

MENDHAM TOWNSHIP SCHOOL DISTRICT

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

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020

Comprehensive Annual
Financial Report

of the

Mendham Township School District
Board of Education

Mendham Township, New Jersey

For Fiscal Year Ended June 30, 2020

Prepared by

Mendham Township School District
Board of Education

MENDHAM TOWNSHIP SCHOOL DISTRICT
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INTRODUCTORY SECTION

Mendham Township Board of Education

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

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



December 30, 2020

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

Dear Honorable President and Board Members:

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

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

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

The District provides a full range of educational services appropriate to grade levels K through 8. These included regular as well as special education for classified children. The District completed the 2019-2020 fiscal year with an enrollment of 724 students.

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

Mendham Township Board of Education

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The Honorable President and Members
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Mendham Township School District
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December 30, 2020

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

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

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

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

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

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

Mendham Township Board of Education

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The Honorable President and Members
of the Board of Education
Mendham Township School District
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December 30, 2020

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 cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2020.

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

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

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

Mendham Township Board of Education

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The Honorable President and Members
of the Board of Education
Mendham Township School District
Page 4
December 30, 2020

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

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

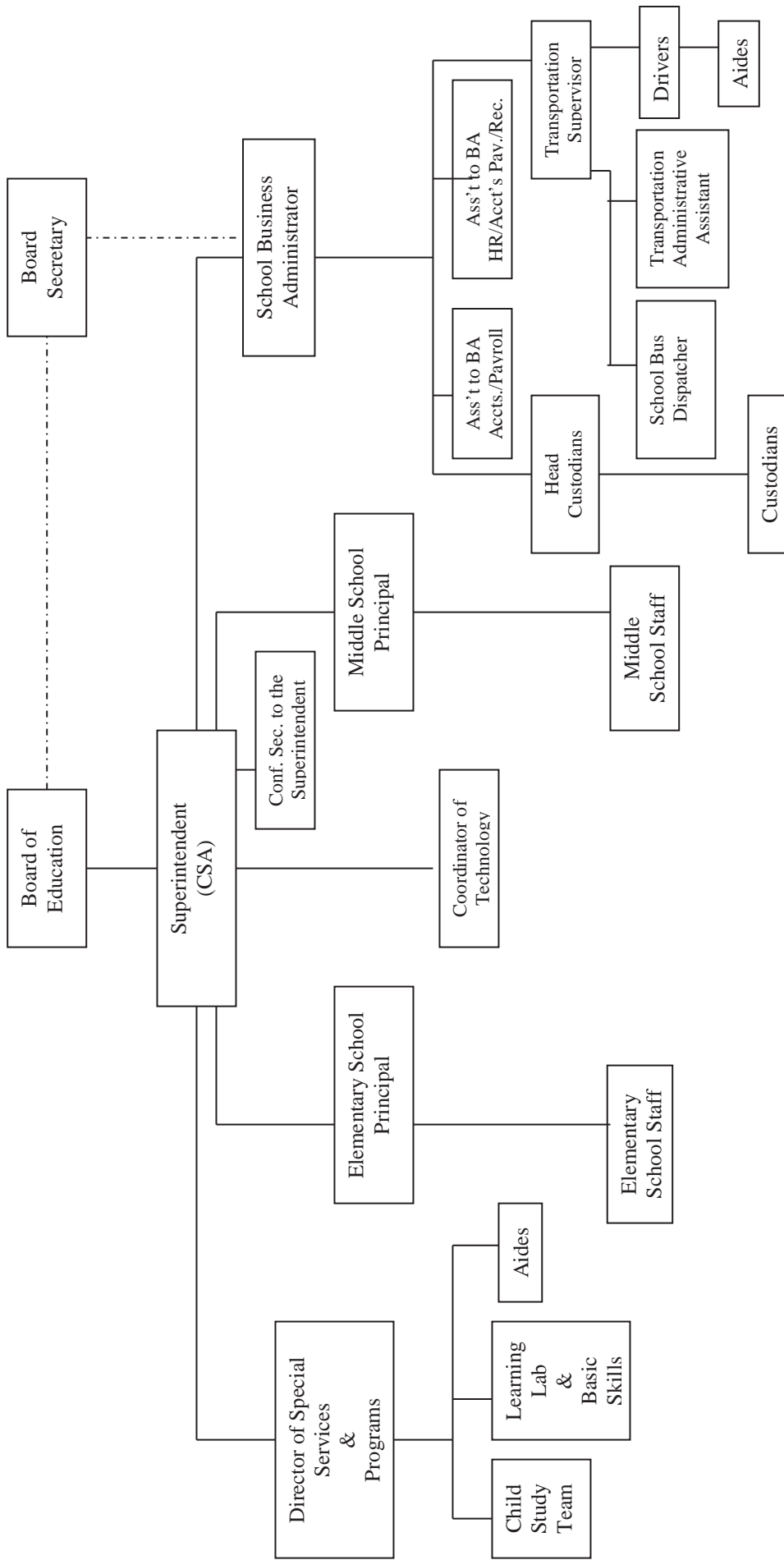
Respectfully submitted,

Salvatore Constantino, Ed.D.
Superintendent

Donna Mosner
Business Administrator/Board Secretary

Mendham Township Board of Education

ORGANIZATIONAL CHART



MENDHAM TOWNSHIP SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2020

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Gretchen Holquist, President	2023
Aadithya Thayyar, Vice President	2021
Peter Dumovic	2021
Heather Fraser	2020
Richard Gondek	2020
Andrew Christmann	2022
Joan Mody	2022

<u>Other Officials</u>	<u>Title</u>
Salvatore Constantino, Ed.D.	Superintendent/Principal
Donna Mosner	School Business Administrator/Board Secretary
Elizabeth George, CPA	Treasurer of School Monies
Matthew J. Giacobbe	School Board Attorney
(Cleary, Giacobbe, Alfieri, Jacobs,LLC)	

<u>Members of the Board of Education</u>	<u>Term Expires</u>
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Joan Mody	2022

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Donna Mosner	School Business Administrator/Board Secretary
Elizabeth George, CPA	Treasurer of School Monies
Matthew J. Giacobbe	School Board Attorney
(Cleary, Giacobbe, Alfieri, Jacobs,LLC)	

MENDHAM TOWNSHIP SCHOOL DISTRICT

Consultants and Advisors
Year Ended June 30, 2020

Audit Firm

Nisivoccia LLP
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856
and
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Lyndhurst, NJ 07071

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Woodbridge, NJ 07095

Architect of Record

Parette Somjen Architects
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Rockaway, NJ 07866

Official Depository

Lakeland Bank
98 East Main Street
Mendham, NJ 07945

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Mendham Township School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 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 Township 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 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 internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 30, 2020
Mount Arlington, New Jersey

Nisivoccia, LLP
NISIVOCCIA LLP

Kathryn L. Mantell

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

REQUIRED SUPPLEMENTARY INFORMATION -
MANAGEMENT'S DISCUSSION AND ANALYSIS

**MENDHAM TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

This section of Mendham Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 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, a two-year-old program, an enrichment program, a middle school play, and a pre-school program.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

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

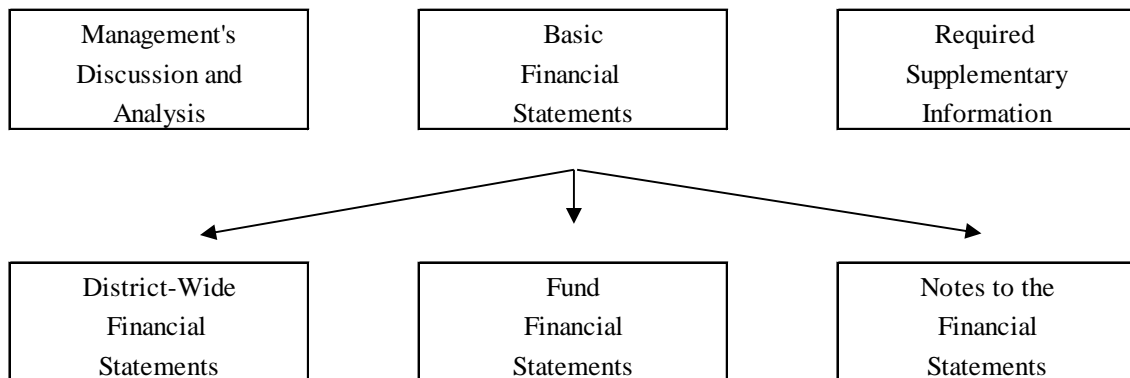


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**MENDHAM TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

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

	Fund Financial Statements			
	District-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses; food services, a two-year-old program, enrichment program, a middle school play, and and preschool program	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenue, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual Accounting and Economic Resources focus	Modified Accrual Accounting and Current Financial Focus	Accrual Accounting and Economic Resources focus	Accrual Accounting and Economic Resources focus
Type of Asset/Liability Information	All Assets and Liabilities, both Financial and Capital, Short-Term and Long-Term	Assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All Revenue and Expenses during the year, regardless of when Cash is Received or Paid	Revenue for which cash is received during or soon after the year end; expenditures when goods services have been received and related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**MENDHAM TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

District-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

**MENDHAM TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Basic Financial Statements

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

Financial Analysis of the District as a Whole

The District's combined net position was \$9,459,390 at year-end – an increase of \$1,068,719, or 12.74%. Net position invested in capital assets increased \$451,865 primarily due to the \$1,055,943 net reduction in associated debt, \$830,575 of depreciation expense, and \$226,497 of capital asset acquisitions and adjustments. Restricted net position increased by \$727,455 due to reductions in expenditures which created savings or excesses that were deposited in the capital and maintenance reserves and unrestricted net position decreased \$110,601 primarily due to changes in the deferred outflows and inflows from pensions and net pension liability.

