 102,786	\$ 2,694
Total Assets	<u>80,754</u>	<u>536,058</u>	<u>616,812</u>	<u>102,786</u>	<u>2,694</u>
LIABILITIES:					
Due to Student Groups	76,304		76,304		
Due to Athletics	4,450		4,450		
Accrued Payroll - Summer Savings		446,644	446,644		
Payroll Deductions and Withholdings		89,414	89,414		
Total Liabilities	<u>80,754</u>	<u>536,058</u>	<u>616,812</u>		
NET POSITION:					
Held in Trust for:					
Unemployment Claims				102,786	
Flexible Spending Claims					2,694
Total Net Position	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 102,786</u>	<u>\$ 2,694</u>

MENDHAM TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Unemployment Compensation Trust	Flexible Spending Trust	Totals
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
Plan Contributions	\$ 29,692	\$ 7,250	\$ 36,942
Total Contributions	<u>29,692</u>	<u>7,250</u>	<u>36,942</u>
Investment Earnings:			
Interest	<u>193</u>	<u>4</u>	<u>197</u>
Net Investment Earnings	<u>193</u>	<u>4</u>	<u>197</u>
Total Additions	<u>29,885</u>	<u>7,254</u>	<u>37,139</u>
Deductions:			
Unemployment Compensation Claims	25,066		25,066
Flexible Spending Claims		6,927	6,927
Transfer Interest to General Fund	<u>188</u>		<u>188</u>
Total Deductions	<u>25,254</u>	<u>6,927</u>	<u>32,181</u>
Change in Net Position	4,631	327	4,958
Net Position - Beginning of the Year	<u>98,155</u>	<u>2,367</u>	<u>100,522</u>
Net Position - End of the Year	<u>\$ 102,786</u>	<u>\$ 2,694</u>	<u>\$ 105,480</u>

MENDHAM TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalents	\$ 67,494	\$ 219,573	\$ 206,313	\$ 80,754
Total Assets	<u>\$ 67,494</u>	<u>\$ 219,573</u>	<u>\$ 206,313</u>	<u>\$ 80,754</u>
 LIABILITIES				
Due to Elementary School				
Student Activities	\$ 12,451	\$ 35,498	\$ 30,632	\$ 17,317
Due to Middle School				
Athletic Activities	2,761	10,174	8,485	4,450
Student Activities	52,282	173,901	167,196	58,987
Total Liabilities	<u>\$ 67,494</u>	<u>\$ 219,573</u>	<u>\$ 206,313</u>	<u>\$ 80,754</u>

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Elementary School				
Student Activities	\$ 12,451	\$ 35,498	\$ 30,632	\$ 17,317
Middle School				
Athletic Fund	2,761	10,174	8,485	4,450
Student Activities	<u>52,282</u>	<u>173,901</u>	<u>167,196</u>	<u>58,987</u>
Total All Schools	<u>\$ 67,494</u>	<u>\$ 219,573</u>	<u>\$ 206,313</u>	<u>\$ 80,754</u>

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 483,383	\$ 12,493,453	\$ 12,440,778	\$ 536,058
Total Assets	<u>\$ 483,383</u>	<u>\$ 12,493,453</u>	<u>\$ 12,440,778</u>	<u>\$ 536,058</u>
<u>LIABILITIES:</u>				
Accrued Payroll - Summer Savings	\$ 402,242	\$ 446,041	\$ 401,639	\$ 446,644
Payroll Deductions and Withholdings	<u>81,141</u>	<u>12,047,412</u>	<u>12,039,139</u>	<u>89,414</u>
Total Liabilities	<u>\$ 483,383</u>	<u>\$ 12,493,453</u>	<u>\$ 12,440,778</u>	<u>\$ 536,058</u>

LONG-TERM DEBT

MENDHAM TOWNSHIP SCHOOL DISTRICT
LONG TERM DEBT
STATEMENT OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance July 1, 2017	Retired or Matured	Balance June 30, 2018
			Date	Amount				
Refunding School Bonds	02/25/10	\$ 3,120,000	12/01/18	\$ 335,000	4.5%			
			12/01/19	335,000	5.0%			
			12/01/20	335,000	5.0%			
			12/01/21	320,000	5.0%	\$ 1,635,000	\$ 310,000	\$ 1,325,000
Refunding School Bonds	11/09/11	6,555,000	04/01/19	655,000	4.0%			
			04/01/20	725,000	4.0%			
			04/01/21	725,000	4.0%			
			04/01/22	725,000	4.0%			
			04/01/23	720,000	4.0%	4,205,000	655,000	3,550,000
						\$ 5,840,000	\$ 965,000	\$ 4,875,000

MENDHAM TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES

Purpose	Original Issue	Interest Rate	Balance July 1, 2017	Issued	Retired or Adjusted	Balance June 30, 2018
2014 54 Passenger Buses (2)	\$ 165,554	1.39%	\$ 33,791		\$ 33,791	
2014 Savin Copiers (8)	107,663	1.71%	46,020		46,020	
2014 HP Laserjet Printers (30), Epson Scanner (1) and Ford F-3650 Truck	229,000	1.50%	91,705		45,230	\$ 46,475
2015 BlueBird 54 Passenger Bus	91,890	2.32%			(18,803)	18,803
2016 BlueBird 54 Passenger Buses (2)	199,110	2.19%	119,632		39,016	80,616
2017 BlueBird 54 Passenger Buses (2)	200,000	2.25%	158,497		38,312	120,185
2017 Savon - 9003 SP Copier (1)	32,745	2.35%	30,931		7,426	23,505
2018 BlueBird 54 Passenger Bus (2)	198,491	2.50%		\$ 198,491	41,258	157,233
2018 Savin Copier C3504	13,080			11,200	1,296	9,904
			\$ 480,576	\$ 209,691	\$ 233,546	\$ 456,721

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,205,525		\$ 1,205,525	\$ 1,205,525	
Total Revenues	1,205,525		1,205,525	1,205,525	
EXPENDITURES:					
Regular Debt Service:					
Interest	240,525		240,525	240,525	
Redemption of Principal	965,000		965,000	965,000	
Total Regular Debt Service	1,205,525		1,205,525	1,205,525	
Total Expenditures	1,205,525		1,205,525	1,205,525	
Deficit of Revenues Under Expenditures					
Fund Balance, July 1	-0-	-0-	-0-	-0-	-0-
Fund Balance, June 30	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<u>Recapitulation:</u>					
Restricted Fund Balance			\$ -0-	\$ -0-	\$ -0-

