

**SCHOOL DISTRICT
OF THE
BOROUGH OF MENDHAM**

**Mendham Borough School District
Mendham, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019**

**Comprehensive Annual
Financial Report**

of the

Mendham Borough School District

Mendham, New Jersey

For the Fiscal Year Ended June 30, 2019

Prepared by

**Mendham Borough School District
Board of Education**

MENDHAM BOROUGH SCHOOL DISTRICT
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INTRODUCTORY SECTION

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

October 4, 2019

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

Dear Board Members:

The comprehensive annual financial report of the Mendham Borough School District (the "District") for the fiscal year ended June 30, 2019, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi- year basis. The District is required to undergo an annual single audit in conformity with Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Mendham Borough School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Mendham Borough School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Preschool through 8. These include regular as well as special education for classified children. The District completed the 2018-19 fiscal year with an average daily enrollment of 541 students, which is a increase of 16 students from the previous year's enrollment.

2) ECONOMIC CONDITION AND OUTLOOK:

Mendham Borough has a population of about 5,000. It extends 5.94 square miles, and the Township of Mendham forms a horseshoe around it. It is primarily residential, except for the Mendham Village Shopping Center on Main Street and several small specialty stores and antique shops. There were 541 students enrolled at the two elementary schools (Preschool - 4 and Grades 5 - 8) in 2018-19. Students in Grades 9 - 12 attend the West Morris Mendham High School.

3) MAJOR INITIATIVES:

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

The major goal for the 2018-2019 school year budget was to maintain our quality educational programs, appropriately staff them given the challenge of declining enrollment, and meet all state and federal requirements. All current programs have been maintained and class size has been kept at existing levels. The district was able to manage increases in special education costs and provide financial support for staffing required to develop special education programs that appropriately meet our student's needs.

Major district initiatives include the following:

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

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

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

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by a vote of the Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2019.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on J-20.

The Board is a member of the New Jersey Schools Insurance Group (NJSIG). NJSIG is a risk-sharing public entity risk fund that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage to their members. Additional information on NJSIG is included in Note 10 to the Basic Financial Statements.

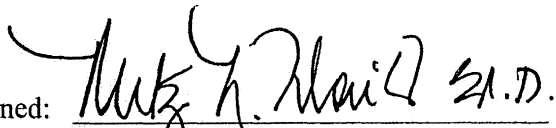
9) OTHER INFORMATION:


Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP CPAs, was selected by the Board of Education at its last organization meeting. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

The Honorable President and Members
of the Board of Education
Mendham Borough School District
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November 8, 2019

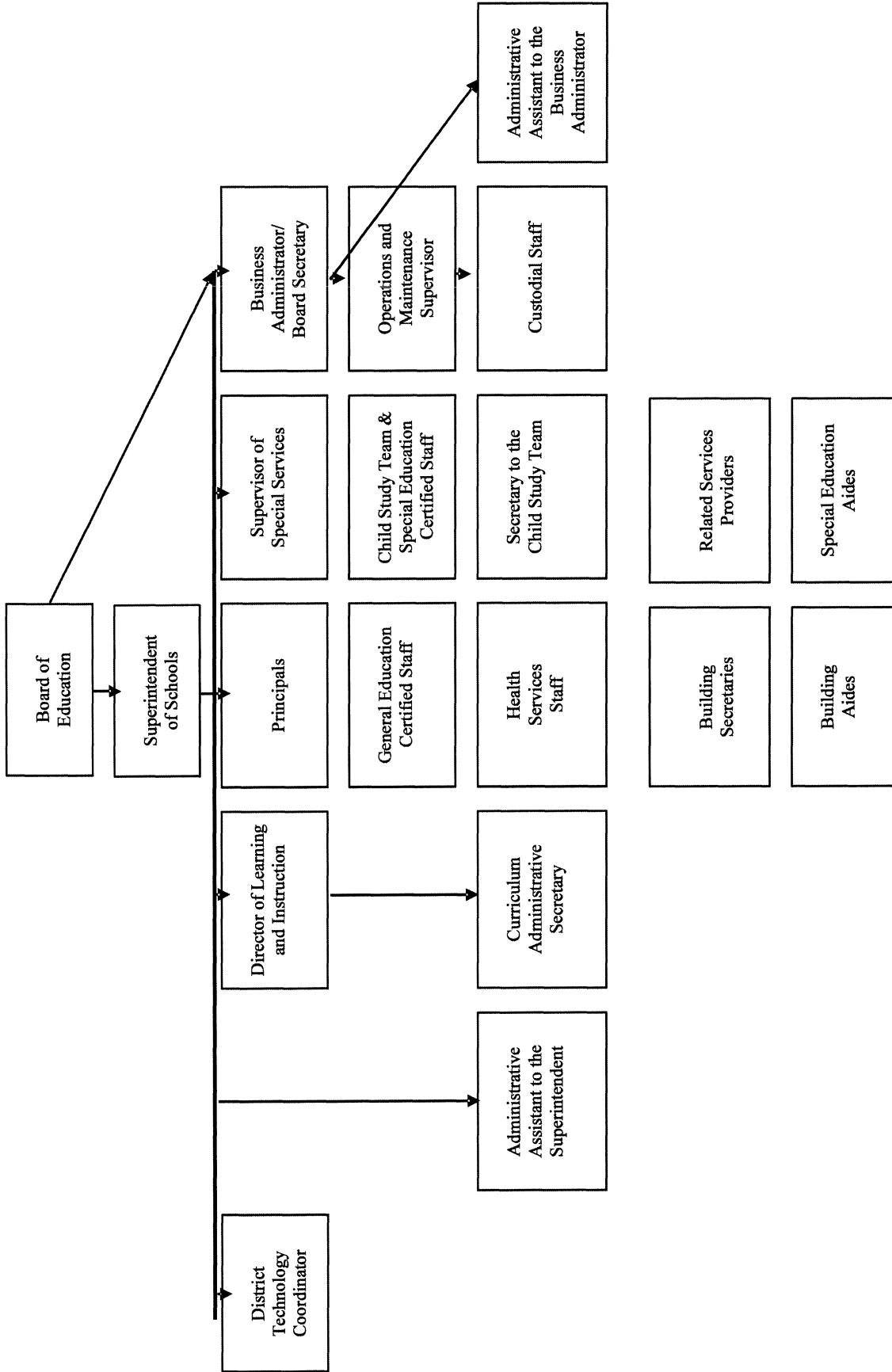
10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Mendham Borough Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

Respectfully submitted,

Signed: 
Title: Superintendent
Mitzi N. Morillo, Ed. M.

Signed: 
Title: Business Administrator
H. Ronald Smith

MENDHAM BOROUGH SCHOOL DISTRICT
 ORGANIZATION CHART
 2018-2019



MENDHAM BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2019

Members of the Board of Education

Term Expires

Beth Cocuzza, President	2021
Sean Havey	2021
Raechelle Raimondo	2019
John Jennings	2020
Catalina Wiatroski	2020
Steven Andrew	2020
AnnMarie Hornyak	2021
John Vitale	2019
Carla McEnroe	2019
James Gillespie	2019

Other Officials

Title

Mitzi Morillo	Superintendent
James Rollo	Business Administrator/Board Secretary (Through July 1, 2019)
H. Ronald Smith	Interim Business Administrator/Board Secretary (Beginning July 1, 2019)

MENDHAM BOROUGH SCHOOL DISTRICT
Consultants and Advisors

Audit Firm

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

Attorneys

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

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

Official Depository

Somerset Hills Bank
155 Morristown Road
Bernardsville, NJ 07924

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Mendham Borough School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Mendham Borough School District, in the County of Morris, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension 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 other supplementary schedules and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying other supplementary schedules 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 other 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 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.

November 8, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

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

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

This section of Mendham Borough School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2019. 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.
- *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 Borough School District's Financial Report**

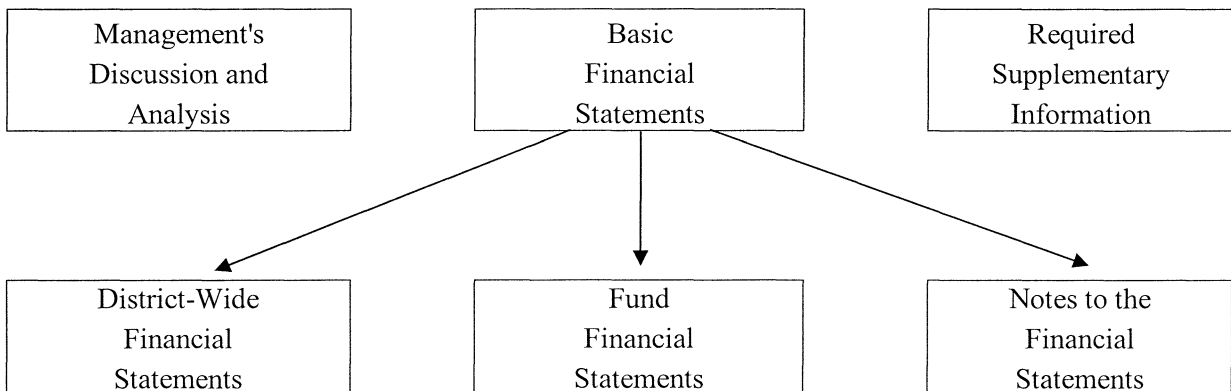


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred inflows and outflows, and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred inflows and outflows, and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's

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

enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The *internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Basic Financial Statements: Provide additional information essential to a full understanding of District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's combined net position was \$4,357,792 on June 30, 2019, which was \$1,369,457 or 45.83% greater than the prior year (See Figure A-3).

Figure A-3
Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Total Percentage
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	Change
Current and							
Other Assets	\$ 3,507,271	\$3,013,881	\$ 8,816	\$ 15,461	\$3,516,087	\$3,029,342	
Capital Assets, Net	7,668,776	7,772,322			7,668,776	7,772,322	
Total Assets	11,176,047	10,786,203	8,816	15,461	11,184,863	10,801,664	3.55%
Deferred Outflows							
of Resources	1,308,958	1,147,873			1,308,958	1,147,873	14.03%
Other Liabilities	241,617	684,544	5,374	7,457	246,991	692,001	
Long-Term							
Liabilities	6,943,364	7,613,740			6,943,364	7,613,740	
Total Liabilities	7,184,981	8,298,284	5,374	7,457	7,190,355	8,305,741	-13.43%
Deferred Inflows							
of Resources	945,674	655,460			945,674	655,460	44.28%
Net Position:							
Net Investment in							
Capital Assets	4,022,522	3,542,317			4,022,522	3,542,317	
Restricted	2,990,469	1,982,630			2,990,469	1,982,630	
Unrestricted/(Deficit)	(2,658,641)	(2,544,616)	3,442	8,004	(2,655,199)	(2,536,612)	
Total Net Position	\$ 4,354,350	\$2,980,331	\$ 3,442	\$ 8,004	\$4,357,792	\$2,988,335	45.83%

Changes in Net Position. Net position from governmental activities increased \$1,374,019 while net position from business-type activities decreased \$4,562.

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

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities <u>2018/19</u>	Business-Type Activities <u>2018/19</u>	Total School District <u>2018/19</u>	Governmental Activities <u>2017/18</u>	Business-Type Activities <u>2017/18</u>	Total School District <u>2017/18</u>	Total Percentage Change <u>2018/19</u>
Revenue:							
Program Revenue:							
Charges for Services	\$ 61,700	\$ 169,233	\$ 230,933	\$ 33,260	\$ 159,846	\$ 193,106	
Operating Grants and Contributions	3,501,453		3,501,453	3,395,325		3,395,325	
General Revenue:							
Property Taxes	11,348,563		11,348,563	11,169,675		11,169,675	
Other	81,726	9,172	90,898	73,512	12,184	85,696	
Total Revenue	<u>14,993,442</u>	<u>178,405</u>	<u>15,171,847</u>	<u>14,671,772</u>	<u>172,030</u>	<u>14,843,802</u>	2.21%
Expenses:							
Instruction	7,511,053		7,511,053	8,015,280		8,015,280	
Pupil and Instruction Services	3,024,711		3,024,711	2,803,584		2,803,584	
Administrative and Business	1,123,829		1,123,829	1,205,940		1,205,940	
Maintenance and Operations	1,458,203		1,458,203	2,737,757		2,737,757	
Pupil Transportation	213,450		213,450	313,428		313,428	
Other	281,948	189,196	471,144	235,934	178,574	414,508	
Total Expenses	<u>13,613,194</u>	<u>189,196</u>	<u>13,802,390</u>	<u>15,311,923</u>	<u>178,574</u>	<u>15,490,497</u>	-10.90%
Transfers	<u>(6,229)</u>	<u>6,229</u>		<u>(10,000)</u>	<u>10,000</u>		
Increase/(Decrease) in Net Position	<u>\$ 1,374,019</u>	<u>\$ (4,562)</u>	<u>\$ 1,369,457</u>	<u>\$ (650,151)</u>	<u>\$ 3,456</u>	<u>\$ (646,695)</u>	311.76%

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District increased significantly. The District will continue sound fiscal management in order to maintain its existing programs, provide programs and services for students with special needs and meet the rising costs of fixed obligations.

Careful management of expenses remains essential for the District to maintain its financial health.

Figure A-5 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation and other miscellaneous expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial obligation placed on the District's taxpayers by each of these functions.

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

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 Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2018/19</u>	<u>2018/19</u>	<u>2017/18</u>	<u>2017/18</u>
Instruction	\$ 7,511,053	\$ 4,886,800	\$ 8,015,280	\$ 5,306,492
Pupil and Instruction Services	3,024,711	2,140,787	2,803,584	2,109,946
Administrative and Business	1,123,829	1,123,829	1,205,940	1,205,940
Maintenance and Operations	1,458,203	1,458,203	2,737,757	2,737,757
Transportation	213,450	158,474	313,428	287,269
Other	281,948	281,948	235,934	235,934
	<u>\$ 13,613,194</u>	<u>\$ 10,050,041</u>	<u>\$ 15,311,923</u>	<u>\$ 11,883,338</u>

Business-Type Activities

Net position from the District's business-type activity decreased \$4,562 (Refer to Figure A-4). Factors contributing to these results included:

- Food service expenses exceeded revenues by \$10,791. There was also an operating transfer from the General Fund of \$6,229. These factors accounted for the overall decrease in the net position of the business-type activities.

Financial Analysis of the District's Funds

To maintain a stable financial position, the District must continue to practice sound fiscal management, including but not limited to cost containment practices, seeking out all available efficiencies and a continual evaluation of all offered services and programs.

General Fund Budgetary Highlights

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

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

Capital Asset and Long Term Liabilities Administration

Figure A-6

	Capital Assets (Net of Depreciation)						Percentage Change 2018/19
	Government Activities		Business-Type Activities		Total School District		
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	
Land	\$ 251	\$ 251			\$ 251	\$ 251	
Construction in Progress	319,240	319,240			319,240	319,240	
Site Improvements	668,245	482,889			668,245	482,889	
Buildings and Building Improvements	6,319,840	6,633,778			6,319,840	6,633,778	
Furniture, Machinery and Equipment	381,200	336,164			381,200	336,164	
Total Capital Assets (Net of Depreciation)	<u>\$ 7,688,776</u>	<u>\$ 7,772,322</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,688,776</u>	<u>\$ 7,772,322</u>	-1.07%

Figure A-7

	Outstanding Long-Term Liabilities		
	2018/19	2017/18	Percentage Change 2018/19
	<u>2018/19</u>	<u>2017/18</u>	<u>2018/19</u>
Bonds Payable	\$ 3,745,000	\$ 4,320,000	
Unamortized Bond Premium Payable	383,070	437,794	
Net Pension Liability	2,675,792	2,716,738	
Compensated Absences Payable	139,502	139,208	
	<u>\$ 6,943,364</u>	<u>\$ 7,613,740</u>	-8.80%

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

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

The two greatest factors that bear on the district's financials are the rising costs of employee health benefits and the rising costs of out of district special education placements. The district continues to seek new opportunities for efficiencies and expense reduction in this area.