Figure A-3

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Percent Change 2019-2020
	2020	2019	2020	2019	2020	2019	
Current and Other Assets	\$ 4,132,388	\$ 2,934,987	\$ 66,044	\$ 97,880	\$ 4,198,432	\$ 3,032,867	
Capital Assets, Net	15,815,173	16,384,306	30,627	65,572	15,845,800	16,449,878	
Total Assets	19,947,561	19,319,293	96,671	163,452	20,044,232	19,482,745	2.88%
Deferred Outflows of Resources	1,679,127	1,738,542			1,679,127	1,738,542	-3.42%
Other Liabilities	959,566	499,019	16,726	37,435	976,292	536,454	
Long-Term Liabilities	9,081,930	10,148,456			9,081,930	10,148,456	
Total Liabilities	10,041,496	10,647,475	16,726	37,435	10,058,222	10,684,910	-5.87%
Deferred Inflows of Resources	2,205,747	2,145,706			2,205,747	2,145,706	2.80%
Net Position:							
Net Investment in Capital Assets	12,653,130	12,166,320	30,627	65,572	12,683,757	12,231,892	
Restricted	2,955,708	2,228,253			2,955,708	2,228,253	
Unrestricted/(Deficit)	(6,229,393)	(6,129,919)	49,318	60,445	(6,180,075)	(6,069,474)	
Total Net Position/(Deficit)	\$ 9,379,445	\$ 8,264,654	\$ 79,945	\$ 126,017	\$ 9,459,390	\$ 8,390,671	12.74%

**MENDHAM TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

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

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

	Governmental Activities		Business-Type Activities		Total School District		Percent Change 2019-2020
	2020	2019	2020	2019	2020	2019	
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,630,636	\$ 1,029,820	\$ 235,737	\$ 798,914	\$ 1,866,373	\$ 1,828,734	
Operating Grants and Contributions	4,376,337	5,099,924			4,376,337	5,099,924	
General Revenue:							
Property Taxes	16,716,469	15,951,402			16,716,469	15,951,402	
Unrestricted Federal and State Aid	14,031	15,699			14,031	15,699	
Other	25,237	75,767	862	1,648	26,099	77,415	
Total Revenue	22,762,710	22,172,612	236,599	800,562	22,999,309	22,973,174	0.11%
Expenses:							
Instruction	11,973,140	11,677,280			11,973,140	11,677,280	
Tuition	266,576	279,052			266,576	279,052	
Pupil & Instruction Services	2,370,468	2,859,598			2,370,468	2,859,598	
Administrative and Business	2,060,734	2,165,008			2,060,734	2,165,008	
Maintenance & Operations	2,124,534	2,385,403			2,124,534	2,385,403	
Transportation	2,310,152	2,365,703			2,310,152	2,365,703	
Other	231,881	259,450	251,515	799,410	483,396	1,058,860	
Total Expenses	21,337,485	21,991,494	251,515	799,410	21,589,000	22,790,904	-5.27%
Other Items	(310,301)		(31,289)		(341,590)		
Transfers	(133)	153	133	(153)			
Change in Net Position	\$ 1,114,791	\$ 181,271	\$ (46,072)	\$ 999	\$ 1,068,719	\$ 182,270	486.34%

**MENDHAM TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

Governmental Activities

The financial position of the District remains strong. However, maintaining existing programs with regular pupil enrollment and the provision of a multitude of special programs and services for special needs pupils place great demands on the District's resources. Careful management of expenses remains essential for the District to sustain its financial health.

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

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

	Total		Net	
	Cost of Services		Cost of Services	
	2020	2019	2020	2019
Instruction	\$ 11,973,140	\$ 11,677,280	\$ 8,070,772	\$ 7,905,112
Tuition	266,576	279,052	266,576	279,052
Pupil & Instruction Services	2,370,468	2,859,598	2,012,537	2,128,445
Administrative and Business	2,060,734	2,165,008	1,713,187	1,703,730
Maintenance & Operations	2,124,534	2,385,403	2,124,534	2,385,403
Transportation	2,310,152	2,365,703	911,025	1,200,558
Other	231,881	259,450	231,881	259,450
Total	\$ 21,337,485	\$ 21,991,494	\$ 15,330,512	\$ 15,861,750

Business-Type Activities

Net position from the District's business-type activities decreased by \$46,072, primarily due to the cessation of operations and closeout (including the transfer of capital assets) of the Preschool, 2-Year Old and Enrichment Programs within the Enterprise Funds. Additionally, the Food Service Enterprise Fund had a higher decrease in expenses compared to the decrease in revenue caused by the early closure of the school district due to the COVID-19 pandemic.

Financial Analysis of the District's Funds

The District's fund balance in the General Fund increased \$975,190 during the fiscal year. This increase resulted primarily from excess in tuition revenue, transportation fees revenue and local and state revenue over budgeted amounts and unexpended budget appropriations. The District's fund balance in Debt Service Fund was \$-0- and remained unchanged from the previous year.

**MENDHAM TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

General Fund Budgetary Highlights

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

Capital Assets

At year end, the District's capital assets were \$15,845,800 – a decrease of \$604,078, or 3.67%, from the previous year. During the fiscal year, the District acquired \$226,223 of capital assets and depreciated \$830,575 of its capital assets. (More detailed information about the District's capital assets is presented in Note 6 to the financial statements.)

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 14,000	\$ 14,000			\$ 14,000	\$ 14,000
Site Improvements	400,537	444,915			400,537	444,915
Buildings/Improvements	14,478,393	15,102,639			14,478,393	15,102,639
Furniture, Machinery and Equipment	922,243	822,752	\$ 30,627	\$ 65,572	952,870	888,324
Total	\$15,815,173	\$16,384,306	\$ 30,627	\$ 65,572	\$15,845,800	\$16,449,878

Long-Term Liabilities

At year-end, the District had \$9,081,930 in general obligation bonds, net pension liability and other long-term liabilities outstanding – a decrease of \$1,066,526 from the prior year due primarily to the decrease in Net Pension Liability and in general obligation bonds – as shown in Figure A-7. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

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

	<u>Total School District</u>		<u>Percent</u>
	<u>2020</u>	<u>2019</u>	<u>Change</u>
			<u>2019-2020</u>
General Obligation Bonds (Financed with Property Taxes)	\$ 2,825,000	\$ 3,885,000	
Net Pension Liability	5,553,041	5,573,919	
Other Long Term Liabilities	703,889	689,537	
Total	\$ 9,081,930	\$10,148,456	-10.51%

**MENDHAM TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

Factors Bearing on the District's Future

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

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 18 West Main Street, Brookside, New Jersey 07926.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

MENDHAM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,536,597	\$ 55,185	\$ 2,591,782
Receivable from Federal Government	65,701		65,701
Receivable from State Government	292,127		292,127
Receivable from Other Governments	30,282		30,282
Other Accounts Receivable			
Internal Balances	(3,277)	3,277	
Interfund Receivable - Payroll Agency	5,250		5,250
Inventories		7,582	7,582
Restricted Cash and Cash Equivalents	1,205,708		1,205,708
Capital Assets:			
Land	14,000		14,000
Depreciable Site Improvements, Buildings and Building Improvements and Furniture, Machinery & Equipment	15,801,173	30,627	15,831,800
Total Assets	<u>19,947,561</u>	<u>96,671</u>	<u>20,044,232</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	1,679,127		1,679,127
Total Deferred Outflows of Resources	<u>1,679,127</u>		<u>1,679,127</u>
LIABILITIES			
Accounts Payable	325,115		325,115
Payable to State Government	378,453		378,453
Accrued Interest Payable	34,812		34,812
Unearned Revenue	221,186	16,726	237,912
Noncurrent Liabilities:			
Due Within One Year	1,203,727		1,203,727
Due Beyond One Year	7,878,203		7,878,203
Total Liabilities	<u>10,041,496</u>	<u>16,726</u>	<u>10,058,222</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	2,205,747		2,205,747
Total Deferred Inflows of Resources	<u>2,205,747</u>		<u>2,205,747</u>
NET POSITION			
Net Investment in Capital Assets	12,653,130	30,627	12,683,757
Restricted for:			
Capital Projects	569,104		569,104
Maintenance	636,604		636,604
Excess Surplus	1,750,000		1,750,000
Unrestricted/(Deficit)	(6,229,393)	49,318	(6,180,075)
Total Net Position	<u>\$ 9,379,445</u>	<u>\$ 79,945</u>	<u>\$ 9,459,390</u>

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

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

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Business-Type Activities	Total
			Grants and Contributions				
Governmental Activities:							
Instruction:							
Regular	\$ 8,258,757	\$ 434,343	\$ 1,735,444	\$ (6,088,970)	\$	\$ (6,088,970)	
Special Education	2,821,994		1,416,989	(1,405,005)		(1,405,005)	
Other Instruction	643,700		53,298	(590,402)		(590,402)	
School-Sponsored Instruction	248,689		262,294	13,605		13,605	
Support Services:							
Tuition	266,576			(266,576)		(266,576)	
Student & Instruction Related Services	2,370,468		357,931	(2,012,537)		(2,012,537)	
General Administrative Services	736,119		138,376	(597,743)		(597,743)	
School Administrative Services	845,071		135,521	(709,550)		(709,550)	
Central Services and Administrative							
Information Technology	479,544		73,649	(405,895)		(405,895)	
Plant Operations and Maintenance	2,124,534			(2,124,534)		(2,124,534)	
Pupil Transportation	2,310,152	1,196,293	202,834	(911,025)		(911,025)	
Interest and Other Charges	146,157			(146,157)		(146,157)	
Capital Outlay	61,355			(61,355)		(61,355)	
Unallocated Depreciation	6,439			(6,439)		(6,439)	
Transfer to Charter School	17,930			(17,930)		(17,930)	
Total Governmental Activities	21,337,485	1,630,636	4,376,337	(15,330,512)		(15,330,512)	

MENDHAM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities:						
Middle School Play	\$ 10,678	\$ 6,120			\$ (4,558)	\$ (4,558)
Food Service	240,837	229,617			(11,220)	(11,220)
Total Business-Type Activities	251,515	235,737			(15,778)	(15,778)
Total Primary Government	<u>\$ 21,589,000</u>	<u>\$ 1,866,373</u>	<u>\$ 4,376,337</u>	<u>\$ (15,330,512)</u>	<u>(15,778)</u>	<u>(15,346,290)</u>
General Revenue, Transfers and Other Items :						
Taxes:						
Property Taxes, Levied for General Purposes, Net				15,499,544		15,499,544
Taxes Levied for Debt Service				1,216,925		1,216,925
Federal and State Aid not Restricted				14,031		14,031
Miscellaneous Income				25,237	862	26,099
Transfers				(133)	133	
Other Item - Due to State for Prior Year's Grant Funds				(339,638)	(1,952)	(341,590)
Other Item - Transfer of Capital Assets				29,337	(29,337)	
Total General Revenue, Transfer and Other Items				16,445,303	(30,294)	16,415,009
Change in Net Position				1,114,791	(46,072)	1,068,719
Net Position - Beginning				8,264,654	126,017	8,390,671
Net Position - Ending				<u>\$ 9,379,445</u>	<u>\$ 79,945</u>	<u>\$ 9,459,390</u>

