

**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, 2020**

**Comprehensive Annual  
Financial Report**

**of the**

**Mendham Borough School District**

**Mendham, New Jersey**

**For the Fiscal Year Ended June 30, 2020**

**Prepared by**

**Mendham Borough School District  
Board of Education**

MENDHAM BOROUGH SCHOOL DISTRICT  
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INTRODUCTORY SECTION  
(UNAUDITED)

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

December 14, 2020

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, 2020, 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.

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. 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 2019-2020 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:

- Provide staff with ongoing professional learning tools and support to create personalized learning experiences for our students that meet their diverse needs while closely monitoring progress.
- Allocate resources for real and potential increases in special education costs.
- Identify ways to maximize instructional time and student/teacher contact time.
- Provide a dynamic learning environment that leverages emerging and cutting edge technology.
- Continue the expansion of the Mentoring Program.
- Develop safety management strategies/plan that improve safety and security in the district.
- Review of current school and district Social Emotional Learning (SEL) programs, assemblies, and initiatives.

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 creation of a Student Wellness Center at Mountain View, paving of parking lots at Mountain View & Hilltop, upgrade to rooftop HVAC Units at Hilltop, flooring replacement at Mountain View, painting classrooms and exterior at Mountain View, paving and drainage improvements to playground area at Hilltop. 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, 2020.

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  
Page 4  
December 14, 2020

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,

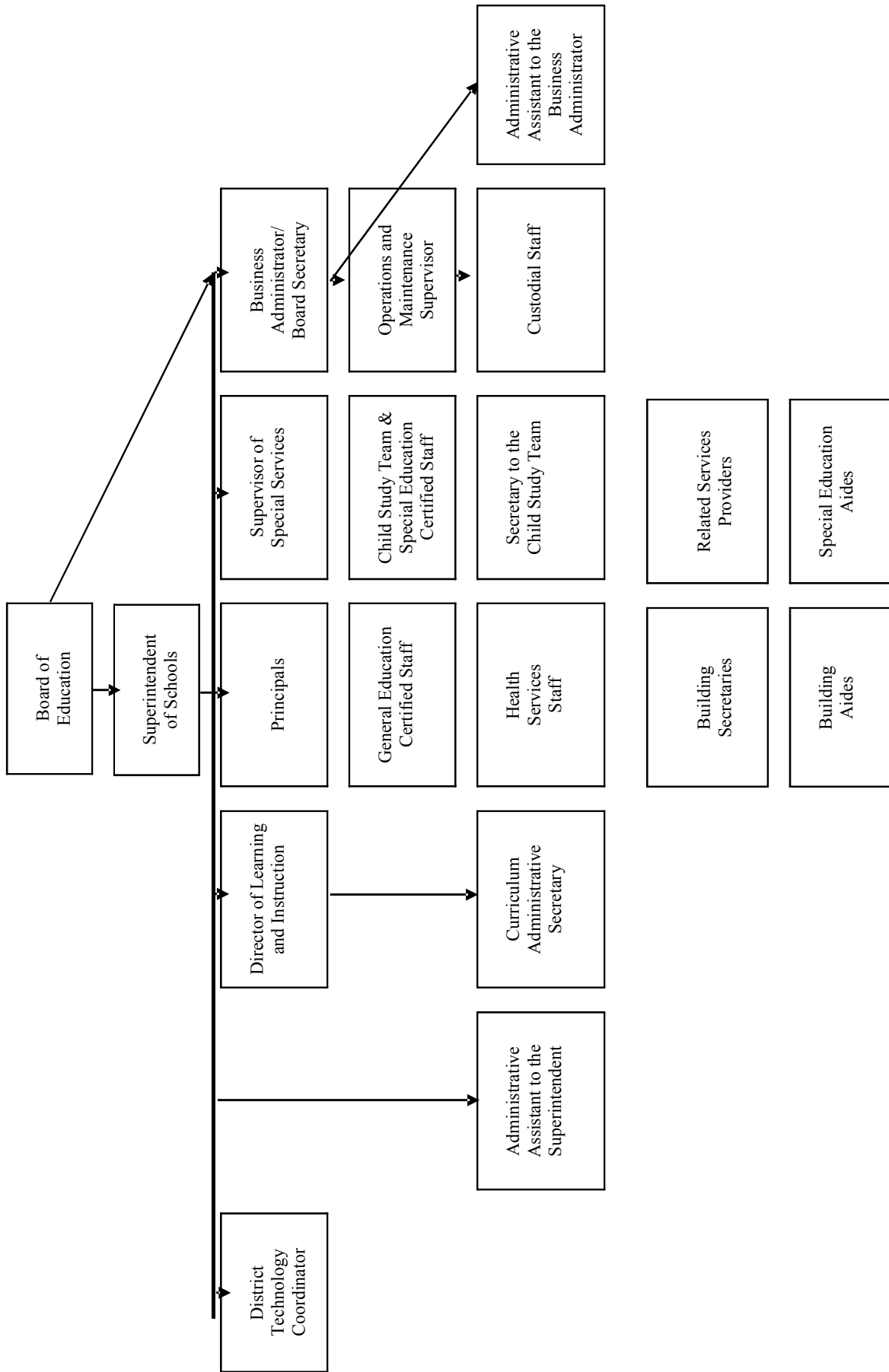
Handwritten signature of Metz A. Houli in black ink, written over a horizontal line.

Title: Superintendent

Handwritten signature of Jelena Kicinski in blue ink, written over a horizontal line.

Title: Business Administrator

MENDHAM BOROUGH SCHOOL DISTRICT  
 ORGANIZATION CHART  
 2019-2020



MENDHAM BOROUGH SCHOOL DISTRICT  
 ROSTER OF OFFICIALS  
 JUNE 30, 2020

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Beth Cocuzza, President		2021
John Vitale, Vice President		2022
Sean Havey		2021
Raechelle Raimondo		2020
John Jennings		2020
Catalina Wiatroski		2020
AnnMarie Hornyak		2021
Dr. Barry Haines		2022
James Gillespie		2022

<u>Other Officials</u>	<u>Title</u>
Mitzi Morillo	Superintendent
Felicia Kicinski	Business Administrator/Board Secretary (Beginning January 1, 2020)
H. Ronald Smith	Interim Business Administrator/Board Secretary (Through December 23, 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**

Scarinci & Hollenbeck, LLC  
1100 Valley Brook Avenue,  
P.O. Box 790,  
Lyndhurst, NJ 07071

Cleary, Giacobbe, Alfieri & Jacobs, LLC  
169 Ramapo Valley Road,  
Upper Level 105  
Oakland, NJ 07436

**Official Depository**

Lakeland Bank  
106 East Main Street  
Mendham, NJ 07945

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, 2020, 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, 2020, 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  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020 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 solely to describe the scope of our testing of the effectiveness of the District's 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.

December 14, 2020  
Mount Arlington, New Jersey

*Nisivoccia LLP*  
NISIVOCCIA LLP

*Man C Lee*

---

Man C. Lee  
Licensed Public School Accountant #2527  
Certified Public Accountant

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

**Mendham Borough School District  
Management's Discussion and Analysis**

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, 2020. 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**

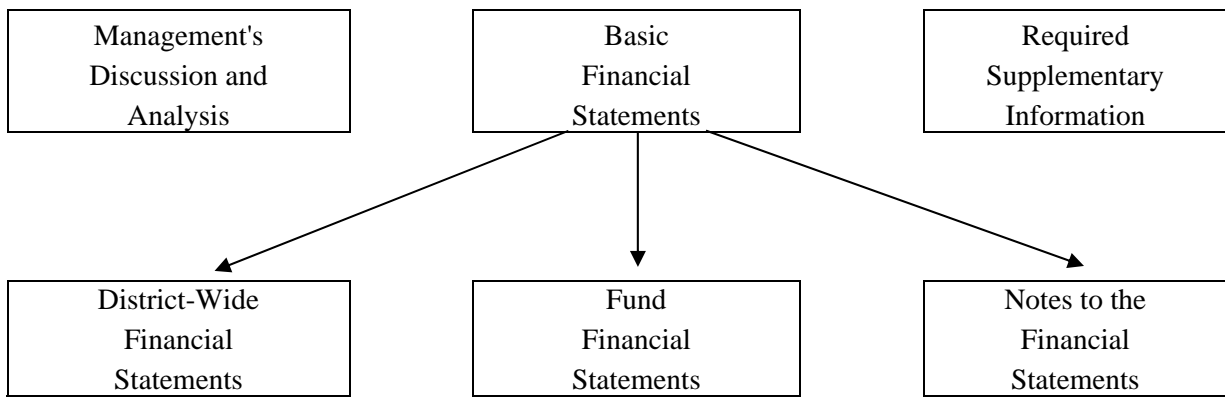


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

**Mendham Borough School District  
Management's Discussion and Analysis**

**Figure A-2**

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

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

## **Mendham Borough School District Management's Discussion and Analysis**

### ***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**

*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 \$6,397,345 on June 30, 2020, which was \$2,039,553 or 46.80% 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 Change
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
Current and							
Other Assets	\$ 4,868,112	\$ 3,507,271	\$ 11,692	\$ 8,816	\$ 4,879,804	\$ 3,516,087	
Capital Assets, Net	7,785,189	7,668,776			7,785,189	7,668,776	
Total Assets	12,653,301	11,176,047	11,692	8,816	12,664,993	11,184,863	13.23%
Deferred Outflows of Resources	948,205	1,308,958			948,205	1,308,958	-27.56%
Other Liabilities	225,790	241,617	8,711	5,374	234,501	246,991	
Long-Term Liabilities	6,021,464	6,943,364			6,021,464	6,943,364	
Total Liabilities	6,247,254	7,184,981	8,711	5,374	6,255,965	7,190,355	-13.00%
Deferred Inflows of Resources	959,888	945,674			959,888	945,674	1.50%
Net Position:							
Net Investment in							
Capital Assets	4,682,686	4,022,522			4,682,686	4,022,522	
Restricted	4,295,143	2,990,469			4,295,143	2,990,469	
Unrestricted/(Deficit)	(2,583,465)	(2,658,641)	2,981	3,442	(2,580,484)	(2,655,199)	
Total Net Position	\$ 6,394,364	\$ 4,354,350	\$ 2,981	\$ 3,442	\$ 6,397,345	\$ 4,357,792	46.80%

*Changes in Net Position*. Net position from governmental activities increased \$2,040,014 while net position from business-type activities decreased \$461. The increase in net investment in capital assets is mainly due to the maturity of \$575,000 of serial bonds payable and \$555,706 in capital assets additions; offset by \$459,293 in depreciation expense. The increase in restricted net position is due primarily to an increase in Capital Reserve and excess surplus. The increase in unrestricted net position is due primarily to a decrease in net pension liability and the changes in deferred outflows and inflows related to pensions.

**Mendham Borough School District  
Management's Discussion and Analysis**

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

	Governmental Activities 2019/20	Business-Type Activities 2019/20	Total School District 2019/20	Governmental Activities 2018/19	Business-Type Activities 2018/19	Total School District 2018/19	Total Percentage Change 2019/20
Revenue:							
Program Revenue:							
Charges for Services	\$ 51,550	\$ 114,337	\$ 165,887	\$ 61,700	\$ 169,233	\$ 230,933	
Operating Grants and Contributions	2,604,945		2,604,945	3,501,453		3,501,453	
General Revenue:							
Property Taxes	11,425,618		11,425,618	11,348,563		11,348,563	
Other	115,588	10,674	126,262	81,726	9,172	90,898	
<b>Total Revenue</b>	<b>14,197,701</b>	<b>125,011</b>	<b>14,322,712</b>	<b>14,993,442</b>	<b>178,405</b>	<b>15,171,847</b>	<b>-5.60%</b>
Expenses:							
Instruction	6,850,601		6,850,601	7,511,053		7,511,053	
Pupil and Instruction Services	2,294,995		2,294,995	3,024,711		3,024,711	
Administrative and Business	1,372,800		1,372,800	1,123,829		1,123,829	
Maintenance and Operations	1,405,620		1,405,620	1,458,203		1,458,203	
Pupil Transportation	107,389		107,389	213,450		213,450	
Other	121,355	130,399	251,754	281,948	189,196	471,144	
<b>Total Expenses</b>	<b>12,152,760</b>	<b>130,399</b>	<b>12,283,159</b>	<b>13,613,194</b>	<b>189,196</b>	<b>13,802,390</b>	<b>-11.01%</b>
Transfers	(4,927)	4,927		(6,229)	6,229		
<b>Increase/(Decrease) in Net Position</b>	<b>\$ 2,040,014</b>	<b>\$ (461)</b>	<b>\$ 2,039,553</b>	<b>\$ 1,374,019</b>	<b>\$ (4,562)</b>	<b>\$ 1,369,457</b>	<b>48.93%</b>

**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**

The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

**Figure A-5**

	<b>Net Cost of Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2019/20</u>	<u>2019/20</u>	<u>2018/19</u>	<u>2018/19</u>
Instruction	\$ 6,850,601	\$ 4,862,978	\$ 7,511,053	\$ 4,886,800
Pupil and Instruction Services	2,294,995	1,673,382	3,024,711	2,140,787
Administrative and Business	1,372,800	1,372,800	1,123,829	1,123,829
Maintenance and Operations	1,405,620	1,405,620	1,458,203	1,458,203
Transportation	107,389	60,130	213,450	158,474
Other	121,355	121,355	281,948	281,948
	<u>\$ 12,152,760</u>	<u>\$ 9,496,265</u>	<u>\$ 13,613,194</u>	<u>\$ 10,050,041</u>

**Business-Type Activities**

Net position from the District's business-type activity decreased \$461 (Refer to Figure A-4). Factors contributing to these results included:

- Food service expenses exceeded revenues by \$5,388. There was also an operating transfer from the General Fund of \$4,927. 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**

**Capital Asset**

**Figure A-6**

	<b>Capital Assets (Net of Depreciation)</b>						<b>Percentage Change 2019/20</b>
	<b>Government Activities</b>		<b>Business-Type Activities</b>		<b>Total School District</b>		
	<u>2019/20</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2018/19</u>	
Land	\$ 251	\$ 251			\$ 251	\$ 251	
Construction in Progress	319,240	319,240			319,240	319,240	
Site Improvements	608,331	668,245			608,331	668,245	
Buildings and Building Improvements	6,477,106	6,319,840			6,477,106	6,319,840	
Furniture, Machinery and Equipment	<u>380,261</u>	<u>381,200</u>			<u>380,261</u>	<u>381,200</u>	
<b>Total Capital Assets (Net of Depreciation)</b>	<u><u>\$ 7,785,189</u></u>	<u><u>\$ 7,688,776</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 7,785,189</u></u>	<u><u>\$ 7,688,776</u></u>	1.25%

During the fiscal year, the District acquired or constructed \$555,706 in capital additions from its governmental activities (which included capital outlay expenses for the Mountain View Wellness Center, Hilltop security vestibules, and parking lot paving and drainage). The District also had \$459,293 in depreciation expense from its governmental activities.