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

	<u>Exhibit</u>
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 TOWNSHIP SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
 UNAUDITED
(Accrual Basis of Accounting)

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
Net Investment in Capital Assets	\$ 9,687,653	\$ 9,990,410	\$ 10,543,919	\$ 11,012,882	\$ 11,587,642	\$ 11,678,389	\$ 12,026,347	\$ 12,714,846	\$ 13,002,974	\$ 13,622,432
Restricted	865,404	612,132	724,909	1,371,268	1,732,625	1,969,227	1,180,932	2,429,790	3,281,371	2,779,563
Unrestricted/(Deficit)	(281,534)	161,462	304,000	398,656	(72,086)	(95,288)	(4,921,355)	(5,876,520)	(5,810,621)	(6,089,767)
Total Governmental Activities	\$ 10,271,523	\$ 10,764,004	\$ 11,572,828	\$ 12,782,806	\$ 13,248,181	\$ 13,552,328	\$ 8,285,924	\$ 9,268,116	\$ 10,473,724	\$ 10,312,228
Business-Type Activities:										
Net Investment in Capital Assets	\$ 32,597	\$ 28,054	\$ 23,286	\$ 18,519	\$ 56,811	\$ 49,625	\$ 42,440	\$ 39,987	\$ 43,094	\$ 41,641
Unrestricted	60,631	55,524	93,836	70,416	179,494	332,252	562,790	830,557	(143,118)	55,255
Total Business-Type Activities	\$ 93,228	\$ 83,578	\$ 117,122	\$ 88,935	\$ 236,305	\$ 381,877	\$ 605,230	\$ 870,544	\$ (100,024)	\$ 96,896
District-Wide:										
Net Investment in Capital Assets	\$ 9,720,250	\$ 10,018,464	\$ 10,567,205	\$ 11,031,401	\$ 11,644,453	\$ 11,728,014	\$ 12,068,787	\$ 12,754,833	\$ 13,046,068	\$ 13,664,073
Restricted	865,404	612,132	724,909	1,371,268	1,732,625	1,969,227	1,180,932	2,429,790	3,281,371	2,779,563
Unrestricted/(Deficit)	(220,903)	216,986	397,836	469,072	107,408	236,964	(4,358,565)	(5,045,963)	(5,953,739)	(6,034,512)
Total District Net Position	\$ 10,364,751	\$ 10,847,582	\$ 11,689,950	\$ 12,871,741	\$ 13,484,486	\$ 13,934,205	\$ 8,891,154	\$ 10,138,660	\$ 10,373,700	\$ 10,409,124

Source: Mendham Township School District Financial records.

MENDHAM TOWNSHIP SCHOOL DISTRICT
CHANGE IN NET POSITION BY COMPONENT LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental Activities										
Instruction:										
Regular	\$ 6,237,100	\$ 6,127,602	\$ 5,936,004	\$ 5,979,747	\$ 6,791,162	\$ 6,155,762	\$ 6,104,125	\$ 6,313,306	\$ 6,658,674	\$ 8,986,250
Special Education	1,441,606	1,810,047	1,933,287	1,487,622	1,455,221	1,290,977	1,364,647	1,492,497	1,594,096	2,777,430
Other Special Education	253,106	277,347	297,863	306,196	322,215	334,233	349,116	362,199	387,201	
Other Instruction	182,525	261,975	213,797	240,961	270,066	262,969	280,353	330,098	297,251	686,536
School - Sponsored Instruction										95,963
Support Services:										
Tuition	386,358	322,001	466,311	453,251	370,629	269,623	484,355	627,038	239,943	199,346
Student and Instruction Related Services	1,878,059	2,080,056	1,784,887	1,901,612	1,699,698	1,928,462	2,028,083	1,946,654	1,993,151	2,993,835
General Administrative Services	611,650	564,800	573,421	655,408	532,902	611,498	713,418	634,217	668,166	708,975
School Administrative Services	658,642	669,829	612,648	620,929	830,016	958,830	818,574	787,022	835,610	1,144,566
Central Services	263,448	303,964	292,159	308,327	288,167	301,603	304,689	293,257	278,549	433,729
Plant Operations and Maintenance	1,715,131	1,876,534	1,943,369	2,129,583	2,080,172	2,311,829	2,283,844	2,430,491	2,583,776	2,267,846
Pupil Transportation	2,300,379	2,339,504	2,230,068	2,278,548	2,343,243	2,396,188	2,696,545	2,641,080	2,619,195	2,256,004
Unallocated Employee Benefits			8,612	30,176	165,357	(1,634)	111,689	(44,112)	667,857	5,027
Unallocated Depreciation	291,705	335,953							50,360	20,954
Charter Schools										314,714
Capital Outlay										244,899
Interest on Long-Term Debt	528,898	692,111	448,985	374,576	389,327	364,000	333,386	302,485	270,936	
Total Governmental Activities Expenses	16,748,607	17,661,723	16,741,411	16,766,936	17,538,175	17,184,340	17,872,824	18,116,232	19,144,765	23,136,074
Business-Type Activities:										
Food Service	275,114	282,406	289,687	272,142	281,016	301,289	375,445	292,935	280,416	316,065
Enrichment Program	112,685	54,206	38,976	61,462	39,178	55,762	98,249	32,517	24,908	26,235
Preschool Program					31,736	147,215	204,221	38,636	2,964	104,165
2 Year Old Program										85,311
Middle School Play										26,178
Total Business-Type Activities Expense	387,799	336,612	328,663	333,604	351,930	504,266	677,915	364,088	308,288	557,954
Total District Expenses	\$ 17,136,406	\$ 17,998,335	\$ 17,070,074	\$ 17,100,540	\$ 17,890,105	\$ 17,688,606	\$ 18,550,739	\$ 18,480,320	\$ 19,453,053	\$ 23,694,028
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Tuition										
Regular	\$ 48,004									
Special Education										
Plant Operations and Maintenance	776,965	\$ 798,722	\$ 665,327	\$ 708,242	\$ 689,515	\$ 791,006	\$ 791,999	11,759	12,729	810,909
Pupil transportation	1,059,396	1,270,120	1,149,748	1,307,965	1,611,808	1,386,134	1,527,454	1,789,617	1,863,123	6,207,991
Operating Grants and Contributions	1,884,365	2,068,842	1,815,075	2,016,207	2,301,323	2,177,140	2,319,453	2,605,503	2,730,866	7,067,507
Total Governmental Activities Program Revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
										48,607