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

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 100 Dean Road, Mendham, New Jersey 07945.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,053,416	\$ 4,616	\$ 1,058,032
Receivables from Other Governments:			
Federal	69,741		69,741
State	113,602		113,602
Other Accounts Receivable	6,476		6,476
Inventory		4,200	4,200
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	1,772,931		1,772,931
Maintenance Reserve Account - Cash and Cash Equivalents	471,105		471,105
Capital Assets, Net			
Sites (Land)	251		251
Construction in Progress	319,240		319,240
Depreciable Site Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment	7,369,285		7,369,285
Total Assets	<u>11,176,047</u>	<u>8,816</u>	<u>11,184,863</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Amount on Refunding	78,746		78,746
Deferred Outflows Related to Pensions	1,244,009		1,244,009
Total Deferred Outflow of Resources	<u>1,322,755</u>		<u>1,322,755</u>
LIABILITIES			
Accrued Interest Payable	46,984		46,984
Accounts Payable - Vendors	174,186		174,186
Payable to State Government	20,060		20,060
Unearned Revenue	387	5,374	5,761
Noncurrent Liabilities:			
Due Within One Year	629,724		629,724
Due Beyond One Year	6,313,640		6,313,640
Total Liabilities	<u>7,184,981</u>	<u>5,374</u>	<u>7,190,355</u>
DEFERRED INFLOW OF RESOURCES			
Deferred Inflows Related to Pensions	959,471		959,471
Total Deferred Inflow of Resources	<u>959,471</u>		<u>959,471</u>
NET POSITION			
Net Investment in Capital Assets	4,022,522		4,022,522
Restricted for:			
Capital Projects	1,772,931		1,772,931
Excess Surplus	471,105		471,105
Maintenance Reserve	743,375		743,375
Other Purposes	3,058		3,058
Unrestricted/(Deficit)	(2,658,641)	3,442	(2,655,199)
Total Net Position	<u>\$ 4,354,350</u>	<u>\$ 3,442</u>	<u>\$ 4,357,792</u>

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

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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	\$ 6,030,871	\$ 61,700	\$ 1,908,549	\$ (4,060,622)		\$ (4,060,622)
Special Education	1,383,381		654,004	(729,377)		(729,377)
Other Instruction	96,801			(96,801)		(96,801)
Support Services:						
Tuition	548,315		176,272	(372,043)		(372,043)
Student & Instruction Related Services	2,476,396		707,652	(1,768,744)		(1,768,744)
General Administrative Services	394,511			(394,511)		(394,511)
School Administrative Services	467,142			(467,142)		(467,142)
Central Services	262,176			(262,176)		(262,176)
Plant Operations and Maintenance	1,458,203			(1,458,203)		(1,458,203)
Pupil Transportation	213,450		54,976	(158,474)		(158,474)
Interest on Long-Term Debt	116,642			(116,642)		(116,642)
Capital Outlay	165,306			(165,306)		(165,306)
Total Governmental Activities	13,613,194	61,700	3,501,453	(10,050,041)		(10,050,041)

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs	Program Revenue		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities: Food Service	\$ 189,196	\$ 169,233		\$ (19,963)	\$ (19,963)	\$ (19,963)
Total Business-Type Activities	189,196	169,233		(19,963)	(19,963)	(19,963)
Total Primary Government	\$ 13,802,390	\$ 230,933	\$ 3,501,453	\$ (10,050,041)	(19,963)	(10,070,004)
General Revenue and Transfers:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				10,603,863		10,603,863
Taxes Levied for Debt Service				744,700		744,700
Investment Earnings				6,267	6	6,273
Miscellaneous Income				75,459	9,166	84,625
Transfers				(6,229)	6,229	
Total General Revenues and Transfers				11,424,060	15,401	11,439,461
Change in Net Position				1,374,019	(4,562)	1,369,457
Net Position - Beginning				2,980,331	8,004	2,988,335
Net Position - Ending				\$ 4,354,350	\$ 3,442	\$ 4,357,792

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

FUND FINANCIAL STATEMENTS

MENDHAM BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents	\$ 499,300	\$ 100,443	\$ 453,673		\$ 1,053,416
Interfund Receivable:					
Capital Projects Fund	368,710			\$ 3,058	371,768
Special Revenue Fund	150,696				150,696
Receivables From Other Governments:					
Federal		69,741			69,741
State	112,852		750		113,602
Other Accounts Receivable	2,067	4,409			6,476
Restricted Assets:					
Capital Reserve Account - Cash and Cash Equivalents	1,772,931				1,772,931
Maintenance Reserve Account - Cash and Cash Equivalents	471,105				471,105
Total Assets	<u>\$ 3,377,661</u>	<u>\$ 174,593</u>	<u>\$ 454,423</u>	<u>\$ 3,058</u>	<u>\$ 4,009,735</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable - Vendors	\$ 41,005	\$ 3,450			\$ 44,455
Interfund Payable:					
General Fund		150,696	\$ 368,710		519,406
Debt Service Fund			3,058		3,058
Payable to State Government		20,060			20,060
Unearned Revenue		387			387
Total Liabilities	<u>41,005</u>	<u>174,593</u>	<u>371,768</u>	<u>\$ -0-</u>	<u>587,366</u>
Fund Balances:					
Restricted for:					
Capital Reserve Account	\$ 1,772,931				\$ 1,772,931
Maintenance Reserve Account	471,105				471,105
Excess Surplus	620,606				620,606
Excess Surplus - Designated For Subsequent Year's Expenditures	122,769				122,769
Debt Service				\$ 3,058	3,058
Assigned to:					
Year End Encumbrances	58,300				58,300
Committed:					
Capital Projects			\$ 82,655		82,655
Unassigned:					
General Fund	290,945				290,945
Total Fund Balances	<u>3,336,656</u>	<u>82,655</u>	<u>3,058</u>		<u>3,422,369</u>
Total Liabilities and Fund Balances	<u>\$ 3,377,661</u>	<u>\$ 174,593</u>	<u>\$ 454,423</u>	<u>\$ 3,058</u>	

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

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds.	7,688,776
Bond issuance premium is reported as revenue in the governmental funds in the year of the related expenditure.	(383,070)
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(3,884,502)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(46,984)
Deferred amount on refunding is not reported as an expenditure in governmental funds in the year of the expenditure.	78,746
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(2,675,792)
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	1,114,278
Deferred Inflows	(959,471)
Net Position of Governmental Activities	<u>\$ 4,354,350</u>

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

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 10,603,863			\$ 744,700	\$ 11,348,563
Tuition Charges	61,700				61,700
Interest Earned	3,182	\$ 904			4,086
Interest Earned on Capital Reserve Funds	1,899				1,899
Interest Earned on Maintenance Reserve Funds	282				282
Miscellaneous	75,459	\$ 3,924			79,383
Total - Local Sources	10,746,385	3,924	904	744,700	11,495,913
State Sources	1,875,332	66,048			1,941,380
Federal Sources	237,056				237,056
Total Revenue	12,621,717	307,028	904	744,700	13,674,349
EXPENDITURES					
Current:					
Regular Instruction	3,164,459	110,330			3,274,789
Special Education Instruction	739,885	20,426			760,311
Other Instruction	96,801				96,801
Support Services and Undistributed Costs:					
Tuition	372,043	176,272			548,315
Student & Instruction Related Services	1,324,064				1,324,064
General Administrative Services	363,978				363,978
School Administrative Services	411,265				411,265
Central Services	253,079				253,079
Pupil Transportation	213,450				213,450

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Plant Operations and Maintenance	\$ 1,001,140				\$ 1,001,140
Benefits - Allocated and Unallocated	3,164,653				3,164,653
Debt Service:					
Principal				\$ 575,000	575,000
Interest and Other Charges				169,700	169,700
Capital Outlay	541,053				541,053
Total Expenditures	<u>11,645,870</u>	<u>\$ 307,028</u>		<u>744,700</u>	<u>12,697,598</u>
Excess/(Deficiency) of Revenue over/(under) Expenditures	<u>975,847</u>		<u>\$ 904</u>		<u>976,751</u>
OTHER FINANCING SOURCES/(USES)					
Transfers In				1,474	1,474
Transfers Out	<u>(6,799)</u>		<u>(904)</u>		<u>(7,703)</u>
Total Other Financing Sources/(Uses)	<u>(6,799)</u>		<u>(904)</u>	<u>1,474</u>	<u>(6,229)</u>
Net Change in Fund Balances	969,048			1,474	970,522
Fund Balance—July 1	<u>2,367,608</u>		<u>82,655</u>	<u>1,584</u>	<u>2,451,847</u>
Fund Balance—June 30	<u>\$ 3,336,656</u>	<u>\$ - 0 -</u>	<u>\$ 82,655</u>	<u>\$ 3,058</u>	<u>\$ 3,422,369</u>

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

MENDHAM BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ 970,522
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation differs from capital outlays in the period.		
	Depreciation expense	\$ (459,293)
	Capital outlays	<u>375,747</u>
		(83,546)
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		(294)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. (+)		575,000
In the Statement of Activities, interest on Long-Term Debt in the Statement of Activities is accrued, regardless of when due. In the Governmental Funds, interest is reported when due. When accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		9,583
The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (+)		54,724
The governmental funds report the effect of the deferred amount of refunding relative to an advance refunding when debt is first issued whereas this amount is deferred and amortized in the statement of activities.		(11,249)
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		
Change in Net Pension Liability		40,946
Changes in Deferred Outflows and Inflows Related to Pensions		<u>(181,667)</u>
Change in Net Position - Governmental Funds (Exhibit A-2)		<u>\$ 1,374,019</u>

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	<u>Business-Type Activities - Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 4,616
Inventories	4,200
	8,816
Total Current Assets	8,816
Capital Assets:	
Furniture and Equipment	91,396
Less: Accumulated Depreciation	(91,396)
	-0-
Total Capital Assets	-0-
Total Assets	8,816
LIABILITIES:	
Current Liabilities:	
Unearned Revenue - Prepaid Sales	5,374
	5,374
Total Liabilities	5,374
NET POSITION:	
Unrestricted	3,442
	3,442
Total Net Position	\$ 3,442

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

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Business-Type Activities - Enterprise Funds</u>
Operating revenue	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 169,233
Other Non-Reimbursable Sales	<u>9,166</u>
Total Operating Revenue	<u>178,399</u>
Operating Expenses:	
Cost of Sales - Non-Reimbursable Programs	78,796
Salaries, Benefits & Payroll Taxes	78,539
Supplies, Insurance & Other Costs	6,292
Management Fee	16,412
Miscellaneous Expenses	<u>9,157</u>
Total Operating Expenses	<u>189,196</u>
Operating (Loss)	<u>(10,797)</u>
Non-Operating Revenue	
Local Sources:	
Interest Income	<u>6</u>
Total Non-Operating Revenue	<u>6</u>
Changes in Net Position Before Transfers	(10,791)
Transfers from General Fund	<u>6,229</u>
Change Net Position After Transfers	(4,562)
Net Position - Beginning of Year	8,004
Net Position - End of Year	<u><u>\$ 3,442</u></u>

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

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Business-Type Activities - Enterprise Funds</u>
Cash Flows From Operating Activities:	
Receipts from Customers	\$ 178,399
Payments to Food Service Vendor	(182,931)
Payments to Suppliers	<u>(9,157)</u>
Net Cash Used for Operating Activities	<u>(13,689)</u>
Cash Flows From Investing Activities:	
Interest Income	<u>6</u>
Net Cash Provided by Investing Activities	<u>6</u>
Cash Flows from Noncapital Financing Activities:	
Transfer from General Fund	<u>6,229</u>
Net Cash Provided by Noncapital Financing Activities	<u>6,229</u>
Net Decrease in Cash and Cash Equivalents	(7,454)
Cash and Cash Equivalents, July 1	<u>12,070</u>
Cash and Cash Equivalents, June 30	<u>\$ 4,616</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	\$ (10,797)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
(Increase) in Inventory	(809)
(Decrease) in Accounts Payable	(3,770)
Increase in Prepaid Sales	<u>1,687</u>
Net Cash Used for Operating Activities	<u>\$ (13,689)</u>

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

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 120,757	\$ 9,886	\$ 39,302
Total Assets	<u>120,757</u>	<u>9,886</u>	<u>39,302</u>
<u>LIABILITIES:</u>			
Payroll Deductions and Withholdings	56,738		
Due to Student Groups	<u>64,019</u>		
Total Liabilities	<u>120,757</u>		
<u>NET POSITION:</u>			
Held in Trust for Flexible Spending Claims		9,886	
Restricted for Unemployment Claims			<u>39,302</u>
Total Net Position	<u>\$ - 0 -</u>	<u>\$ 9,886</u>	<u>\$ 39,302</u>

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

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
Additions:		
Contributions:		
Plan Contributions	\$ 21,260	
Employee Deductions		\$ 7,209
Total Contributions	<u>21,260</u>	<u>7,209</u>
Investment Earnings:		
Interest	<u>11</u>	<u>67</u>
Net Investment Earnings	<u>11</u>	<u>67</u>
Total Additions	<u>21,271</u>	<u>7,276</u>
Deductions:		
Flexible Spending Claims	20,117	
Unemployment Compensation Claims		3,574
Total Deductions	<u>20,117</u>	<u>3,574</u>
Change in Net Position	1,154	3,702
Net Position - Beginning of the Year	<u>8,732</u>	<u>35,600</u>
Net Position - End of the Year	<u>\$ 9,886</u>	<u>\$ 39,302</u>

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of the Mendham Borough School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

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

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

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

Enterprise (Food Service) Fund: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund, Payroll Agency Fund, Flexible Spending Trust and the Unemployment Compensation Insurance Trust Fund.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2019 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 12,625,622	\$ 304,749
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary basis recognizes Encumbrances as Expenditures and Revenue whereas the GAAP basis does not.		2,279
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	16,742	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(20,647)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 12,621,717</u>	<u>\$ 307,028</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 11,645,870	\$ 304,749
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		<u>2,279</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 11,645,870</u>	<u>\$ 307,028</u>

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost

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

New Jersey school districts are limited as to the type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Government Units. If a public depository fails, the collateral it pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

H. Encumbrances: (Cont'd)

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as unearned revenue at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2019.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at 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
Furniture, Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

L. Long Term Liabilities:

In the district-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise funds. Bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2019.

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for accumulated sick days and begin vesting with the employee after fifteen years of service.

In the district-wide *Statement of Net Position*, the liabilities, whose average maturities are greater than one year, should be reported in two components – the amount due within one year and the amount due in more than one year.

O. Unearned Revenue:

Unearned revenue in the special revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the special revenue fund.