**Figure A-7**

	<b>Outstanding Long-Term Liabilities</b>		<b>Percentage Change 2019/20</b>
	<u>2019/20</u>	<u>2018/19</u>	
Bonds Payable	\$ 3,170,000	\$ 3,745,000	
Unamortized Bond Premium Payable	328,346	383,070	
Net Pension Liability	2,386,069	2,675,792	
Compensated Absences Payable	<u>137,049</u>	<u>139,502</u>	
	<u><u>\$ 6,021,464</u></u>	<u><u>\$ 6,943,364</u></u>	-13.28%

- The District continued to pay down its debt, retiring \$575,000 of serial bonds.
- The District amortized \$54,724 of bond issuance premium related to its bonded debt.
- Compensated absences decreased by a net amount of \$2,453.
- Net pension liability decreased by \$289,723

**Mendham Borough School District  
Management's Discussion and Analysis**

**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, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,957,042	\$ 6,279	\$ 1,963,321
Receivables from Other Governments:			
Federal	34,835		34,835
State	98,647		98,647
Other Accounts Receivable	1,884		1,884
Inventory		5,413	5,413
Restricted Cash and Cash Equivalents:			
Capital Reserve Account	2,004,023		2,004,023
Maintenance Reserve Account	771,681		771,681
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	7,465,698		7,465,698
Total Assets	<u>12,653,301</u>	<u>11,692</u>	<u>12,664,993</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Amount on Refunding	67,497		67,497
Deferred Outflows Related to Pensions	880,708		880,708
Total Deferred Outflow of Resources	<u>948,205</u>		<u>948,205</u>
<b>LIABILITIES</b>			
Accrued Interest Payable	37,401		37,401
Accounts Payable - Vendors	164,744	348	165,092
Payable to State Government	4,795		4,795
Unearned Revenue	18,850	8,363	27,213
Noncurrent Liabilities:			
Due Within One Year	629,725		629,725
Due Beyond One Year	5,391,739		5,391,739
Total Liabilities	<u>6,247,254</u>	<u>8,711</u>	<u>6,255,965</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred Inflows Related to Pensions	959,888		959,888
Total Deferred Inflow of Resources	<u>959,888</u>		<u>959,888</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,682,686		4,682,686
Restricted for:			
Capital Projects	2,004,023		2,004,023
Excess Surplus	1,515,991		1,515,991
Maintenance	771,681		771,681
Other Purposes	3,448		3,448
Unrestricted/(Deficit)	(2,583,465)	2,981	(2,580,484)
Total Net Position	<u>\$ 6,394,364</u>	<u>\$ 2,981</u>	<u>\$ 6,397,345</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, 2020

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	\$ 5,389,382	\$ 51,550	\$ 1,403,384	\$ (3,934,448)		\$ (3,934,448)
Special Education	1,128,171		532,689	(595,482)		(595,482)
Other Instruction	333,048			(333,048)		(333,048)
Support Services:						
Tuition	369,883		138,733	(231,150)		(231,150)
Student & Instruction Related Services	1,925,112		482,880	(1,442,232)		(1,442,232)
General Administrative Services	445,427			(445,427)		(445,427)
School Administrative Services	538,138			(538,138)		(538,138)
Central Services	389,235			(389,235)		(389,235)
Plant Operations and Maintenance	1,405,620			(1,405,620)		(1,405,620)
Pupil Transportation	107,389		47,259	(60,130)		(60,130)
Interest on Long-Term Debt	87,892			(87,892)		(87,892)
Capital Outlay	33,463			(33,463)		(33,463)
Total Governmental Activities	12,152,760	51,550	2,604,945	(9,496,265)		(9,496,265)

MENDHAM BOROUGH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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	\$ 130,399	\$ 114,337			\$ (16,062)	\$ (16,062)
Total Business-Type Activities	130,399	114,337			(16,062)	(16,062)
Total Primary Government	\$ 12,283,159	\$ 165,887	\$ 2,604,945	\$ (9,496,265)	(16,062)	(9,512,327)

General Revenue and Transfers:

Taxes:						
Property Taxes, Levied for General Purposes, Net				10,710,570		10,710,570
Taxes Levied for Debt Service				715,048		715,048
Investment Earnings				11,275	4	11,279
Miscellaneous Income				104,313	10,670	114,983
Transfers				(4,927)	4,927	
Total General Revenues and Transfers				11,536,279	15,601	11,551,880
Change in Net Position				2,040,014	(461)	2,039,553
Net Position - Beginning				4,354,350	3,442	4,357,792
Net Position - Ending				\$ 6,394,364	\$ 2,981	\$ 6,397,345

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, 2020

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 1,871,689		\$ 83,197	\$ 2,156	\$ 1,957,042
Interfund Receivable:					
Capital Projects Fund				1,292	1,292
Special Revenue Fund	13,074				13,074
Receivables From Other Governments:					
Federal		\$ 34,835			34,835
State	97,897		750		98,647
Other Accounts Receivable		1,884			1,884
Restricted Assets - Cash and Cash Equivalents:					
Capital Reserve Account	2,004,023				2,004,023
Maintenance Reserve Account	771,681				771,681
<b>Total Assets</b>	<u>\$ 4,758,364</u>	<u>\$ 36,719</u>	<u>\$ 83,947</u>	<u>\$ 3,448</u>	<u>\$ 4,882,478</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable - Vendors	\$ 14,744				\$ 14,744
Interfund Payable:					
General Fund		\$ 13,074			13,074
Debt Service Fund			\$ 1,292		1,292
Payable to State Government		4,795			4,795
Unearned Revenue		18,850			18,850
<b>Total Liabilities</b>	<u>14,744</u>	<u>36,719</u>	<u>1,292</u>	<u>\$ -0-</u>	<u>52,755</u>
<b>Fund Balances:</b>					
<b>Restricted for:</b>					
Capital Reserve Account	2,004,023				2,004,023
Maintenance Reserve Account	771,681				771,681
Excess Surplus - 2021-2022	895,385				895,385
Excess Surplus - 2020-2021	620,606				620,606
Debt Service				3,448	3,448
<b>Assigned to:</b>					
Other Purposes	161,121				161,121
<b>Committed:</b>					
Capital Projects			82,655		82,655
Unassigned	290,804				290,804
<b>Total Fund Balances</b>	<u>4,743,620</u>		<u>82,655</u>	<u>3,448</u>	<u>4,829,723</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 4,758,364</u>	<u>\$ 36,719</u>	<u>\$ 83,947</u>	<u>\$ 3,448</u>	<u>\$ 4,882,478</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

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

Total Fund Balances - Governmental Funds (Above)	\$ 4,829,723
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds.	7,785,189
Bond issuance premium is reported as revenue in the governmental funds in the year of the related expenditure.	(328,346)
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.	(3,307,049)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(37,401)
Deferred amount on refunding is not reported as an expenditure in governmental funds in the year of the expenditure.	67,497
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(2,386,069)
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	730,708
Deferred Inflows	(959,888)
Net Position of Governmental Activities	<u>\$ 6,394,364</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 10,710,570			\$ 715,048	\$ 11,425,618
Tuition Charges	51,550				51,550
Interest Earned	7,111		\$ 1,292		8,403
Interest Earned on Capital Reserve Funds	2,296				2,296
Interest Earned on Maintenance Reserve Funds	576				576
Miscellaneous	104,313	\$ 9,238			113,551
Total - Local Sources	10,876,416	9,238	1,292	715,048	11,601,994
State Sources	1,928,075	3,357			1,931,432
Federal Sources		183,661			183,661
Total Revenue	12,804,491	196,256	1,292	715,048	13,717,087
EXPENDITURES					
Current:					
Regular Instruction	3,276,318	46,488			3,322,806
Special Education Instruction	679,389				679,389
Other Instruction	78,168				78,168
Support Services and Undistributed Costs:					
Tuition	231,150	138,733			369,883
Student & Instruction Related Services	1,380,656	11,035			1,391,691
General Administrative Services	365,927				365,927
School Administrative Services	409,170				409,170
Central Services	276,946				276,946
Pupil Transportation	107,389				107,389
Plant Operations and Maintenance	794,541				794,541
Benefits - Allocated and Unallocated	3,203,777				3,203,777
Debt Service:					
Principal				575,000	575,000
Interest and Other Charges				140,950	140,950
Capital Outlay	589,169				589,169
Total Expenditures	11,392,600	196,256		715,950	12,304,806
Excess/(Deficiency) of Revenue over/ (under) Expenditures	1,411,891		1,292	(902)	1,412,281
OTHER FINANCING SOURCES/(USES)					
Transfers In				1,292	1,292
Transfers Out	(4,927)		(1,292)		(6,219)
Total Other Financing Sources/(Uses)	(4,927)		(1,292)	1,292	(4,927)
Net Change in Fund Balances	1,406,964			390	1,407,354
Fund Balance—July 1	3,336,656		82,655	3,058	3,422,369
Fund Balance—June 30	\$ 4,743,620	\$ -0-	\$ 82,655	\$ 3,448	\$ 4,829,723

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, 2020

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ 1,407,354
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>555,706</u>
		96,413
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		2,453
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		289,723
Changes in Deferred Outflows and Inflows Related to Pensions		<u>(383,987)</u>
Change in Net Position - Governmental Funds (Exhibit A-2)		<u>\$ 2,040,014</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 6,279
Inventories	5,413
	11,692
Total Current Assets	11,692
Capital Assets:	
Furniture and Equipment	91,396
Less: Accumulated Depreciation	(91,396)
	-0-
Total Capital Assets	-0-
Total Assets	11,692
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable- Vendors	348
Unearned Revenue - Prepaid Sales	8,363
	8,711
Total Liabilities	8,711
<b>NET POSITION:</b>	
Unrestricted	2,981
Total Net Position	\$ 2,981

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, 2020

	<u>Business-Type Activities - Enterprise Funds</u>
Operating revenue	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 114,337
Other Non-Reimbursable Sales	4,413
Other Miscellaneous Revenue	<u>6,257</u>
Total Operating Revenue	<u>125,007</u>
Operating Expenses:	
Cost of Sales - Non-Reimbursable Programs	50,936
Salaries, Benefits & Payroll Taxes	60,073
Supplies, Insurance & Other Costs	3,671
Management Fee	11,462
Miscellaneous Expenses	<u>4,257</u>
Total Operating Expenses	<u>130,399</u>
Operating Loss	<u>(5,392)</u>
Non-Operating Revenue	
Local Sources:	
Interest Income	<u>4</u>
Total Non-Operating Revenue	<u>4</u>
Changes in Net Position Before Transfers	(5,388)
Transfers from General Fund	<u>4,927</u>
Change Net Position	(461)
Net Position - Beginning of Year	<u>3,442</u>
Net Position - End of Year	<u><u>\$ 2,981</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, 2020

	<u>Business-Type Activities - Enterprise Funds</u>
Cash Flows From Operating Activities:	
Receipts from Customers	\$ 127,996
Payments to Food Service Vendor	(129,196)
Payments to Suppliers	(2,068)
	(3,268)
Net Cash Used for Operating Activities	(3,268)
Cash Flows From Investing Activities:	
Interest Income	4
	4
Net Cash Provided by Investing Activities	4
Cash Flows from Noncapital Financing Activities:	
Transfer from General Fund	4,927
	4,927
Net Cash Provided by Noncapital Financing Activities	4,927
Net Increase in Cash and Cash Equivalents	1,663
Cash and Cash Equivalents, July 1	4,616
Cash and Cash Equivalents, June 30	\$ 6,279
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	\$ (5,392)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
(Increase) in Inventory	(1,213)
Increase in Accounts Payable	348
Increase in Prepaid Sales	2,989
	2,989
Net Cash Used for Operating Activities	\$ (3,268)