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

FUND FINANCIAL STATEMENTS

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
	\$ 2,536,597			\$ 2,536,597
	292,127	65,701		65,701
	30,074	208		292,127
	5,250	314,620		30,282
	1,205,708			319,870
	<u>\$ 4,069,756</u>	<u>\$ 380,529</u>	<u>\$ - 0 -</u>	<u>\$ 4,450,285</u>

ASSETS:
Cash and Cash Equivalents
Receivables From Federal Government
Receivables From State Government
Receivables From Other Governments
Interfund Receivable
Restricted Cash and Cash Equivalents

Total Assets

LIABILITIES AND FUND BALANCES:

Liabilities:				
Accounts Payable	14,919			14,919
Payable to State Government		378,453		378,453
Interfund Payable	317,897			317,897
Unearned Revenue	219,110	2,076		221,186
Total Liabilities	<u>551,926</u>	<u>380,529</u>		<u>932,455</u>
Fund Balances:				
Restricted:				
Capital Reserve	569,104			569,104
Maintenance Reserve	636,604			636,604
Excess Surplus - 2021 -2022	850,000			850,000
Excess Surplus - 2020-2021	900,000			900,000
Assigned:				
Year-End Encumbrances	7,680			7,680
Unassigned	<u>554,442</u>			<u>554,442</u>

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
Total Fund Balances	\$ 3,517,830			\$ 3,517,830
Total Liabilities and Fund Balances	\$ 4,069,756	\$ 380,529	\$ - 0 -	\$ 4,450,285

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

Total Fund Balances from Above	\$	3,517,830		\$ 3,517,830
Capital Assets Used in Governmental Activities are not Financial Resources and therefore are not reported in the Funds.				15,815,173
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.				(34,812)
Long-Term Liabilities, Including Bonds Payable and Compensated Absences, Are Not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds				(3,528,889)
The Net Pension Liability for PERS is not due/payable in the current period and is not Reported in the Governmental Funds.				(5,553,041)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.				
Deferred Outflows				1,368,931
Deferred Inflows				(2,205,747)
Net Position of Governmental Activities	\$			\$ 9,379,445

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

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local Sources:				
Local Tax Levy	\$ 15,499,544		\$ 1,216,925	\$ 16,716,469
Tuition	434,343			434,343
Transportation Fees from Other LEASs	1,196,293			1,196,293
Rents and Royalties	9,758			9,758
Interest Earned on Maintenance Reserve Funds	275			275
Interest Earned on Capital Reserve Funds	275			275
Miscellaneous	14,929			14,929
	<u>17,155,417</u>		<u>1,216,925</u>	<u>18,372,342</u>
State Sources	3,314,649			3,314,649
Federal Sources		\$ 160,346		160,346
Total Revenues	<u>20,470,066</u>	<u>160,346</u>	<u>1,216,925</u>	<u>21,847,337</u>
EXPENDITURES:				
Current:				
Regular Instruction	4,850,721	2,213		4,852,934
Special Education Instruction	1,530,153	158,133		1,688,286
Other Instruction	268,784			268,784
School-Sponsored	248,689			248,689
Support Services and Undistributed Costs:				
Tuition	266,576			266,576
Student and Other Instruction Related Services	1,461,164			1,461,164
General Administration Services	464,477			464,477
School Administration Services	473,320			473,320

MENDHAM TOWNSHIP 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	Debt Service Fund	Total Governmental Funds
EXPENDITURES:				
Central Services & Administrative Information Technology	\$ 280,764			\$ 280,764
Plant Operations and Maintenance	1,278,079			1,278,079
Student Transportation	1,880,032			1,880,032
Unallocated Benefits	6,274,021			6,274,021
Debt Service:				
Interest and Other Charges			\$ 156,925	156,925
Principal	287,578		1,060,000	1,060,000
Capital Outlay	17,930			287,578
Transfer of Funds to Charter School				17,930
Total Expenditures	19,582,288	\$ 160,346	1,216,925	20,959,559
Excess/(Deficit) of Revenue Over/(Under) Expenditures	887,778			887,778
OTHER FINANCING SOURCES/(USES):				
Capital Leases (Non-Budgeted)	188,500			188,500
Transfers In	4,647			4,647
Transfers Out	(4,780)			(4,780)
Due to State for Prior Year's Grant Funds	(236,569)			(236,569)
Cancellation of Prior Year Receivable	(103,069)			(103,069)
Total Other Financing Sources/(Uses)	(151,271)			(151,271)
Net Change in Fund Balances	736,507			736,507
Fund Balance - July 1	2,781,323			2,781,323
Fund Balance - June 30	\$ 3,517,830	\$ -0-	\$ -0-	\$ 3,517,830

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 736,507

Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differ from depreciation.

	Depreciation Expense	\$ (824,967)
	Capital Outlays Adjustments	29,611
	Capital Outlays	226,223
		(569,133)

In the statement of activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

(10,295)

Repayment of serial bonds is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.

1,060,000

Repayment of capital lease principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

184,443

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

(188,500)

MENDHAM TOWNSHIP BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

In the Statement of Activities, interest on long term debt in the Statement of Activities is accrued, regardless of when due. In the Governmental Funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Changes in Net Pension Liability	20,878
Change in Deferred Outflows	(69,836)
Change in Deferred Inflows	<u>(60,041)</u>
Change in Net Position of Governmental Activities (Exhibit A-2)	<u>\$ 1,114,791</u>

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

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

	Business-type Activities - Enterprise Funds	
	Non-Major Funds	Enterprise Funds Total
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 55,185	\$ 55,185
Interfund Accounts Receivable	3,277	3,277
Inventories	7,582	7,582
Total Current Assets	<u>66,044</u>	<u>66,044</u>
Non-Current Assets:		
Capital Assets	73,579	73,579
Less: Accumulated Depreciation	<u>(42,952)</u>	<u>(42,952)</u>
Total Non-Current Assets	<u>30,627</u>	<u>30,627</u>
Total Assets	<u>96,671</u>	<u>96,671</u>
LIABILITIES:		
Current Liabilities:		
Unearned Revenue - Prepaid Meals	<u>16,726</u>	<u>16,726</u>
Total Current Liabilities	<u>16,726</u>	<u>16,726</u>
NET POSITION:		
Investment in Capital Assets	30,627	30,627
Unrestricted	<u>49,318</u>	<u>49,318</u>
Total Net Position	<u>\$ 79,945</u>	<u>\$ 79,945</u>

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds	
	Non-Major Funds	Enterprise Funds Total
Operating Revenue:		
Local Sources:		
Daily Sales - Non-Reimbursable Programs	\$ 229,617	\$ 229,617
Charges for Services - Program Fees	6,120	6,120
Total Operating Revenue	<u>235,737</u>	<u>235,737</u>
Operating Expenses:		
Cost of Sales - Non-Reimbursable Programs	114,986	114,986
Salaries, Benefits & Payroll Taxes	81,491	81,491
Supplies, Insurance & Other Costs	25,638	25,638
Management Fee	13,114	13,114
Miscellaneous	10,678	10,678
Depreciation Expense	5,608	5,608
Total Operating Expenses	<u>251,515</u>	<u>251,515</u>
Operating Income/(Loss)	(15,778)	(15,778)
Non-Operating Revenue:		
Local Sources:		
Interest Income	862	862
Total Non-Operating Revenue	<u>862</u>	<u>862</u>
Change in Net Position Before Other Items and Transfers	<u>(14,916)</u>	<u>(14,247)</u>
Other Items and Transfers:		
Transfers - General Fund	133	133
Cancellation of Prior Year Accounts Receivable	(1,952)	(1,952)
Transfer of Capital Assets to Governmental Funds	(29,337)	(29,337)
Total Other Items and Transfers	<u>(31,156)</u>	<u>(31,156)</u>
Change in Net Position After Other Items and Transfers	<u>(46,072)</u>	<u>(46,072)</u>
Net Position/(Deficit) - Beginning of Year	<u>126,017</u>	<u>126,017</u>
Net Position/(Deficit) - End of Year	<u>\$ 79,945</u>	<u>\$ 79,945</u>

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Non-Major Funds	Enterprise Funds Total
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 217,792	\$ 217,792
Payments for Programs	(10,678)	(10,678)
Payments to Food Service Vendor	(236,944)	(236,944)
Net Cash Provided by/(Used for) Operating Activities	(29,830)	(29,830)
Cash Flows from Investing Activities:		
Local Sources:		
Interest Income	862	862
Net Cash Provided by Investing Activities	862	862
Cash Flows from Noncapital Financing Activities:		
Interfund - General Fund	(749,439)	(749,439)
Transfers from/(to) - General Fund	133	133
Net Cash Provided by Noncapital Financing Activities	(749,306)	(749,306)
Net Increase/(Decrease) in Cash and Cash Equivalents	(778,274)	(778,274)
Cash and Cash Equivalents, July 1	833,459	833,459
Cash and Cash Equivalents, June 30	\$ 55,185	\$ 55,185
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used) for Operating Activities:		
Operating Income/(Loss)	\$ (15,778)	(15,778)
Adjustment to Reconcile Operating Income/(Loss) to Cash Provided by/(Used) for Operating Activities:		
Depreciation	5,608	5,608
Changes in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	2,764	2,764
(Increase)/Decrease in Inventory	(1,715)	(1,715)
Increase/(Decrease) in Unearned Revenue	(20,709)	(20,709)
Net Cash Provided by/(Used for) Operating Activities	\$ (29,830)	\$ (29,830)

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

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

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Totals</u>
ASSETS:				
Cash and Cash Equivalents	\$ 600,563	\$ 84,439	\$ 3,228	\$ 688,230
Total Assets	<u>600,563</u>	<u>84,439</u>	<u>3,228</u>	<u>688,230</u>
LIABILITIES:				
Interfund Payable - General Fund	5,250			5,250
Due to Student Groups	74,984			74,984
Accrued Payroll - Summer Savings	433,498			433,498
Payroll Deductions and Withholdings	86,831			86,831
Total Liabilities	<u>600,563</u>			<u>600,563</u>
NET POSITION:				
Held in Trust for:				
Unemployment Claims		84,439		84,439
Flexible Spending Claims			3,228	3,228
Total Net Position	<u>\$ -0-</u>	<u>\$ 84,439</u>	<u>\$ 3,228</u>	<u>\$ 87,667</u>

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Totals</u>
Additions:			
Contributions:			
Plan Contributions	\$ 35,141	\$ 3,450	\$ 38,591
Total Contributions	35,141	3,450	38,591
Investment Earnings:			
Interest	169	5	174
Net Investment Earnings	169	5	174
Total Additions	35,310	3,455	38,765
Deductions:			
Unemployment Compensation Claims	42,770		42,770
Flexible Spending Claims		3,098	3,098
Total Deductions	42,770	3,098	45,868
Change in Net Position	(7,460)	357	(7,103)
Net Position - Beginning of the Year	91,899	2,871	94,770
Net Position - End of the Year	<u>\$ 84,439</u>	<u>\$ 3,228</u>	<u>\$ 87,667</u>

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

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

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements:

Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

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

Fund Financial Statements:

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

Enterprise Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's two-year-old, enrichment, food service, middle school play, and pre-school program operations. The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The two-year-old, enrichment and pre-school programs in the Enterprise Funds were discontinued as of June 30, 2020.