P. Fund Balance Appropriated:

General Fund: Of the \$3,336,656 General Fund fund balance at June 30, 2019, \$1,772,931 is restricted in the capital reserve account; \$471,105 is restricted in the maintenance reserve account; \$122,769 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the year ending June 30, 2020, \$620,606 is restricted as excess surplus and will be included as anticipated revenue for the year ending June 30, 2021, \$58,300 is assigned for year end encumbrances, and \$290,945 is unassigned which is \$20,647 less than the Budgetary basis, due to the final state aid payments, which are not recognized until the fiscal year ending June 30, 2020.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2019 is \$82,655 and is committed.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2019 is \$3,058 and is restricted.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, c.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation. New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus as noted above.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$20,647 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Deficit in Net Position:

The District had a deficit in the governmental activities unrestricted net position at June 30, 2019 of \$2,658,641. This deficit primarily resulted from the net pension liability and related deferred inflows and outflows. The deficit in the governmental activities unrestricted net position does not indicate that the District is facing financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had a deferred outflow of resources at June 30, 2019 for the deferred amount on refunding of debt related to the District's refunding bonds and deferred inflows related to pensions.

The District had deferred inflows of resources related to pensions at June 30, 2019.

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

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

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

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed or assigned.

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources in the Capital Projects Fund at June 30, 2019.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources in the General Fund for year-end encumbrances at June 30, 2019.

T. Revenue - Exchange and Nonexchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes, interest and tuition.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

V. Management Estimates:

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

W. Pensions

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

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

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

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit and

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations 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;
- (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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

Investments: (Cont'd)

- (8) Agreements for the repurchase of fully collateralized securities if:
- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above; 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.

As of June 30, 2019, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents</u>		<u>Total</u>
		<u>Capital Reserve Account</u>	<u>Maintenance Reserve Account</u>	
Checking & Savings Accounts	\$ 1,227,977	\$ 1,772,931	\$ 471,105	\$ 3,472,013
	<u>\$ 1,227,977</u>	<u>\$ 1,772,931</u>	<u>\$ 471,105</u>	<u>\$ 3,472,013</u>

During the period ended June 30, 2019 the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2019, was \$3,472,013 and the bank balance was \$3,713,421.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Borough of Mendham Board of Education by inclusion of \$150,000 on July 1, 1996 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District’s approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2018 to June 30, 2019 fiscal year is as follows:

Beginning Balance, July 1, 2018	\$ 1,371,864
Increased by:	
Interest Earnings	1,899
Increased by Board Resolution June 18, 2019	500,000
	1,873,763
Decreased by:	
Budgeted Withdrawal	(100,832)
Ending Balance, June 30, 2019	\$ 1,772,931

The June 30, 2019 Capital Reserve balance does not exceed the local support costs of uncompleted capital projects in the District’s Long Range Facilities Plan (“LRFP”). The withdrawal from the capital reserve was for use in DOE approved facilities projects, consistent with the District’s LRFP.

NOTE 5. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$20,000 was established by the Borough of Mendham Board of Education on June 18, 2008. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year’s budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 5. MAINTENANCE RESERVE ACCOUNT (Cont'd)

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, 2018 to June 30, 2019 fiscal year is as follows:

Beginning Balance, July 1, 2018	\$	170,823
Increased by:		
Interest Earnings		282
Increased by Board Resolution June 18, 2019		300,000
Ending Balance, June 30, 2019	\$	471,105

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2019, the District made transfers to the capital outlay accounts in the amount of \$28,000 for equipment for which County Superintendent approval was not required.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 251			\$ 251
Construction in Progress	319,240			319,240
Total Capital Assets Not Being Depreciated	<u>319,491</u>			<u>319,491</u>
Capital Assets Being Depreciated:				
Site Improvements	1,202,364	\$ 245,270		1,447,634
Buildings and Building Improvements	12,488,014			12,488,014
Machinery and Equipment	1,202,710	130,477		1,333,187
Total Capital Assets Being Depreciated	<u>14,893,088</u>	<u>375,747</u>		<u>15,268,835</u>
Governmental Activities Capital Assets	<u>15,212,579</u>	<u>375,747</u>		<u>15,588,326</u>
Less Accumulated Depreciation for:				
Site Improvements	(719,475)	(59,914)		(779,389)
Buildings and Building Improvements	(5,854,236)	(313,938)		(6,168,174)
Machinery and Equipment	(866,546)	(85,441)		(951,987)
	<u>(7,440,257)</u>	<u>(459,293)</u>		<u>(7,899,550)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 7,772,322</u>	<u>\$ (83,546)</u>	<u>\$ - 0 -</u>	<u>\$ 7,688,776</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 91,396			\$ 91,396
Less Accumulated Depreciation	(91,396)			(91,396)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 6,828
Student and Instruction Related Services	3,720
School Administrative Services	13,539
Operations and Maintenance of Plant	<u>435,224</u>
	<u>\$ 459,293</u>

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2019, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2018	Accrued	Retired	Balance 6/30/2019
Bonds Payable	\$ 4,320,000		\$ 575,000	\$ 3,745,000
Compensated Absences Payable	139,208	\$ 294		139,502
Unamortized Bond Premium	437,794		54,724	383,070
Net Pension Liability - PERS	2,716,738		40,946	2,675,792
	\$ 7,613,740	\$ 294	\$ 670,670	\$ 6,943,364

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds.

The District had bonds outstanding as of June 30, 2019 as follows:

Final Maturity Date	Interest Rate	Amount
3/1/2026	3.00% - 5.00%	\$ 3,745,000

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

Fiscal Year Ending June 30,	Bonds		Total
	Principal	Interest	
2020	\$ 575,000	\$ 140,950	\$ 715,950
2021	575,000	112,200	687,200
2022	570,000	83,455	653,455
2023	560,000	66,350	626,350
2024	555,000	43,950	598,950
2025-2026	910,000	38,400	948,400
	\$ 3,745,000	\$ 485,305	\$ 4,230,305

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

B. Bonds Authorized But Not Issued:

As of June 30, 2019, the Board had no bonds authorized but not issued.

C. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded as a long-term liability. There is no current portion of the compensated absences balance of the governmental funds and business type activities in the current year. The long-term liability balance of compensated absences is \$139,502 for Governmental Activities and \$ - 0 - for Business-type Activities.

Compensated absences will be liquidated by the General Fund.

D. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2019 is \$-0- and the long-term portion is \$2,675,792. See Note 9 for further information on the PERS.

E. Bond Premiums:

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$54,274 and is separated from the long-term liability balance of \$328,796.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. 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 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began 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 \$54,052 for fiscal year 2019.

The employee contribution rate was 7.50% effective July 1, 2018.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

At June 30, 2019, the District reported a liability of \$2,675,792 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. 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, 2018, the District's proportion was 0.0135%, which was an increase of 0.0019% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$284,736. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 21,179	
	2015	5.72	95,589	
	2016	5.57	324,158	
	2017	5.48		\$ 493,262
	2018	5.63		362,314
			<u>440,926</u>	<u>855,576</u>
Changes in Proportion	2014	6.44		64,999
	2015	5.72	29,464	
	2016	5.57	104,342	
	2017	5.48	132,518	
	2018	5.63	356,000	
			<u>622,324</u>	<u>64,999</u>
Difference Between Expected and Actual Experience	2015	5.72	26,521	
	2016	5.57	9,837	
	2017	5.48	14,670	
	2018	5.63		13,797
			<u>51,028</u>	<u>13,797</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2015	5.0		(16,170)
	2016	5.0		(90,392)
	2017	5.0		81,358
	2018	5.0		50,303
				<u>25,099</u>
Contribution Subsequent to Measurement Date	2018	1.00	129,731	
			<u>\$ 1,244,009</u>	<u>\$ 959,471</u>

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2018	\$ 18,572
2019	(25,712)
2020	(184,378)
2021	(159,822)
2022	(51,178)
	\$ (402,518)

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

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 Conduent modified 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the Conduent 2014 projection scale thereafter. 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, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) 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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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 5.66% as of June 30, 2018. 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 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate of the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2018 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
District's proportionate share of the Net Pension Liability	\$ 3,364,500	\$ 2,675,792	\$ 2,098,010

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2019, the State's pension contribution was less than the actuarial determined amount.

Special Funding Situation

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 2019, the State of New Jersey contributed \$761,494 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,660,159.

The employee contribution rate was 7.50% effective July 1, 2018.

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

At June 30, 2019, the State's proportionate share of the net pension liability associated with the District was \$28,477,864. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. 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, 2018, the District's proportion was 0.045%, which was an increase of 0.001% from its proportion measured as of June 30, 2017.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		28,477,864
Total	\$	28,477,864

For the fiscal year ended June 30, 2019, the State recognized pension expense on behalf of the District in the amount of \$1,660,160 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2019 financial statements.

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

	<u>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	8.5	\$ 1,076,424,469	
	2015	8.3	3,063,649,492	
	2016	8.3	6,913,685,892	
	2017	8.3		\$ 10,084,192,916
	2018	8.29		5,994,557,085
			11,053,759,853	16,078,750,001
Difference Between Expected and Actual Experience	2014	8.5		10,252,211
	2015	8.3	189,214,650	
	2016	8.3		85,977,601
	2017	8.3	179,419,108	
	2018	8.29	1,051,605,259	
			1,420,239,017	96,229,812
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2015	5.0		(192,642,062)
	2016	5.0		(863,710,381)
	2017	5.0		678,024,787
	2018	5.0		384,121,486
			\$ 12,473,998,870	\$ 16,180,773,643

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2019	\$ 401,574,312
2020	208,932,249
2021	(222,922,941)
2022	(149,225,008)
2023	(735,040,983)
Thereafter	(3,210,092,402)
	\$ (3,706,774,773)

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2011-2026	1.55 – 4.55%
Thereafter	2.00 – 5.45
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

The actuarial assumptions used in the July 1, 2017 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, 2018) 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, 2018 are summarized in the following table:

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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 Markets 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 4.86% as of June 30, 2018. 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 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The State contributed 50% 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 2040. Therefore, the long-term expected rate of return on pension 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 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, 2018 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

	Fiscal Year Ended June 30, 2018		
	1% Decrease (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 33,660,294	\$ 28,477,864	\$ 24,181,755

Pension Plan Fiduciary Net Position - TPAF

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

NOTE 10. RISK MANAGEMENT

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

Property, Liability and Health Benefits

A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the New Jersey Schools Insurance Group ("NJSIG"). This public entity risk management pool provided general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The NJSIG is a risk-sharing public entity risk pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the NJSIG are elected.

As a member of the NJSIG, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the NJSIG were to be exhausted, members would become responsible for their respective shares of the NJSIG's liabilities. The NJSIG can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

The audit of the NJSIG as of June 30, 2019 is not available as of the date of this report. Selected financial information for NJSIG as of June 30, 2018 is as follows:

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits (Cont'd)

	New Jersey Schools Insurance Group
Total Assets	\$ 348,953,830
Net Position	\$ 82,580,855
Total Revenue	\$ 133,258,299
Total Expenses	\$ 129,340,074
Change in Net Position	\$ 3,918,225
Members Dividends	\$ -0-

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

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

New Jersey Unemployment Compensation Insurance

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

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

Fiscal Year	Employer Contributions	Employee Contributions and Interest	Amount Reimbursed	Ending Balance
2018-2019	\$ -0-	\$ 7,276	\$ 3,574	\$ 39,302
2017-2018	-0-	7,103	6,629	35,600
2016-2017	-0-	779	20,875	35,126

NOTE 11. 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 BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2019:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 519,406	
Special Revenue Fund		\$ 150,696
Capital Projects Fund		371,768
Debt Service Fund	3,058	
	\$ 522,464	\$ 522,464

The interfund payable from Capital Project Fund and the interfund receivable in the General Fund as of June 30, 2019 represents expenditures of \$368,710 made from the General Fund on behalf of the Capital Projects Fund in prior years, and in addition there is \$3,058 of interest due to the Debt Service Fund. The interfund payable in the Special Revenue Fund and the interfund receivable in the General Fund as of June 30, 2019 represents the prior year cash deficit in Special Revenue Fund which has not yet been returned to the General Fund.

NOTE 13. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Financial Resources	USAA Life Insurance Company
Lincoln National Insurance	Valic
Lincoln Investment	AXA/Equitable
Metropolitan Life	

Metropolitan Life is the plan administrator for the District's Internal Revenue Code Section 457 plan.

NOTE 14. 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.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 15. CONTINGENT LIABILITIES

Grant Programs

The school district participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The District is periodically involved in pending lawsuits. The District estimates that the potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial statements of the District.

Arbitrage

The District is not subject to liability for arbitrage payable to the federal government relative to its \$6,075,000 Refunding Bonds dated November 6, 2014 as the District is considered a small issuer with debt under \$15,000,000.

Encumbrances

At June 30, 2019, encumbrances in the governmental funds were:

<u>General Fund</u>	<u>Total Governmental Activities</u>
\$ 58,300	\$ 58,300

NOTE 16. ACCOUNTS PAYABLE

Payables as of June 30, 2019 were:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>	<u>District Contribution Subsequent to Measurement Date</u>	<u>Total Governmental Activities</u>
Vendors	\$ 41,005	\$ 3,450	\$ 44,455		\$ 44,455
Due to State of New Jersey				\$ 129,731	129,731
	<u>\$ 41,005</u>	<u>\$ 3,450</u>	<u>\$ 44,455</u>	<u>\$ 129,731</u>	<u>\$ 174,186</u>

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Codification Section P50, 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 GASB Codification Section P50. 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.

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

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	145,050
Active Plan Members	217,131
Total	362,181

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. 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.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

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%	
	TPAF/ABP	PERS
Salary Increases:		
Through 2026	1.55 - 4.55% based on years of service	2.15 - 4.15% based on age
Thereafter	2.00 - 5.45% based on years of service	3.15 - 5.15% based on age

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015 and July 1, 2011 – June 30, 2014 for TPAF and PERS, respectively.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2006 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-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven 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.