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, 2020

	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 67,163	\$ 7,604	\$ 41,991
Total Assets	<u>67,163</u>	<u>7,604</u>	<u>41,991</u>
<u>LIABILITIES:</u>			
Payroll Deductions and Withholdings	23,713		
Due to Student Groups	<u>43,450</u>		
Total Liabilities	<u>67,163</u>		
<u>NET POSITION:</u>			
Held in Trust for Flexible Spending Claims		7,604	
Restricted for Unemployment Claims			<u>41,991</u>
Total Net Position	<u>\$ - 0 -</u>	<u>\$ 7,604</u>	<u>\$ 41,991</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, 2020

	Flexible Spending Trust	Unemployment Compensation Trust
	<hr/>	<hr/>
Additions:		
Contributions:		
Plan Contributions	\$ 18,577	
Employee Deductions		\$ 3,816
	<hr/>	<hr/>
Total Contributions	18,577	3,816
	<hr/>	<hr/>
Investment Earnings:		
Interest	16	110
	<hr/>	<hr/>
Net Investment Earnings	16	110
	<hr/>	<hr/>
Total Additions	18,593	3,926
	<hr/>	<hr/>
Deductions:		
Flexible Spending Claims	20,875	
Unemployment Compensation Claims		1,237
	<hr/>	<hr/>
Total Deductions	20,875	1,237
	<hr/>	<hr/>
Change in Net Position	(2,282)	2,689
Net Position - Beginning of the Year	9,886	39,302
	<hr/>	<hr/>
Net Position - End of the Year	\$ 7,604	\$ 41,991
	<hr/> <hr/>	<hr/> <hr/>

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, 2020

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, 2020  
(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 capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service 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, 2020

(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, 2020  
(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, 2020 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, 2020  
(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	\$ 12,807,533	\$ 201,598
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.		(5,342)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	20,647	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(23,689)</u>	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 <u>\$ 12,804,491</u>	 <u>\$ 196,256</u>
 Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 11,392,600	\$ 201,598
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>(5,342)</u>
 Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u>\$ 11,392,600</u>	 <u>\$ 196,256</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(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, 2020  
(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, 2020.

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:

	Estimated Useful Life
Buildings and Building Improvements	50 years
Site Improvements	20 years
Furniture, Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

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



MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(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, 2020.

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for 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 \$4,743,620 General Fund fund balance at June 30, 2020, \$2,004,023 is restricted in the capital reserve account; \$771,681 is restricted in the maintenance reserve account; \$620,606 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the year ending June 30, 2021, \$895,385 is restricted as excess surplus and will be included as anticipated revenue for the year ending June 30, 2022, \$161,121 is assigned for year end encumbrances, and \$290,804 is unassigned which is \$23,689 less than the Budgetary basis, due to the final state aid payments, which are not recognized until the fiscal year ending June 30, 2021.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2020 is \$82,655 and is committed.

Debt Service Fund: The Debt Service Fund restricted fund balance at June 30, 2020 is \$3,448, of which \$2,156 has been appropriated and included as anticipated revenue for the year ending June 30, 2021.

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, 2020

(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

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, 2020 of \$2,583,465. 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 deferred outflows of resources at June 30, 2020 for the deferred amount on refunding of debt related to the District's refunding bonds and pensions.

The District had deferred inflows of resources related to pensions at June 30, 2020.

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, 2020

(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, 2020.

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, 2020.

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, 2020  
(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, 2020

(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, 2020

(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, 2020, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents		Total
		Capital Reserve Account	Maintenance Reserve Account	
Checking & Savings Accounts	\$ 2,080,079	\$ 2,004,023	\$ 771,681	\$ 4,855,783
	\$ 2,080,079	\$ 2,004,023	\$ 771,681	\$ 4,855,783

During the period ended June 30, 2020 the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2020, was \$4,855,783 and the bank balance was \$5,070,623.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(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, 2019 to June 30, 2020 fiscal year is as follows:

Beginning Balance, July 1, 2019	\$ 1,772,931
Increased by:	
Interest Earnings	2,296
Increased by Board Resolution June 23, 2020	700,000
Unexpended Funds Returned from Capital Outlay	25,596
	2,500,823
Decreased by:	
Withdrawal by Resolution	(25,000)
Budgeted Withdrawal	(471,800)
Ending Balance, June 30, 2020	\$ 2,004,023

The June 30, 2020 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, 2020  
(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, 2019 to June 30, 2020 fiscal year is as follows:

Beginning Balance, July 1, 2019	\$	471,105
Increased by:		
Interest Earnings		576
Increased by Board Resolution June 23, 2020		300,000
Ending Balance, June 30, 2020	\$	771,681

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2020, the District made transfers to the capital outlay accounts in the amount of \$25,000 for construction services which was a Board approved withdrawal from Capital Reserve.



MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2020 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
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	1,447,634			1,447,634
Buildings and Building Improvements	12,488,014	\$ 471,204		12,959,218
Machinery and Equipment	1,333,187	84,502		1,417,689
Total Capital Assets Being Depreciated	<u>15,268,835</u>	<u>555,706</u>		<u>15,824,541</u>
Governmental Activities Capital Assets	<u>15,588,326</u>	<u>555,706</u>		<u>16,144,032</u>
Less Accumulated Depreciation for:				
Site Improvements	(779,389)	(59,914)		(839,303)
Buildings and Building Improvements	(6,168,174)	(313,938)		(6,482,112)
Machinery and Equipment	(951,987)	(85,441)		(1,037,428)
	<u>(7,899,550)</u>	<u>(459,293)</u>		<u>(8,358,843)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 7,688,776</u>	<u>\$ 96,413</u>	<u>\$ - 0 -</u>	<u>\$ 7,785,189</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, 2020  
(Continued)

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2020, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>6/30/2019</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2020</u>
Bonds Payable	\$ 3,745,000		\$ 575,000	\$ 3,170,000
Compensated Absences Payable	139,502	\$ 8,947	11,400	137,049
Unamortized Bond Premium	383,070		54,724	328,346
Net Pension Liability - PERS	2,675,792		289,723	2,386,069
	<u>\$ 6,943,364</u>	<u>\$ 8,947</u>	<u>\$ 930,847</u>	<u>\$ 6,021,464</u>

A. Bonds Payable:

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

The District had bonds outstanding as of June 30, 2020 as follows:

<u>Final</u> <u>Maturity Date</u>	<u>Serial Bonds</u> <u>Interest</u> <u>Rate</u>	<u>Amount</u>
3/1/2026	3.00% - 5.00%	<u>\$ 3,170,000</u>

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

<u>Fiscal</u> <u>Year Ending</u> <u>June 30,</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2021	\$ 575,000	112,200	\$ 687,200
2022	570,000	83,450	653,450
2023	560,000	66,350	626,350
2024	555,000	43,950	598,950
2025	540,000	27,300	567,300
2026	370,000	11,100	381,100
	<u>\$ 3,170,000</u>	<u>\$ 344,350</u>	<u>\$ 3,514,350</u>

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, 2020  
(Continued)

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

B. Bonds Authorized But Not Issued:

As of June 30, 2020, 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 \$137,049 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, 2020 is \$-0- and the long-term portion is \$2,386,069. 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 \$54,725 and is separated from the long-term liability balance of \$273,621.

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 tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401 (a).

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/annual-reports.shtml](http://www.state.nj.us/treasury/pensions/annual-reports.shtml).

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(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. The following represents the membership tiers for PERS:

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$129,809 for fiscal year 2020.

The employee contribution rate was 7.50% effective July 1, 2019.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(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, 2020, the District reported a liability of \$2,386,069 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. 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, 2019, the District's proportion was 0.0132%, which was a decrease of 0.0003% from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$223,758. At June 30, 2020, 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	\$ 6,306	
	2015	5.72	38,991	
	2016	5.57	192,961	
	2017	5.48		\$ 342,529
	2018	5.63		276,795
	2019	5.21		208,873
			<u>238,258</u>	<u>828,197</u>
Changes in Proportion	2014	6.44		19,861
	2015	5.72	12,333	
	2016	5.57	63,740	
	2017	5.48	94,439	
	2018	5.63	279,111	
	2019	5.21		63,624
			<u>449,623</u>	<u>83,485</u>
Difference Between Expected and Actual Experience	2015	5.72	10,818	
	2016	5.57	5,856	
	2017	5.48	10,187	
	2018	5.63		10,541
	2019	5.21		
			<u>15,966</u>	<u>10,541</u>
			<u>42,827</u>	<u>10,541</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2016	5.0		(44,040)
	2017	5.0		52,851
	2018	5.0		36,762
	2019	5.0		(7,908)
				<u>37,665</u>
Contribution Subsequent to Measurement Date	2019	1.00	150,000	
			<u>\$ 880,708</u>	<u>\$ 959,888</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(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) and the District contribution subsequent to the measurement date related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2020	\$ (68,900)
2021	(223,506)
2022	(199,578)
2023	(93,712)
2024	(9,622)
	\$ (595,318)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(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, 2019) 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Management Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 100% of actuarially determined contributions for the local employers. 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, 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, 2020

(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, 2019 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
District's proportionate share of the Net Pension Liability	\$ 3,013,993	\$ 2,386,069	\$ 1,856,954

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/annual-reports.shtml](http://www.state.nj.us/treasury/pensions/annual-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. 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, 2020

(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. For fiscal year 2020, 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 2020, the State of New Jersey contributed \$854,329 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,401,532.

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, 2020, the State's proportionate share of the net pension liability associated with the District was \$23,761,757. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. 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, 2019, the District's proportion was 0.039%, which was a decrease of 0.006% from its proportion measured as of June 30, 2018.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(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		<u>23,761,757</u>
Total	\$	<u><u>23,761,757</u></u>

For the fiscal year ended June 30, 2020, the State recognized pension expense on behalf of the District in the amount of \$1,401,532 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2020 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	\$ 768,874,621	
	2015	8.3	2,351,172,865	
	2016	8.3	5,609,216,856	
	2017	8.3		\$ 8,483,527,374
	2018	8.29		5,172,258,445
	2019	8.04		3,507,345,617
			<u>8,729,264,342</u>	<u>17,163,131,436</u>
Difference Between Expected and Actual Experience	2014	8.5		7,323,009
	2015	8.3	145,211,243	
	2016	8.3		69,755,412
	2017	8.3	150,939,884	
	2018	8.29	907,352,137	
	2019	8.04		136,265,890
			<u>1,203,503,264</u>	<u>213,344,311</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2016	5.0		(431,855,192)
	2017	5.0		452,016,524
	2018	5.0		288,091,115
	2019	5		(144,882,771)
			<u>163,369,676</u>	
			<u>\$ 9,932,767,606</u>	<u>\$ 17,539,845,423</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(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
2020	\$ (272,405,510)
2021	(704,260,700)
2022	(630,562,767)
2023	(1,216,378,743)
2024	(2,381,316,232)
Thereafter	(2,402,153,865)
	\$ (7,607,077,817)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55 – 4.45% based on years of service
Thereafter	2.75 – 5.65% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (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, 2019) 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, 2019 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	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019. 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 3.50% as of June 30, 2019 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 70% of the actuarially determined contributions for the State. 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 2054. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2054, 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, 2020

(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

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2019 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease (4.60%)	Current Discount Rate (5.60%)	1% Increase (6.60%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 28,020,371	\$ 23,761,757	\$ 20,228,452

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the District recognized pension expense of \$5,222 for the year ended June 30, 2020. Employee contributions to DCRP amounted to \$7,085 for the year ended June 30, 2020.

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.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits (Cont'd)

The District is a member of the Schools Health Insurance Fund (“HIF”) and the New Jersey Schools Insurance Group (“NJSIG”). The HIF provides its members with health benefit coverage and the NJSIG provides 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 HIF and NJSIG are risk-sharing public entity risk pools that are 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 HIF and NJSIG are elected.

As a member of the HIF and NJSIG, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the HIF and NJSIG were to be exhausted, members would become responsible for their respective shares of the liabilities. The HIF and 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.

Selected financial information for HIF and NJSIG as of June 30, 2020 is as follows:

	<u>New Jersey Schools Insurance Group</u>	<u>School Health Insurance Fund</u>
Total Assets	\$ 384,022,002	\$ 149,856,532
Net Position	\$ 139,233,105	\$ 111,401,500
Total Revenue	\$ 144,445,665	\$ 283,484,296
Total Expenses	\$ 113,037,156	\$ 243,323,832
Change in Net Position	\$ 31,408,509	\$ 22,963,585
Members Dividends	\$ -0-	\$ 17,196,879

Financial statements for HIF and NJSIG are available at the respective Executive Director’s Office:

School Health Insurance Fund  
PERMA Risk Management Services  
9 Campus Drive  
Suite 216  
Parsippany, NJ 07054

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

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

New Jersey Unemployment Compensation Insurance

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

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

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2019-2020	\$ -0-	\$ 3,926	\$ 1,237	\$ 41,991
2018-2019	-0-	7,276	3,574	39,302
2017-2018	-0-	7,103	6,629	35,600

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.

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2020:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 13,074	
Special Revenue Fund		\$ 13,074
Capital Projects Fund		1,292
Debt Service Fund	1,292	
	<u>\$ 14,366</u>	<u>\$ 14,366</u>

The interfund payable from Capital Project Fund is interest earned due to the Debt Service Fund which was not turned over prior to year end. The interfund payable in the Special Revenue Fund and the interfund receivable in the General Fund as of June 30, 2020 represents the cash deficit in Special Revenue Fund due to timing of grant receipt and expenses.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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.