MENDHAM TOWNSHIP SCHOOL DISTRICT
CHANGE IN NET POSITION BY COMPONENT, LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-Type Activities:										
Charges for Services:										
Food Service	\$ 274,418	\$ 270,759	\$ 273,753	\$ 258,523	\$ 276,602	\$ 267,096	\$ 285,249	\$ 299,975	\$ 298,406	\$ 319,700
Enrichment Program	137,636	55,880	56,858	42,311	50,521	69,234	81,077	71,707	139,185	153
Preschool Program					157,848	147,925	168,615	217,560	217,719	298,776
2 Year Old Program										91,277
Middle School Play	3,299	3,956	4,652	4,343	4,132	4,694	5,486	3,734	3,729	20,759
Operating grants and contributions	415,353	330,595	335,263	305,177	489,103	488,949	540,427	592,976	659,039	734,211
Total Business-Type Activities Program Revenues	\$ 2,299,718	\$ 2,399,437	\$ 2,150,338	\$ 2,321,384	\$ 2,790,426	\$ 2,666,089	\$ 2,859,880	\$ 3,198,479	\$ 3,389,905	\$ 7,801,718
Total District Program Revenues										
Net (Expense)/Revenue:										
Governmental Activities	\$ (14,864,242)	\$ (15,592,881)	\$ (14,926,336)	\$ (14,750,729)	\$ (15,236,852)	\$ (15,007,200)	\$ (15,553,371)	\$ (15,510,729)	\$ (16,413,899)	\$ (16,068,567)
Business-Type Activities	27,554	(6,017)	6,600	(28,427)	137,173	(15,317)	(137,488)	228,888	350,751	176,257
Total District-Wide Net Expense	\$ (14,836,688)	\$ (15,598,898)	\$ (14,919,736)	\$ (14,779,156)	\$ (15,099,679)	\$ (15,022,517)	\$ (15,690,859)	\$ (15,281,841)	\$ (16,063,148)	\$ (15,892,310)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 12,911,684	\$ 13,428,151	\$ 13,895,226	\$ 13,895,226	\$ 13,895,226	\$ 13,895,226	\$ 14,132,426	\$ 14,382,115	\$ 14,367,805	\$ 14,645,103
Taxes Levied for Debt Service	1,230,597	1,203,991	1,194,260	1,149,255	1,209,613	1,174,250	1,215,438	1,178,925	1,180,538	1,205,525
Unrestricted Grants and Contributions	866,145	687,855	229,266	476,517	418,969	561,737	577,283	590,109	581,687	34,804
Tuition Received			4,168	7,293	770					
Rental of Facilities			2,300	2,300	2,300					
Investment Earnings	27,646	25,272	7,453	5,551	3,390	1,503	1,498	2,369	6,685	
Refund from Issuance of Bonds				16,789						
Miscellaneous Income	34,758	12,761	56,807	114,613	46,456	12,051	735	122,188	181,704	21,639
Capital Lease Payments	245,309	114,316	141,931	156,099	122,950	112,846	145,736	176,221	(139,811)	
Fixed Assets	219,946	(100,610)	203,749	(80,935)	12,572	(285,583)	(311,108)	194,802		
Compensated Absences		433,993								
Transfers								274,723	581,181	
Income from Debt Refunding		231,391								
Retirement of Long Term Debt				217,999						
GASB #68 Pension Plan Adjustment							(5,214,556)			
Total Governmental Activities	\$ 15,536,085	\$ 16,085,362	\$ 15,735,160	\$ 15,960,707	\$ 15,712,246	\$ 15,472,030	\$ 10,547,452	\$ 16,921,452	\$ 16,759,789	\$ 15,907,071
Business-Type Activities:										
Investment earnings	1,145	463	310	240	178	206	356	904	1,294	965
Fixed Assets	(10,681)	(4,095)	26,633							
Transfers								(274,723)	(581,181)	
Miscellaneous Income										
Other Items	(9,536)	(3,632)	26,943	240	178	206	356	(273,819)	(579,887)	19,698
Total Business-Type Activities	\$ 15,526,549	\$ 16,081,730	\$ 15,762,103	\$ 15,960,947	\$ 15,712,424	\$ 15,472,236	\$ 10,547,808	\$ 16,647,633	\$ 16,179,902	\$ 15,927,734
Total District-Wide										
Change in Net Position:										
Governmental Activities	\$ 671,843	\$ 492,481	\$ 808,824	\$ 1,209,978	\$ 475,394	\$ 464,830	\$ (5,005,919)	\$ 1,410,723	\$ 345,890	\$ (161,496)
Business-Type Activities	18,018	(9,649)	33,543	(28,187)	137,351	(15,111)	(137,132)	(44,931)	(229,136)	196,920
Total District	\$ 689,861	\$ 482,832	\$ 842,367	\$ 1,181,791	\$ 612,745	\$ 449,719	\$ (5,143,051)	\$ 1,365,792	\$ 116,754	\$ 35,424

Source: Mendham Township School District Financial records.

MENDHAM TOWNSHIP SCHOOL DISTRICT
FUND BALANCES, GOVERNMENT FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund	\$ 880,478	\$ 642,204	\$ 707,771	\$ 1,328,706	\$ 1,690,063	\$ 1,926,665	\$ 1,746,656	\$ 2,387,228	\$ 3,281,371	\$ 2,779,563
Reserved/Restricted			68,112	168,661						
Committed						7,412	142,543	164,853	48,256	7,179
Assigned	\$ 340,382	\$ 320,355	\$ 443,221	\$ 431,374	\$ 278,090	\$ 418,684	\$ 428,878	\$ 437,668	\$ 421,139	\$ 455,845
Unreserved	\$ 1,220,860	\$ 962,559	\$ 1,219,104	\$ 1,928,741	\$ 1,985,562	\$ 2,352,761	\$ 2,318,077	\$ 2,989,749	\$ 3,750,766	\$ 3,242,587
Total General Fund										
All Other Governmental Funds	\$ 11,990	\$ 18,133	\$ 17,138	\$ 42,562	\$ 42,562	\$ 42,562	\$ 42,562	\$ 42,562	\$ -0-	\$ -0-
Unreserved, Reported in:										
Debt Service Fund	\$ 11,990	\$ 18,133	\$ 17,138	\$ 42,562	\$ 42,562	\$ 42,562	\$ 42,562	\$ 42,562	\$ -0-	\$ -0-
Total All Other Governmental Funds										

Source: Mendham Township School District Financial records.