Discount Rate

The discount rates for June 30, 2018 and 2017 were 3.87% and 3.58%, respectively, a change of +.29%. 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.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

Changes in the State's Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 22,059,328
Changes for Year:	
Service Cost	754,727
Interest Cost	808,159
Differences Between Expected and Actual Experiences	(2,246,924)
Changes in Assumptions	(2,150,609)
Member Contributions	17,320
Gross Benefit Payments	(501,124)
Net Changes	(3,318,451)
Balance at June 30, 2018	\$ 18,740,877

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, 2018, 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, 2018		
	At 1% Decrease (2.87%)	At Discount Rate (3.87%)	At 1% Increase (4.87%)
Total OPEB Liability Attributable to the District	\$ 22,155,532	\$ 18,740,877	\$ 16,026,579

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, 2018, 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, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 15,490,426	\$ 18,740,877	\$ 23,039,722

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

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

For the fiscal year ended June 30, 2019 the District recognized OPEB expense of \$365,144 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 Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, 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, 2018 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:

	<u>Year of Deferral</u>	<u>Original Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2017	9.54		\$ (2,276,396)
Changes in Assumptions	2018	9.51		(1,924,468)
			<u>-0-</u>	<u>(4,200,863)</u>
Differences Between Expected and Actual Experience	2018	9.51		(1,819,221)
Changes in Proportion	N/A	N/A		(335,568)
			<u>\$ -0-</u>	<u>\$ (6,355,652)</u>

N/A - Not Available

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2019	\$ (741,826)
2020	(741,826)
2021	(741,826)
2022	(741,826)
2023	(741,826)
Thereafter	<u>(2,310,956)</u>
	<u>\$ (6,020,084)</u>

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
District's proportion of the net pension liability	0.0090659034%	0.0095749628%	0.0107134771%	0.0116706384%
District's proportionate share of the net pension liability	\$ 1,697,385	\$ 2,149,387	\$ 3,173,025	\$ 2,716,738
District's covered employee payroll	\$ 739,333	\$ 734,369	\$ 772,842	\$ 896,183
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	229.58%	292.68%	410.57%	303.15%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%
				53.60%
				920,161
				2,675,792
				0.0135899404%

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

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
				2019
Contractually required contribution	\$ 74,738	\$ 82,319	\$ 72,452	\$ 89,939
Contributions in relation to the contractually required contribution	(74,738)	(82,319)	(72,452)	(89,939)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 739,333	\$ 739,333	\$ 734,369	\$ 772,842
Contributions as a percentage of covered employee payroll	10.11%	11.13%	9.87%	11.64%
				6.03%

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

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
State's proportion of the net pension liability attributable to the District	0.0447867418%	0.0432440200%	0.0459372055%	0.0438244037%
State's proportionate share of the net pension liability attributable to the District	\$ 23,937,056	\$ 27,332,067	\$ 36,137,131	\$ 29,547,993
District's covered employee payroll	\$ 4,445,641	\$ 4,407,267	\$ 4,567,502	\$ 3,984,061
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	538.44%	620.16%	791.18%	741.66%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%
				0.0447639504%

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

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 1,288,038	\$ 1,668,869	\$ 2,715,203	\$ 2,046,935
Contributions in relation to the contractually required contribution	<u>(233,793)</u>	<u>(367,791)</u>	<u>(475,702)</u>	<u>(436,105)</u>
Contribution deficiency/(excess)	<u>\$ 1,054,245</u>	<u>\$ 1,301,078</u>	<u>\$ 2,239,501</u>	<u>\$ 1,610,830</u>
District's covered employee payroll	\$ 4,445,641	\$ 4,407,267	\$ 4,567,502	\$ 3,984,061
Contributions as a percentage of covered employee payroll	28.97%	8.35%	10.41%	10.95%
				16.80%
				1,660,160
				(761,494)
				\$ 898,666

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

MENDHAM BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY
ASSOCIATED WITH THE DISTRICT AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2017</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 915,717	\$ 754,727
Interest Cost	700,101	808,159
Differences Between Expected and Actual Experiences		(2,246,924)
Changes in Assumptions	(2,957,943)	(2,150,609)
Member Contributions	18,814	17,320
Gross Benefit Payments	(510,941)	(501,124)
Net Change in Total OPEB Liability	(1,834,252)	(3,318,451)
Total OPEB Liability - Beginning	<u>23,893,580</u>	<u>22,059,328</u>
Total OPEB Liability - Ending	<u>\$ 22,059,328</u>	<u>\$ 18,740,877</u>
District's Covered Employee Payroll *	\$ 5,141,636	\$ 5,340,344
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	351%

* - Covered payroll for the fiscal years ending June 30, 2017 and June 30, 2018 are based on the payroll on the June 30, 2016 and June 30, 2017 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 BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.00% as of June 30, 2017 to 5.66% as of June 30, 2018. The municipal bond rate changed from 3.58% to 3.87%.

The mortality rates utilized in the July 1, 2016 valuation were as follows: 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 mortality rates utilized in the July 1, 2017 valuation were as follows: 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 Conduent modified 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 4.25% as of June 30, 2017 to 4.86% as of June 30, 2018. The municipal bond rate changed from 3.58 to 3.87%.

The salary increases in the July 1, 2016 valuation were as follows: 2012-2021 and thereafter – varies based on experience. The salary increases in the July 1, 2017 valuation are as follows: 2011-2026 – 1.55% - 4.55% and thereafter – 2% - 5.45%.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)
(Continued)

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

Changes of Actuarial Assumptions (Cont'd)

The mortality rates utilized in the July 1, 2016 valuation were as follows: 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-year average of Social Security data from 1953 to 2013.

The mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

The mortality rates in the valuation as of June 30, 2017 were based on the following:

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 mortality rates in the valuation as of June 30, 2018 were based on the following:

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2006 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-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

The health care trend rates in the valuation as of June 30, 2018 were based on the following:

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)
(Continued)

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN (Cont'd)

Changes of Actuarial Assumptions (Cont'd)

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.8% and decreases to a 5.0% long term trend rate after eight 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 5.8% and decreases to a 5.0% long term rate after eight years. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The assumed Medicare Advantage trend rate is 4.5% in all future years.

The health care trend rates in the valuation as of June 30, 2017 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven 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.

BUDGETARY COMPARISON SCHEDULES

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
General Fund Revenues:					
Local Sources:					
Local Tax Levy	\$ 10,603,863		\$ 10,603,863	\$ 10,603,863	
Tuition from Other Individuals	15,000		15,000	61,700	\$ 46,700
Transportation Fees from Individuals	3,000		3,000	3,712	712
Interest Revenue				3,182	3,182
Interest Earned on Capital Reserve Funds				1,899	1,899
Interest Earned on Maintenance Reserve Funds				282	282
Miscellaneous	9,788	1,212	11,000	71,747	60,747
Total - Local Sources	10,631,651	1,212	10,632,863	10,746,385	113,522
State Sources:					
Categorical Special Education Aid	220,005		220,005	220,005	
Categorical Security Aid	30,998		30,998	35,667	4,669
Categorical Transportation Aid	47,259		47,259	47,259	
Nonpublic Transportation Aid				7,717	7,717
Extraordinary Aid	35,000		35,000	88,875	53,875
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				761,494	761,494
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				352,643	352,643
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				15,940	15,940
TPAF Long Term Disability Insurance (On-Behalf - Non-Budgeted)				881	881
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				348,756	348,756
Total State Sources	333,262		333,262	1,879,237	1,545,975
Total Revenues	10,964,913	1,212	10,966,125	12,625,622	1,659,497

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Current Expense:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 60,946	\$	\$ 60,946	\$ 56,020	\$ 4,926
Kindergarten - Salaries of Teachers	163,514	54,761	218,275	168,864	49,411
Grades 1-5 - Salaries of Teachers	1,639,583	23,924	1,663,507	1,496,281	167,226
Grades 6-8 - Salaries of Teachers	1,300,319	220,311	1,520,630	1,236,694	283,936
Regular Programs - Home Instruction:					
Salaries of Teachers	2,000	80	2,080	1,080	1,000
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	32,773		32,773	21,851	10,922
Purchased Professional-Educational Services	4,000	(2,600)	1,400	108	1,292
Other Purchased Services	39,800	4,189	43,989	39,630	4,359
General Supplies	144,413	19,656	164,069	139,115	24,954
Textbooks	2,704	4,000	6,704	4,816	1,888
Total Regular Programs - Instruction	3,390,052	324,321	3,714,373	3,164,459	549,914
Special Education - Instruction:					
Salaries of Teachers	656,751	33,400	690,151	637,945	52,206
Other Salaries for Instruction	91,032	5,875	96,907	96,907	
General Supplies	2,041	3,508	5,549	5,033	516
Total Resource Room/Resource Center	749,824	42,783	792,607	739,885	52,722

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Home Instruction:					
Salaries of Teachers - Home Instruction	\$ 3,000	\$	3,000		\$ 3,000
Total Home Instruction	3,000		3,000		3,000
Total Special Education - Instruction	752,824	\$ 42,783	795,607	\$ 739,885	55,722
School-Sponsored Cocurricular Activities:					
Salaries	56,578	13,621	70,199	70,199	
Supplies and Materials	1,100	(250)	850	641	209
Total School-Sponsored Cocurricular Activities	57,678	13,371	71,049	70,840	209
School-Sponsored Athletics:					
Salaries	43,473		43,473	20,799	22,674
Supplies and Materials	4,200	1,150	5,350	5,162	188
Total School-Sponsored Athletics	47,673	1,150	48,823	25,961	22,862
Total Instruction	4,248,227	381,625	4,629,852	4,001,145	628,707
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State - Regular	28,950	(28,950)			
Tuition to Other LEAs Within the State - Special	107,592	(90,305)	17,287	17,287	
Tuition to Private Schools for the Disabled Within the State	659,084	(275,695)	383,389	354,756	28,633
Total Undistributed Expenditures - Instruction	795,626	(394,950)	400,676	372,043	28,633

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Health Services:					
Salaries	\$ 133,972	\$ 2,406	\$ 136,378	\$ 133,157	\$ 3,221
Purchased Professional and Technical Services	4,000	6,928	10,928	10,928	
Supplies and Materials	2,599	3,884	6,483	6,481	2
Other Objects		480	480	480	
Total Health Services	140,571	13,698	154,269	151,046	3,223
Speech, OT, PT and Related Services:					
Salaries	69,207	328	69,535	65,630	3,905
Purchased Professional - Educational Services	75,000	(10,000)	65,000	40,745	24,255
Supplies and Materials	350		350	329	21
Other Objects		6,850	6,850	2,282	4,568
Total Speech, OT, PT and Related Services	144,557	(2,822)	141,735	108,986	32,749
Students - Extraordinary Services:					
Salaries	48,000	(48,000)			
Purchased Professional - Educational Services	900	11,700	12,600	12,600	
Total Students - Extraordinary Services	48,900	(36,300)	12,600	12,600	
Guidance Services:					
Salaries of Other Professional Staff	109,535	11,762	121,297	121,297	
Salaries of Secretarial & Clerical Assistants	32,046		32,046	31,953	93
Other Purchased Professional and Technical Services	11,500	3,400	14,900	12,089	2,811
Supplies and Materials	3,850	11,000	14,850	3,791	11,059
Other Objects	450		450	450	
Total Guidance Services	157,381	26,162	183,543	169,580	13,963

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Child Study Team:					
Salaries of Other Professional Staff	\$ 251,270	\$ 9,861	\$ 261,131	\$ 255,877	\$ 5,254
Salaries of Secretarial and Clerical Assistants	47,719		47,719	46,075	1,644
Purchased Professional - Educational Services	17,860	(1,116)	16,744	16,744	
Purchased Professional - Technical Services	18,225	1,795	20,020	18,754	1,266
Other Purchased Services	2,700	(1,696)	1,004	559	445
Supplies and Materials	3,825	(511)	3,314	1,719	1,595
Other Objects	884		884	561	323
Total Child Study Team	342,483	8,333	350,816	340,289	10,527
Improvement of Instructional Staff:					
Salaries of Other Professional Staff	23,950	2,446	26,396	16,941	9,455
Salaries of Secretarial and Clerical Assistants	35,181	2,873	38,054	38,054	
Other Salaries	128,328		128,328	127,954	374
Other Purchased Services	8,100	7,129	15,229	14,635	594
Supplies and Materials	250		250	230	20
Other Objects	898		898	727	171
Total Improvement of Instructional Staff	196,707	12,448	209,155	198,541	10,614
Educational Media Services/School Library:					
Salaries	105,214	6,863	112,077	112,077	
Salaries of Technology Coordinators	98,413		98,413	98,126	287
Other Purchased Services	128,675	4,487	133,162	132,639	523
Supplies and Materials	6,000	182	6,182	6,060	122
Other Objects	600		600	575	25
Total Educational Media Services/School Library	338,902	11,532	350,434	349,477	957

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Instructional Staff Training Services:					
Other Purchased Services	\$ 5,000	\$ (641)	\$ 4,359	\$ 4,123	\$ 236
Total Instructional Staff Training Services	5,000	(641)	4,359	4,123	236
Support Services - General Administration:					
Salaries	243,536	3,660	247,196	247,196	
Legal Services	40,000	(309)	39,691	30,282	9,409
Audit Fees	22,000	(150)	21,850	21,850	
Other Purchased Professional Services	1,500	5,920	7,420	5,920	1,500
Purchased Technical Services		4,286	4,286	4,286	
Communications/Telephone	8,353		8,353	7,448	905
Other Purchased Services (400-500 series)	46,212	(5,920)	40,292	35,428	4,864
General Supplies	4,000	559	4,559	4,495	64
BOE In-House Training/Meeting Supplies	1,000	600	1,600	1,554	46
Miscellaneous Expenditures	11,056	(500)	10,556	9,805	751
Total Support Services - General Administration	377,657	8,146	385,803	363,978	21,825
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	293,731	4,845	298,576	296,580	1,996
Salaries of Secretarial and Clerical Assistants	107,835		107,835	107,070	765
Other Purchased Services	12,500	(1,995)	10,505	10,505	
Supplies and Materials	5,650	(700)	4,950	2,274	2,676
Other Objects	7,773	(250)	7,523	5,341	2,182
Total Support Services - School Administration	427,489	1,900	429,389	411,265	18,124

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Support Services - Central Services:					
Salaries	\$ 213,027	\$ 9,807	\$ 222,834	\$ 222,405	\$ 429
Purchased Professional Services	18,360	15,000	33,360	18,010	15,350
Miscellaneous Purchased Services	2,773	325	3,098	2,351	747
Supplies and Materials	6,000	9,101	15,101	8,073	7,028
Miscellaneous Expenditures	2,000	240	2,240	2,240	
Total Support Services - Central Services	242,160	34,473	276,633	253,079	23,554
Administrative Information Technology:					
Salaries	4,500		4,500	2,022	2,478
Total Administrative Information Technology	4,500		4,500	2,022	2,478
Custodial Services:					
Salaries	259,242	20,173	279,415	278,919	496
Purchased Professional Services	68,964	1,500	70,464	67,464	3,000
Cleaning, Repair and Maintenance Services	16,421	(3,000)	13,421	12,901	520
Other Purchased Property Services	22,440	2,055	24,495	24,495	
Insurance	52,283	(12,228)	40,055	37,150	2,905
Miscellaneous Purchased Services	1,500		1,500		1,500
General Supplies	46,228	(3,387)	42,841	39,032	3,809
Energy (Electricity)	156,419	(10,866)	145,553	109,570	35,983
Energy (Natural Gas)	91,862	(30,100)	61,762	40,551	21,211
Total Custodial Services	715,359	(35,853)	679,506	610,082	69,424
Required Maintenance of School Facilities:					
Salaries	72,528		72,528	71,964	564
Cleaning, Repair and Maintenance Services	243,172	35,001	278,173	242,508	35,665
General Supplies	49,441	(45,301)	4,140	3,430	710
Other Objects	3,350		3,350	2,006	1,344
Total Required Maintenance of School Facilities	368,491	(10,300)	358,191	319,908	38,283

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Care and Upkeep of Grounds:					
Cleaning, Repair & Maintenance Services	\$ 20,500	\$	20,500	\$ 15,763	\$ 4,737
General Supplies	5,000	7,000	12,000	11,800	200
Total Care and Upkeep of Grounds	25,500	7,000	32,500	27,563	4,937
Security:					
Purchases Professional Services		41,360	41,360	37,578	3,782
General Supplies	69	5,940	6,009	6,009	
Total Security	69	47,300	47,369	43,587	3,782
Student Transportation Services:					
Other than Between Home and School - Vendors	17,733		17,733	17,479	254
Between Home and School - Joint Agreements	73,206		73,206	70,267	2,939
Special Education Students - ESCs and CTSAs	253,218	(94,958)	158,260	107,704	50,556
Aid in Lieu Payments - Non-Public School	23,000		23,000	18,000	5,000
Total Student Transportation Services	367,157	(94,958)	272,199	213,450	58,749
Allocated Benefits:					
Regular Programs - Instruction:					
Social Security Contributions	71,571	3,998	75,569	72,648	2,921
Other Retirement Contributions - PERS		5,717	5,717	5,717	
Workmen's Compensation	32,890	(3,959)	28,931	14,713	14,218
Health Benefits	760,739		760,739	699,385	61,354
Total Regular Programs - Instruction	865,200	5,756	870,956	792,463	78,493