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.



MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 15. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

At June 30, 2020, encumbrances in the governmental funds were:

<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Activities</u>
\$ 161,121	\$ 5,342	\$ 166,463

On the District's Governmental Funds Balance Sheet as of June 30, 2020, \$161,121 is assigned for year-end encumbrances in the General Fund and \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$5,342 less than the actual year-end encumbrances on a budgetary basis. Encumbrances in the Special Revenue Fund are not recognized on a GAAP basis and are reflected as either a reduction in grants receivables or an increase in unearned revenue.

NOTE 16. ACCOUNTS PAYABLE

Payables as of June 30, 2020 were:

	<u>General Fund</u>	<u>Total Governmental Funds</u>	<u>District Contribution Subsequent to Measurement Date</u>	<u>Total Governmental Activities</u>	<u>Total Business Type Activities</u>
Vendors	\$ 14,744	\$ 14,744		\$ 14,744	\$ 348
Due to State of NJ			\$ 150,000	150,000	
	<u>\$ 14,744</u>	<u>\$ 14,744</u>	<u>\$ 150,000</u>	<u>\$ 164,744</u>	<u>\$ 348</u>

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.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

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

Plan Description and Benefits Provided (Cont'd)

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, 2018, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	148,051
Active Plan Members	216,892
Total	364,943

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. 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.

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%
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MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

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

Actuarial Assumptions and Other Inputs (Cont'd)

	TPAF/ABP	PERS
Salary Increases:		
Through 2026	1.55 - 3.05%	2.00 - 6.00%
	based on service years	based on service years
Thereafter	1.55 - 3.05%	3.00 - 7.00%
	based on service years	based on service years

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018 and July 1, 2014 – June 30, 2018 for TPAF and PERS, respectively.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Post-retirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

Discount Rate

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%. 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(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, 2018	\$ 18,740,877
Changes for Year:	
Service Cost	655,720
Interest Cost	741,239
Differences Between Expected and Actual Experiences	(3,411,274)
Changes in Assumptions	245,739
Member Contributions	14,997
Gross Benefit Payments	(505,929)
Net Changes	(2,259,508)
Balance at June 30, 2019	\$ 16,481,369

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, 2019, 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, 2019		
	At 1% Decrease (2.50%)	At Discount Rate (3.50%)	At 1% Increase (4.50%)
	Total OPEB Liability Attributable to the District	\$ 19,471,010	\$ 16,481,369

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, 2019, 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, 2019		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 13,579,913	\$ 16,481,369	\$ 20,322,300

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

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

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

For the fiscal year ended June 30, 2020 the District recognized OPEB expense of \$256,032 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, 2019 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:

	Year of Deferral	Original Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54		\$ 1,918,765
	2018	9.51		1,650,397
	2019	9.29	\$ 219,287	
			<u>219,287</u>	<u>3,569,162</u>
Differences Between Expected and Actual Experience	2018	9.51		1,560,139
	2019	9.29		2,581,016
				<u>4,141,155</u>
Changes in Proportion	N/A	N/A		918,532
			<u>\$ 219,287</u>	<u>\$ 8,628,849</u>

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

Fiscal Year Ending June 30,	Total
2020	\$ (1,005,782)
2021	(1,005,779)
2022	(1,005,779)
2023	(1,005,779)
2024	(1,005,779)
Thereafter	(2,462,132)
	<u>\$ (7,491,030)</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE 18. SUBSEQUENT EVENT

The COVID-19 outbreak in the United States and specifically in New Jersey has caused disruption of the District's normal financial operations. Though the impact on the District's operations cannot be reasonably estimated at this date, it is likely that there will be an impact on certain revenue in the General Fund other than state aid and the local tax levy. Also, there have been additional operating expenses in the General Fund not planned for or expected at the time of the adoption of the District's 2020-21 budget related to COVID-19.

Additionally, the District's cash flow in the Governmental Funds may be affected by the timing of the collection of the District's tax levy as well as certain State aid payments.

The District's Food Service Enterprise Fund will likely be impacted by COVID-19 for the fiscal year ending June 30, 2021 as it is expected that the number of meals served will significantly decrease during the school year as a result of the pandemic.

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 SIX FISCAL YEARS

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability	0.0090659034%	0.0095749628%	0.0107134771%	0.0116706384%	0.0135899404%	0.0132423440%
District's proportionate share of the net pension liability	\$ 1,697,385	\$ 2,149,387	\$ 3,173,025	\$ 2,716,738	\$ 2,675,792	\$ 2,386,069
District's covered employee payroll	\$ 739,333	\$ 734,369	\$ 772,842	\$ 896,183	\$ 920,161	\$ 932,771
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%	290.80%	255.80%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%	53.60%	56.27%

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 SIX FISCAL YEARS

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 74,738	\$ 82,319	\$ 72,452	\$ 110,568	\$ 136,417	\$ 129,731
Contributions in relation to the contractually required contribution	(74,738)	(82,319)	(72,452)	(110,568)	(136,417)	(129,731)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 734,369	\$ 772,842	\$ 896,183	\$ 920,161	\$ 932,771	\$ 856,235
Contributions as a percentage of covered employee payroll	10.18%	10.65%	8.08%	12.02%	14.62%	15.15%

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 SIX FISCAL YEARS

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
State's proportion of the net pension liability attributable to the District	0.0447867418%	0.0432440200%	0.0459372055%	0.0438244037%	0.0447639504%	0.0387182528%
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	\$ 28,477,864	\$ 23,761,757
District's covered employee payroll	\$ 4,445,641	\$ 4,407,267	\$ 4,567,502	\$ 3,984,061	\$ 4,005,734	\$ 4,533,808
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%	710.93%	524.10%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%	26.95%

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 SIX FISCAL YEARS

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 1,288,038	\$ 1,668,869	\$ 2,715,203	\$ 2,046,935	\$ 1,660,160	\$ 1,401,532
Contributions in relation to the contractually required contribution	(233,793)	(367,791)	(475,702)	(436,105)	(761,494)	(854,329)
Contribution deficiency/(excess)	<u>\$ 1,054,245</u>	<u>\$ 1,301,078</u>	<u>\$ 2,239,501</u>	<u>\$ 1,610,830</u>	<u>\$ 898,666</u>	<u>\$ 547,203</u>
District's covered employee payroll	\$ 4,407,267	\$ 4,567,502	\$ 3,984,061	\$ 4,005,734	\$ 4,533,808	\$ 4,709,787
Contributions as a percentage of covered employee payroll	29.23%	8.05%	11.94%	10.89%	16.80%	18.14%

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 THREE FISCAL YEARS

	Fiscal Year Ending June 30,		
	2017	2018	2019
Total OPEB Liability			
Service Cost	\$ 915,717	\$ 754,727	\$ 655,720
Interest Cost	700,101	808,159	741,239
Differences Between Expected and Actual Experiences		(2,246,924)	(3,411,274)
Changes in Assumptions	(2,957,943)	(2,150,609)	245,739
Member Contributions	18,814	17,320	14,997
Gross Benefit Payments	(510,941)	(501,124)	(505,929)
Net Change in Total OPEB Liability	(1,834,252)	(3,318,451)	(2,259,508)
Total OPEB Liability - Beginning	23,893,580	22,059,328	18,740,877
Total OPEB Liability - Ending	<u>\$ 22,059,328</u>	<u>\$ 18,740,877</u>	<u>\$ 16,481,369</u>
District's Covered Employee Payroll *	\$ 5,340,344	\$ 4,880,244	\$ 4,925,895
Total OPEB Liability as a Percentage of Covered Employee Payroll	413%	384%	335%

\* - Covered payroll for the fiscal years ending June 30, 2017, 2018 and 2019 are based on the payroll on the June 30, 2016, 2017 and 2018 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, 2020

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.66% as of June 30, 2018 to 6.28% as of June 30, 2019. The municipal bond rate changed from 3.87% to 3.50%.

The inflation rate was 2.25% as of June 30, 2018. As of June 30, 2019, the inflation rate was as follows – Price – 2.75% and Wage – 3.25%. The salary increases as of June 30, 2018 were as follows: Through 2026 – 1.65% - 4.15% based on age and Thereafter – 2.65% - 5.15% based on age. The salary increases as of June 30, 2019 are as follows: Through 2026 – 2.00% - 6.00% based on years of service and Thereafter – 3.00% - 7.00% based on years of service.

The July 1, 2017 actuarial valuation utilized the following mortality rate assumptions:

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 plan actuary's modified MP-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 July 1, 2018 actuarial valuation utilized the following mortality rate assumptions:

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

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

Changes of Actuarial Assumptions

The discount rate changed from 4.86% as of June 30, 2018 to 5.60% as of June 30, 2019. The municipal bond rate changed from 3.87% to 3.50%. The inflation rate as of June 30, 2018 was 2.25%. The inflation rate as of June 30, 2019 was as follows: Price – 2.75% and Wage – 3.25%.

The salary increases in the July 1, 2018 valuation were as follows: Through 2026 - 1.55 – 4.45% based on years of service and thereafter - 2.75 – 5.65% based on years of service. The salary increases in the July 1, 2017 valuation were as follows: 2011-2026 – 1.55% - 4.55% and thereafter – 2% - 5.45%.

The mortality rates utilized in the July 1, 2018 valuation were as follows: Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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.

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

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

Changes of Actuarial Assumptions

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%.

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 Healthy 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 mortality rates in the valuation as of June 30, 2019 were based on the following:

Pre-retirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Post-retirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

The health care trend rates in the valuation as of June 30, 2018 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.

The health care trend rates in the valuation as of June 30, 2019 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

BUDGETARY COMPARISON SCHEDULES



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

FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
General Fund					
Revenues:					
Local Sources:					
Local Tax Levy	\$ 10,710,570		\$ 10,710,570	\$ 10,710,570	\$ 51,550
Tuition from Other Individuals				5,777	5,777
Transportation Fees from Individuals				7,111	7,111
Interest Revenue				2,296	2,296
Interest Earned on Capital Reserve Funds				576	576
Interest Earned on Maintenance Reserve Funds				98,536	98,536
Miscellaneous					
<b>Total - Local Sources</b>	<b>10,710,570</b>		<b>10,710,570</b>	<b>10,876,416</b>	<b>165,846</b>
State Sources:					
Categorical Special Education Aid	252,229		252,229	252,229	
Categorical Security Aid	35,667		35,667	35,667	
Categorical Transportation Aid	47,259		47,259	47,259	
Extraordinary Aid				64,493	64,493
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				854,329	854,329
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				322,621	322,621
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				15,313	15,313
TPAF Long Term Disability Insurance (On-Behalf - Non-Budgeted)				932	932
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				338,274	338,274
<b>Total State Sources</b>	<b>335,155</b>		<b>335,155</b>	<b>1,931,117</b>	<b>1,595,962</b>
<b>Total Revenues</b>	<b>11,045,725</b>		<b>11,045,725</b>	<b>12,807,533</b>	<b>1,761,808</b>

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

FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Current Expense:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 56,545		\$ 56,545	\$ 56,255	\$ 290
Kindergarten - Salaries of Teachers	220,425		220,425	219,425	1,000
Grades 1-5 - Salaries of Teachers	1,695,346	\$ 2,349	1,697,695	1,575,415	122,280
Grades 6-8 - Salaries of Teachers	1,365,135	7,051	1,372,186	1,182,552	189,634
Regular Programs - Home Instruction:					
Salaries of Teachers	1,000		1,000		1,000
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	41,359	(723)	40,636	13,424	27,212
Purchased Professional-Educational Services	16,255	(6,917)	9,338	9,338	
Other Purchased Services	57,000	2,867	59,867	59,064	803
General Supplies	155,833	62,262	218,095	156,199	61,896
Textbooks	1,700	2,946	4,646	4,646	
Total Regular Programs - Instruction	<u>3,610,598</u>	<u>69,835</u>	<u>3,680,433</u>	<u>3,276,318</u>	<u>404,115</u>
Special Education - Instruction:					
Salaries of Teachers	622,930	13,780	636,710	611,602	25,108
Other Salaries for Instruction	91,654	(13,817)	77,837	66,759	11,078
General Supplies	1,500	(150)	1,350	1,028	322
Total Resource Room/Resource Center	<u>716,084</u>	<u>(187)</u>	<u>715,897</u>	<u>679,389</u>	<u>36,508</u>

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

FISCAL YEAR ENDED JUNE 30, 2020

	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	719,084	\$ (187)	718,897	\$ 679,389	39,508
School-Sponsored Cocurricular Activities:					
Salaries	48,154		48,154	36,335	11,819
Supplies and Materials	1,100		1,100		1,100
Total School-Sponsored Cocurricular Activities	49,254		49,254	36,335	12,919
School-Sponsored Athletics:					
Salaries	47,023		47,023	35,750	11,273
Supplies and Materials	6,720		6,720	6,083	637
Total School-Sponsored Athletics	53,743		53,743	41,833	11,910
Total Instruction	4,432,679	69,648	4,502,327	4,033,875	468,452
Undistributed Expenditures - Instruction:					
Tuition to Private Schools for the Disabled Within the State	749,139	(40,000)	709,139	231,150	477,989
Total Undistributed Expenditures - Instruction	749,139	(40,000)	709,139	231,150	477,989