MENDHAM TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENT FUNDS,
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Tax Levy	\$ 14,142,281	\$ 14,632,142	\$ 15,089,486	\$ 15,044,481	\$ 15,104,839	\$ 15,069,476	\$ 15,347,864	\$ 15,561,040	\$ 15,548,343	\$ 15,850,628
Tuition Charges	48,004		4,168	7,293	770	27,675	46,785	63,384	45,525	48,607
Transportation Fees from other LEAs	776,965	798,722	665,327	708,242	689,515	763,331	726,985	740,743	809,489	810,909
Interest Earnings	4,323	2,632	659	365	369	25	1,214	2,369	6,685	726
Miscellaneous	58,576	71,377	65,911	127,419	53,577	13,529	23,380	103,958	2,623	11,777
Rental Income								29,988	12,729	11,429
State Sources	1,735,356	1,598,509	1,165,177	1,558,099	1,844,941	1,767,587	1,927,834	2,164,558	2,297,776	2,666,120
Federal Sources	189,690	358,971	213,827	221,063	184,036	180,284	172,771	215,168	144,411	282,360
Total Revenue	16,955,195	17,462,353	17,204,555	17,666,962	17,878,047	17,821,907	18,246,833	18,881,208	18,867,581	19,682,556
Expenditures:										
Instruction										
Regular Instruction	4,855,980	4,687,776	4,437,131	4,468,943	4,935,823	4,646,348	4,666,396	4,599,211	4,726,763	4,701,133
Special Education Instruction	1,167,065	1,469,607	1,508,645	1,106,013	1,054,901	946,119	990,755	1,080,940	1,128,803	1,440,402
Other Special Instruction	198,673	214,022	223,477	226,248	232,353	243,716	252,241	261,906	274,200	
Other Instruction	143,131	201,329	161,488	179,162	195,786	192,737	203,555	239,089	210,501	301,073
School-Sponsored										
Support Services:										
Tuition	303,268	248,481	352,220	337,006	268,690	197,614	351,675	454,162	169,918	199,346
Student and Instruction Related Services	1,477,508	1,612,335	1,350,289	1,420,204	1,237,174	1,418,064	1,480,517	1,406,785	1,409,638	1,543,113
General Administrative Services	479,029	434,222	427,754	482,255	381,969	442,729	501,575	432,695	449,973	420,729
School Administrative Services	515,785	515,703	461,639	460,729	600,941	701,959	593,554	569,254	590,978	599,137
Central Services	206,791	234,562	220,677	229,251	208,909	221,053	221,225	212,405	197,257	229,223
Plant Operations and Maintenance	1,222,982	1,308,485	1,075,483	1,192,280	1,158,448	1,337,980	1,300,093	1,397,712	1,465,446	1,479,374
Pupil Transportation	1,695,192	1,691,479	1,551,820	1,577,663	1,596,388	1,652,743	1,848,684	1,794,880	1,731,701	1,907,814
Allocated Benefits	2,439,187									
Unallocated Benefits	869,211	3,627,036	3,745,582	3,967,425	4,433,402	4,307,402	4,529,477	4,655,914	5,045,824	5,667,319

MENDHAM TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENT FUNDS.

LAST TEN FISCAL YEARS

UNAUDITED

(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenditures: (Cont'd)										
Capital Outlay	\$ 396,921	\$ 44,361	\$ 98,361	\$ 39,987	\$ 130,544	\$ 14,176	\$ 9,771	\$ 31,194	\$ 22,512	\$ 589,321
Charter Schools										20,954
Debt Service:	1,229,602	1,210,609	1,195,255	1,140,620	1,209,613	1,220,913	1,215,438	1,178,925	1,223,100	965,000
Principal										240,525
Interest and Other Charges										20,400,426
Total Expenditures	17,200,325	17,500,007	16,809,821	16,827,786	17,644,941	17,543,553	18,164,956	18,315,072	18,646,614	20,400,426
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(245,130)	(37,654)	394,734	839,176	233,106	278,354	81,877	566,136	220,967	(717,870)
Other Financing Sources (Uses)										
Transfers in						170,702	233,355	274,723	581,181	
Transfers out							(5,558)		(35,663)	
Capital Leases (Non-Budgeted)	227,191	132,258	45,409	186,515		273,217	228,440	199,110	232,745	209,691
Refund from Issuance of Bonds		12,761		16,789						
Total Other Financing Sources (Uses)	227,191	145,019	45,409	203,304		443,919	456,237	473,833	778,263	209,691
Net Change in Fund Balances	\$ (17,939)	\$ 107,365	\$ 440,143	\$ 1,042,480	\$ 233,106	\$ 722,273	\$ 538,114	\$ 1,039,969	\$ 999,230	\$ (508,179)
Debt Service as a Percentage of										
Noncapital Expenditures	7.32 %	6.94 %	7.15 %	6.79 %	6.91 %	6.96 %	6.69 %	6.45 %	6.57 %	6.09 %

MENDHAM TOWNSHIP SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Other</u>	<u>Total</u>
2009	\$ 27,646	\$ 48,004	\$ 811,723	\$ 887,373
2010	25,272	- 0 -	846,964	872,236
2011	7,453	4,168	724,434	736,055
2012	5,551	7,293	825,155	837,999
2013	3,390	770	738,271	742,431
2014	1,503	27,675	775,382	804,560
2015	1,498	46,785	750,081	798,364
2016	2,369	63,384	872,367	938,120
2017	6,685	45,525	822,218	874,428
2018	726	48,607	831,822	881,155

Source: Mendham Township School District records.