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting:

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

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

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

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 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 budgets are submitted to the County office and are approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget Amendments/Transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$20,472,180	\$ 160,346
Differences - Budget to GAAP:		
Prior Year State Aid Payment Recognized for GAAP Statements, not Recognized for Budgetary Statements	50,863	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(52,977)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$20,470,066	\$ 160,346

MENDHAM TOWNSHIP 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:

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$19,582,288	\$ 160,346
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$19,582,288	\$ 160,346

E. Cash and Cash Equivalents, and Investments:

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

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

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

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

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

Open encumbrances in the Special Revenue Fund for which the District has received advances are reflected in the balance sheet as unearned revenue at fiscal year-end.

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

I. Short-term Interfund Receivables/Payables

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2020.

MENDHAM TOWNSHIP 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)

K. Capital Assets:

The District has established a formal system of accounting for its capital assets. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at acquisition value. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

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

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

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

The District allows employees who provide services to the District over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there is \$433,498 of 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 ordinary sick pay and begin vesting with the employee after fifteen years of service.

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

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

N. Compensated Absences:

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$3,517,830 General Fund fund balance at June 30, 2020, \$7,680 is assigned for year end encumbrances; \$569,104 is restricted in the capital reserve account; \$636,604 is restricted in the maintenance reserve account; \$1,750,000 is restricted for excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) (\$900,000 of prior year excess surplus has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2021; \$850,000 of current year excess surplus will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2022); and \$554,442 is unassigned fund balance (which is \$52,977 less than the calculated maximum unassigned fund balance, on a Budgetary basis, due to the final state aid payments, which are not recognized until the fiscal year ended June 30, 2021).

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2020 is \$-0-.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, c.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus as indicated above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$52,977 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event state school aid payments are not made until the following school budget year, districts must record the related state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

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

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

Q. Deficit Net Position

The District has a deficit in unrestricted net position of \$6,229,393 in governmental activities, which is primarily due to compensated absences payable, and net pension liability, offset by deferred inflows and outflows related to pensions. The deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources and deferred inflows of resources at June 30, 2020 related to pensions.

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

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

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

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

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

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.

MENDHAM TOWNSHIP 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: (Cont'd)

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment or resources. The District has no committed resources at June 30, 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 a restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has \$7,680 of assigned resources 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.

U. Fund Balance Restrictions, Commitments and Assignments

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

V. Operating Revenue and Expenses:

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

MENDHAM TOWNSHIP 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)

W. Management Estimates:

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

X. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 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 ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law”, P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;

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

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

Investments: (Cont'd)

- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.) ;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed;
or
- (9) Deposit of funds in accordance with the following conditions:
 - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
 - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
 - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

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

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

As of June 30, 2020, cash and cash equivalents of the District consisted of the following:

	Restricted Cash and Cash Equivalents		Unrestricted Cash and Cash	Total
	Capital Reserve	Maintenance Reserve	Equivalents	
Checking & Savings Accounts	\$ 569,104	\$ 636,604	\$ 3,280,012	\$ 4,485,720
	\$ 569,104	\$ 636,604	\$ 3,280,012	\$ 4,485,720

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 \$4,485,720 and the bank balance was \$4,708,293.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Mendham Township School District by inclusion of \$1 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

The activity of the capital reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Balance at June 30, 2019	\$ 285,812
Interest	275
Deposit by Board Resolution June 2020	283,017
Balance at June 30, 2020	\$ 569,104

The balance in the capital reserve account at June 30, 2020 does not exceed the Long-Range Facilities Plan balance of local support costs of uncompleted projects.

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2020, the District transferred \$37,364 to the capital outlay accounts for equipment which did not require approval of the County Superintendent.

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

NOTE 6. CAPITAL ASSETS

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

	Balance 6/30/2019	Increases	Decreases/ Transfers	Balance 6/30/2020
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 14,000			\$ 14,000
Total Capital Assets not Being Depreciated	14,000			14,000
Capital Assets Being Depreciated:				
Site Improvements	1,018,755			1,018,755
Buildings and Building Improvements	26,182,478			26,182,478
Machinery and Equipment	2,494,222	\$ 226,223	\$ 43,869	2,764,314
Total Capital Assets Being Depreciated	29,695,455	226,223	43,869	29,965,547
Governmental Activities Capital Assets	29,709,455	226,223	43,869	29,979,547
Less Accumulated Depreciated for:				
Site Improvements	(573,840)	(30,120)	274	(603,686)
Buildings and Building Improvements	(11,079,840)	(624,247)		(11,704,087)
Machinery and Equipment	(1,671,469)	(170,600)	(14,532)	(1,856,601)
Total Accumulated Depreciation	(13,325,149)	(824,967)	(14,258)	(14,164,374)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 16,384,306	\$ (598,744)	\$ 29,611	\$ 15,815,173
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 117,448		\$ (43,869)	\$ 73,579
Less Accumulated Depreciation	(51,876)	\$ (5,608)	14,532	(42,952)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 65,572	\$ (5,608)	\$ (29,337)	\$ 30,627

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 2,703
Special Education Instruction	51
General Administrative Services	3,163
School Administrative Services	37,415
Operations & Maintenance of Plant	673,273
Student Transportation	101,923
Unallocated	6,439
	<u>\$ 824,967</u>

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

NOTE 7. LONG-TERM LIABILITIES

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

	Balance 6/30/2019	Accrued	Retired	Balance 6/30/2020
Bonds Payable	\$ 3,885,000		\$ 1,060,000	\$ 2,825,000
Net Pension Liability	5,573,919		20,878	5,553,041
Compensated Absences Payable	356,551	\$ 10,295		366,846
Capital Leases Payable	332,986	188,500	184,443	337,043
	<u>\$ 10,148,456</u>	<u>\$ 198,795</u>	<u>\$ 1,265,321</u>	<u>\$ 9,081,930</u>

A. Bonds Payable:

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

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

Purpose	Final Maturity Date	Interest Rate	Amount
Refunding Bonds of 2010	12/1/21	5.00%	\$ 655,000
Refunding Bonds of 2011	4/1/23	4.00%	2,170,000
			<u>\$ 2,825,000</u>

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

Year Ending June 30,	Bonds		Total
	Principal	Interest	
2021	\$ 1,060,000	\$ 111,175	\$ 1,171,175
2022	1,045,000	65,800	1,110,800
2023	720,000	28,800	748,800
	<u>\$ 2,825,000</u>	<u>\$ 205,775</u>	<u>\$ 3,030,775</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2020, the Board has no bonds authorized but not issued.

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

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

C. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities and the current portion of the compensated absences balance of the governmental funds is \$-0- and is separated from the long-term liability balance of compensated absences of \$366,846. The compensated absences payable will be liquidated by the General Fund. There is no liability for compensated absences in the District's Enterprise Funds.

D. Net Pension Liability

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2020 is \$-0- and the long-term portion is \$5,553,041. See Note 8 for further information on the PERS.

E. Capital Leases Payable

The District is currently leasing vehicles and technology equipment valued at \$1,235,535, of which \$898,492 has matured and been repaid. The capital leases are for five-year terms and will be liquidated by the General Fund. The following is a schedule of the future lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$ 152,543
2022	103,018
2023	58,784
2024	39,372
	<u>\$ 353,717</u>
Less: Amount Representing Interest	<u>(16,674)</u>
Total Future Minimum Lease Payments	<u>\$ 337,043</u>

The current portion of capital leases payable at June 30, 2020 is \$143,727 and the long-term portion is \$193,316. The General Fund will be used to liquidate the capital leases payable.

NOTE 8. PENSION PLANS

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

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

NOTE 8. PENSION PLANS

A. Public Employees' Retirement System (PERS)

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:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member 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 55 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 \$332,591 for 2020.

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

Pension Liabilities and Pension Expense

At June 30, 2020, the District's liability was \$5,553,041 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.

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

(Continued)

NOTE 8. PENSION PLANS

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

Pension Liabilities and Pension Expense (Cont'd)

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 0.030%, which was an increase of 0.002% from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the District recognized actual pension expense in the amount of \$408,772. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferral Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 14,675	
	2015	5.72	90,742	
	2016	5.57	449,074	
	2017	5.48		\$ (797,160)
	2018	5.63		(644,178)
	2019	5.21		(486,106)
			<u>554,491</u>	<u>(1,927,444)</u>
Changes in Proportion	2014	6.44		(26,401)
	2015	5.72	46,868	
	2016	5.57	99,592	
	2017	5.48		(139,714)
	2018	5.63	108,981	
	2019	5.21	459,330	
			<u>714,771</u>	<u>(166,115)</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2016	5.00		102,494
	2017	5.00		(122,999)
	2018	5.00		(85,556)
	2019	5.00		18,404
				<u>(87,657)</u>
Difference Between Expected and Actual Experience	2015	5.72	25,176	
	2016	5.57	13,628	
	2017	5.48	23,707	
	2018	5.63		(24,531)
	2019	5.21	37,158	
			<u>99,669</u>	<u>(24,531)</u>
District Contribution Subsequent to the Measurement Date	2019	1.00	310,196	
			<u>\$ 1,679,127</u>	<u>\$ (2,205,747)</u>

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

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Pension Liabilities and Pension Expense (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	\$ (160,350)
2021	(520,161)
2022	(464,473)
2023	(218,094)
2024	(22,394)
	\$ (1,385,472)

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:

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

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 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 on 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 TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. PENSION PLANS (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	\$ 7,063,190	\$ 5,553,041	\$ 4,351,709

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.