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

FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Health Services:					
Salaries	\$ 137,040	\$ (124)	\$ 136,916	\$ 136,916	
Purchased Professional and Technical Services	4,000	4,929	8,929	8,929	
Supplies and Materials	2,949	1,660	4,609	2,744	\$ 1,865
Other Objects		840	840	840	
Total Health Services	<u>143,989</u>	<u>7,305</u>	<u>151,294</u>	<u>149,429</u>	<u>1,865</u>
Speech, OT, PT and Related Services:					
Salaries	71,526	(5,173)	66,353	66,154	199
Purchased Professional - Educational Services	73,000	22,951	95,951	95,599	352
Supplies and Materials	300	150	450	299	151
Total Speech, OT, PT and Related Services	<u>144,826</u>	<u>17,928</u>	<u>162,754</u>	<u>162,052</u>	<u>702</u>
Students - Extraordinary Services:					
Salaries	70,093	(18,702)	51,391	44,699	6,692
Total Students - Extraordinary Services	<u>70,093</u>	<u>(18,702)</u>	<u>51,391</u>	<u>44,699</u>	<u>6,692</u>
Guidance Services:					
Salaries of Other Professional Staff	125,012		125,012	125,012	
Salaries of Secretarial & Clerical Assistants	32,912		32,912	32,848	64
Other Purchased Professional and Technical Services	11,260	(2,970)	8,290	4,545	3,745
Supplies and Materials	13,713	(316)	13,397	10,911	2,486
Other Objects	450		450	450	
Total Guidance Services	<u>183,347</u>	<u>(3,286)</u>	<u>180,061</u>	<u>173,766</u>	<u>6,295</u>

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

FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Child Study Team:					
Salaries of Other Professional Staff	\$ 264,896	\$ 1,400	\$ 266,296	\$ 260,525	\$ 5,771
Salaries of Secretarial and Clerical Assistants	41,200		41,200	41,120	80
Purchased Professional - Educational Services	15,980	33,700	49,680	13,468	36,212
Purchased Professional - Technical Services	19,369		19,369	9,786	9,583
Other Purchased Services	2,700	(412)	2,288	635	1,653
Supplies and Materials	7,955	(793)	7,162	2,463	4,699
Other Objects	660		660	520	140
Total Child Study Team	352,760	33,895	386,655	328,517	58,138
Improvement of Instructional Staff:					
Salaries of Other Professional Staff	18,000	981	18,981	15,728	3,253
Salaries of Secretarial and Clerical Assistants	36,131		36,131	36,061	70
Other Salaries	131,793	4,175	135,968	134,719	1,249
Purchased Professional - Educational Services	15,000	(15,000)	150	150	
Other Purchased Services	1,500	(1,350)	150	906	42
Supplies and Materials	250	698	948	843	1,008
Other Objects	1,851		1,851		
Total Improvement of Instructional Staff	204,525	(10,496)	194,029	188,407	5,622
Educational Media Services/School Library:					
Salaries	113,342	3,200	116,542	116,542	
Salaries of Technology Coordinators	101,070		101,070	99,979	1,091
Other Purchased Services	136,730	(4,000)	132,730	110,156	22,574
Supplies and Materials	7,500		7,500	5,266	2,234
Other Objects	600		600	350	250
Total Educational Media Services/School Library	359,242	(800)	358,442	332,293	26,149

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Instructional Staff Training Services:					
Other Purchased Services	\$ 5,000	\$ (1,350)	\$ 3,650		\$ 3,650
Total Instructional Staff Training Services	5,000	(1,350)	3,650		3,650
Support Services - General Administration:					
Salaries	245,762	10,969	256,731	\$ 256,731	
Legal Services	30,000	(9,917)	20,083	15,629	4,454
Audit Fees	22,000	25,340	47,340	22,290	25,050
Other Purchased Professional Services	7,500	(2,800)	4,700	4,660	40
Communications/Telephone	9,294	(1,410)	7,884	7,133	751
Other Purchased Services (400-500 series)	41,493	2,873	44,366	43,862	504
General Supplies	4,500	334	4,834	3,962	872
BOE In-House Training/Meeting Supplies	900	157	1,057	1,056	1
Miscellaneous Expenditures	10,956	(352)	10,604	10,604	
Total Support Services - General Administration	372,405	25,194	397,599	365,927	31,672
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	300,296	(100)	300,196	300,196	
Salaries of Secretarial and Clerical Assistants	110,282	(9,231)	101,051	100,954	97
Other Purchased Services	750	79	829	829	
Supplies and Materials	3,250	2,991	6,241	2,913	3,328
Other Objects	5,758	(1,480)	4,278	4,278	
Total Support Services - School Administration	420,336	(7,741)	412,595	409,170	3,425

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

FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Support Services - Central Services:					
Salaries	\$ 228,778	\$ (7,613)	\$ 221,165	\$ 221,165	
Purchased Professional Services	32,495	9,765	42,260	41,505	\$ 755
Miscellaneous Purchased Services	3,220	(1,150)	2,070	1,558	512
Supplies and Materials	5,800	9,701	15,501	12,180	3,321
Miscellaneous Expenditures	2,250	(1,712)	538	538	
Total Support Services - Central Services	272,543	8,991	281,534	276,946	4,588
Administrative Information Technology:					
Salaries	4,500	(2,778)	1,722	1,493	229
Total Administrative Information Technology	4,500	(2,778)	1,722	1,493	229
Custodial Services:					
Salaries	300,790		300,790	260,832	39,958
Purchased Professional Services	93,000	(90,000)	3,000	3,000	
Cleaning, Repair and Maintenance Services	16,421		16,421	12,835	3,586
Other Purchased Property Services	23,391		23,391	18,129	5,262
Insurance	48,229		48,229	48,229	
Miscellaneous Purchased Services	1,500		1,500		1,500
General Supplies	46,328	25,075	71,403	44,743	26,660
Energy (Natural Gas)	86,474	(20,564)	65,910	31,857	34,053
Energy (Electricity)	155,219	(15,300)	139,919	98,977	40,942
Total Custodial Services	771,352	(100,789)	670,563	515,602	154,961
Required Maintenance of School Facilities:					
Salaries	74,123		74,123	73,763	360
Cleaning, Repair and Maintenance Services	177,898	(33,146)	144,752	127,705	17,047
General Supplies	4,900		4,900	1,336	3,564
Other Objects	3,350		3,350	1,367	1,983
Total Required Maintenance of School Facilities	260,271	(33,146)	227,125	204,171	22,954

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Care and Upkeep of Grounds:					
Cleaning, Repair & Maintenance Services	\$ 22,500	\$	22,500	\$ 19,466	\$ 3,034
General Supplies	5,000		5,000	3,993	1,007
Total Care and Upkeep of Grounds	27,500		27,500	23,459	4,041
Security:					
Purchased Professional Services	44,390	\$ 3,095	47,485	29,710	17,775
General Supplies	18,888	3,694	22,582	21,599	983
Total Security	63,278	6,789	70,067	51,309	18,758
Student Transportation Services:					
Other than Between Home and School - Vendors	30,000		30,000	16,660	13,340
Between Home and School - Joint Agreements	18,094		18,094	10,477	7,617
Special Education Students - ESCs and CTSA's	79,360		79,360	66,197	13,163
Aid in Lieu Payments - Non-Public School	164,085		164,085	14,055	150,030
Total Student Transportation Services	291,539		291,539	107,389	184,150
Allocated Benefits:					
Regular Programs - Instruction:					
Social Security Contributions	73,003	(73,003)			
Workmen's Compensation	16,000	(16,000)			
Health Benefits	769,682	(769,682)			
Total Regular Programs - Instruction	858,685	(858,685)			



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

FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Allocated Benefits:					
Special Programs - Instruction:					
Social Security Contributions	\$ 17,878	\$ (17,878)			
Workmen's Compensation	3,600	(3,600)			
Health Benefits	147,059	(147,059)			
Total Special Programs - Instruction	168,537	(168,537)			
Other Instructional Programs - Instruction:					
Social Security Contributions	7,449	(7,449)			
Total Instructional Programs - Instruction	7,449	(7,449)			
Health Services:					
Social Security Contributions	4,000	(4,000)			
Workmen's Compensation	1,200	(1,200)			
Health Benefits	34,757	(34,757)			
Total Health Services	39,957	(39,957)			
Other Support Services - Speech, OT, PT and Related Services:					
Social Security Contributions	2,000	(2,000)			
Workmen's Compensation	660	(660)			
Health Benefits	18,566	(18,566)			
Total Other Support Services - Speech, OT, PT and Related Services	21,226	(21,226)			
Guidance Services:					
Social Security Contributions	3,000	(3,000)			
Workmen's Compensation	640	(640)			
Health Benefits	17,391	(17,391)			
Total Guidance Services	21,031	(21,031)			

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Allocated Benefits:					
Child Study Team:					
Social Security Contributions	9,907	\$ (9,907)			
Other Retirement Contributions - PERS	8,000	(8,000)			
Health Benefits	114,593	(114,593)			
Total Child Study Team	132,500	(132,500)			
Improvement of Instruction Services:					
Social Security Contributions	11,918	(11,918)			
Workmen's Compensation	1,200	(1,200)			
Health Benefits	20,065	(20,065)			
Total Improvement of Instruction Services	33,183	(33,183)			
Educational Media Services/School Library:					
Social Security Contributions	7,449	(7,449)			
Other Retirement Contributions - PERS	15,000	(15,000)			
Workmen's Compensation	1,980	(1,980)			
Health Benefits	62,182	(62,182)			
Total Educational Media Services/School Library	86,611	(86,611)			
Support Services - General Administration:					
Social Security Contributions	1,490	(1,490)			
Workmen's Compensation	2,300	(2,300)			
Total General Administration	3,790	(3,790)			

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

FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Allocated Benefits:					
Support Services - School Administration:					
Social Security Contributions	\$ 7,449	\$ (7,449)			
Workmen's Compensation	3,800	(3,800)			
Total School Administration	11,249	(11,249)			
Support Services - Central Services:					
Social Security Contributions	1,489	(1,489)			
Workmen's Compensation	550	(550)			
Total Central Services	2,039	(2,039)			
Unallocated Benefits:					
Social Security Contributions	160,180		\$ 160,180	\$ 107,703	\$ 52,477
Other Retirement Contributions - PERS	34,900		142,678	129,809	12,869
Other Retirement Contributions - Regular		5,222	5,222	5,222	
Workmen's Compensation	427,456		51,930	43,203	8,727
Health Benefits		1,110,156	1,537,612	1,298,931	238,681
Tuition Reimbursement	25,000	(1,042)	23,958	8,804	15,154
Other Employee Benefits	86,000	1,371	87,371	78,636	8,735
Total Unallocated Benefits	573,356	1,435,595	2,008,951	1,672,308	336,643
On-Behalf Contributions:					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				854,329	(854,329)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				322,621	(322,621)
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				15,313	(15,313)
TPAF Long Term Disability Insurance (On-Behalf - Non-Budgeted)				932	(932)
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				338,274	(338,274)
Total On-Behalf Contributions				1,531,469	(1,531,469)
Total Personal Services - Employee Benefits	1,959,613	49,338	2,008,951	3,203,777	(1,194,826)
Total Undistributed Expenditures	6,656,258	(69,648)	6,586,610	6,769,556	(182,946)
Total Current Expense	11,088,937		11,088,937	10,803,431	285,506

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital Outlay:					
Equipment:					
Undistributed Expenditures:					
Instruction	\$ 94,394.0		\$ 94,394	\$ 84,502	\$ 9,892
Total Equipment	94,394		94,394	84,502	9,892
Facilities Acquisition and Construction Services:					
Architectural / Engineering Services	74,800	\$ (49,090)	25,710	22,546	3,164
Other Objects- Debt Service Assessment	33,463		33,463	33,463	
Construction Services	397,000	74,090	471,090	448,658	22,432
Total Facilities Acquisition and Construction Services	505,263	25,000	530,263	504,667	25,596
Total Capital Outlay	599,657	25,000	624,657	589,169	35,488
Total Expenditures	11,688,594	25,000	11,713,594	11,392,600	320,994
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(642,869)	(25,000)	(667,869)	1,414,933	2,082,802
Other Financing Uses:					
Operating Transfers:					
Transfer to Food Service Enterprise Fund	(10,000)		(10,000)	(4,927)	5,073
Total Other Financing Uses	(10,000)		(10,000)	(4,927)	5,073
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing (Uses)	(652,869)	(25,000)	(677,869)	1,410,006	2,087,875
Fund Balance, July 1	3,357,303		3,357,303	3,357,303	
Fund Balance, June 30	\$ 2,704,434	\$ (25,000)	\$ 2,679,434	\$ 4,767,309	\$ 2,087,875

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

FISCAL YEAR ENDED JUNE 30, 2020

Recapitulation:	
Restricted for:	
Maintenance Reserve Account	\$ 771,681
Capital Reserve Account	2,004,023
Excess Surplus - 2021-2022	895,385
Excess Surplus - 2020-2021	620,606
Assigned Fund Balance:	
Year End Encumbrances	161,121
Unassigned	314,493
	4,767,309
Reconciliation to Governmental Fund Statement (GAAP):	
Last Two State Aid Payments not Recognized on a GAAP Basis	(23,689)
Fund Balance per Governmental Funds (GAAP)	\$ 4,743,620