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2008	\$ 45,234,600	\$ 2,004,169,550	\$ 96,458,500	\$ 1,439,900	\$ 11,198,500	\$ 3,000	\$ - 0 -	\$ 2,158,504,050	\$ 2,017,372	\$ 2,160,521,422	\$ 141,591,100	\$ 0.39	\$ 2,221,821,308
2009	32,885,700	2,022,308,350	98,073,700	1,437,300	12,078,500	3,000	- 0 -	2,166,786,550	3,243,248	2,170,029,798	144,592,400	0.40	2,246,088,845
2010	* 27,782,700	1,760,137,200	* 87,577,600	* 581,600	* 10,890,700	* 2,100	* - 0 -	* 1,886,971,900	* 2,964,543	* 1,889,936,443	* 152,814,200	* 0.47	* 2,229,872,993
2011	28,338,400	1,751,185,500	98,208,100	594,200	10,150,000	2,100	- 0 -	1,888,478,300	1,446,047	1,889,924,347	152,824,000	0.48	2,083,317,102
2012	26,460,500	1,746,400,700	105,180,500	607,200	10,162,400	2,100	- 0 -	1,888,813,400	1,446,047	1,890,259,447	152,447,200	0.50	2,010,591,255
2013	26,692,700	1,743,151,500	104,058,700	622,500	10,162,400	2,100	- 0 -	1,884,689,900	1,537,902	1,886,227,802	152,592,200	0.52	1,951,547,561
2014	23,995,000	1,733,473,800	109,314,900	617,800	10,162,400	2,100	- 0 -	1,877,566,000	1,239,350	1,878,805,350	152,605,300	0.52	1,895,672,519
2015	22,888,000	1,729,916,200	111,919,200	624,700	10,162,400	2,100	- 0 -	1,875,512,600	1,226,793	1,876,739,393	152,605,300	0.55	1,963,385,307
2016	23,331,400	1,726,534,100	112,663,100	624,700	10,162,400	2,100	- 0 -	1,873,317,800	1,240,960	1,874,558,760	152,605,300	0.55	1,942,042,113
2017	21,865,300	1,726,778,500	115,993,000	606,300	10,039,000	2,100	- 0 -	1,873,284,200	1,244,391	1,876,528,591	152,589,500	0.55	1,959,468,151

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.

* Revaluation of Real Property.

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

^b Tax Rates are per \$100 of Assessed Value.

MENDHAM TOWNSHIP SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(Rate per \$100 of Assessed Value)

Year Ended December 31,	Mendham Township School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Regional High School	Township of Mendham	Morris County	
2008	0.37	0.02	0.39	0.30	0.62	0.24	1.55
2009	0.38	0.02	0.40	0.30	0.69	0.23	1.62
2010	* 0.44 *	0.03 *	0.47 *	0.36 *	0.79 *	0.27 *	1.89
2011	0.45	0.03	0.48	0.36	0.80	0.26	1.90
2012	0.47	0.03	0.50	0.36	0.80	0.26	1.92
2013	0.49	0.03	0.52	0.36	0.80	0.26	1.94
2014	0.49	0.03	0.52	0.38	0.82	0.26	1.98
2015	0.52	0.03	0.55	0.39	0.83	0.26	2.03
2016	0.52	0.03	0.55	0.42	0.83	0.27	2.07
2017	0.52	0.03	0.55	0.44	0.81	0.27	2.07

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.

* Revaluation of Real Property was effective in this year.

^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.

Source: Municipal Tax Collector and School Business Administrator

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

	2017		2008	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Shemy, LLC	\$ 8,454,200	0.45%	\$ 8,135,000	0.38%
Woodland Lakes, Inc.	7,795,500	0.42%	5,942,800	0.28%
Mendham Golf & Tennis Club	6,199,400	0.33%	5,770,400	0.27%
Southeast Morris County MUA	4,870,100	0.26%	5,640,700	0.26%
Individual Taxpayer #1	4,097,300	0.22%	5,124,500	0.24%
Individual Taxpayer #2	3,985,600	0.21%	5,083,400	0.24%
Desiree Farm, LLC	3,850,000	0.21%	4,985,600	0.23%
Individual Taxpayer #3	3,800,000	0.20%	4,640,300	0.21%
Individual Taxpayer #4	3,760,200	0.20%	4,448,800	0.21%
Individual Taxpayer #5	3,603,300	0.19%	4,353,600	0.20%
Total	\$ 50,415,600	2.69%	\$ 54,125,100	2.52%

NOTE: Individual Taxpayers are numbered in the year assessed; however, they may be not be the same individual taxpayers in the two years presented.

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 14,142,281	\$ 14,142,281	100.00 %	\$ - 0 -
2010	14,632,142	14,632,142	100.00 %	- 0 -
2011	15,089,486	15,089,486	100.00 %	- 0 -
2012	15,044,481	15,044,481	100.00 %	- 0 -
2013	15,104,839	15,104,839	100.00 %	- 0 -
2014	15,069,476	15,069,476	100.00 %	- 0 -
2015	15,347,864	15,347,864	100.00 %	- 0 -
2016	15,561,040	15,561,040	100.00 %	- 0 -
2017	15,548,343	14,691,462	94.49 %	856,881
2018	15,850,628	15,688,361	98.98 %	162,267

^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.

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

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

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2009	\$ 12,610,000	\$ 445,176	\$ 13,055,176	3.33 %	2,380
2010	11,868,000	330,860	12,198,860	2.78 %	2,074
2011	11,128,000	256,105	11,384,105	2.50 %	1,929
2012	10,150,000	286,521	10,436,521	2.20 %	1,764
2013	9,335,000	163,571	9,498,571	1.99 %	1,609
2014	8,530,000	323,942	8,853,942	1.80 %	1,503
2015	7,655,000	406,646	8,061,646	1.56 %	1,370
2016	6,785,000	429,535	7,214,535	1.38 %	1,230
2017	5,840,000	480,576	6,320,576	1.21 %	1,081
2018	4,875,000	456,721	5,331,721	1.02 %	912

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.

Source: Mendham Township School District Financial records.

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2009	\$ 12,610,000	\$ -0-	\$ 12,610,000	8.91 %	2,299
2010	11,868,000	-0-	11,868,000	8.21 %	2,017
2011	11,660,000	-0-	11,660,000	7.63 %	1,976
2012	11,128,000	-0-	11,128,000	7.28 %	1,881
2013	9,350,000	-0-	9,350,000	6.13 %	1,584
2014	8,530,000	-0-	8,530,000	5.59 %	1,448
2015	7,655,000	-0-	7,655,000	5.02 %	1,301
2016	6,785,000	-0-	6,785,000	4.45 %	1,157
2017	5,840,000	-0-	5,840,000	3.83 %	999
2018	4,875,000	-0-	4,875,000	3.19 %	834

^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.