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Allocated Benefits:					
Special Programs - Instruction:					
Social Security Contributions	\$ 17,528		\$ 17,528		\$ 17,528
Other Retirement Contributions - Regular	19,789	(500)	19,289		19,289
Workmen's Compensation	6,482		6,482	\$ 3,240	3,242
Health Benefits	167,377		167,377	145,464	21,913
Total Special Programs - Instruction	211,176	(500)	210,676	148,704	61,972
Other Instructional Programs - Instruction:					
Social Security Contributions	7,303	(300)	7,003		7,003
Total Instructional Programs - Instruction	7,303	(300)	7,003		7,003
Health Services:					
Workmen's Compensation	1,229		1,229	1,202	27
Health Benefits	34,908		34,908	34,908	
Total Health Services	36,137		36,137	36,110	27
Other Support Services - Speech, OT, PT and Related Services:					
Workmen's Compensation	599		599	598	1
Health Benefits	8,499		8,499	8,499	
Total Other Support Services - Speech, OT, PT and Related Services	9,098		9,098	9,097	1
Guidance Services:					
Workmen's Compensation	588		588	588	
Health Benefits	18,395		18,395	18,395	
Total Guidance Services	18,983		18,983	18,983	

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Allocated Benefits:					
Child Study Team:					
Social Security Contributions	7,303		7,303	7,303	
Other Retirement Contributions - PERS	6,577		6,577	6,577	
Health Benefits	108,384		108,384	107,273	\$ 1,111
Total Child Study Team	122,264		122,264	121,153	1,111
Improvement of Instruction Services:					
Social Security Contributions	11,685		11,685	11,685	
Workmen's Compensation	1,423		1,423		1,423
Health Benefits	19,885		19,885	19,885	
Total Improvement of Instruction Services	32,993		32,993	31,570	1,423
Educational Media Services/School Library:					
Social Security Contributions	7,303		7,303	7,303	
Other Retirement Contributions - PERS	13,193		13,193	13,193	
Workmen's Compensation	1,780		1,780	1,780	
Health Benefits	63,600		63,600	63,600	
Total Educational Media Services/School Library	85,876		85,876	85,876	
Support Services - General Administration:					
Social Security Contributions	1,461		1,461	1,461	
Workmen's Compensation	2,106		2,106	2,100	6
Total General Administration	3,567		3,567	3,561	6

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Allocated Benefits:					
Support Services - School Administration:					
Social Security Contributions	7,303	\$	7,303	\$ 7,303	
Workmen's Compensation	3,662		3,662	3,662	
Total School Administration	10,965		10,965	10,965	
Support Services - Central Services:					
Social Security Contributions	1,461		1,461	1,461	
Workmen's Compensation	2,064		2,064	1	\$ 2,063
Total Central Services	3,525		3,525	1,462	2,063
Unallocated Benefits:					
Other Retirement Contributions- PERS	26,385	\$ 27,800	54,185	54,052	133
Health Benefits	357,443	(34,837)	322,606	283,077	39,529
Tuition Reimbursement	25,000	(1,500)	23,500	18,623	4,877
Other Employee Benefits	84,000		84,000	69,243	14,757
Total Unallocated Benefits	492,828	(8,537)	484,291	424,995	59,296
On-Behalf Contributions:					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				761,494	(761,494)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				352,643	(352,643)
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				15,940	(15,940)
TPAF Long Term Disability Insurance (On-Behalf - Non-Budgeted)				881	(881)
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				348,756	(348,756)
Total On-Behalf Contributions				1,479,714	(1,479,714)
Total Personal Services - Employee Benefits	1,899,915	(3,581)	1,896,334	3,164,653	(1,268,319)
Total Undistributed Expenditures	6,598,424	(408,413)	6,190,011	7,103,672	(913,661)
Total Current Expense	10,846,651	(26,788)	10,819,863	11,104,817	(284,954)

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital Outlay:					
Equipment:					
Undistributed Expenditures:					
Instruction	\$ 74,163	\$ 28,000	\$ 102,163	\$ 100,722	\$ 1,441
Required for School Maintenance for School Facilities	103,000		103,000	102,816	184
Total Equipment	177,163	28,000	205,163	203,538	1,625
Facilities Acquisition and Construction Services:					
Architectural / Engineering Services	25,323		25,323	19,848	5,475
Other Objects- Debt Service Assessment	33,463		33,463	33,463	
Supplies and Materials	1,700		1,700	1,700	
Construction Services	402,912		402,912	282,504	120,408
Total Facilities Acquisition and Construction Services	463,398		463,398	337,515	125,883
Total Capital Outlay	640,561	28,000	668,561	541,053	127,508
Total Expenditures	11,487,212	1,212	11,488,424	11,645,870	(157,446)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(522,299)		(522,299)	979,752	1,502,051
Other Financing Uses:					
Operating Transfers:					
Transfer to Debt Service Fund	(7,500)		(7,500)	(570)	(570)
Transfer to Food Service Enterprise Fund				(6,229)	1,271
Total Other Financing Uses	(7,500)		(7,500)	(6,799)	701
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing (Uses)	(529,799)		(529,799)	972,953	1,502,752
Fund Balance, July 1	2,384,350		2,384,350	2,384,350	
Fund Balance, June 30	\$ 1,854,551	\$ -0-	\$ 1,854,551	\$ 3,357,303	\$ 1,502,752

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

Recapitulation:		
Restricted for:		
Maintenance Reserve Account	\$	471,105
Capital Reserve Account		1,772,931
Excess Surplus - Current Year		620,606
Excess Surplus - Designated for Subsequent Year's Expenditures		122,769
Assigned Fund Balance:		
Year End Encumbrances		58,300
Unassigned		311,592
		<u>3,357,303</u>
Reconciliation to Governmental Fund Statement (GAAP):		
Last Two State Aid Payments not Recognized on a GAAP Basis		(20,647)
Fund Balance per Governmental Funds (GAAP)	\$	<u><u>3,336,656</u></u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenue:					
Local Sources		\$ 3,924	\$ 3,924	\$ 3,924	
State Sources	\$ 63,393	2,655	66,048	66,048	
Federal Sources	138,073	96,704	234,777	234,777	
Total Revenue	201,466	103,283	304,749	304,749	
Expenditures:					
Instruction:					
Salaries of Teachers	23,864	(64)	23,800	23,800	
Purchased Professional and Educational Services	4,000	(923)	3,077	3,077	
Tuition	95,912	80,360	176,272	176,272	
Travel	3,502	(1,406)	2,096	2,096	
Other Purchased Services	2,001	484	2,485	2,485	
Supplies and Materials	5,298	(42)	5,256	5,256	
Textbooks	7,845	(49)	7,796	7,796	
Other Objects	7,654		7,654	7,654	
Total Instruction	150,076	78,360	228,436	228,436	
Support Services:					
Salaries of Other Professional Staff	20,591	945	21,536	21,536	
Purchased Professional/Educational Services	16,059	3,817	19,876	19,876	
Other Purchased Services	4,000	6,209	10,209	10,209	
Supplies and Materials	10,740	11,160	21,900	21,900	
Total Support Services	51,390	22,131	73,521	73,521	
Facilities Acquisition and Construction Services:					
Instructional Equipment		2,792	2,792	2,792	
Total Facilities Acquisition and Construction Services		2,792	2,792	2,792	
Total Expenditures	201,466	103,283	304,749	304,749	
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

MENDHAM BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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	\$ 12,625,622	\$ 304,749
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary basis recognizes Encumbrances and Revenue whereas the GAAP Basis does not.		2,279
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	16,742	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(20,647)</u>	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 <u>\$ 12,621,717</u>	 <u>\$ 307,028</u>
 Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 11,645,870	\$ 304,749
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		<u>2,279</u>
 Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u>\$ 11,645,870</u>	 <u>\$ 307,028</u>

MENDHAM BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2019 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest of (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The general fund budgetary revenue differs from the GAAP revenue due to a difference in the recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

MENDHAM BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Elementary and Secondary Education Aid</u>				Nonpublic Technology
	<u>Title IV</u>	<u>Title II A</u>	<u>Title I</u>	<u>Nonpublic Security</u>	
REVENUE:					
Local Sources					
State Sources	\$ 9,529	\$ 10,342	\$ 18,208	\$ 21,900	\$ 5,256
Federal Sources					
Total Revenue	<u>9,529</u>	<u>10,342</u>	<u>18,208</u>	<u>21,900</u>	<u>5,256</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers			16,159		
Purchased Professional and Educational Services	3,077				
Tuition					
Travel		2,096			
Other Purchased Services		2,485			5,256
Supplies and Materials					
Textbooks					
Other Objects					
Total Instruction	<u>3,077</u>	<u>4,581</u>	<u>16,159</u>		<u>5,256</u>
Support Services:					
Salaries of Other Professional Staff		3,136	2,049		
Purchased Professional/Educational Services					
Other Purchased Services	3,660	2,625		21,900	
Supplies and Materials					
Total Support Services	<u>3,660</u>	<u>5,761</u>	<u>2,049</u>	<u>21,900</u>	
Facilities Acquisition:					
Instructional Equipment	2,792				
Total Facilities Acquisition	<u>2,792</u>				
Total Expenditures	<u>\$ 9,529</u>	<u>\$ 10,342</u>	<u>\$ 18,208</u>	<u>\$ 21,900</u>	<u>\$ 5,256</u>

MENDHAM BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

		Chapter 192		Chapter 193, Handicapped Services	
		Auxiliary Services		Examination/ Classification	Supplemental Instruction
		Compensatory Education	Nonpublic Textbooks	Corrective Speech	
REVENUE:					
Local Sources					
State Sources	\$ 14,162	\$ 7,654	\$ 7,796	\$ 2,189	\$ 5,395
Federal Sources					
Total Revenue	<u>14,162</u>	<u>7,654</u>	<u>7,796</u>	<u>2,189</u>	<u>5,395</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					1,696
Purchased Professional and Educational Services					5,395
Tuition					
Travel					
Other Purchased Services					
Supplies and Materials					
Textbooks			7,796		
Other Objects		7,654			
Total Instruction		<u>7,654</u>	<u>7,796</u>		<u>1,696</u>
Support Services:					
Salaries of Other Professional Staff	14,162			2,189	
Purchased Professional/Educational Services					
Other Purchased Services					
Supplies and Materials					
Total Support Services	<u>14,162</u>			<u>2,189</u>	
Facilities Acquisition:					
Instructional Equipment					
Total Facilities Acquisition					
Total Expenditures	<u>\$ 14,162</u>	<u>\$ 7,654</u>	<u>\$ 7,796</u>	<u>\$ 2,189</u>	<u>\$ 5,395</u>
					<u>\$ 1,696</u>

MENDHAM BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Local Grants</u>	<u>IDEA Part B Preschool</u>	<u>IDEA Part B Basic</u>	<u>Totals June 30, 2019</u>
REVENUE:				
Local Sources	\$ 3,924			\$ 3,924
State Sources				66,048
Federal Sources		\$ 550	\$ 196,148	234,777
Total Revenue	<u>3,924</u>	<u>550</u>	<u>196,148</u>	<u>304,749</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers		550		23,800
Purchased Professional and Educational Services				3,077
Tuition			176,272	176,272
Travel				2,096
Other Purchased Services				2,485
Supplies and Materials				5,256
Textbooks				7,796
Other Objects				7,654
Total Instruction		<u>550</u>	<u>176,272</u>	<u>228,436</u>
Support Services:				
Salaries of Other Professional Staff				21,536
Purchased Professional/Educational Services	3,924		19,876	19,876
Other Purchased Services				10,209
Supplies and Materials				21,900
Total Support Services	<u>3,924</u>		<u>19,876</u>	<u>73,521</u>
Facilities Acquisition:				
Instructional Equipment				2,792
Total Facilities Acquisition				<u>2,792</u>
Total Expenditures	<u>\$ 3,924</u>	<u>\$ 550</u>	<u>\$ 196,148</u>	<u>\$ 304,749</u>

CAPITAL PROJECTS FUND

MENDHAM BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE- BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Revenue and Other Financing Sources:	
Interest Income	<u>\$ 904</u>
Total Revenue and Other Financing Sources	<u> 904</u>
Other Financing Uses:	
Transfers Out:	
Debt Service Fund	<u> (904)</u>
Total Other Financing Uses	<u> (904)</u>
Excess of Revenue and Other Financing Sources Over Other Financing Uses	<u> -0-</u>
Fund Balance - Beginning of Year	<u> 82,655</u>
Fund Balance - End of Year	<u><u> \$ 82,655</u></u>
Recapitulation	
Fund Balance Budgetary Basis	<u> \$ 82,655</u>
Fund Balance GAAP Basis	<u><u> \$ 82,655</u></u>

MENDHAM BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
HILLTOP ELEMENTARY MASONRY REPAIR/ WINDOW REPAIR/REPLACEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Additional Project Information:

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

PROPRIETARY FUNDS

MENDHAM BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 4,616
Inventories	4,200
	<hr/>
Total Current Assets	8,816
	<hr/>

Capital Assets:

Furniture and Equipment	91,396
Less: Accumulated Depreciation	(91,396)
	<hr/>
Total Capital Assets	-0-
	<hr/>

Total Assets	8,816
	<hr/>

LIABILITIES:

Current Liabilities:

Unearned Revenue - Prepaid Sales	5,374
	<hr/>
Total Liabilities	5,374
	<hr/>

NET POSITION:

Unrestricted	3,442
	<hr/>
Total Net Position	\$ 3,442
	<hr/> <hr/>

MENDHAM BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Operating revenue	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 169,233
Other Non-Reimbursable Sales	9,166
	<hr/>
Total Operating Revenue	178,399
	<hr/>
Operating Expenses:	
Cost of Sales - Non-Reimbursable Programs	78,796
Salaries, Benefits & Payroll Taxes	78,539
Supplies, Insurance & Other Costs	6,292
Management Fee	16,412
Miscellaneous Expenses	9,157
	<hr/>
Total Operating Expenses	189,196
	<hr/>
Operating Loss	(10,797)
	<hr/>
Non-Operating Revenue	
Local Sources:	
Interest Income	6
	<hr/>
Total Non-Operating Revenue	6
	<hr/>
Change in Net Position Before Transfers	(10,791)
	<hr/>
Operating Transfers from General Fund	6,229
	<hr/>
Changes in Net Position After Transfers	(4,562)
	<hr/>
Net Position - Beginning of Year	8,004
	<hr/>
Net Position - End of Year	\$ 3,442
	<hr/> <hr/>

MENDHAM BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Cash Flows From Operating Activities:	
Receipts from Customers	\$ 178,399
Payments to Food Service Vendor	(182,931)
Payments to Suppliers	(9,157)
Net Cash Used for Operating Activities	<u>(13,689)</u>
Cash Flows From Investing Activities:	
Interest Income	6
Net Cash Provided by Investing Activities	<u>6</u>
Cash Flows from Noncapital Financing Activities:	
Operating Transfers from General Fund	6,229
Net Cash Provided by Noncapital Financing Activities	<u>6,229</u>
Net Decrease in Cash and Cash Equivalents	(7,454)
Cash and Cash Equivalents, July 1	<u>12,070</u>
Cash and Cash Equivalents, June 30	<u>\$ 4,616</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	\$ (10,797)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
(Increase) in Inventory	(809)
(Decrease) in Accounts Payable	(3,770)
Increase in Prepaid Sales	1,687
Net Cash Used for Operating Activities	<u>\$ (13,689)</u>