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

NOTE 8. 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 member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes 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 \$1,383,006 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$2,157,164.

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 \$36,572,847. 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 0.059%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2018.

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

NOTE 8. PENSION PLANS (Cont'd)

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

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

District's Proportionate Share of the Net Pension Liability	\$	- 0 -
State's Proportionate Share of the Net Pension Liability Associated with the District		36,572,847
Total	\$	36,572,847

For the fiscal year ended June 30, 2020, the State recognized pension expense on behalf of the District in the amount of \$2,157,164 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:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
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
			8,729,264,342	17,163,131,436
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
			1,203,503,264	213,344,311
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2016	5		(431,855,192)
	2017	5		452,016,524
	2018	5		288,091,115
	2019	5		(144,882,771)
			163,369,676	
			\$ 9,932,767,606	\$ 17,539,845,423

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

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
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 TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. 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 Investment and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 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 TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 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		
	At 1% Decrease 4.60%	At Current Discount Rate 5.60%	At 1% Increase 6.60%
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 43,127,482	\$ 36,572,847	\$ 31,134,570

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 \$31,908 for the fiscal year ended June 30, 2020. Employee contributions to DCRP amounted to \$33,690 for the fiscal year ended June 30, 2020.

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

NOTE 9. DEFERRED COMPENSATION

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

AXA Equitable	VALIC
Lincoln Investment Planning	Vanguard Small Business

NOTE 10. RISK MANAGEMENT

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

Property, Liability and Health Benefits

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

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

The June 30, 2020 audit report for the SAIF is not available as of the date of this report. Selected, summarized financial information for the SAIF as of June 30, 2019 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 48,410,942
Net Position	\$ 18,917,987
Total Revenue	\$ 41,974,396
Total Expenses	\$ 35,489,346
Change in Net Position	\$ 6,485,050
Members Dividends	\$ - 0 -

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

NOTE 10. RISK MANAGEMENT (Cont'd)

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

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

New Jersey Unemployment Compensation Insurance

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

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

<u>Fiscal Year</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018-2019	\$ 35,310	\$ 42,770	\$ 84,439
2018-2019	29,318	40,205	91,899
2017-2018	29,885	25,254	102,786

NOTE 11. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipality and are remitted to the local school district on a predetermined, agreed-upon schedule.

NOTE 12. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

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

NOTE 13. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account was established by the Mendham Township School District for the accumulation of funds for use as maintenance expenditures in subsequent fiscal years. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds may be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Balance at June 30, 2019	\$	136,329
Increases: Interest		275
Deposit by Board Resolution June 2020		500,000
Balance at June 30, 2020	\$	636,604

NOTE 14. ACCOUNTS PAYABLE

Accounts payable recorded in the District's Governmental and Business-Type activities as of June 30, 2020 consisted of the following:

	General Fund	District Contribution Subsequent to the Measurement Date	Total Governmental Activities
Vendors	\$ 14,919		\$ 14,919
State of New Jersey		\$ 310,196	310,196
	\$ 14,919	\$ 310,196	\$ 325,115

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

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

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

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 5,250	\$ 317,897
Special Revenue Fund	314,620	
Proprietary Fund - Food Service	3,277	
Fiduciary Fund - Payroll Agency		5,250
	\$ 323,147	\$ 323,147

The interfund payable in the General Fund to the Special Revenue Fund is for prior year grants which are due to the State. The interfund receivable from the General Fund to the Food Service Proprietary Fund is for Special Milk Program grant funds received in the General Fund and not turned over as of the end of the year. The interfund receivable in the General Fund from Payroll Agency account is for expenses disbursed from the General Fund on behalf of this Fiduciary Fund.

NOTE 16. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

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

Encumbrances

At June 30, 2020, there were encumbrances in the District's General Fund – Governmental Funds as detailed below. All of the governmental funds are considered to be major funds.

General Fund	Total Governmental Funds
\$ 7,680	\$ 7,680

MENDHAM TOWNSHIP 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)

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

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Codification Section P50, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in GASB Codification Section P50. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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

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

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

Employees Covered by Benefit Terms

At June 30, 2018, the plan membership consisted of the following:

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

MENDHAM TOWNSHIP 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)

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

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 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%
	<u>TPAF/ABP</u>	<u>PERS</u>
Salary Increases:		
Through 2026	1.55 - 3.05% based on service years	2.00 - 6.00% based on service years
Thereafter	1.55 - 3.05% based on service years	3.00 - 7.00% 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.

MENDHAM TOWNSHIP 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)

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

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.

Changes in the State's Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	\$ 25,394,505
Changes for Year:	
Service Cost	1,017,780
Interest on the Total OPEB Liability	1,008,930
Difference between Actual and Expected Experience	(3,911,619)
Changes of Assumptions	345,392
Gross Benefit Payments by the State	(711,096)
Contributions from Members	<u>21,079</u>
Net Changes	<u>(2,229,534)</u>
Balance at June 30, 2019	<u>\$ 23,164,971</u>

MENDHAM TOWNSHIP 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)

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

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

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	\$ 27,366,985	\$ 23,164,971	\$ 19,827,121

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	\$ 19,086,904	\$ 23,164,971	\$ 28,563,495

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

For the fiscal year ended June 30, 2020 the District recognized OPEB expense of \$663,481 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.

MENDHAM TOWNSHIP 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)

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

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.

	<u>Deferral Year</u>	<u>Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2017	9.54		\$ 2,696,871
	2018	9.51		2,319,674
	2019	9.29	\$ 308,213	
			<u>308,213</u>	<u>5,016,545</u>
Differences between Expected and Actual Experience	2018	9.51		2,192,814
	2019	9.29		3,627,681
				<u>5,820,495</u>
Changes in Proportion	N/A	N/A	<u>346,445</u>	
			<u>\$ 654,658</u>	<u>\$ 10,837,040</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2020	\$ (1,413,648)
2021	(1,413,647)
2022	(1,413,648)
2023	(1,413,648)
2024	(1,413,648)
Thereafter	<u>(3,460,588)</u>
	<u>\$ (10,528,827)</u>

MENDHAM TOWNSHIP 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. The District's state aid in the General Fund was reduced after the budget was adopted due to reductions imposed by the State of New Jersey. Also, there have been additional operating expenses in the General Fund which were not planned 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 has been impacted by COVID-19 for the fiscal year ending June 30, 2021 as revenues and expenses have declined. Since the School District has implemented daily early closure due to the COVID-19 pandemic, the District's Food Service operations have temporarily ceased and may be significantly curtailed for the fiscal year.

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
District's Proportion of the Net Pension Liability	0.0252628146%	0.0271968536%	0.0289757023%	0.0275596801%
District's Proportionate Share of the Net Pension Liability	\$ 4,729,890	\$ 6,105,149	\$ 8,581,772	\$ 6,415,453
District's Covered Employee Payroll	\$ 1,980,806	\$ 1,980,806	\$ 1,860,159	\$ 1,947,394
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll	238.79%	308.22%	461.35%	329.44%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability for the Local Group	52.08%	47.93%	40.14%	48.10%
			287.04%	53.60%
			0.02883090916%	0.0308185797%
			\$ 5,573,919	\$ 5,553,041
			\$ 1,941,846	\$ 2,064,194

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

MENDHAM TOWNSHIP 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	\$ 208,263	\$ 233,820	\$ 257,416	\$ 257,758	\$ 294,519	\$ 332,591
Contributions in relation to the Contractually Required Contribution	(208,263)	(233,820)	(257,416)	(257,758)	(294,519)	(332,591)
Contribution Deficiency/(Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Employee Payroll	\$ 1,980,806	\$ 1,980,806	\$ 1,860,159	\$ 1,947,394	\$ 1,941,846	\$ 2,064,194
Contributions as a percentage of Covered Employee Payroll	10.51%	11.80%	13.84%	13.24%	15.17%	16.11%

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ATTRIBUTABLE TO THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST 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	0.0650455218%	0.0632541340%	0.0635981239%	0.0614446201%	0.0607820632%	0.0595930953%
State's proportionate share of the Net Pension Liability attributable to the District	\$ 34,764,714	\$ 39,979,314	\$ 50,030,334	\$ 41,428,178	\$ 38,668,243	\$ 36,572,847
District's Covered Employee Payroll	\$ 6,281,501	\$ 6,281,501	\$ 6,234,653	\$ 6,326,583	\$ 6,313,240	\$ 6,616,454
State's proportionate share of the Net Pension Liability attributable to the District as a percentage of its Covered Employee Payroll	553.45%	636.46%	802.46%	654.83%	612.49%	552.76%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	33.64%	28.71%	22.23%	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 TOWNSHIP 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	\$ 1,870,668	\$ 2,441,097	\$ 3,759,083	\$ 2,869,934	\$ 2,254,224	\$ 2,157,164
Contributions in relation to the Contractually Required Contribution	<u>(319,023)</u>	<u>(485,030)</u>	<u>(666,965)</u>	<u>(895,105)</u>	<u>(1,172,052)</u>	<u>(1,383,006)</u>
Contribution Deficiency/(Excess)	<u>\$ 1,551,645</u>	<u>\$ 1,956,067</u>	<u>\$ 3,092,118</u>	<u>\$ 1,974,829</u>	<u>\$ 1,082,172</u>	<u>\$ 774,158</u>
District's Covered Employee Payroll	\$ 6,281,501	\$ 6,281,501	\$ 6,234,653	\$ 6,326,583	\$ 6,313,240	\$ 6,616,454
Contributions as a percentage of Covered Employee Payroll	5.08%	7.72%	10.70%	14.15%	18.56%	20.90%

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

MENDHAM TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S 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	\$ 1,371,021	\$ 1,141,866	\$ 1,017,780
Interest Cost	932,769	1,085,666	1,008,930
Changes in Assumptions	(3,821,120)	(2,914,147)	345,392
Differences between Expected and Actual Experience		(2,772,223)	(3,911,619)
Member Contributions	25,168	23,469	21,079
Gross Benefit Payments	(683,489)	(679,040)	(711,096)
Net Change in Total OPEB Liability	(2,175,651)	(4,114,409)	(2,229,534)
Total OPEB Liability - Beginning	31,684,565	29,508,914	25,394,505
Total OPEB Liability - Ending	<u>\$ 29,508,914</u>	<u>\$ 25,394,505</u>	<u>\$ 23,164,971</u>
State's Covered Employee Payroll *	\$ 8,094,812	\$ 8,273,977	\$ 8,255,086
Total OPEB Liability as a Percentage of Covered Employee Payroll	357%	308%	281%

* - Covered payroll for the fiscal years ending June 30, 2017, June 30, 2018 and June 30, 2019 are based on the payroll on the June 30, 2016, June 30, 2017 and June 30, 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 TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

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 TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

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

State Health Benefit Local Education Retired Employees OPEB Plan

Benefit Changes

There were none.