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

Source: Mendham Township School District Financial records.

MENDHAM TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2017
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Mendham Township	\$ 12,299,382	100.00 %	\$ 12,299,382
Morris County General Obligation Debt	217,187,521	2.10 %	<u>4,564,893</u>
Subtotal, Overlapping Debt			16,864,275
Mendham Township School District Direct Debt			<u>5,530,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 22,394,275</u></u>

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. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

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

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.

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Debt Limit	\$ 52,794,407	\$ 53,178,391	\$ 54,994,000	\$ 55,780,057	\$ 58,352,525
Total Net Debt Applicable to Limit	8,530,000	7,655,000	6,785,000	5,840,000	4,875,000
Legal Debt Margin	<u>\$ 44,264,407</u>	<u>\$ 45,523,391</u>	<u>\$ 48,209,000</u>	<u>\$ 49,940,057</u>	<u>\$ 53,477,525</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	16.16 %	14.39 %	12.34 %	10.47 %	8.35 %

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt Limit	\$ 58,273,841	\$ 59,002,829	\$ 57,278,106	\$ 54,500,648	\$ 53,743,758
Total Net Debt Applicable to Limit	12,610,000	11,868,000	11,660,000	11,128,000	9,350,000
Legal Debt Margin	<u>\$ 45,663,841</u>	<u>\$ 47,134,829</u>	<u>\$ 45,618,106</u>	<u>\$ 43,372,648</u>	<u>\$ 44,393,758</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	21.64 %	20.11 %	20.36 %	20.42 %	17.40 %

Legal Debt Margin Calculation for Fiscal Year 2018

Equalized Valuation Basis	
2017	\$ 1,937,477,219
2016	1,955,446,555
2015	<u>1,942,328,708</u>
	<u>\$ 5,835,252,482</u>
Average Equalized Valuation of Taxable Property	\$ 1,945,084,161
Debt Limit ^a (3% of Average Equalization Value)	58,352,525
Net Bonded School Debt as of June 30, 2018	<u>4,875,000</u>
Legal Debt Margin	<u>\$ 53,477,525</u>

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

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

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

Year	Population ^a	Morris County Per Capita Personal Income ^c	Personal Income ^b	Unemployment Rate ^d
2009	5,486	\$ 71,361	\$ 391,486,446	2.10%
2010	5,883	74,460	438,048,180	2.10%
2011	5,901	77,207	455,598,507	2.00%
2012	5,915	80,027	473,359,705	2.10%
2013	5,904	80,868	477,444,672	2.00%
2014	5,891	83,687	493,000,117	4.00%
2015	5,886	87,896	517,355,856	3.30%
2016	5,866	89,065	522,455,290	3.20%
2017	5,845	89,065 *	520,584,925	3.10%
2018	5,845 **	89,065 *	520,584,925 ***	3.10%

* - Latest Morris County per capita personal income available (2016) was used for calculation purposes.

** - Latest population data available (2017) was used for calculation purposes.

*** - Latest available population data (2017) and latest available Morris County per capita personal income (2016) was used for calculation purposes.

Source:

^a Population information provided by the New Jersey Department of Labor and Workforce Development

^b Per capita personal income by county provided by the New Jersey Department of Labor and Workforce Development

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

^d Unemployment data provided by the New Jersey Department of Labor and Workforce Development

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

	2017		2008		
	Employer	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
Picatinny Arsenal		6,000	2.31%	5,000	1.97%
Atlantic Health Systems		5,455	2.10%	4,045	1.59%
Novartis Pharmaceuticals Corporation		4,220	1.62%	3,412	1.34%
Bayer Healthcare, LLC		2,800	1.08%	2,170	0.85%
ADP		2,266	0.87%	1,983	0.78%
Honeywell		1,838	0.71%	1,941	0.76%
Wyndham Worldwide Corporation		1,708	0.66%	1,371	0.54%
Saint Clare's Health System		1,688	0.65%	1,296	0.51%
BASF Corporation		1,400	0.54%	1,200	0.47%
Price Waterhouse Coopers		1,360	0.52%	1,200	0.47%
		<u>28,735</u>	<u>11.06%</u>	<u>23,618</u>	<u>9.28%</u>
Total Employment *		<u>259,911</u>		<u>254,319</u>	

* - Employment data provided by the NJ Department of Labor and Workforce Development.

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

<u>Function/Program</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>	<u>2018</u>
Instruction:										
Regular	64.00	64.00	59.00	60.00	59.00	58.00	58.00	58.00	58.00	58.00
Special education	24.00	22.00	27.00	26.00	26.00	25.00	26.00	28.00	30.00	30.00
Other special education	7.00	5.00								
Other instruction	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	
Support Services:										
Student and Instruction Related Services	16.00	16.00	16.00	14.00	14.00	14.00	14.00	14.50	14.50	12.00
School Administrative Services	10.00	8.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
General Administrative Services	7.00	3.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Other Administrative Services			4.00	4.00	4.00	4.00	4.00			
Central Services		3.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Plant Operations and Maintenance	12.00	10.00	8.00	4.00	4.00	4.00	4.00	9.00	9.00	10.00
Pupil Transportation	28.00	27.00	27.00	28.00	28.00	28.00	28.50	28.50	28.50	27.00
Business and Other Support Services	3.00									
Total	174.00	161.00	165.00	159.00	158.00	156.00	157.50	161.00	163.00	157.00

Source: Mendham Township School District records.