FIDUCIARY FUNDS

MENDHAM BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019

	Payroll	Agency Student Activities	Total Agency	Flexible Spending Trust	Unemployment Compensation Trust
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 56,738	\$ 64,019	\$ 120,757	\$ 9,886	\$ 39,302
Total Assets	56,738	64,019	120,757	9,886	39,302
<u>LIABILITIES:</u>					
Payroll Deductions and Withholdings Due to Student Groups	56,738	64,019	56,738 64,019		
Total Liabilities	56,738	64,019	120,757		
<u>NET POSITION:</u>					
Held in Trust for Flexible Spending Claims Restricted for Unemployment Claims				9,886	39,302
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 9,886	\$ 39,302

MENDHAM BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGE IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
Additions:		
Contributions:		
Plan Contributions	\$ 21,260	
Employee Deductions		\$ 7,209
Total Contributions	<u>21,260</u>	<u>7,209</u>
Investment Earnings:		
Interest	<u>11</u>	<u>67</u>
Net Investment Earnings	<u>11</u>	<u>67</u>
Total Additions	<u>21,271</u>	<u>7,276</u>
Deductions:		
Flexible Spending Claims	20,117	
Unemployment Compensation Claims		3,574
Total Deductions	<u>20,117</u>	<u>3,574</u>
Change in Net Position	1,154	3,702
Net Position - Beginning of the Year	<u>8,732</u>	<u>35,600</u>
Net Position - End of the Year	<u>\$ 9,886</u>	<u>\$ 39,302</u>

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

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 72,981	\$ 117,169	\$ 126,131	\$ 64,019
Total Assets	<u>\$ 72,981</u>	<u>\$ 117,169</u>	<u>\$ 126,131</u>	<u>\$ 64,019</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 72,981	\$ 117,169	\$ 126,131	\$ 64,019
Total Liabilities	<u>\$ 72,981</u>	<u>\$ 117,169</u>	<u>\$ 126,131</u>	<u>\$ 64,019</u>

MENDHAM BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

<u>Schools</u>	<u>Balance June 30, 2018</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2019</u>
Hilltop	\$ 3,161	\$ 14,548	\$ 12,219	\$ 5,490
Mountain View	66,616	92,647	105,469	53,794
Mountain View - Pay to Play	3,204	9,974	8,443	4,735
	<u>\$ 72,981</u>	<u>\$ 117,169</u>	<u>\$ 126,131</u>	<u>\$ 64,019</u>

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

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 66,195	\$ 3,006,079	\$ 3,015,536	\$ 56,738
Total Assets	<u>\$ 66,195</u>	<u>\$ 3,006,079</u>	<u>\$ 3,015,536</u>	<u>\$ 56,738</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 66,195	\$ 3,006,079	\$ 3,015,536	\$ 56,738
Total Liabilities	<u>\$ 66,195</u>	<u>\$ 3,006,079</u>	<u>\$ 3,015,536</u>	<u>\$ 56,738</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance June 30, 2018	Matured	Balance June 30, 2019
			Date	Amount				
2014 Series Refunding Bonds	12/02/2014	\$ 6,075,000	3/1/2020	\$ 575,000	5.000%	\$ 4,320,000	\$ 575,000	\$ 3,745,000
			3/1/2021	575,000	5.000%			
			3/1/2022	570,000	3.000%			
			3/1/2023	560,000	4.000%			
			3/1/2024	555,000	3.000%			
			3/1/2025	540,000	3.000%			
			3/1/2026	370,000	3.000%			
						<u>\$ 4,320,000</u>	<u>\$ 575,000</u>	<u>\$ 3,745,000</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Final to Actual
REVENUE:				
Local Sources:				
Local Tax Levy	\$ 744,700	\$ 744,700	\$ 744,700	
Total Revenue	<u>744,700</u>	<u>744,700</u>	<u>744,700</u>	
EXPENDITURES:				
Regular Debt Service:				
Interest	169,700	169,700	169,700	
Redemption of Principal	575,000	575,000	575,000	
Total Regular Debt Service	<u>744,700</u>	<u>744,700</u>	<u>744,700</u>	
Total Expenditures	<u>744,700</u>	<u>744,700</u>	<u>744,700</u>	
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	
Other Financing Sources:				
Transfer In - General Fund			570	\$ 570
Transfer In- Capital Projects Fund			904	904
Total Other Financing Sources	<u>-0-</u>	<u>-0-</u>	<u>1,474</u>	<u>1,474</u>
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures	<u>-0-</u>	<u>-0-</u>	<u>1,474</u>	<u>1,474</u>
Fund Balance, July 1	1,584	1,584	1,584	-0-
Fund Balance, June 30	<u>\$ 1,584</u>	<u>\$ 1,584</u>	<u>\$ 3,058</u>	<u>\$ 1,474</u>
Recapitulation:				
Restricted			<u>\$ 3,058</u>	

STATISTICAL SECTION
(UNAUDITED)

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-20

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

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

June 30,

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities:										
Net Investment in Capital Assets	\$ 3,171,978	\$ 3,406,302	\$ 3,712,067	\$ 4,043,186	\$ 1,939,282	\$ 3,533,362	\$ 3,874,760	\$ 3,806,897	\$ 3,542,317	\$ 4,022,522
Restricted	474,633	530,484	1,108,069	1,535,080	1,208,453	1,056,492	1,311,465	1,709,416	1,982,630	2,990,469
Unrestricted/(Deficit)	48,050	89,292	63,644	(13,514)	(1,794,337)	(2,312,981)	(2,314,846)	(1,890,873)	(2,544,616)	(2,658,641)
Total Governmental Activities Net Position	\$ 3,694,661	\$ 4,026,078	\$ 4,883,780	\$ 5,564,752	\$ 1,353,398	\$ 2,276,873	\$ 2,871,379	\$ 3,625,440	\$ 2,980,331	\$ 4,354,350
Business-Type Activities:										
Investment in Capital Assets	\$ 34,981	\$ 28,722	\$ 22,695	\$ 16,668	\$ 21,729	\$ 20,416	\$ 8,591	\$ 3,899	\$ 8,004	\$ 3,442
Unrestricted/(Deficit)		4,990	4,707	2,688	(959)	1,688	(3,702)	5,691		
Total Business-Type Activities Net Position	\$ 34,981	\$ 33,712	\$ 27,402	\$ 19,356	\$ 20,770	\$ 22,104	\$ 4,889	\$ 9,590	\$ 8,004	\$ 3,442
District-Wide:										
Net Investment in Capital Assets	\$ 3,206,959	\$ 3,435,024	\$ 3,734,762	\$ 4,059,854	\$ 1,961,011	\$ 3,553,778	\$ 3,883,351	\$ 3,810,796	\$ 3,542,317	\$ 4,022,522
Restricted	474,633	530,484	1,108,069	1,535,080	1,208,453	1,056,492	1,311,465	1,709,416	1,982,630	2,990,469
Unrestricted/(Deficit)	48,050	94,282	68,351	(10,826)	(1,795,296)	(2,311,293)	(2,318,548)	(1,885,182)	(2,536,612)	(2,655,199)
Total District Net Position	\$ 3,729,642	\$ 4,059,790	\$ 4,911,182	\$ 5,584,108	\$ 1,374,168	\$ 2,298,977	\$ 2,876,268	\$ 3,635,030	\$ 2,988,335	\$ 4,357,792

Source: School District Financial Reports

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

Fiscal Year Ended June 30,

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses:										
Governmental Activities										
Instruction:										
Regular	\$ 4,503,614	\$ 4,542,658	\$ 4,684,574	\$ 4,883,460	\$ 4,869,654	\$ 5,751,753	\$ 6,312,295	\$ 7,045,914	\$ 6,549,367	\$ 6,030,871
Special Education	1,075,788	854,210	851,995	904,696	925,829	916,686	1,205,337	1,317,990	1,343,679	1,383,381
School-Sponsored/Other Instruction	86,422	39,960	68,081	106,104	107,527	89,683	84,762	98,615	122,234	96,801
Support Services:										
Tuition	307,477	286,933	421,473	335,006	582,042	708,090	708,273	680,709	592,118	548,315
Student & Instruction Related Services	1,657,900	1,459,793	1,413,630	1,481,159	1,522,972	1,861,931	2,003,160	2,121,192	2,211,466	2,476,396
General Administrative Services	518,311	472,335	458,764	396,745	476,372	441,942	347,787	361,196	419,805	394,511
School Administrative Services	482,443	491,812	405,599	486,753	500,426	491,406	532,630	531,481	516,622	467,142
Central Services	200,295	210,273	219,915	227,674	235,687	244,826	240,447	259,776	269,513	262,176
Plant Operations and Maintenance	1,182,325	1,252,281	1,180,338	1,240,889	1,031,072	1,211,672	1,089,433	1,174,984	2,737,757	1,458,203
Pupil Transportation	274,925	188,904	211,566	209,032	257,778	240,034	276,940	324,340	313,428	213,450
Capital Outlay	21,501	50,142	372,795	22,076	33,463	40,062	40,062	153,459	90,542	165,306
Interest on Long-Term Debt	486,309	445,265	372,795	334,369	311,544	160,746	193,975	170,575	145,392	116,642
Total Governmental Activities Expenses	10,797,310	10,294,566	10,288,730	10,687,963	10,854,366	12,118,769	13,055,101	14,240,231	15,311,923	13,613,194
Business-Type Activities:										
Food Service	168,642	187,226	185,207	170,442	163,459	148,408	182,677	173,048	178,574	189,196
Total Business-type Activities Expense	168,642	187,226	185,207	170,442	163,459	148,408	182,677	173,048	178,574	189,196
Total District Expenses	\$ 10,965,952	\$ 10,481,792	\$ 10,473,937	\$ 10,858,405	\$ 11,017,825	\$ 12,267,177	\$ 13,217,778	\$ 14,413,279	\$ 15,490,497	\$ 13,802,390
Program Revenues										
Governmental Activities:										
Charges for Services:										
Tuition	\$ 1,327,852	\$ 1,122,234	\$ 1,358,063	\$ 1,504,664	\$ 50,000	\$ 54,165	\$ 16,265	\$ 15,000	\$ 33,260	\$ 61,700
Operating Grants and Contributions		33,920	4,320		1,422,571	2,580,280	3,038,132	3,990,648	3,395,325	3,501,453
Capital Grants and Contributions										
Total Governmental Activities Program Revenues	1,327,852	1,156,154	1,362,383	1,504,664	1,472,571	2,634,445	3,054,397	4,005,648	3,428,585	3,563,153
Business-Type Activities:										
Charges for Services:										
Food Service	131,821	165,529	154,885	147,012	144,663	138,880	158,666	159,386	159,846	169,233
Operating Grants and Contributions	5,015	13,433	13,438	10						
Total Business-type Activities Program Revenues	136,836	178,962	168,323	147,022	144,663	138,880	158,666	159,386	159,846	169,233
Total District Program Revenues	\$ 1,464,688	\$ 1,335,116	\$ 1,530,706	\$ 1,651,686	\$ 1,617,234	\$ 2,773,325	\$ 3,213,063	\$ 4,165,034	\$ 3,588,431	\$ 3,732,386

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

Fiscal Year Ended June 30,

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense)/Revenue										
Governmental Activities	\$ (9,469,458)	\$ (9,138,412)	\$ (8,926,347)	\$ (9,183,299)	\$ (9,381,795)	\$ (9,484,324)	\$ (9,980,704)	\$ (10,234,583)	\$ (11,883,338)	\$ (10,050,041)
Business-type Activities	(31,806)	(8,264)	(16,884)	(23,420)	(18,796)	(9,528)	(24,011)	(13,662)	(18,728)	(19,963)
Total District-wide Net Expense	\$ (9,501,264)	\$ (9,146,676)	\$ (8,943,231)	\$ (9,206,719)	\$ (9,400,591)	\$ (9,493,852)	\$ (10,004,715)	\$ (10,248,245)	\$ (11,902,066)	\$ (10,070,004)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 8,516,489	\$ 8,630,149	\$ 8,802,752	\$ 8,890,779	\$ 8,890,779	\$ 9,328,709	\$ 9,691,287	\$ 10,192,738	\$ 10,396,593	\$ 10,603,863
Taxes Levied for Debt Service	914,513	916,656	921,981	926,681	934,744	925,144	830,250	737,485	773,082	744,700
Federal and State Aid not Restricted	30,581					127,696				
Investment Earnings	9,973	5,238	3,958	2,663	2,789	1,773	2,101	5,166	5,511	6,267
Miscellaneous Income	30,924	46,995	55,358	44,148	102,925	30,008	58,442	63,255	68,001	75,459
Transfers	(54,521)	(129,209)				(5,531)	(6,870)	(10,000)	(4,958)	(6,229)
Total Governmental Activities	\$ 9,447,959	\$ 9,469,829	\$ 9,784,049	\$ 9,864,271	\$ 9,931,237	\$ 10,407,799	\$ 10,575,210	\$ 10,988,644	\$ 11,238,229	\$ 11,424,060
Business-Type Activities:										
Investment Earnings	\$ 27	\$ 17								
Miscellaneous Income	49	2,769	10,574	15,374	20,210	7,581	7,059	8,363	12,184	9,172
Transfers	4,521	4,209				5,531	6,870	10,000	4,958	6,229
Total Business-Type Activities	4,597	6,995	10,574	15,374	20,210	13,112	13,929	18,363	17,142	15,401
Total District-Wide General Revenue	9,452,556	9,476,824	9,794,623	9,879,645	9,951,447	10,420,911	10,589,139	11,007,007	11,255,371	11,439,461
Governmental Activities:										
Special Item- Capital Assets										
Reappraisal Adjustment					(2,737,432)					
Business-Type Activities:										
Special Item- Capital Assets										
Reappraisal Adjustment						(2,250)	(7,133)			
Total Special Items					(2,737,432)	(2,250)	(7,133)			
Change in Net Position:										
Governmental Activities	(21,499)	331,417	857,702	680,972	(2,187,990)	923,475	594,506	754,061	(645,109)	1,374,019
Business-type Activities	(27,209)	(1,269)	(6,310)	(8,046)	1,414	1,334	(17,215)	4,701	(1,586)	(4,562)
Total District	\$ (48,708)	\$ 330,148	\$ 851,392	\$ 672,926	\$ (2,186,576)	\$ 924,809	\$ 577,291	\$ 758,762	\$ (646,695)	\$ 1,369,457