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%.

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

C. State Health Benefit Local Education Retired Employees OPEB Plan (Cont'd)

Changes of Actuarial Assumptions (Cont'd)

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 TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 15,499,544		\$ 15,499,544	\$ 15,499,544	
Tuition	34,103		34,103	434,343	\$ 400,240
Transportation Fees from Other LEASs	850,000		850,000	1,196,293	346,293
Rents and Royalties	8,000		8,000	9,758	1,758
Interest Earned on Maintenance Reserve Funds	125		125	275	150
Interest Earned on Capital Reserve Funds	125		125	275	150
Miscellaneous	172,722		172,722	14,929	(157,793)
Total - Local Sources	16,564,619		16,564,619	17,155,417	590,798
State Sources:					
Categorical Transportation Aid	198,422		198,422	198,422	
Categorical Special Education Aid	418,984		418,984	418,984	
Categorical Security Aid	13,957		13,957	13,957	
Extraordinary Aid				264,527	264,527
Nonpublic Transportation				3,366	3,366
On-Behalf TPAF Post Retirement Contributions				522,266	522,266
On-Behalf TPAF Pension Contributions				1,383,006	1,383,006
On-Behalf TPAF Non-Contributory Insurance				24,789	24,789
On-Behalf TPAF Long-Term Disability Insurance				1,127	1,127
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				486,319	486,319
Total State Sources	631,363		631,363	3,316,763	2,685,400
TOTAL REVENUES	17,195,982		17,195,982	20,472,180	3,276,198

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE 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	\$ 226,135	\$ 1,750	\$ 227,885	\$ 227,885	
Kindergarten - Salaries of Teachers	287,888	138,238	426,126	426,078	\$ 48
Grades 1-5 - Salaries of Teachers	1,918,501	(533,330)	1,385,171	1,378,010	7,161
Grades 6-8 - Salaries of Teachers	1,601,775	516,250	2,118,025	2,116,491	1,534
Regular Programs - Home Instruction:					
Salaries of Teachers	3,500	5,170	8,670	8,395	275
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	126,830	29,566	156,396	156,395	1
Purchased Professional-Educational Services	155,800	(50,716)	105,084	100,828	4,256
Other Purchased Professional and Technical Services	15,000		15,000	4,294	10,706
Other Purchased Services (400-500 series)	68,250	111,402	179,652	179,652	
General Supplies	312,968	(45,221)	267,747	251,151	16,596
Textbooks	15,000	(10,000)	5,000	742	4,258
Other Objects	3,000		3,000	800	2,200
Total Regular Programs - Instruction	4,734,647	163,109	4,897,756	4,850,721	47,035
Special Education:					
Resource Room/Resource Center:					
Salaries of Teachers	1,000,941	(6,283)	994,658	984,702	9,956
Other Salaries for Instruction	189,351	(375)	188,976	183,998	4,978
Purchased Professional-Educational Services	15,525	(1,530)	13,995	3,573	10,422
General Supplies	750	378	1,128	753	375
Total Resource Room/Resource Center	1,206,567	(7,810)	1,198,757	1,173,026	25,731

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Special Education:					
Preschool Disabilities - Full Time:					
Salaries of Teachers	\$ 143,815	\$ 100	\$ 143,915	\$ 143,915	
Other Salaries for Instruction	54,395	(100)	54,295	51,148	\$ 3,147
Purchased Professional-Educational Services	201,775	(40,563)	161,212	158,893	2,319
General Supplies	5,000		5,000	3,171	1,829
Total Preschool Disabilities - Full Time	404,985	(40,563)	364,422	357,127	7,295
Special Education - Home Instruction :					
Salaries of Teachers	3,500	(3,443)	57		57
Purchased Services (400-500 Series)		1,250	1,250		1,250
Total Special Education - Home Instruction	3,500	(2,193)	1,307		1,307
Total Special Education - Instruction	1,615,052	(50,566)	1,564,486	1,530,153	34,333
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	269,510	(24,047)	245,463	245,285	178
Purchased Professional-Educational Services	1,725	(100)	1,625		1,625
General Supplies	750	100	850	599	251
Total Basic Skills/Remedial - Instruction	271,985	(24,047)	247,938	245,884	2,054
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	105,156	67,507	172,663	172,663	
Purchased Services (300-500 series)	2,000	2,676	4,676	4,175	501
Supplies and Materials	2,400	1,100	3,500	2,888	612
Other Objects	2,700	(1,943)	757	757	
Total School-Sponsored Cocurricular Activities - Instruction	112,256	69,340	181,596	180,483	1,113

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Current Expense:					
School-Sponsored Athletics - Instruction:					
Salaries	\$ 65,593	\$ (26,124)	\$ 39,469	\$ 39,468	\$ 1
Purchased Services (300-500 series)	10,500	202	10,702	10,701	1
Supplies and Materials	16,500	1,400	17,900	17,622	278
Other Objects	7,600	(7,185)	415	415	
Total School-Sponsored Athletics - Instruction	100,193	(31,707)	68,486	68,206	280
Summer School - Instruction:					
Salaries		14,588	14,588	14,587	1
Other Salaries		8,313	8,313	8,313	
Total Summer School - Instruction		22,901	22,901	22,900	1
Total Instruction	6,834,133	149,030	6,983,163	6,898,347	84,816
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	112,613	6,110	118,723	108,723	10,000
Tuition to Private Schools for the Handicapped - Within State	222,231	(78,500)	143,731	117,981	25,750
Tuition - Other		39,872	39,872	39,872	
Total Undistributed Expenditures - Instruction	334,844	(32,518)	302,326	266,576	35,750
Attendance and Social Work:					
Salaries	49,958	500	50,458	49,206	1,252
Other Purchased Professional and Technical Services	11,360	(5,543)	5,817	5,817	5,817
Other Purchased Services (400-500 series)	19,000	(9,500)	9,500	9,500	9,500
Supplies and Materials	400		400	400	400
Total Attendance and Social Work	80,718	(14,543)	66,175	49,206	16,969

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Health Services:					
Salaries	\$ 155,255	\$ (33,024)	\$ 122,231	\$ 117,980	\$ 4,251
Other Purchased Professional and Technical Services	10,050	(711)	9,339	9,339	
Other Purchased Services (400-500 series)	1,540	(568)	972	807	165
Supplies and Materials	6,000	1,279	7,279	7,279	
Total Health Services	<u>172,845</u>	<u>(33,024)</u>	<u>139,821</u>	<u>135,405</u>	<u>4,416</u>
Speech, OT, PT & Related Services:					
Salaries	137,415	413	137,828	137,828	
Purchased Professional - Educational Services		57,472	57,472	56,065	1,407
Supplies and Materials	1,000	420	1,420	1,400	20
Total Speech, OT, PT & Related Services	<u>138,415</u>	<u>58,305</u>	<u>196,720</u>	<u>195,293</u>	<u>1,427</u>
Other Support Services - Students - Extraordinary Services:					
Salaries	91,324	647	91,971	91,847	124
Purchased Professional - Educational Services	29,200	37,545	66,745	66,727	18
Supplies and Materials	2,000	577	2,577	2,551	26
Total Other Support Services - Students - Extraordinary Service	<u>122,524</u>	<u>38,769</u>	<u>161,293</u>	<u>161,125</u>	<u>168</u>
Guidance:					
Salaries of Other Professional Staff	111,731	14,767	126,498	126,498	
Salaries of Secretarial and Clerical Assistants	54,782	538	55,320	55,319	1
Purchased Professional - Educational Services	2,500		2,500	668	1,832
Other Purchased Services (400-500 series)	14,500	(11,304)	3,196	3,195	1
Supplies and Materials	3,200	(538)	2,662	2,148	514
Total Guidance	<u>186,713</u>	<u>3,463</u>	<u>190,176</u>	<u>187,828</u>	<u>2,348</u>

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Current Expense:					
Undistributed Expenditures:					
Child Study Teams:					
Salaries of Other Professional Staff	\$ 167,085	\$ 39,627	\$ 206,712	\$ 206,710	\$ 2
Salaries of Secretarial and Clerical Assistants	58,490	30,077	88,567	88,555	12
Other Purchased Professional and Technical Services	6,500	(5,800)	700	700	
Other Purchased Services (400-500)	12,200	(8,097)	4,103	4,102	1
Supplies and Materials	7,500	(420)	7,080	5,068	2,012
Other Objects	1,345		1,345	1,170	175
Total Child Study Teams	<u>253,120</u>	<u>55,387</u>	<u>308,507</u>	<u>306,305</u>	<u>2,202</u>
Improvement of Instruction Services:					
Salaries of Other Professional Staff	145,577	20,380	165,957	165,956	1
Other Salaries	8,000		8,000	7,200	800
Purchased Professional - Educational Services	5,000	(3,643)	1,357	1,357	1,357
Other Purchased Services (400-500)	19,950	(17,880)	2,070	2,070	2,070
Supplies and Materials	3,000	1,143	4,143	2,642	1,501
Other Objects	1,000		1,000	1,000	1,000
Total Improvement of Instruction Services	<u>182,527</u>		<u>182,527</u>	<u>175,798</u>	<u>6,729</u>
Educational Media Services/School Library:					
Salaries	142,765	1,425	144,190	142,815	1,375
Salaries of Technology Coordinators	95,167	(1,425)	93,742	77,897	15,845
Other Purchased Professional and Technical Services	3,120	1,004	4,124	3,900	224
Other Purchased Services (400-500 series)	9,675	(1,004)	8,671	6,350	2,321
Supplies and Materials	12,700		12,700	12,096	604
Total Educational Media Services/School Library	<u>263,427</u>		<u>263,427</u>	<u>243,058</u>	<u>20,369</u>