MENDHAM TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS,
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff ^d	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^e	Average Daily Attendance (ADA) ^e	% Change Average Daily Enrollment	Student Attendance Percentage
						Elementary School	Middle School				
2009	909	\$ 15,573,802	17,133	16.16 %	100	1:10.1	1:8.0	917	884	0.71 %	96.40 %
2010	904	16,245,037	17,970	4.89 %	96	1:9.2	1:9.7	902	866	-1.64 %	96.01 %
2011	903	15,516,205	17,183	-4.38 %	94	1:9.1	1:10.1	857	820	-4.99 %	95.68 %
2012	803	15,647,179	19,486	13.40 %	97	1:8.4	1:8.8	836	780	-2.45 %	93.30 %
2013	786	16,304,784	20,744	6.46 %	93	1:8.1	1:8.8	786	753	-5.98 %	95.80 %
2014	733	16,308,464	22,249	7.25 %	91	1:8.0	1:8.8	733	709	-6.74 %	96.73 %
2015	706	16,939,747	23,994	7.84 %	90	1:7.9	1:8.7	706	682	-3.68 %	96.60 %
2016	708	17,104,953	24,160	0.69 %	90	1:7.9	1:8.6	708	686	0.28 %	96.89 %
2017	698	17,401,002	24,930	3.19 %	90	1:8.0	1:8.6	698	682	-1.41 %	97.71 %
2018	697	18,605,580	26,694	7.08 %	88	1:7.9	1:8.0	697	684	-0.14 %	98.13 %

^a Enrollment includes out of District special education placements.

^b Operating expenditures equal total expenditures less Debt Service and Capital Outlay.

^c Cost per pupil is the sum as operating expenditures divided by enrollment. This cost per pupil may be different from the State's per pupil calculations.

^d Teaching staff includes only full-time equivalents of certificated staff.

^e Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

Note: Enrollment based on annual October District count.

Source: Mendham Township School District records.

MENDHAM TOWNSHIP SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

<u>District Building</u>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Elementary										
Square Feet	93,300	93,300	93,300	93,300	93,300	93,300	93,300	93,300	93,300	93,300
Capacity (Students)	695	695	695	695	695	695	695	695	695	695
Enrollment	448	443	447	447	447	447	331	362	348	363
Middle School										
Square Feet	68,735	68,735	68,735	68,735	68,735	68,735	68,735	68,735	68,735	68,735
Capacity (Students)	548	548	548	548	548	548	548	548	548	548
Enrollment	461	461	456	456	456	456	375	346	350	334

Number of Schools at June 30, 2018

Elementary = 1

Middle School = 1

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

Source: Mendham Township School District Business Office.

MENDHAM TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF ALLOWABLE MAINTENANCE EXPENDITURES BY SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

<u>Undistributed Expenditures - Required Maintenance for School Facilities</u> <u>Account #11-000-261-XXX</u>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Elementary School	\$ 81,122	\$ 51,836	\$ 63,846	\$ 78,414	\$ 120,496	\$ 115,286	\$ 111,028	\$ 123,661	\$ 164,687	\$ 193,359
Middle School	92,310	125,122	51,990	121,942	100,630	119,819	134,668	200,897	178,107	245,847
	<u>\$ 173,432</u>	<u>\$ 176,958</u>	<u>\$ 115,836</u>	<u>\$ 200,356</u>	<u>\$ 221,126</u>	<u>\$ 235,105</u>	<u>\$ 245,696</u>	<u>\$ 324,558</u>	<u>\$ 342,794</u>	<u>\$ 439,206</u>

* 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 Township School District records.

MENDHAM TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2018
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Alliance Insurance Fund		
School Package Policy:		
Property Section:		
Blanket Building and Contents (Pooled Coverage)	\$ 100,000,000	\$ 1,000
Boiler & Machinery, Extra Expense, Property in Transit	100,000,000	1,000
EDP Equipment/Media	500,000	1,000
Extra Expense	50,000,000	1,000
Valuable Papers	10,000,000	1,000
Equipment Breakdown	100,000,000	1,000
Casualty Coverage:		
General Liability	31,000,000	None
Automotive Liability	31,000,000	None
Employee Benefit Liability	31,000,000	1,000
Workers Compensation:		
Statutory Benefits	Included	
Crime:		
Fogery & Alteration	500,000	1,000
Money & Securities	50,000	500
Money Orders/Counterfeit	50,000	500
Including Faithful Performance	500,000	1,000
Environmental Impairment Liability:	1,000,000	10,000
School Leaders Errors and Omissions		
Coverage A	31,000,000	5,000
Coverage B	100,000/300,000	5,000
Student Accident Insurance		
Basic/Sports	5,000,000	
Catastrophic	500,000	
Philadelphia Insurance Group		
Cyberliability	1,000,000	15,000
Surety Bond Coverage - Hanover Insurance Company		
Business Administrator/Board Secretary	200,000	1,000
Treasurer of School Monies	200,000	1,000

Source: Mendham Township School District records.

SINGLE AUDIT SECTION



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

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Mendham Township 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 Board of Education of the Township of Mendham, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2019.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

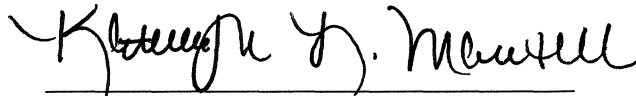
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.



NISIVOCCIA LLP

January 18, 2019
Mount Arlington, New Jersey



Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant



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Report on Compliance For Each Major State Program:
Report on Internal Control Over Compliance

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Township of Mendham'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, 2018. The District's major state programs are 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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; 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 New Jersey's 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.

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

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, 2018.

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.