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenue:					
Local Sources		\$ 10,651	\$ 10,651	\$ 10,651	
State Sources	\$ 81,177	(77,820)	3,357	3,357	
Federal Sources	139,562	48,028	187,590	187,590	
Total Revenue	220,739	(19,141)	201,598	201,598	
Expenditures:					
Instruction:					
Salaries of Teachers	21,018	(6,597)	14,421	14,421	
Purchased Professional and Technical Services		2,235	2,235	2,235	
Tuition	93,022	45,711	138,733	138,733	
General Supplies	21,724	(17,442)	4,282	4,282	
Textbooks	6,237	(5,710)	527	527	
Other Objects	6,700	(6,700)			
Total Instruction	148,701	11,497	160,198	160,198	
Support Services:					
Salaries of Other Professional Staff	25,666	(21,011)	4,655	4,655	
Purchased Professional and Technical Services	5,000	(2,000)	3,000	3,000	
Purchased Professional and Educational Services		5,800	5,800	5,800	
Travel	4,610	1,777	6,387	6,387	
Other Purchased Services	16,242	2,403	18,645	18,645	
Supplies and Materials	17,520	(16,020)	1,500	1,500	
Total Support Services	69,038	(29,051)	39,987	39,987	
Facilities Acquisition and Construction Services					
Instructional Equipment	3,000	(1,587)	1,413	1,413	
Total Facilities Acquisition and Construction Service:	3,000	(1,587)	1,413	1,413	
Total Expenditures	220,739	(19,141)	201,598	201,598	
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, 2020

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 12,807,533	\$ 201,598
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.		(5,342)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	20,647	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(23,689)	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 \$ 12,804,491	 \$ 196,256
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 11,392,600	\$ 201,598
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.		(5,342)
 Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	 \$ 11,392,600	 \$ 196,256

MENDHAM BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020 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, 2020

	Elementary and Secondary Education Aid				
	Title IV	Title II A	Title I	IDEA Part B Preschool	IDEA Part B Basic
<b>REVENUE:</b>					
Local Sources					
State Sources	7,819	\$ 8,572	\$ 15,921	\$ 2,235	\$ 153,043
Federal Sources					
Total Revenue	7,819	8,572	15,921	2,235	153,043
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers			14,421		
Purchased Professional and Technical Services				2,235	138,733
Tuition	2,982				
General Supplies					
Textbooks					
Total Instruction	2,982		14,421	2,235	138,733
Support Services:					
Salaries of Other Professional Staff		2,185	1,500		
Purchased Professional & Technical Services	3,000				
Purchased Professional & Educational Services					
Other Purchased Services	1,837				14,310
Supplies and Materials					
Travel		6,387			
Total Support Services	4,837	8,572	1,500		14,310
Facilities Acquisition:					
Instructional Equipment					
Total Facilities Acquisition					
Total Expenditures	\$ 7,819	\$ 8,572	\$ 15,921	\$ 2,235	\$ 153,043

MENDHAM BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Nonpublic Nursing	Nonpublic Textbooks	Nonpublic Security	Nonpublic Technology	Local Grants	Totals June 30, 2020
<b>REVENUE:</b>						
Local Sources	\$ 970	\$ 527	\$ 1,500	\$ 360	\$ 10,651	\$ 10,651
State Sources						3,357
Federal Sources						187,590
Total Revenue	<u>970</u>	<u>527</u>	<u>1,500</u>	<u>360</u>	<u>10,651</u>	<u>201,598</u>
<b>EXPENDITURES:</b>						
Instruction:						
Salaries of Teachers						14,421
Purchased Professional and Technical Services						2,235
Tuition				360	940	138,733
General Supplies		527				4,282
Textbooks		527				527
Total Instruction		<u>527</u>		<u>360</u>	<u>940</u>	<u>160,198</u>
Support Services:						
Salaries of Other Professional Staff	970					4,655
Purchased Professional & Technical Services					5,800	3,000
Other Purchased Services					2,498	5,800
Supplies and Materials			1,500			18,645
Travel						1,500
Total Support Services	<u>970</u>		<u>1,500</u>		<u>8,298</u>	<u>6,387</u>
Facilities Acquisition:						
Instructional Equipment					1,413	1,413
Total Facilities Acquisition					<u>1,413</u>	<u>1,413</u>
Total Expenditures	<u>\$ 970</u>	<u>\$ 527</u>	<u>\$ 1,500</u>	<u>\$ 360</u>	<u>\$ 10,651</u>	<u>\$ 201,598</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, 2020

Revenue and Other Financing Sources:	
Interest Income	\$ 1,292
Total Revenue and Other Financing Sources	<u>1,292</u>
Other Financing Uses:	
Transfers Out:	
Debt Service Fund	<u>(1,292)</u>
Total Other Financing Uses	<u>(1,292)</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>
 <u>Recapitulation:</u>	
Committed - Fund Balance Budgetary Basis	<u>\$ 82,655</u>
Committed - 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, 2020

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

Additional Project Information:

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

PROPRIETARY FUNDS



MENDHAM BOROUGH SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2020

## ASSETS:

## Current Assets:

Cash and Cash Equivalents	\$ 6,279
Inventories	5,413

Total Current Assets	11,692
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## Capital Assets:

Furniture and Equipment	91,396
Less: Accumulated Depreciation	(91,396)

Total Capital Assets	-0-
----------------------	-----

Total Assets	11,692
--------------	--------

## LIABILITIES:

## Current Liabilities:

Accounts Payable- Vendors	348
Unearned Revenue - Prepaid Sales	8,363

Total Liabilities	8,711
-------------------	-------

## NET POSITION:

Unrestricted	2,981
--------------	-------

Total Net Position	\$ 2,981
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MENDHAM BOROUGH SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Operating revenue	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 114,337
Other Non-Reimbursable Sales	4,413
Other Miscellaneous Revenue	<u>6,257</u>
Total Operating Revenue	<u>125,007</u>
Operating Expenses:	
Cost of Sales - Non-Reimbursable Programs	50,936
Salaries, Benefits & Payroll Taxes	60,073
Supplies, Insurance & Other Costs	3,671
Management Fee	11,462
Miscellaneous Expenses	<u>4,257</u>
Total Operating Expenses	<u>130,399</u>
Operating Loss	<u>(5,392)</u>
Non-Operating Revenue	
Local Sources:	
Interest Income	<u>4</u>
Total Non-Operating Revenue	<u>4</u>
Change in Net Position Before Transfers	(5,388)
Operating Transfers from General Fund	<u>4,927</u>
Changes in Net Position	(461)
Net Position - Beginning of Year	<u>3,442</u>
Net Position - End of Year	<u>\$ 2,981</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Cash Flows From Operating Activities:	
Receipts from Customers	\$ 127,996
Payments to Food Service Vendor	(129,196)
Payments to Suppliers	(2,068)
Net Cash Used for Operating Activities	<u>(3,268)</u>
Cash Flows From Investing Activities:	
Interest Income	4
Net Cash Provided by Investing Activities	<u>4</u>
Cash Flows from Noncapital Financing Activities:	
Operating Transfers from General Fund	4,927
Net Cash Provided by Noncapital Financing Activities	<u>4,927</u>
Net Increase in Cash and Cash Equivalents	1,663
Cash and Cash Equivalents, July 1	<u>4,616</u>
Cash and Cash Equivalents, June 30	<u>\$ 6,279</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	\$ (5,392)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
(Increase) in Inventory	(1,213)
Increase in Accounts Payable	348
Increase in Prepaid Sales	2,989
Net Cash Used for Operating Activities	<u>\$ (3,268)</u>

FIDUCIARY FUNDS

MENDHAM BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2020

		<u>Agency</u>	<u>Total</u>	<u>Flexible</u>	<u>Unemployment</u>
		<u>Student</u>	<u>Agency</u>	<u>Spending</u>	<u>Compensation</u>
		<u>Activities</u>		<u>Trust</u>	<u>Trust</u>
	<u>Payroll</u>				
Cash and Cash Equivalents	\$ 23,713	\$ 43,450	\$ 67,163	\$ 7,604	\$ 41,991
Total Assets	<u>23,713</u>	<u>43,450</u>	<u>67,163</u>	<u>7,604</u>	<u>41,991</u>
<u>LIABILITIES:</u>					
Payroll Deductions and Withholdings	23,713		23,713		
Due to Student Groups		43,450	43,450		
Total Liabilities	<u>23,713</u>	<u>43,450</u>	<u>67,163</u>		
<u>NET POSITION:</u>					
Held in Trust for Flexible Spending Claims				7,604	
Restricted for Unemployment Claims					41,991
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,604</u>	<u>\$ 41,991</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGE IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Flexible Spending Trust	Unemployment Compensation Trust
	<u>                    </u>	<u>                    </u>
Additions:		
Contributions:		
Plan Contributions	\$ 18,577	
Employee Deductions		\$ 3,816
Total Contributions	<u>18,577</u>	<u>3,816</u>
Investment Earnings:		
Interest	<u>16</u>	<u>110</u>
Net Investment Earnings	<u>16</u>	<u>110</u>
Total Additions	<u>18,593</u>	<u>3,926</u>
Deductions:		
Flexible Spending Claims	20,875	
Unemployment Compensation Claims		1,237
Total Deductions	<u>20,875</u>	<u>1,237</u>
Change in Net Position	(2,282)	2,689
Net Position - Beginning of the Year	<u>9,886</u>	<u>39,302</u>
Net Position - End of the Year	<u>\$ 7,604</u>	<u>\$ 41,991</u>

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

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 64,019	\$ 67,161	\$ 87,730	\$ 43,450
Total Assets	<u>\$ 64,019</u>	<u>\$ 67,161</u>	<u>\$ 87,730</u>	<u>\$ 43,450</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 64,019	\$ 67,161	\$ 87,730	\$ 43,450
Total Liabilities	<u>\$ 64,019</u>	<u>\$ 67,161</u>	<u>\$ 87,730</u>	<u>\$ 43,450</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY

<u>Schools</u>	<u>Balance June 30, 2019</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2020</u>
Hilltop	\$ 5,490	\$ 9,001	\$ 10,708	\$ 3,783
Mountain View	53,794	51,927	70,394	35,327
Mountain View - Pay to Play	4,735	6,233	6,628	4,340
	<u>\$ 64,019</u>	<u>\$ 67,161</u>	<u>\$ 87,730</u>	<u>\$ 43,450</u>



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

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 56,738	\$ 3,001,091	\$ 3,034,116	\$ 23,713
Total Assets	<u>\$ 56,738</u>	<u>\$ 3,001,091</u>	<u>\$ 3,034,116</u>	<u>\$ 23,713</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 56,738	\$ 3,001,091	\$ 3,034,116	\$ 23,713
Total Liabilities	<u>\$ 56,738</u>	<u>\$ 3,001,091</u>	<u>\$ 3,034,116</u>	<u>\$ 23,713</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance June 30, 2019	Matured	Balance June 30, 2020
			Date	Outstanding June 30, 2020 Amount				
2014 Series Refunding Bonds	12/02/2014	\$ 6,075,000	3/1/2021	\$ 575,000	5.000%	\$ 3,745,000	\$ 575,000	\$ 3,170,000
			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>\$ 3,745,000</u>	<u>\$ 575,000</u>	<u>\$ 3,170,000</u>

MENDHAM BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance Final to Actual
<b>REVENUE:</b>				
Local Sources:				
Local Tax Levy	\$ 715,048	\$ 715,048	\$ 715,048	
Total Revenue	715,048	715,048	715,048	
<b>EXPENDITURES:</b>				
Regular Debt Service:				
Interest	140,950	140,950	140,950	
Redemption of Principal	575,000	575,000	575,000	
Total Regular Debt Service	715,950	715,950	715,950	
Total Expenditures	715,950	715,950	715,950	
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	(902)	(902)	(902)	
<b>Other Financing Sources:</b>				
Transfer In- Capital Projects Fund			1,292	\$ 1,292
Total Other Financing Sources	-0-	-0-	1,292	1,292
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures	(902)	(902)	390	1,292
Fund Balance, July 1	3,058	3,058	3,058	-0-
Fund Balance, June 30	\$ 2,156	\$ 2,156	\$ 3,448	\$ 1,292
<b>Recapitulation:</b>				
Restricted			\$ 1,292	
Restricted for Subsequent Year's Expenditures			2,156	
			\$ 3,448	

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

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

**Contents**

	<b><u>Exhibit</u></b>
<b>Financial Trends</b> 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
<b>Revenue Capacity</b> 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
<b>Debt Capacity</b> 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
<b>Demographic and Economic Information</b> 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
<b>Operating Information</b> 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,