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
Instructional Staff Training Services:					
Other Purchased Services (400-500 series)	\$ 10,000		\$ 10,000	\$ 7,146	\$ 2,854
Total Instructional Staff Training Services	10,000		10,000	7,146	2,854
Support Services - General Administration:					
Salaries	277,958	\$ 39,270	317,228	317,227	1
Legal Services	10,000	(2,500)	7,500	7,491	9
Audit Fees	25,000	13,275	38,275	38,275	
Architectural/ Engineering Services	7,000	19,442	26,442	20,141	6,301
Other Purchased Professional Services	4,700	2,600	7,300	6,100	1,200
Communications/Telephone	40,240	477	40,717	40,717	
BOE Other Purchased Services	1,500	(1,400)	100	99	1
Miscellaneous Purchased Services (400-500)	14,820	2,942	17,762	17,762	
General Supplies	4,336	(1,940)	2,396	2,393	3
BOE In-House Training/Meeting Supplies	500		500	431	69
Miscellaneous Expenditures	6,960	(827)	6,133	6,133	
BOE Membership Dues and Fees	7,700	10	7,710	7,708	2
Total Support Services - General Administration	400,714	71,349	472,063	464,477	7,586
Support Services - School Administration:					
Salaries of Principals/Assistant Principals/Program Directors	311,972	9,308	321,280	321,253	27
Salaries of Other Professional Staff	28,794		28,794	28,515	279
Salaries of Secretarial and Clerical Assistants	105,767	3,858	109,625	109,625	
Other Purchased Professional and Technical Services	2,340	(1,350)	990	824	166
Other Purchased Services (400-500 series)	8,000	(6,858)	1,142	990	152
Supplies and Materials	5,000	4,610	9,610	9,226	384
Other Objects	7,600	(4,068)	3,532	2,887	645
Total Support Services - School Administration	469,473	5,500	474,973	473,320	1,653

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Current Expense:					
Undistributed Expenditures:					
Central Services:					
Salaries	\$ 227,900	\$ 11,430	\$ 239,330	\$ 239,330	
Other Purchased Professional Services	17,900	15,000	32,900	31,670	\$ 1,230
Miscellaneous Purchased Services (400-500 Series)	3,700	(538)	3,162	1,723	1,439
Supplies and Materials	5,712	538	6,250	6,250	
Miscellaneous Expenditures	2,090		2,090	1,350	740
Total Central Services	<u>257,302</u>	<u>26,430</u>	<u>283,732</u>	<u>280,323</u>	<u>3,409</u>
Administration Information Technology:					
Other Purchased Services (400-500 series)	5,000		5,000	100	4,900
Supplies and Materials	5,000		5,000	341	4,659
Total Administration Information Technology	<u>10,000</u>		<u>10,000</u>	<u>441</u>	<u>9,559</u>
Required Maintenance for School Facilities:					
Salaries	186,418	(3,579)	182,839	107,395	75,444
Cleaning, Repair and Maintenance Services	290,000	(107,372)	182,628	142,846	39,782
General Supplies	55,500		55,500	23,884	31,616
Total Required Maintenance for School Facilities	<u>531,918</u>	<u>(110,951)</u>	<u>420,967</u>	<u>274,125</u>	<u>146,842</u>
Custodial Services:					
Salaries	423,417	(10,743)	412,674	365,453	47,221
Salaries of Non-Instructional Aides	20,000		20,000	20,000	
Purchased Professional and Technical Services	30,800	(20,000)	10,800		10,800
Cleaning, Repair and Maintenance Services	25,000	18,000	43,000	29,383	13,617
Other Purchased Property Services	22,400	10,500	32,900	27,321	5,579
Insurance	122,700	26,310	149,010	149,010	
Miscellaneous Purchased Services	5,000		5,000		5,000
General Supplies	48,000		48,000	39,154	8,846

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
Custodial Services:					
Energy (Natural Gas)	\$ 100,000	\$ (18,000)	\$ 82,000	\$ 54,265	\$ 27,735
Energy (Electricity)	256,800	(26,067)	230,733	181,197	49,536
Energy (Gasoline)	4,700		4,700	2,946	1,754
Other Objects	960		960	200	760
Total Custodial Services	<u>1,059,777</u>	<u>(20,000)</u>	<u>1,039,777</u>	<u>868,929</u>	<u>170,848</u>
Care and Upkeep of Grounds:					
Salaries	117,867		117,867	92,022	25,845
Cleaning, Repair and Maintenance Services	23,000	(5,500)	17,500	13,318	4,182
General Supplies	7,400		7,400	5,824	1,576
Total Care and Upkeep of Grounds	<u>148,267</u>	<u>(5,500)</u>	<u>142,767</u>	<u>111,164</u>	<u>31,603</u>
Security:					
Purchased Professional and Technical Services		22,159	22,159	20,520	1,639
Cleaning, Repair and Maintenance Services	5,000	(2,880)	2,120	2,120	
General Supplies	5,000	(3,779)	1,221	1,221	
Total Security	<u>10,000</u>	<u>15,500</u>	<u>25,500</u>	<u>23,861</u>	<u>1,639</u>
Student Transportation Services:					
Salaries (Between Home & School) - Regular	1,044,750	77,616	1,122,366	1,122,366	
Salaries (Between Home & School) - Special Education	126,000	31,721	157,721	157,721	
Salaries (Other Than Between Home & School)	80,870	(77,616)	3,254		3,254
Salaries (Between Home & School) - Non Public School	32,839	(14,000)	18,839		18,839
Management Fee - ESCs & CTSA Transportation Program	2,500		2,500	1,169	1,331
Cleaning, Repair and Maintenance Services	314,650	(36,221)	278,429	208,031	70,398
Lease Purchase Payments - School Buses	167,910		167,910	161,634	6,276

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
Student Transportation Services:					
Contracted Services:					
Other Than Between Home & School - Vendors	\$ 1,000		\$ 1,000		\$ 1,000
Regular Students - ESCs & CTSA	18,480		18,480	5,754	12,726
Special Education Students - ESC's & CTSA	92,000		92,000	80,193	11,807
Aid in Lieu of Payments - Non Public School	55,000	\$ 13,737	68,737	43,469	25,268
Miscellaneous Purchased Services - Transportation	11,270	263	11,533	11,532	1
Transportation Supplies	172,400	(27,783)	144,617	83,904	60,713
Other Objects	4,500		4,500	4,259	241
Total Student Transportation Services	<u>2,124,169</u>	<u>(32,283)</u>	<u>2,091,886</u>	<u>1,880,032</u>	<u>211,854</u>
Unallocated Benefits:					
Social Security Contributions	349,100	(48,358)	300,742	300,742	11,935
Other Retirement Contributions - PERS	349,505	(4,979)	344,526	332,591	2,211
Unemployment Compensation	20,000	(17,789)	2,211		43,165
Workmen's Compensation	182,263	17,789	200,052	156,887	305,028
Health Benefits	2,812,424	(165,065)	2,647,359	2,342,331	180
Tuition Reimbursement	170,450	(48,850)	121,600	121,420	1
Other Employee Benefits	565,500	37,044	602,544	602,543	362,520
Total Unallocated Benefits	<u>4,449,242</u>	<u>(230,208)</u>	<u>4,219,034</u>	<u>3,856,514</u>	<u>(522,266)</u>
On-Behalf and Reimbursed Contributions:					
On-Behalf TPAF Post Retirement Contributions				522,266	(1,383,006)
On-Behalf TPAF Pension Contributions				1,383,006	(24,789)
On-Behalf TPAF Non-Contributory Insurance				24,789	1,127
On-Behalf TPAF Long-Term Disability Insurance				1,127	(1,127)

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
On-Behalf and Reimbursed Contributions:					
Reimbursed TPAF Social Security Contributions	\$ 4,449,242	\$ (230,208)	\$ 4,219,034	486,319	\$ (486,319)
Total TPAF Contributions	11,205,995	(204,324)	11,001,671	2,417,507	(2,417,507)
Total Personal Services - Employee Benefits	18,040,128	(55,294)	17,984,834	19,276,780	(1,291,946)
Total Undistributed Expenses				12,378,433	(1,376,762)
Total Expenditures - Current Expense					
Capital Outlay:					
Equipment:					
Undistributed Expenditures:					
Custodial Services		37,364	37,364	37,363	1
Total Equipment		37,364	37,364	37,363	1
Facilities Acquisition and Construction Services:					
Assessment for Debt Service	61,715		61,715	61,715	
Total Facilities Acquisition and Construction Services	61,715		61,715	61,715	
Assets Acquired Under Capital Leases (Non-Budgeted):					
Undistributed Expenditures:					
Student Transportation - School Bus				188,500	(188,500)
Assets Acquired Under Capital Leases (Non-Budgeted)				188,500	(188,500)

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Total Capital Outlay	\$ 61,715	\$ 37,364	\$ 99,079	\$ 287,578	\$ (188,499)
Transfer of Fund to Charter Schools		17,930	17,930	17,930	
TOTAL EXPENDITURES	18,101,843		18,101,843	19,582,288	(1,480,445)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(905,861)		(905,861)	889,892	1,795,753
Other Financing Sources/(Uses):					
Transfer In:					
Enterprise Fund:					
Enrichment Program				14	14
Preschool Program				4,633	4,633
Transfer Out:					
Two Year Old Program				(4,780)	(4,780)
Due to State for Prior Year's Grant Funds				(236,569)	(236,569)
Cancellation of Prior Year Receivable				(103,069)	(103,069)
Capital Leases (Non-Budgeted)				188,500	188,500
Total Other Financing Sources/(Uses)				(151,271)	(151,271)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(905,861)		(905,861)	738,621	1,644,482

MENDHAM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Fund Balance, July 1	\$ 2,832,186		\$ 2,832,186	\$ 2,832,186	
Fund Balance, June 30	<u>\$ 1,926,325</u>	<u>\$ -0-</u>	<u>\$ 1,926,325</u>	<u>\$ 3,570,807</u>	<u>\$ 1,644,482</u>

Recapitulation:

Restricted:

Capital Reserve \$ 569,104
 Maintenance Reserve 636,604
 Excess Surplus - 2021-2022 850,000
 Excess Surplus - 2020-2021 900,000

Assigned:

Year-End Encumbrances 7,680
 Unassigned 607,419
3,570,807

Reconciliation to Governmental Funds Statement (GAAP):