Source: School District Financial Reports

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

	June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund:										
Reserved/ Restricted	\$ 474,633	\$ 530,484	\$ 1,108,069	\$ 1,522,980	\$ 1,208,453	\$ 987,127	\$ 1,241,732	\$ 1,709,416	\$ 1,981,046	\$ 2,987,411
Assigned		17,922	51,699		172,650	31,115	19,658	71,765	62,753	58,300
Unassigned		332,954	294,763	293,336	308,348	302,501	294,031	295,549	323,809	290,945
Unreserved	280,925									
Total General Fund	\$ 755,558	\$ 881,360	\$ 1,454,531	\$ 1,816,316	\$ 1,689,451	\$ 1,320,743	\$ 1,555,421	\$ 2,076,730	\$ 2,367,608	\$ 3,336,656
All Other Governmental Funds:										
Reserved/Restricted				\$ 125	\$ 160	\$ 69,365	\$ 69,733	\$ 1,050	\$ 1,584	\$ 3,058
Committed, Reported in:										
Capital Projects Fund				\$ 125	\$ 160	\$ 152,020	\$ 152,388	\$ 83,705	\$ 84,239	\$ 85,713
Total All Other Governmental Funds				\$ 125	\$ 160	\$ 152,020	\$ 152,388	\$ 83,705	\$ 84,239	\$ 85,713
Governmental Funds:										
Reserved/ Restricted	\$ 474,633	\$ 530,484	\$ 1,108,069	\$ 1,523,105	\$ 1,208,613	\$ 1,056,492	\$ 1,311,465	\$ 1,710,466	\$ 1,982,630	\$ 2,990,469
Assigned		17,922	51,699		172,650	31,115	19,658	71,765	62,753	58,300
Committed						82,655	82,655	82,655	82,655	82,655
Unassigned		332,954	294,763	293,336	308,348	302,501	294,031	295,549	323,809	290,945
Unreserved	280,925									
Total Governmental Funds	\$ 755,558	\$ 881,360	\$ 1,454,531	\$ 1,816,441	\$ 1,689,611	\$ 1,472,763	\$ 1,707,809	\$ 2,160,435	\$ 2,451,847	\$ 3,422,369

Source: School District Financial Reports

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

	For the Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Tax Levy	\$ 9,431,002	\$ 9,546,805	\$ 9,724,733	\$ 9,817,460	\$ 9,825,523	\$ 10,253,853	\$ 10,521,537	\$ 10,930,223	\$ 11,169,675	\$ 11,348,563
Tuition Charges	32,601	41,423	33,550	45,961	50,000	54,165	16,265	15,000	33,260	61,700
Interest Earnings	9,973	5,281	3,958	2,663	2,789	1,773	2,101	5,166	5,511	6,267
Miscellaneous	53,546	73,429	84,122	48,826	125,327	30,008	58,863	88,626	77,863	79,383
State Sources	1,044,856	854,379	1,068,392	1,302,240	1,208,107	1,481,852	1,545,732	1,624,233	1,859,540	1,941,380
Federal Sources	258,354	233,875	231,677	151,785	192,062	171,879	190,901	101,543	154,201	237,056
Total Revenue	10,830,332	10,755,192	11,146,432	11,368,935	11,403,808	11,993,530	12,335,399	12,764,791	13,300,050	13,674,349
Expenditures:										
Instruction										
Regular Instruction	3,477,754	3,512,837	3,445,555	3,576,032	3,478,733	3,558,438	3,402,854	3,461,867	3,635,841	3,274,789
Special Education Instruction	864,391	633,114	604,702	660,853	669,484	539,080	648,494	634,961	729,483	760,311
School-Sponsored/Other Instruction	86,422	39,960	62,275	96,363	101,356	86,519	83,324	91,520	114,834	96,801
Support Services:										
Tuition	307,477	286,933	421,473	335,006	582,042	708,090	708,273	680,709	592,118	548,315
Student & Instruction Related Services	1,242,616	1,134,336	1,049,128	1,044,598	1,074,382	1,180,869	1,218,774	1,193,356	1,214,041	1,324,064
General Administrative Services	419,031	420,778	433,096	338,396	331,894	363,180	320,775	326,380	370,769	363,978
School Administrative Services	471,249	428,641	360,975	386,299	386,198	402,728	513,695	477,036	407,860	411,265
Central Services	160,736	165,676	171,569	173,727	736,752	637,244	232,780	241,502	254,455	253,079
Pupil Transportation	274,925	188,904	211,566	209,032	257,778	244,992	276,940	313,340	313,428	213,450
Plant Operations and Maintenance	707,089	724,862	685,453	714,404	187,767	207,771	699,059	818,254	910,251	1,001,140
Allocated and Unallocated Benefits	1,954,612	1,914,679	2,130,061	2,383,594	2,402,383	2,565,870	3,026,671	2,912,626	3,117,393	3,164,653
Capital Outlay	30,201	133,468	74,764	162,040	387,125	849,214	131,594	332,764	569,757	541,053
Debt Service:										
Principal	505,000	530,000	560,000	585,000	615,000	640,000	585,000	585,000	575,000	575,000
Interest and Other Charges	409,513	386,656	361,981	341,681	319,744	220,852	245,250	221,850	198,450	169,700
Total Expenditures	10,911,016	10,500,844	10,572,598	11,007,025	11,530,638	12,204,847	12,093,483	12,302,165	13,003,680	12,697,598
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(80,684)	254,348	573,834	361,910	(126,830)	(211,317)	241,916	462,626	296,370	976,751

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
For the Fiscal Year Ended June 30,										
Other Financing Sources/(Uses):										
Serial Bonds Issued						\$ 6,075,000				
Bond Premium						656,691				
Serial Bonds Defeased						(6,515,000)				
Bond Issuance Costs						(81,699)				
Deferred Amount on Refunding						(134,992)				
Transfers In	\$ 83	\$ 50,923	\$ 4,499	\$ 105	\$ 35	274,366	\$ 368	\$ 682	\$ 902	\$ 1,474
Transfers Out	(54,604)	(180,132)	(4,499)	(105)	(35)	(279,897)	(7,238)	(10,682)	(5,860)	(7,703)
Total Other Financing Sources/(Uses)	(54,521)	(129,209)				(5,531)	(6,870)	(10,000)	(4,958)	(6,229)
Net Change in Fund Balances	\$ (135,205)	\$ 125,139	\$ 573,834	\$ 361,910	\$ (126,830)	\$ (216,848)	\$ 235,046	\$ 452,626	\$ 291,412	\$ 970,522
Debt Service as a Percentage of Noncapital Expenditures	8.4%	8.8%	8.8%	8.5%	8.4%	7.6%	6.9%	6.7%	6.2%	6.1%

Source: School District Financial Reports

MENDHAM BOROUGH SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Rentals- Use of</u> <u>Facilities</u>	<u>Miscellaneous</u>	<u>Total</u>
2010	\$ 9,890	\$ 32,601	\$ 15,801	\$ 15,123	\$ 73,415
2011	5,238	41,423	17,001	29,951	93,613
2012	3,779	33,550	17,675	37,683	92,687
2013	2,558	45,961	8,675	35,453	92,647
2014	2,754	50,000	16,542	86,383	155,679
2015	1,773	54,165	11,933	11,255	79,126
2016	1,733	16,265	20,575	37,867	76,440
2017	4,484	15,000	18,974	44,281	82,739
2018	4,609	33,260	16,910	51,091	105,870
2019	5,363	61,700	23,449	52,010	142,522

Source: Mendham Borough School District records

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

Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Farm Qualified	Commercial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2009	\$ 13,020,700	\$ 1,366,117,600	\$ 79,722,600	\$ 566,840	\$ 117,908,800	\$ 2,475,000	\$ 1,579,811,540	\$ 145,003,200	\$ 3,187,134	\$ 1,582,998,674	0.59	\$ 1,569,035,776
2010	8,597,900	1,115,381,900	55,967,800	334,900	110,848,900	2,342,200	1,293,473,600	123,773,600	3,191,011	1,296,664,611	0.73	1,511,328,993
2011	7,898,100	1,105,338,700	63,764,800	378,500	109,617,500	2,342,200	1,289,339,800	123,773,600	2,300,875	1,291,640,675	0.75	1,410,302,723
2012	7,384,900	1,101,185,800	66,422,700	394,600	109,079,300	2,342,200	1,286,809,500	123,773,600	2,300,875	1,289,110,375	0.76	1,359,104,244
2013	7,771,700	1,097,277,400	66,897,700	397,100	105,202,000	2,342,200	1,279,888,100	123,773,600	2,287,733	1,282,175,833	0.76	1,356,943,415
2014	8,207,800	1,100,795,200	66,843,500	400,500	103,997,100	2,342,200	1,282,586,300	124,763,600	1,927,735	1,284,514,035	0.76	1,361,837,683
2015	9,745,800	1,097,432,700	69,620,400	403,900	102,337,700	2,342,200	1,281,882,700	124,865,000	1,927,735	1,283,810,435	0.81	1,403,066,919
2016	9,704,800	1,096,676,700	69,686,700	403,900	102,337,700	2,342,200	1,281,152,000	125,425,900	1,954,098	1,283,106,098	0.84	1,370,993,717
2017	9,704,800	1,096,803,000	69,563,800	403,900	101,655,100	2,342,200	1,280,472,800	124,867,500	1,939,588	1,282,412,388	0.87	1,377,174,538
2018	8,769,000	1,098,793,700	69,130,000	351,800	101,575,300	2,342,200	1,280,962,000	125,379,300	2,007,273	1,282,969,973	0.88	1,377,413,257

* - Revaluation year

Source: Municipal Tax Assessor

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.
 Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

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

Year Ended December 31,	Mendham Borough School District Direct Rate			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	West Morris Regional High School	Municipal Open Space	Mendham Borough	Morris County	
2009	\$ 0.53	\$ 0.06	\$ 0.59	\$ 0.39	\$ 0.01	\$ 0.32	\$ 0.23	\$ 1.53
2010	* 0.66	0.07	0.73	0.48	0.01	0.41	0.27	1.90
2011	0.68	0.07	0.75	0.47	0.01	0.42	0.26	1.91
2012	0.69	0.07	0.76	0.47	0.01	0.42	0.26	1.92
2013	0.69	0.07	0.76	0.49	0.01	0.43	0.27	1.96
2014	0.65	0.06	0.78	0.45	0.01	0.44	0.27	1.95
2015	0.75	0.06	0.81	0.53	0.01	0.44	0.27	2.07
2016	0.78	0.06	0.84	0.57	0.01	0.46	0.27	2.15
2017	0.77	0.10	0.87	0.56	0.01	0.47	0.28	2.19
2018	0.78	0.10	0.88	0.58	0.01	0.48	0.28	2.22

Source: Municipal Tax Collector and School Business Administrator

* - Revaluation year

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

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

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

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

<u>Taxpayer</u>	2018	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
V-Fee Realty Investment LLC	\$ 22,000,000	1.71%
Roxiticus Golf Club, Inc	9,955,100	0.78%
Holly Manor c/o Health Care Reit	8,558,600	0.67%
Individual Taxpayer #1	6,430,800	0.50%
Individual Taxpayer #2	5,652,500	0.44%
Individual Taxpayer #3	4,850,000	0.38%
Individual Taxpayer #4	4,396,300	0.34%
Individual Taxpayer #5	4,098,900	0.32%
MTWOL Associates LLC	4,000,000	0.31%
Individual Taxpayer #6	3,984,200	0.31%
Total	<u>\$ 73,926,400</u>	<u>5.76%</u>

<u>Taxpayer</u>	2009	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
V-Fee Realty Shopping Center	\$ 22,000,000	1.39%
Roxiticus Golf Club Inc.	14,178,100	0.90%
Holly Manor	8,558,600	0.54%
Individual Taxpayer #1	6,430,800	0.41%
Individual Taxpayer #2	5,652,500	0.36%
Individual Taxpayer #3	5,379,200	0.34%
Individual Taxpayer #4	5,273,400	0.33%
Individual Taxpayer #5	4,766,400	0.30%
Individual Taxpayer #6	4,635,000	0.29%
Individual Taxpayer #7	4,629,500	0.29%
Total	<u>\$ 81,503,500</u>	<u>5.15%</u>

Note: Individual Taxpayers listed may be different in 2017 and 2008.

Note: Revaluation was done in 2010.

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2010	\$ 9,431,002	\$ 9,431,002	100.00%	\$ -0-
2011	9,546,805	9,546,805	100.00%	-0-
2012	9,724,733	9,724,733	100.00%	-0-
2013	9,817,460	9,817,460	100.00%	-0-
2014	9,825,523	9,825,523	100.00%	-0-
2015	10,253,853	10,253,853	100.00%	-0-
2016	10,521,537	10,521,537	100.00%	-0-
2017	10,930,223	10,930,223	100.00%	-0-
2018	11,169,675	11,169,675	100.00%	-0-
2019	11,348,543	11,348,543	100.00%	-0-

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

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

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Governmental</u> <u>Activities</u>		<u>Percentage of</u> <u>Personal Income</u> <u>^a</u>	<u>Per Capita ^a</u>
	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Total District</u>		
2010	\$ 9,435,000	\$ 9,435,000	2.71%	\$ 1,892
2011	8,905,000	8,905,000	2.55%	1,778
2012	8,345,000	8,345,000	2.31%	1,660
2013	7,760,000	7,760,000	2.06%	1,546
2014	7,145,000	7,145,000	1.73%	1,429
2015	6,065,000	6,065,000	1.40%	1,213
2016	5,480,000	5,480,000	1.27%	1,099
2017	4,895,000	4,895,000	1.10%	983
2018	4,320,000	4,320,000	0.93%	880
2019	3,745,000	3,745,000	0.81%	763

Source: School District Financial Reports

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

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

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

<u>General Bonded Debt Outstanding</u>					
<u>Fiscal Year Ended June 30,</u>	<u>General Obligation Bonds</u>	<u>Deductions</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Percentage of Net Valuation Taxable ^a of Property</u>	<u>Per Capita ^b</u>
2010*	\$ 9,435,000	\$ -0-	\$ 9,435,000	0.596%	\$ 1,892
2011	8,905,000	-0-	8,905,000	0.687%	1,778
2012	8,345,000	-0-	8,345,000	0.646%	1,660
2013	7,760,000	-0-	7,760,000	0.602%	1,546
2014	7,145,000	-0-	7,145,000	0.557%	1,429
2015	6,065,000	-0-	6,065,000	0.473%	1,213
2016	5,480,000	-0-	5,480,000	0.427%	1,099
2017	4,895,000	-0-	4,895,000	0.381%	983
2018	4,320,000	-0-	4,320,000	0.337%	880
2019	3,745,000	-0-	3,745,000	0.292%	763

Source: School District Financial Reports

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

a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

* - A revaluation was done in 2010.

MENDHAM BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2018
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Mendham Borough	\$ 1,989,873	100.00%	\$ 2,671,493
West Morris Regional High School District Debt (Borough Share)	11,595,000	16.17%	1,874,591
Morris County General Obligation Debt (Borough Share)	216,647,697	1.48%	<u>3,200,373</u>
Subtotal, Overlapping Debt			7,746,457
Mendham Borough School District Direct Debt			<u>3,745,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 11,491,457</u></u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2019

Equalized Valuation Basis	
2018	\$ 1,368,257,530
2017	1,372,572,490
2016	1,373,594,939
	<u>\$ 4,114,424,959</u>
	<u>\$ 1,371,474,986</u>

Average Equalized Valuation of Taxable Property
 Debt Limit (a) (3% of Average Equalization Value)
 Net Bonded School Debt
 Legal Debt Margin

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 45,886,182	\$ 44,755,889	\$ 42,810,881	\$ 41,413,077	\$ 40,862,032	\$ 41,106,402	\$ 41,213,033	\$ 41,403,760	\$ 41,135,089	\$ 41,144,250
Total Net Debt Applicable to Limit	9,435,000	8,905,000	8,345,000	7,760,000	7,145,000	6,065,000	5,480,000	4,895,000	4,320,000	3,745,000
Legal Debt Margin	\$ 32,085,182	\$ 35,587,476	\$ 36,451,182	\$ 33,653,077	\$ 33,717,032	\$ 35,041,402	\$ 35,733,033	\$ 36,508,760	\$ 36,815,089	\$ 37,399,250

Total Net Debt Applicable to the Limit										
As a Percentage of Debt Limit	24.51%	21.83%	20.56%	18.74%	17.49%	14.75%	13.30%	11.82%	10.50%	9.10%

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

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

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

<u>Year</u>	<u>Population ^a</u>	<u>Morris County Per Capita Personal Income ^b</u>	<u>Total County Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2009	5,058	\$ 67,614	\$ 341,991,612	3.20%
2010	4,986	69,811	348,077,646	3.20%
2011	5,008	69,811	349,613,488	7.00%
2012	5,026	71,933	361,535,258	7.10%
2013	5,020	75,054	376,771,080	6.30%
2014	4,999	82,810	413,967,190	4.70%
2015	5,001	86,582	432,996,582	3.70%
2016	4,988	89,653	447,189,164	3.80%
2017	4,978	94,259	469,221,302	3.70%
2018	4,910	94,259 *	462,811,690	3.60%
2019	4,910 **	94,259 *	462,811,690 ***	N/A

* - Latest Morris County per capita personal income available (2017) was used for calculation purposes.