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Governmental Activities:</b>										
Net Investment in Capital Assets	\$ 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	\$ 4,682,686
Restricted	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	4,295,143
Unrestricted/(Deficit)	89,292	63,644	(13,514)	(1,794,337)	(2,312,981)	(2,314,846)	(1,890,873)	(2,544,616)	(2,658,641)	(2,583,465)
<b>Total Governmental Activities Net Position</b>	<b>\$ 4,026,078</b>	<b>\$ 4,883,780</b>	<b>\$ 5,564,752</b>	<b>\$ 1,353,398</b>	<b>\$ 2,276,873</b>	<b>\$ 2,871,379</b>	<b>\$ 3,625,440</b>	<b>\$ 2,980,331</b>	<b>\$ 4,354,350</b>	<b>\$ 6,394,364</b>
<b>Business-Type Activities:</b>										
Investment in Capital Assets	\$ 28,722	\$ 22,695	\$ 16,668	\$ 21,729	\$ 20,416	\$ 8,591	\$ 3,899			
Unrestricted/(Deficit)	4,990	4,707	2,688	(959)	1,688	(3,702)	5,691	8,004	3,442	2,981
<b>Total Business-Type Activities Net Position</b>	<b>\$ 33,712</b>	<b>\$ 27,402</b>	<b>\$ 19,356</b>	<b>\$ 20,770</b>	<b>\$ 22,104</b>	<b>\$ 4,889</b>	<b>\$ 9,590</b>	<b>\$ 8,004</b>	<b>\$ 3,442</b>	<b>\$ 2,981</b>
<b>District-Wide:</b>										
Net Investment in Capital Assets	\$ 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	\$ 4,682,686
Restricted	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	4,295,143
Unrestricted/(Deficit)	94,282	68,351	(10,826)	(1,795,296)	(2,311,293)	(2,318,548)	(1,885,182)	(2,536,612)	(2,655,199)	(2,580,484)
<b>Total District Net Position</b>	<b>\$ 4,059,790</b>	<b>\$ 4,911,182</b>	<b>\$ 5,584,108</b>	<b>\$ 1,374,168</b>	<b>\$ 2,298,977</b>	<b>\$ 2,876,268</b>	<b>\$ 3,635,030</b>	<b>\$ 2,988,335</b>	<b>\$ 4,357,792</b>	<b>\$ 6,397,345</b>

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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses:										
Governmental Activities										
Instruction:										
Regular	\$ 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	\$ 5,389,382
Special Education	854,210	851,995	964,696	925,829	916,686	1,205,337	1,317,990	1,343,679	1,383,381	1,128,171
School-Sponsored/Other Instruction	39,960	68,081	106,104	107,527	89,683	84,762	98,615	122,234	96,801	333,048
Support Services:										
Tuition	286,933	421,473	335,006	582,042	708,090	708,273	680,709	592,118	548,315	369,883
Student & Instruction Related Services	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	1,925,112
General Administrative Services	472,335	458,764	396,745	476,372	441,942	347,787	361,196	419,805	394,511	445,427
School Administrative Services	491,812	405,599	486,753	500,426	491,406	532,630	531,481	516,622	467,142	538,138
Central Services	210,273	219,915	227,674	235,687	244,826	240,447	259,776	269,513	262,176	389,235
Plant Operations and Maintenance	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	1,405,620
Pupil Transportation	188,904	211,566	209,032	257,778	240,034	276,940	324,340	313,428	213,450	107,389
Capital Outlay	50,142	22,076	22,076	33,463	33,463	40,062	153,459	90,542	165,306	33,463
Interest on Long-Term Debt	445,265	372,795	334,369	311,544	160,746	193,975	170,575	145,392	116,642	87,892
Total Governmental Activities Expenses	10,294,566	10,288,730	10,687,963	10,854,366	12,118,769	13,035,101	14,240,231	15,311,923	13,613,194	12,152,760
Business-Type Activities:										
Food Service	187,226	185,207	170,442	163,459	148,408	182,677	173,048	178,574	189,196	130,399
Total Business-type Activities Expense	187,226	185,207	170,442	163,459	148,408	182,677	173,048	178,574	189,196	130,399
Total District Expenses	\$ 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	\$ 12,283,159
Program Revenues										
Governmental Activities:										
Charges for Services:										
Tuition	\$ 1,122,234	\$ 1,358,063	\$ 1,504,664	\$ 50,000	\$ 54,165	\$ 16,265	\$ 15,000	\$ 33,260	\$ 61,700	\$ 51,550
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	2,604,945
Capital Grants and Contributions	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	2,656,495
Total Governmental Activities Program Revenues										
Business-Type Activities:										
Charges for Services:										
Food Service	165,529	154,885	147,012	144,663	138,880	158,666	159,386	159,846	169,233	114,337
Operating Grants and Contributions	13,433	13,438	10							
Total Business-type Activities Program Revenues	178,962	168,323	147,022	144,663	138,880	158,666	159,386	159,846	169,233	114,337
Total District Program Revenues	\$ 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	\$ 2,770,832

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

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (9,496,265)
Business-type Activities	(8,264)	(16,884)	(23,420)	(18,796)	(9,528)	(24,011)	(13,662)	(18,728)	(19,963)	(16,062)
Total District-wide Net Expense	\$ (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)	\$ (9,512,327)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 8,630,149	\$ 8,802,752	\$ 8,890,779	\$ 8,890,779	\$ 9,228,709	\$ 9,691,287	\$ 10,192,738	\$ 10,396,593	\$ 10,603,863	\$ 10,710,570
Taxes Levied for Debt Service	916,656	921,981	926,681	934,744	925,144	830,250	737,485	773,082	744,700	715,048
Federal and State Aid not Restricted					127,696					
Investment Earnings	5,238	3,958	2,663	2,789	1,773	2,101	5,166	5,511	6,267	11,275
Miscellaneous Income	46,995	55,358	44,148	102,925	30,008	58,442	63,255	68,001	75,459	104,313
Transfers	(129,209)				(5,531)	(6,870)	(10,000)	(4,958)	(6,229)	(4,927)
Total Governmental Activities	\$ 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	\$ 11,536,279
Business-Type Activities:										
Investment Earnings	\$ 17									\$ 4
Miscellaneous Income	2,769	\$ 10,574	\$ 15,374	\$ 20,210	\$ 7,581	\$ 7,059	\$ 8,363	\$ 12,184	\$ 9,172	\$ 10,670
Transfers	4,209				5,531	6,870	10,000	4,958	6,229	4,927
Total Business-Type Activities	6,995	10,574	15,374	20,210	13,112	13,929	18,363	17,142	15,401	15,601
Total District-Wide General Revenue	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	11,551,880
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	331,417	857,702	680,972	(2,187,990)	923,475	594,506	754,061	(645,109)	1,374,019	2,040,014
Business-type Activities	(1,269)	(6,310)	(8,046)	1,414	1,334	(17,215)	4,701	(1,586)	(4,562)	(461)
Total District	\$ 330,148	\$ 851,392	\$ 672,926	\$ (2,186,576)	\$ 924,809	\$ 577,291	\$ 758,762	\$ (646,695)	\$ 1,369,457	\$ 2,039,553



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

	June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>General Fund:</b>										
Restricted	\$ 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	\$ 4,291,695
Assigned	17,922	51,699		172,650	31,115	19,658	71,765	62,753	58,300	161,121
Unassigned	332,954	294,763	293,336	308,348	302,501	294,031	295,549	323,809	290,945	290,804
<b>Total General Fund</b>	<b>\$ 881,360</b>	<b>\$ 1,454,531</b>	<b>\$ 1,816,316</b>	<b>\$ 1,689,451</b>	<b>\$ 1,320,743</b>	<b>\$ 1,555,421</b>	<b>\$ 2,076,730</b>	<b>\$ 2,367,608</b>	<b>\$ 3,336,656</b>	<b>\$ 4,743,620</b>
<b>All Other Governmental Funds:</b>										
Restricted			\$ 125	\$ 160	\$ 69,365	\$ 69,733	\$ 1,050	\$ 1,584	\$ 3,058	\$ 3,448
Committed, Reported in:										
Capital Projects Fund					82,655	82,655	82,655	82,655	82,655	82,655
Total All Other Governmental Funds			\$ 125	\$ 160	\$ 152,020	\$ 152,388	\$ 83,705	\$ 84,239	\$ 85,713	\$ 86,103
<b>Governmental Funds:</b>										
Restricted	\$ 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	\$ 4,295,143
Assigned	17,922	51,699		172,650	31,115	19,658	71,765	62,753	58,300	161,121
Committed					82,655	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	290,804
<b>Total Governmental Funds</b>	<b>\$ 881,360</b>	<b>\$ 1,454,531</b>	<b>\$ 1,816,441</b>	<b>\$ 1,689,611</b>	<b>\$ 1,472,763</b>	<b>\$ 1,707,809</b>	<b>\$ 2,160,435</b>	<b>\$ 2,451,847</b>	<b>\$ 3,422,369</b>	<b>\$ 4,829,723</b>

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,

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Revenues:</b>										
Tax Levy	\$ 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	\$ 11,425,618
Tuition Charges	41,423	33,550	45,961	50,000	54,165	16,265	15,000	33,260	61,700	51,550
Interest Earnings	5,281	3,958	2,663	2,789	1,773	2,101	5,166	5,511	6,267	8,402
Miscellaneous	73,429	84,122	48,826	125,327	30,008	58,863	88,626	77,863	79,383	117,837
State Sources	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	1,931,432
Federal Sources	233,875	231,677	151,785	192,062	171,879	190,901	101,543	154,201	237,056	182,248
<b>Total Revenue</b>	<b>10,755,192</b>	<b>11,146,432</b>	<b>11,368,935</b>	<b>11,403,808</b>	<b>11,993,530</b>	<b>12,335,399</b>	<b>12,764,791</b>	<b>13,300,050</b>	<b>13,674,349</b>	<b>13,717,087</b>
<b>Expenditures:</b>										
<b>Instruction</b>										
Regular Instruction	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	3,322,806
Special Education Instruction	633,114	604,702	660,853	669,484	539,080	648,494	634,961	729,483	760,311	679,389
School-Sponsored/Other Instruction	39,960	62,275	96,363	101,356	86,519	83,324	91,520	114,834	96,801	78,168
<b>Support Services:</b>										
Tuition	286,933	421,473	335,006	582,042	708,090	708,273	680,709	592,118	548,315	369,883
Student & Instruction Related Services	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	1,391,691
General Administrative Services	420,778	433,096	338,396	331,894	363,180	320,775	326,380	370,769	363,978	365,927
School Administrative Services	428,641	360,975	386,299	386,198	402,728	513,695	477,036	407,860	411,265	409,170
Central Services	165,676	171,569	173,727	736,752	637,244	232,780	241,502	254,455	253,079	276,946
Pupil Transportation	188,904	211,566	209,032	257,778	244,992	276,940	324,340	313,428	213,450	107,389
Plant Operations and Maintenance	724,862	685,453	714,404	187,767	207,771	699,059	818,254	910,251	1,001,140	794,541
Allocated and Unallocated Benefits	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	3,203,777
Capital Outlay	133,468	74,764	162,040	387,125	849,214	131,594	332,764	569,757	541,053	589,169
<b>Debt Service:</b>										
Principal	530,000	560,000	585,000	615,000	640,000	585,000	585,000	575,000	575,000	575,000
Interest and Other Charges	386,656	361,981	341,681	319,744	220,852	245,250	221,850	198,450	169,700	140,950
<b>Total Expenditures</b>	<b>10,500,844</b>	<b>10,572,598</b>	<b>11,007,025</b>	<b>11,530,638</b>	<b>12,204,847</b>	<b>12,093,483</b>	<b>12,302,165</b>	<b>13,003,680</b>	<b>12,697,598</b>	<b>12,304,806</b>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	<b>254,348</b>	<b>573,834</b>	<b>361,910</b>	<b>(126,830)</b>	<b>(211,317)</b>	<b>241,916</b>	<b>462,626</b>	<b>296,370</b>	<b>976,751</b>	<b>1,412,281</b>
<b>Other Financing Sources/(Uses):</b>										
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	\$ 50,923	\$ 4,499	\$ 105	\$ 35	\$ 274,366	\$ 368	\$ 682	\$ 902	\$ 1,474	\$ 1,292
Transfers Out	(180,132)	(4,499)	(105)	(35)	(279,897)	(7,238)	(10,682)	(5,860)	(7,703)	(6,219)
<b>Total Other Financing Sources/(Uses)</b>	<b>(129,209)</b>	<b>(5,531)</b>	<b>(5,531)</b>	<b>(6,870)</b>	<b>(6,870)</b>	<b>(6,870)</b>	<b>(10,000)</b>	<b>(4,958)</b>	<b>(6,229)</b>	<b>(4,927)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 125,139</b>	<b>\$ 573,834</b>	<b>\$ 361,910</b>	<b>\$ (126,830)</b>	<b>\$ (216,848)</b>	<b>\$ 235,046</b>	<b>\$ 452,626</b>	<b>\$ 291,412</b>	<b>\$ 970,522</b>	<b>\$ 1,407,354</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>8.8%</b>	<b>8.8%</b>	<b>8.5%</b>	<b>8.4%</b>	<b>7.6%</b>	<b>6.9%</b>	<b>6.7%</b>	<b>6.2%</b>	<b>6.1%</b>	<b>6.1%</b>

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>
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
2020	9,983	51,550	19,875	84,438	165,846

Source: Mendham Borough School District records

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

Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Farm Qualified	Commercial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
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	0.78	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	8,769,000	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
2019	8,306,100	1,095,646,700	65,860,900	348,400	100,209,700	2,342,200	1,272,714,000	130,379,300	2,123,156	1,274,837,156	0.87	1,363,844,456

\*. Revaluation year

Source: Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

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

Year Ended December 31,	Mendham Borough School District Direct Rate			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	West Morris Regional High School	Municipal Open Space	Mendham Borough	Morris County	
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
2019	0.78	0.09	0.87	0.61	0.01	0.49	0.28	2.26

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>	2019	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
V-Fee Realty Investment LLC	\$ 22,000,000	1.73%
Escada LLC CO P5Admin	8,564,900	0.67%
Holly Re LLC	8,558,600	0.67%
Roxiticus Golf Club Inc	8,003,500	0.63%
Individual Taxpayer #1	5,652,500	0.44%
Individual Taxpayer #2	5,201,800	0.41%
Individual Taxpayer #3	5,000,000	0.39%
Individual Taxpayer #4	4,850,000	0.38%
Individual Taxpayer #5	4,779,200	0.37%
Individual Taxpayer #6	4,396,300	0.34%
Total	<u>\$ 77,006,800</u>	<u>6.04%</u>

<u>Taxpayer</u>	2010	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
V-Fee Realty Shopping Center	\$ 22,000,000	1.70%
Roxiticus Golf Club Inc.	14,178,100	1.09%
Holly Manor	8,558,600	0.66%
Individual Taxpayer #1	6,430,800	0.50%
Individual Taxpayer #2	5,652,500	0.44%
Individual Taxpayer #3	5,379,200	0.41%
Individual Taxpayer #4	5,273,400	0.41%
Individual Taxpayer #5	4,766,400	0.37%
Individual Taxpayer #6	4,635,000	0.36%
Individual Taxpayer #7	4,629,500	0.36%
Total	<u>\$ 81,503,500</u>	<u>6.29%</u>

Note: Individual Taxpayers listed may be different in 2019 and 2010.