January 18, 2019
Mount Arlington, New Jersey

Nisivoccia, LLP

NISIVOCCIA LLP

Kathryn L. Mantell

Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant

MENDHAM TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor Pass Through Grantor/ Program/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017			Balance at June 30, 2018		
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Cash Received	Budgetary Accounts Receivable	Budgetary Unearned Revenue	Adjust- ments
U.S. Department of Education										
Passed-through State Department of Education:										
Special Revenue Fund:										
ESEA Consolidated Grant:										
Title I - Part A	84.010A	ESEA-0460-18	7/1/17-6/30/18	\$ 104,366			\$ (87,177)	\$ (87,177)		
Title II - Part A	84.278A	ESEA-0460-18	7/1/17-6/30/18	17,433			(8,941)	(8,941)		
Title IV	84.424	ESEA-0460-18	7/1/17-6/30/18	10,000			(5,000)	(5,000)		
Title I - Part A	84.010A	ESEA-0460-17	7/1/16-6/30/17	125,099		\$ 125,099			\$ 125,099	
Title II - Part A	84.278A	ESEA-0460-17	7/1/16-6/30/17	9,703		9,703			5,703	
Title II - Part A	84.278A	ESEA-0460-16	7/1/15-6/30/16	11,082		\$ 11,082			11,082	
Title II - Part A	84.278A	ESEA-0460-15	7/1/14-6/30/15	11,204		(11,204)		(11,204)		
					(15,204)	11,082		(112,322)	141,884	
Special Education Cluster:										
IDEA Part B, Basic	84.027	IDEA-0460-18	7/1/17-6/30/18	146,136			(146,136)	(146,136)		
IDEA Part B, Preschool	84.173	IDEA-0460-18	7/1/17-6/30/18	18,996			(18,996)	(8,715)	10,281	
IDEA Part B, Basic	84.027	IDEA-0460-17	7/1/16-6/30/17	149,338		149,338	(16,110)			
IDEA Part B, Preschool	84.173	IDEA-0460-17	7/1/16-6/30/17	17,463		8,767			(8,767)	
IDEA Part B, Preschool	84.173	IDEA-0460-16	7/1/15-6/30/16	8,696		1,514			(1,514)	
Total Special Education Cluster					(133,228)	158,105	(181,242)	(154,851)		
Total Special Revenue Fund					(148,432)	292,907	(282,360)	(267,173)	141,884	
Total U.S. Department of Education					(148,432)	292,907	(282,360)	(267,173)	141,884	
U.S. Department of Agriculture										
Passed-through State Department of Education:										
Child Nutrition Cluster:										
Special Milk Program	10.556	N/A	7/1/17-6/30/18	3,546		3,237	(3,546)	(309)		
Special Milk Program	10.556	N/A	7/1/16-6/30/17	3,729		760	(760)			
Total Child Nutrition Cluster					(760)	3,997	(3,546)	(309)		
Total U.S. Department of Agriculture					(760)	3,997	(3,546)	(309)		
Total Federal Financial Awards					\$ (149,192)	\$ 12,596	\$ (285,906)	\$ (267,482)	\$ 141,884	\$ - 0 -

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2017		Balance June 30, 2018		Memo	
				Budgetary Accounts Receivable	Budgetary Unearned Revenue	GAAP Accounts Receivable	Unearned Revenue		
				Cash Received	Budgetary Expenditures	Budgetary Receivable	Cumulative Total Expenditures		
State Department of Education:									
General Fund:									
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	\$ 13,957	\$	\$ 12,744	\$ (13,957)	\$	\$ (1,213)	\$ 13,957
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	79,883		72,939	(79,883)		(6,944)	79,883
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	357,973		326,856	(357,973)		(31,117)	357,973
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	6,970		6,364	(6,970)		(606)	6,970
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	6,970		6,364	(6,970)		(606)	6,970
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	6,460		5,898	(6,460)		(562)	6,460
Extraordinary Special Education Aid	18-495-034-5120-044	7/1/17-6/30/18	138,312			(138,312)	\$	(138,312)	138,312
Nonpublic Transportation	18-495-034-5120-014	7/1/17-6/30/18	25,281			(25,281)		(25,281)	25,281
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	525,375		501,213	(525,375)		(24,162)	525,375
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	13,957	\$ (1,395)	1,395				13,957
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	79,883	(7,988)	7,988				79,883
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	324,255	(24,355)	24,355				324,255
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	6,970	(697)	697				6,970
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	6,970	(697)	697				6,970
Professional Learning Commission Aid	17-495-034-5120-101	7/1/16-6/30/17	6,460	(646)	646				6,460
Extraordinary Special Education Aid	17-495-034-5120-044	7/1/16-6/30/17	124,462	(124,462)	124,462				124,462
Nonpublic Transportation	17-495-034-5120-014	7/1/16-6/30/17	19,573	(19,573)	19,573				19,573
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	447,680	(22,274)	22,274				447,680
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17-6/30/18	592,159		592,159	(592,159)			592,159
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17-6/30/18	895,105		895,105	(895,105)			895,105
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	21,722		21,722	(21,722)			21,722
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	1,223		1,223	(1,223)			1,223
Total General Fund State Aid			2,644,674	(202,087)	2,644,674	(2,671,390)	(187,755)	(228,803)	3,701,600
State Department of Health:									
Special Revenue Fund:									
Anti-Bullying Bill of Rights Act - 2014	N/A	7/1/13-6/30/14	572	\$ 572	\$			\$ 572	
Anti-Bullying Bill of Rights Act - 2015	N/A	7/1/14-6/30/15	572					572	
Anti-Bullying Bill of Rights Act - 2016	N/A	7/1/15-6/30/16	572					572	
Total Special Revenue Fund								1,716	
Total State Awards Subject to Single Audit Determination			\$ 2,644,674	\$ (202,087)	\$ 2,644,674	\$ (2,671,390)	\$ (187,755)	\$ 1,716	\$ 3,701,600
Less: State Awards Not Subject to Single Audit Major Program Determination									
On-Behalf TPAF Pension System Contributions:									
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17-6/30/18	(592,159)						592,159
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17-6/30/18	(895,105)						895,105
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	(21,722)						21,722
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	(1,223)						1,223
Subtotal - On-Behalf TPAF Pension System Contributions			1,510,209						1,510,209
Total State Awards Subject to Single Audit Major Program Determination			\$ (1,161,181)						\$ (1,161,181)

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 Township Board of Education Board of Education under programs of the federal and state governments for the fiscal year ended June 30, 2018. The information in these schedules is presented in accordance with the 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*. 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 in the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting. This basis of accounting is 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 and Special Revenue Funds on the GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the General and Special Revenue Funds 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 last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes those payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two 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 (\$5,270) for the General Fund and -\$0- 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 Special Revenue Funds, respectively.

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Revenue from federal and state awards are reported in the District's basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund		\$ 2,666,120	\$ 2,666,120
Special Revenue Fund	\$ 282,360		282,360
Food Service Fund	3,546		3,546
 Total Financial Awards	\$ 285,906	\$ 2,666,120	\$ 2,952,026

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. FEDERAL AND STATE LOANS OUTSTANDING

Mendham Township School District had no loans outstanding at June 30, 2018.

NOTE 7. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2018.

MENDHAM TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 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 the major state programs for the District expresses an unmodified opinion on all major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2018 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 programs 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>
State Aid - Public:				
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	\$ 357,973	\$ 357,973
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	13,957	13,957
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	6,970	6,970
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	6,970	6,970
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	6,460	6,460

- 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 TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 finding or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance or NJOMB 15-08.

MENDHAM TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Status of Prior Year Findings:

There were no findings or questioned costs for the year ended June 30, 2017.