** - Latest population data available (2018) was used for calculation purposes.

*** - Latest County Personal Income data available (2017) was used for calculation purposes.

N/A - Information unavailable.

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Per Capita Personal Income provided by the NJ Dept of Labor and Workforce Development

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

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

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

	2018		2009		
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
Picatinny Arsenal	6,400	2.53%	Novartis Corporation	5,000	N/A
Atlantic Health System	6,350	2.51%	Atlantic Health	4,045	N/A
Novartis	4,607	1.82%	U.S. Army Armament R&D	3,412	N/A
Bayer	2,800	1.11%	County of Morris	2,170	N/A
ADP	2,242	0.89%	Lucent Technology	1,983	N/A
Wyndham Worldwide	1,907	0.75%	United Parcel Service	1,941	N/A
Accenture	1,883	0.74%	Wyndham Worldwide	1,371	N/A
Honeywell	1,868	0.74%	Greystone Psychiatric Center	1,296	N/A
Allergan	1,700	0.67%	Tiffany & Company	1,200	N/A
St. Clare's Health System	1,544	0.61%	Accenture	1,200	N/A
Total	<u>31,301</u>	<u>12.37%</u>		<u>23,618</u>	
Total County Labor Force	<u>252,984</u>				

N/A - Total amount of employment is not available in order to do the percentage calculation.

Source: Morris County Economic Development Corporation

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

<u>Function/Program</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>	<u>2019</u>
Instruction										
Regular	51.45	52.60	49.00	49.40	45.90	46.00	46.00	46.00	46.00	47.00
Special Education	12.00	14.80	10.80	10.80	10.50	10.50	10.50	10.50	10.50	13.00
Support Services:										
Student & Instruction Related Services	12.80	10.30	12.60	12.60	12.60	13.00	13.00	13.00	13.00	13.00
School Administrative Services	4.00	4.00	4.00	4.50	4.00	4.00	4.00	4.00	4.00	4.00
General and Business Administrative Services	5.00	5.00	4.50	4.00	4.00	4.00	4.20	4.20	4.20	4.00
Plant Operations and Maintenance	5.50	5.50	5.00	5.00	7.00	7.50	7.50	7.50	7.50	7.00
Food Service	3.50	3.50								
Total	94.25	95.70	85.90	86.30	84.00	85.00	85.20	85.20	85.20	88.00

MENDHAM BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^e	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School					
2010	660	\$ 9,966,302	\$ 15,100	4.45%	62.5	1:08	1:10	674	649	0.60%	96.29%	
2011	697	9,450,720	13,559	-10.21%	60.4	1:08	1:10	698	671	3.56%	96.13%	
2012	652	9,575,853	14,687	8.32%	56.9	1:11	1:12	673	648	-3.58%	96.29%	
2013	652	9,918,304	15,212	3.58%	58.80	1:12	1:10	650	624	-3.42%	96.00%	
2014	619	10,208,769	16,492	8.41%	56.40	1:11	1:10	607	585	-6.62%	96.38%	
2015	599	10,494,781	17,521	6.24%	56.50	1:11	1:10	596	572	-1.81%	95.97%	
2016	568	11,131,639	19,598	11.86%	56.50	1:11	1:10	569	547	-4.53%	96.13%	
2017	538	11,162,551	20,748	5.87%	56.50	1:11	1:10	538	503	-5.45%	93.49%	
2018	525	11,660,473	22,210	7.05%	56.50	1:10	1:10	525	507	-2.42%	96.57%	
2019	541	11,411,845	21,094	-5.03%	56.50	1:10	1:10	541	520	3.05%	96.12%	

Sources: Mendham Borough School District records

Note: Enrollment based on annual October district count.

^a Operating expenditures equal total expenditures less debt service and capital outlay.

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

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

^d The Cost Per Pupil calculated above is the sum of the operating expenditures divided by enrollment. This Cost Per Pupil may be different from other Cost Per Pupil calculations.

MENDHAM BOROUGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

<u>District Building</u>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Hilltop School										
Square Feet	59,790	59,790	59,790	59,790	59,790	59,790	59,790	59,790	59,790	59,790
Capacity (students)	428	428	428	428	428	428	428	428	428	428
Enrollment	348	368	336	336	303	307	278	272	264	280
Mountain View School										
Square Feet	55,280	55,280	55,280	55,280	55,280	55,280	55,280	55,280	55,280	55,280
Capacity (students)	383	383	383	383	383	383	383	383	383	383
Enrollment	312	329	316	316	307	292	290	258	255	261

Number of Schools at June 30, 2019

Elementary = 1

Middle School = 1

Source: Mendham Borough School District Facilities Office

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

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Hilltop School</u>	<u>Mountain View School</u>	<u>Total</u>
2010	\$ 71,001	\$ 50,118	\$ 121,119
2011	70,741	63,780	134,521
2012	61,523	63,540	125,063
2013	76,194	70,447	146,641
2014	89,956	87,831	177,787
2015	66,349	85,769	152,118
2016	70,540	91,197	161,737
2017	114,088	147,481	261,569
2018	148,278	191,678	339,956
2019	139,533	180,375	319,908

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

Source: Mendham Borough School District records

MENDHAM BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2019
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
New Jersey School Insurance Group (NJSIG)		
School Package Policy- Building & Personal Property/ Boiler/Inland Marine - Auto Physical Damage	\$ 33,499,124	\$ 5,000
School Board Legal Liability	11,000,000	5,000
Excess Liability	11,000,000	
Casualty Coverage Including General Liability, Auto Liability, Employee Benefits Liability	11,000,000	
Comprehensive Crime Coverage:		
Theft, Disappearance and Destruction - Inside & Outside	50,000	500
Employee Dishonesty and Faithful Performance	100,000 per person	1,000
Computer Fraud	50,000	500
Forgery and Alteration	100,000	1,000
Workers' Compensation SAIF	As Required by State of NJ	
Workers' Compensation Supplement	As Required by State of NJ	
Public Officials' Bonds - Selective Insurance Company of America:		
School Business Administrator/Board Secretary	200,000	
Treasurer of School Monies	200,000	

SINGLE AUDIT SECTION



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mendham Borough School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 4, 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.

Compliance and Other Matters

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

Purpose of this Report

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

November 8, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP



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



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Report on Compliance For Each Major State Program;
 Report on Internal Control Over Compliance
Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Mendham Borough School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2019. The District's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal and state statutes, regulations, the terms and conditions of its federal and state awards applicable, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2019.

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.

November 8, 2019
Mount Arlington, New Jersey

NISIVOCIA LLP



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

MENDHAM BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal CFDA Number	Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2018		Balance at June 30, 2019		Amount Paid to Subrecipients
					Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Due to Grantor	Unearned Revenue (Accounts Receivable)	
	U.S. Department of Education								
	Passed-through State Department of Education: Elementary and Secondary Education Act:								
	Title II - Part A								
84.367	ESEA-3090-19	7/1/18-6/30/19	\$ 11,114						
84.367	ESEA-3090-18	7/1/17-6/30/18	7,418	\$					
84.367	ESEA-3090-17	7/1/16-6/30/17	9,591						
84.424	ESEA-3090-19	7/1/18-6/30/19	12,641						
84.424	ESEA-3090-18	7/1/17-6/30/18	10,000						
84.010	ESEA-3090-19	7/1/18-6/30/19	18,960						
84.010	ESEA-3090-18	7/1/17-6/30/18	21,825						
	Total ESEA Consolidated				(15,330)	11,702	(38,079)	(41,707)	
	Special Education Cluster:								
84.027	I.D.E.A. Part B, Basic	7/1/18-6/30/19	203,381						
84.027	I.D.E.A. Part B, Basic	7/1/17-6/30/18	172,001						
84.173	I.D.E.A. Part B, Preschool	7/1/18-6/30/19	7,550						
84.173	I.D.E.A. Part B, Preschool	7/1/17-6/30/18	11,739						
	Total Special Education Cluster				(8,405)	7,513	(550)	(892)	
	Total Special Revenue Fund				(27,931)	196,595	(196,698)	(28,034)	
	Total Federal Financial Awards				(43,261)	208,297	(234,777)	(69,741)	
					\$ (43,261)	\$ 208,297	\$ (234,777)	\$ (69,741)	\$ -0-

N/A - Not Applicable

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

MENDHAM BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2018		Cash Received	Budgetary Expenditures	Adjustments	Repayment of Balances	Balance June 30, 2019		Memo Budgetary Unearned Revenue/(Accounts Receivable)	Cumulative Total Expenditures
				Unearned Revenue/(Accounts Receivable)	Due to Grantor					GAAP Unearned Revenue/(Accounts Receivable)	Due to Grantor		
State Department of Education:													
Categorical Special Education Aid	18-495-034-5120-078	7/1/17-6/30/18	\$ 220,005	\$ (13,473)		\$ 13,473						\$ 220,005	
Security Aid	18-495-034-5120-089	7/1/17-6/30/18	11,159	(684)	684							11,159	
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	17,314	(1,060)	1,060							17,314	
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	7,457	(457)	457							7,457	
Extraordinary Special Education Costs	18-100-034-5120-473	7/1/17-6/30/18	81,706	(81,706)	81,706							81,706	
Nonpublic Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	8,845	(8,845)	8,845							8,845	
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	5,980	(366)	366							5,980	
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	5,490	(336)	336							5,490	
Professional Learning Commission Aid	18-495-034-5120-101	7/1/17-6/30/18	5,490	(336)	336							5,490	
On-Behalf TPAF Pension Contributions	19-495-034-5094-002	7/1/18-6/30/19	761,494		761,494	\$ (761,494)						761,494	
On-Behalf TPAF Post Retirement Contributions	19-495-034-5094-001	7/1/18-6/30/19	352,643		352,643	(352,643)						352,643	
On-Behalf TPAF Non-Contributory Insurance	19-495-034-5094-004	7/1/18-6/30/19	15,940		15,940	(15,940)						15,940	
On-Behalf TPAF Long-Term Disability Insurance	19-495-034-5094-004	7/1/18-6/30/19	881		881	(881)						881	
Categorical Special Education Aid	19-495-034-5120-085	7/1/18-6/30/19	220,005		205,010	(220,005)					\$ (14,995)	220,005	
Security Aid	19-495-034-5120-078	7/1/18-6/30/19	35,667		33,236	(35,667)					(2,431)	35,667	
Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	47,259		44,038	(47,259)					(3,221)	47,259	
Extraordinary Special Education Costs	19-100-034-5120-044	7/1/18-6/30/19	88,875			(88,875)				\$ (88,875)		88,875	
Nonpublic Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	7,717			(7,717)				(7,717)		7,717	
Reimbursed TPAF Social Security Contributions	19-495-034-5095-003	7/1/18-6/30/19	348,755		332,495	(348,755)				(16,260)		348,755	
Total General Fund				(107,293)	1,853,030	(1,879,236)				(112,852)	(133,499)	2,243,172	
N.J. Nonpublic Aid:													
Technology Aid	19-100-034-5120-064	7/1/18-6/30/19	5,256		5,256	(5,256)							
Textbook Aid	19-100-034-5120-064	7/1/18-6/30/19	7,796		7,796	(7,796)							
Nursing Services	19-100-034-5120-070	7/1/18-6/30/19	14,162		14,162	(14,162)							
Security Aid	19-100-034-5120-064	7/1/18-6/30/19	21,900		21,900	(22,886)	986						
Auxiliary Services:													
Compensatory Education	19-100-034-5120-067	7/1/18-6/30/19	8,375		8,375	(7,654)				\$ 721			
Compensatory Education	18-100-034-5120-067	7/1/17-6/30/18	9,568										
Handicapped Services:													
Examination & Classification	19-100-034-5120-066	7/1/18-6/30/19	13,646		13,646	(2,189)							
Examination & Classification	18-100-034-5120-066	7/1/17-6/30/18	8,376										
Corrective Speech	19-100-034-5120-066	7/1/18-6/30/19	6,250		6,250	(1,696)			1,273				
Corrective Speech	18-100-034-5120-066	7/1/17-6/30/18	5,357										
Supplementary Instruction	19-100-034-5120-066	7/1/18-6/30/19	8,723		8,723	(5,395)							
Supplementary Instruction	18-100-034-5120-066	7/1/17-6/30/18	8,723										
Total Special Revenue Fund													
Total State Financial Awards				(107,293)	1,939,138	(1,946,270)	986			\$ 4,647	\$ (112,852)	\$ (133,499)	\$ 2,243,172
Less: State Awards Not Subject to Single Audit Major Program Determination													
On-Behalf TPAF Pension System Contributions:													
On-Behalf TPAF Post Retirement Contributions	19-495-034-5094-001	7/1/18-6/30/19	\$ 352,643									\$ 352,643	
On-Behalf TPAF Pension Contributions	19-495-034-5094-002	7/1/18-6/30/19	761,494									761,494	
On-Behalf TPAF Non-Contributory Insurance	19-495-034-5094-004	7/1/18-6/30/19	15,940									15,940	
On-Behalf TPAF Long-Term Disability Insurance	19-495-034-5094-004	7/1/18-6/30/19	881									881	
Subtotal - On-Behalf TPAF Pension System Contributions												1,130,958	
Total State Awards Subject to Single Audit Major Program Determination				(107,293)	1,939,138	(1,946,270)	986			\$ 4,647	\$ (112,852)	\$ (133,499)	\$ 2,243,172

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Mendham Borough School District under programs of the federal and state governments for the fiscal year ended June 30, 2019. The information in these schedules are presented in accordance with the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years

NOTE 3. INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The General Fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes these payments are not recognized until the subsequent budget year due to state deferral and recording of the June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$3,905) for the general fund and \$45 for the special revenue fund. There is an additional adjustment of \$2,234 for the encumbrances related to the local grants for special revenue fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and the special revenue funds. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,875,331	\$ 1,875,331
Special Revenue Fund	\$ 234,822	67,034	301,856
Total	<u>\$ 234,822</u>	<u>\$ 1,942,365</u>	<u>\$ 2,177,187</u>

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2019.

MENDHAM BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for each of the major state programs for the District expresses an unmodified opinion on each of the major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2019 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's program tested as major state programs for the current fiscal year consisted of the following:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State Programs:</u>				
Categorical Special Education Aid	19-495-034-5120-080	7/1/18-6/30/19	\$ 220,005	\$ 220,005
Security Aid	19-495-034-5120-078	7/1/18-6/30/19	35,667	35,667

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

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in the Uniform Guidance and New Jersey's OMB Circular 15-08.

MENDHAM BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Status of Prior Year Findings:

There were no prior year findings.