Note: Revaluation was done in 2010.

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2020	11,425,618	11,425,618	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>Per Capita</u> <sup>a</sup>
	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Total District</u>	<sup>a</sup>	
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	1.23%	1,099
2017	4,895,000	4,895,000	1.04%	983
2018	4,320,000	4,320,000	0.89%	880
2019	3,745,000	3,745,000	0.78%	773
2019	3,170,000	3,170,000	0.66%	654

Source: School District Financial Reports

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

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



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

<u>General Bonded Debt Outstanding</u>					
<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>General</u> <u>Obligation Bonds</u>	<u>Deductions</u>	<u>Net General</u> <u>Bonded Debt</u> <u>Outstanding</u>	<u>Percentage of</u> <u>Net Valuation</u> <u>Taxable <sup>a</sup> of</u> <u>Property</u>	<u>Per Capita <sup>b</sup></u>
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%	773
2019	3,170,000	-0-	3,170,000	0.249%	654

Source: School District Financial Reports

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

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

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

MENDHAM BOROUGH SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2019  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Mendham Borough	\$ 1,989,873	100.00%	\$ 1,989,873
West Morris Regional High School District Debt (Borough Share)	9,855,000	16.18%	1,594,342
Morris County General Obligation Debt (Borough Share)	216,220,009	1.42%	<u>3,068,874</u>
Subtotal, Overlapping Debt			6,653,089
Mendham Borough School District Direct Debt			<u>3,170,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 9,823,089</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 2020

	Equalized Valuation Basis		
	2019	2018	2017
	\$ 1,366,746,134	1,368,257,530	1,372,572,490
	\$ 4,107,576,154		
	\$ 1,369,192,051		
Average Equalized Valuation of Taxable Property			
	\$ 41,075,762		
Debt Limit (a) (3% of Average Equalization Value)			
	3,170,000		
	\$ 37,905,762		

Fiscal Year Ending June 30.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	\$ 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	\$ 41,075,762
Total Net Debt Applicable to Limit	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	3,170,000
Legal Debt Margin	\$ 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	\$ 37,905,762
Total Net Debt Applicable to the Limit	21.83%	20.56%	18.74%	17.49%	14.75%	13.30%	11.82%	10.50%	9.10%	7.72%
As a Percentage of Debt Limit										

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

a Limit set by 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

Year	Population <sup>a</sup>	Morris County Per Capita Personal Income <sup>b</sup>	Total County Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
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	98,842	485,314,220	3.60%
2019	4,847	98,842 *	479,087,174	3.00%
2020	4,847 **	98,842 *	479,087,174 ***	N/A

\* - Latest Morris County per capita personal income available (2018) was used for calculation purposes.

\*\* - Latest population data available (2019) was used for calculation purposes.

\*\*\* - Latest County Personal Income data available (2018) was used for calculation purposes.

N/A - Information unavailable.

Source:

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

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

	2019		2010		Percentage of Total Employment	
	Employer	Employees	Percentage of Total Employment	Employer		Employees
Atlantic Health System		6,140	2.39%	Novartis Corporation	4,990	N/A
Picatinny Arsenal		6,000	2.34%	Atlantic Health	4,933	N/A
Novartis		4,900	1.91%	Picatinny Arsenal	4,442	N/A
ADP		2,690	1.05%	County of Morris	2,675	N/A
Bayer		2,400	0.93%	UPS	2,332	N/A
Accenture		1,865	0.73%	ADP	1,924	N/A
Barclays		1,800	0.70%	AT&T	1,550	N/A
Honeywell		1,704	0.66%	Saint Calre's Health System	1,531	N/A
Allergan		1,627	0.63%	BASF	1,400	N/A
St. Clare's Health System		1,565	0.61%	Avis Budget Group, Inc.	1,378	N/A
Total		<u>30,691</u>	<u>11.96%</u>		<u>27,155</u>	
Total County Labor Force		<u>256,698</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>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>	<u>2020</u>
Instruction										
Regular	52.60	49.00	49.40	45.90	46.00	46.00	46.00	46.00	47.00	50.00
Special Education	14.80	10.80	10.80	10.50	10.50	10.50	10.50	10.50	13.00	18.00
Support Services:										
Student & Instruction Related Services	10.30	12.60	12.60	12.60	13.00	13.00	13.00	13.00	13.00	10.00
School Administrative Services	4.00	4.00	4.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00
General and Business Administrative Services	5.00	4.50	4.00	4.00	4.00	4.20	4.20	4.20	4.00	5.00
Plant Operations and Maintenance	5.50	5.00	5.00	7.00	7.50	7.50	7.50	7.50	7.00	7.00
Food Service	3.50									
<b>Total</b>	<b>95.70</b>	<b>85.90</b>	<b>86.30</b>	<b>84.00</b>	<b>85.00</b>	<b>85.20</b>	<b>85.20</b>	<b>85.20</b>	<b>88.00</b>	<b>94.00</b>

MENDHAM BOROUGH SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Percentage Change	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff <sup>b</sup>	Elementary	Middle School				
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%	60.00	1:10	1:10	541	520	3.05%	96.12%
2020	504	10,999,687	21,825	3.46%	68.00	1:10	1:08	498	485	-7.95%	97.39%

Sources: Mendham Borough School District records

Note: Enrollment based on annual October district count.

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

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

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

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

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

<u>District Building</u>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Hilltop School	59,790	59,790	59,790	59,790	59,790	59,790	59,790	59,790	59,790	59,790
Square Feet	428	428	428	428	428	428	428	428	428	428
Capacity (students)	368	336	336	303	307	278	272	264	280	259
Enrollment	55,280	55,280	55,280	55,280	55,280	55,280	55,280	55,280	55,280	55,280
Mountain View School	383	383	383	383	383	383	383	383	383	383
Square Feet	329	316	316	307	292	290	258	255	261	245
Capacity (students)										
Enrollment										

Number of Schools at June 30, 2020  
 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>
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
2020	86,034	118,137	204,171

\* 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, 2020  
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	1,000
Employee Dishonesty and Faithful Performance	100,000 per person	1,000
Computer Fraud	250,000	1,000
Forgery and Alteration	100,000	1,000
Workers' Compensation NJSIG	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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Independent Member  
BKR International

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2020.

**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) as a basis for determining audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

December 14, 2020  
Mount Arlington, New Jersey

*Nisivoccia LLP*  
NISIVOCCIA LLP

*Man C Lee*  
\_\_\_\_\_  
Man C. Lee  
Licensed Public School Accountant #2527  
Certified Public Accountant



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Independent Member  
BKR International

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

Independent Auditors' Report

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

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

We have audited the Mendham Borough School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on the District's major state program for the fiscal year ended June 30, 2020. 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 the District's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2020.

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

### Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

December 14, 2020  
Mount Arlington, New Jersey

*Nisivoccia LLP*  
NISIVOCCIA LLP

*Man C Lee*

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Man C. Lee  
Licensed Public School Accountant #2527  
Certified Public Accountant





MENDHAM BOROUGH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2019		Balance June 30, 2020		Memo	
				Unearned Revenue/(Accounts Receivable)	Due to Grantor	GAAP Unearned Revenue/(Accounts Receivable)	Due to Grantor	Budgetary Unearned Revenue/(Accounts Receivable)	Cumulative Total Expenditures
State Department of Education:									
Categorical Special Education Aid Security Aid	19-495-034-5120-085	7/1/18-6/30/19	220,005	\$ (14,995)	\$ 14,995				\$ 220,005
Transportation Aid	19-495-034-5120-078	7/1/18-6/30/19	35,667	(2,431)	2,431				35,667
Extraordinary Special Education Costs	19-495-034-5120-014	7/1/18-6/30/19	47,259	(3,221)	3,221				47,259
Nonpublic Transportation Aid	19-100-034-5120-044	7/1/18-6/30/19	88,875	(88,875)	88,875				88,875
Reimbursed TPAF Social Security Contributions	19-495-034-5120-014	7/1/18-6/30/19	7,717	(7,717)	7,717				7,717
On-Behalf TPAF Pension Contributions	19-495-034-5095-003	7/1/18-6/30/19	348,755	(16,260)	16,260				348,755
On-Behalf TPAF Post Retirement Contributions	20-495-034-5094-002	7/1/19-6/30/20	854,329		854,329	\$ (854,329)			854,329
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-001	7/1/19-6/30/20	322,621		322,621	(322,621)			322,621
On-Behalf TPAF Long-Term Disability Insurance	20-495-034-5094-004	7/1/19-6/30/20	15,313		15,313	(15,313)			15,313
Categorical Special Education Aid Security Aid	20-495-034-5120-085	7/1/19-6/30/20	932		932	(932)			932
Transportation Aid	20-495-034-5120-078	7/1/19-6/30/20	252,229		234,401	(252,229)		\$ (17,828)	252,229
Extraordinary Special Education Costs	20-495-034-5120-014	7/1/19-6/30/20	35,667		33,146	(35,667)		(2,521)	35,667
Reimbursed TPAF Social Security Contributions	20-100-034-5120-044	7/1/19-6/30/20	47,259		43,919	(47,259)		(3,340)	47,259
Total General Fund	20-495-034-5095-003	7/1/19-6/30/20	338,274	(133,499)	1,943,030	(1,931,117)		\$ (64,493)	64,493
N.J. Nonpublic Aid:									
Technology Aid	19-100-034-5120-064	7/1/18-6/30/19	5,256		51		\$ 51		
Textbook Aid	19-100-034-5120-064	7/1/18-6/30/19	7,796		30		30		
Security Aid	19-100-034-5120-064	7/1/18-6/30/19	21,900		4,714		4,714		
Technology Aid	20-100-034-5120-064	7/1/19-6/30/20	360		360	(360)			
Textbook Aid	20-100-034-5120-064	7/1/19-6/30/20	527		527	(527)			
Nursing Services	20-100-034-5120-070	7/1/19-6/30/20	970		970	(970)			
Security Aid	20-100-034-5120-064	7/1/19-6/30/20	1,500		1,500	(1,500)			
Auxiliary Services:									
Compensatory Education	19-100-034-5120-067	7/1/18-6/30/19	8,375		721		\$ 721		
Handicapped Services:									
Examination & Classification	19-100-034-5120-066	7/1/18-6/30/19	13,646		11,457		11,457		
Corrective Speech	19-100-034-5120-066	7/1/18-6/30/19	6,250		4,554		4,554		
Supplementary Instruction	19-100-034-5120-066	7/1/18-6/30/19	8,723		3,328		3,328		
Total Special Revenue Fund					20,060	(3,357)	20,060		
Total State Financial Awards				\$ (133,499)	\$ 20,060	\$ (1,934,474)	\$ 20,060	\$ (97,897)	\$ 2,679,395
Less: State Awards Not Subject to Single Audit Major Program Determination									
On-Behalf TPAF Pension System Contributions:									
On-Behalf TPAF Post Retirement Contributions	20-495-034-5094-001	7/1/19-6/30/20	\$ 322,621			\$ 322,621			
On-Behalf TPAF Pension Contributions	20-495-034-5094-002	7/1/19-6/30/20	854,329			854,329			
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	7/1/19-6/30/20	15,313			15,313			
On-Behalf TPAF Long-Term Disability Insurance	20-495-034-5094-004	7/1/19-6/30/20	932			932			
Subtotal - On-Behalf TPAF Pension System Contributions						1,193,195			
Total State Awards Subject to Single Audit Major Program Determination						\$ (741,279)			

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, 2020

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, 2020. 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 (\$3,042) for the general fund and (\$5,342) (of which \$1,413 relates to local grants) for the special revenue fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and the special revenue funds. Awards and financial assistance revenue are reported on the Board’s basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund		\$ 1,928,075	\$ 1,928,075
Special Revenue Fund	\$ 183,661	3,357	187,018
Total	\$ 183,661	\$ 1,931,432	\$ 2,115,093

MENDHAM BOROUGH SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(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, 2020.

MENDHAM BOROUGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state program disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state program for the District expresses an unmodified opinion on 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, 2020 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's program tested as a major state program for the current fiscal year consisted of the following:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State Programs:</u>				
Reimbursed TPAF Social Security Contributions	20-495-034-5095-003	7/1/19 - 6/30/20	\$ 338,274	\$ 338,274

- 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, 2020

Status of Prior Year Findings:

There were no prior year findings.