Last Two State Aid Payments not Recognized on GAAP Basis

Fund Balance per Governmental Funds (GAAP) \$ 3,517,830

MENDHAM TOWNSHIP 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
REVENUES:					
Federal Sources	\$ 130,000	\$ 46,446	\$ 176,446	\$ 160,346	\$ (16,100)
Total Revenues	130,000	46,446	176,446	160,346	(16,100)
EXPENDITURES:					
Instruction:					
Purchased Professional and Technical Services	8,935		8,935	8,935	
Other Purchased Professional Services	101,065	48,133	149,198	149,198	
General Supplies	10,000		10,000		10,000
Total Instruction	120,000	48,133	168,133	158,133	10,000
Support Services:					
Purchased Professional and Technical Services	10,000	(1,687)	8,313	2,213	6,100
Total Support Services	10,000	(1,687)	8,313	2,213	6,100
Total Expenditures	\$ 130,000	\$ 46,446	\$ 176,446	\$ 160,346	\$ 16,100
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

MENDHAM TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 20,472,180	\$ 160,346
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Statements	50,863	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(52,977)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and and Changes in Fund Balances - Governmental Funds.	<u>\$ 20,470,066</u>	<u>\$ 160,346</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 19,582,288</u>	<u>\$ 160,346</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 19,582,288</u>	<u>\$ 160,346</u>

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budget for the fiscal year ended June 30, 2020 was submitted to the County office and are approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

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

	ESEA Title II, Part A	IDEA Part B Basic	Preschool	Totals
REVENUE:				
Federal Sources	\$ 2,213	\$ 149,198	\$ 8,935	\$ 160,346
Total Revenue	2,213	149,198	8,935	160,346
EXPENDITURES:				
Instruction:				
Purchased Professional and Technical Services			8,935	8,935
Other Purchased Professional Services		149,198		149,198
Total Instruction		149,198	8,935	158,133
Support Services:				
Purchased Professional and Technical Services	2,213			2,213
Total Support Services	2,213			2,213
Total Expenditures	\$ 2,213	\$ 149,198	\$ 8,935	\$ 160,346

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

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

	<u>Non-Major Funds</u>		Enterprise
	<u>Middle School</u> <u>Play</u>	<u>Food</u> <u>Service</u>	<u>Funds</u> <u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,123	\$ 54,062	\$ 55,185
Interfund Accounts Receivable		3,277	3,277
Inventories		7,582	7,582
Total Current Assets	<u>1,123</u>	<u>64,921</u>	<u>66,044</u>
Non-Current Assets:			
Capital Assets		73,579	73,579
Less: Accumulated Depreciation		(42,952)	(42,952)
Total Non-Current Assets		<u>30,627</u>	<u>30,627</u>
Total Assets	<u>1,123</u>	<u>95,548</u>	<u>96,671</u>
LIABILITIES:			
Current Liabilities:			
Unearned Revenue - Prepaid Meals		16,726	16,726
Total Current Liabilities		<u>16,726</u>	<u>16,726</u>
NET POSITION:			
Investment in Capital Assets		30,627	30,627
Unrestricted (Deficit)	1,123	48,195	49,318
Total Net Position/(Deficit)	<u>\$ 1,123</u>	<u>\$ 78,822</u>	<u>\$ 79,945</u>

MENDHAM TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
 COMBINING STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Non-Major Funds					Enterprise Funds Total
	Preschool Program	2 Year Old Program	Enrichment Program	Middle School Play	Food Service	
Operating Revenue:						
Local Sources:						
Daily Sales - Non-Reimbursable Meals					\$ 229,617	\$ 229,617
Charges for Services:						
Program Fees			\$ 6,120			6,120
Total Operating Revenue				6,120	229,617	235,737
Operating Expenses:						
Cost of Sales - Non-Reimbursable Programs					114,986	114,986
Salaries, Benefits & Payroll Taxes					81,491	81,491
Supplies, Insurance & Other Costs					25,638	25,638
Management Fee					13,114	13,114
Miscellaneous				10,678		10,678
Depreciation Expense					5,608	5,608
Total Operating Expenses				10,678	240,837	251,515
Operating Income/(Loss)				(4,558)	(11,220)	(15,778)
Non-Operating Revenue:						
Local Sources:						
Interest Income	\$ 640	\$ 29	\$ 14	10	169	862
Total Non-Operating Revenue	640	29	14	10	169	862
Change in Net Position Before Other Items and Transfers	640	29	14	(4,548)	(11,051)	(14,916)
Other Items and Transfers:						
Transfers - General Fund	(4,633)	4,780	(14)			133
Cancellation of Prior Year Accounts Receivable	(1,692)	(260)				(1,952)
Transfer of Capital Assets to Governmental Funds	(29,337)					(29,337)
Total Other Items and Transfers	(35,662)	4,520	(14)			(31,156)
Change in Net Position After Other Items and Transfers	(35,022)	4,549		(4,548)	(11,051)	(46,072)
Net Position/(Deficit) - Beginning of Year	35,022	(4,549)		5,671	89,873	126,017
Net Position/(Deficit) - End of Year	\$ -0-	\$ -0-	\$ -0-	\$ 1,123	\$ 78,822	\$ 79,945

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

	Non-Major Funds					Enterprise Funds Total
	Preschool Program	2 Year Old Program	Enrichment Program	Middle School Play	Food Service	
Cash Flows from Operating Activities:						
Receipts from Customers	\$ (28,206)	\$ 320		\$ 6,120	\$ 239,558	\$ 217,792
Payments for Programs				(10,678)	(236,944)	(10,678)
Payments to Food Service Vendor						(236,944)
Net Cash Provided by/(Used for) Operating Activities	(28,206)	320		(4,558)	2,614	(29,830)
Cash Flows from Investing Activities:						
Local Sources:						
Interest Income	640	29	\$ 14	10	169	862
Net Cash Provided by Investing Activities	640	29	14	10	169	862
Cash Flows from Noncapital Financing Activities:						
Interfund - General Fund	(505,284)	(167,117)	(77,038)			(749,439)
Transfers from/(to) - General Fund	(4,633)	4,780	(14)			133
Net Cash Provided by Noncapital Financing Activities	(509,917)	(162,337)	(77,052)			(749,306)
Net Increase/(Decrease) in Cash and Cash Equivalents	(537,483)	(161,988)	(77,038)	(4,548)	2,783	(778,274)
Cash and Cash Equivalents, July 1	537,483	161,988	77,038	5,671	51,279	833,459
Cash and Cash Equivalents, June 30	\$ -0-	\$ -0-	\$ -0-	\$ 1,123	\$ 54,062	\$ 55,185
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/ (Used) for Operating Activities:						
Operating Income/(Loss)	\$ -0-	\$ -0-	\$ -0-	\$ (4,558)	\$ (11,220)	\$ (15,778)
Adjustment to Reconcile Operating Income/(Loss) to Cash Provided by/(Used for) Operating Activities:						
Depreciation					5,608	5,608
Changes in Assets and Liabilities:						
(Increase)/Decrease in Accounts Receivable	2,444	320				2,764
(Increase)/Decrease in Inventory					(1,715)	(1,715)
Increase/(Decrease) in Unearned Revenue	(30,650)				9,941	(20,709)
Net Cash Provided by/(Used for) Operating Activities	\$ (28,206)	\$ 320	\$ -0-	\$ (4,558)	\$ 2,614	\$ (29,830)

FIDUCIARY FUNDS

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

	Student Activities	Payroll Agency	Total Agency	Unemployment Compensation Trust	Flexible Spending Trust
ASSETS:					
Cash and Cash Equivalents	\$ 74,984	\$ 525,579	\$ 600,563	\$ 84,439	\$ 3,228
Total Assets	<u>74,984</u>	<u>525,579</u>	<u>600,563</u>	<u>84,439</u>	<u>3,228</u>
LIABILITIES:					
Interfund Payable - General Fund		5,250	5,250		
Due to Student Groups	74,984		74,984		
Accrued Payroll - Summer Savings		433,498	433,498		
Payroll Deductions and Withholdings		86,831	86,831		
Total Liabilities	<u>74,984</u>	<u>525,579</u>	<u>600,563</u>		
NET POSITION:					
Held in Trust for:					
Unemployment Claims				84,439	
Flexible Spending Claims					3,228
Total Net Position	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 84,439</u>	<u>\$ 3,228</u>

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

	Unemployment Compensation Trust	Flexible Spending Trust	Totals
Additions:			
Contributions:			
Plan Contributions	\$ 35,141	\$ 3,450	\$ 38,591
Total Contributions	35,141	3,450	38,591
Investment Earnings:			
Interest	169	5	174
Net Investment Earnings	169	5	174
Total Additions	35,310	3,455	38,765
Deductions:			
Unemployment Compensation Claims	42,770		42,770
Flexible Spending Claims		3,098	3,098
Total Deductions	42,770	3,098	45,868
Change in Net Position	(7,460)	357	(7,103)
Net Position - Beginning of the Year	91,899	2,871	94,770
Net Position - End of the Year	\$ 84,439	\$ 3,228	\$ 87,667

MENDHAM TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
ASSETS:				
Cash and Cash Equivalents	\$ 72,624	\$ 112,263	\$ 109,903	\$ 74,984
Total Assets	<u>\$ 72,624</u>	<u>\$ 112,263</u>	<u>\$ 109,903</u>	<u>\$ 74,984</u>
 LIABILITIES				
Due to Student Groups	\$ 72,624	\$ 112,263	\$ 109,903	\$ 74,984
Total Liabilities	<u>\$ 72,624</u>	<u>\$ 112,263</u>	<u>\$ 109,903</u>	<u>\$ 74,984</u>

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

	<u>Balance</u> <u>July 1, 2019</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2020</u>
Elementary School:				
Student Activities	\$ 15,219	\$ 18,564	\$ 13,810	\$ 19,973
Middle School:				
Athletic Fund	3,260	5,106	6,213	2,153
Student Activities	<u>54,145</u>	<u>88,593</u>	<u>89,880</u>	<u>52,858</u>
Total All Schools	<u>\$ 72,624</u>	<u>\$ 112,263</u>	<u>\$ 109,903</u>	<u>\$ 74,984</u>

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

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 518,085	\$ 17,742,524	\$ 17,735,030	\$ 525,579
Total Assets	<u>\$ 518,085</u>	<u>\$ 17,742,524</u>	<u>\$ 17,735,030</u>	<u>\$ 525,579</u>
<u>LIABILITIES:</u>				
Accrued Payroll - Summer Savings	\$ 434,520	\$ 437,289	\$ 438,311	\$ 433,498
Interfund Payable - General Fund		5,699	449	5,250
Payroll Deductions and Withholdings	<u>83,565</u>	<u>17,299,536</u>	<u>17,296,270</u>	<u>86,831</u>
Total Liabilities	<u>\$ 518,085</u>	<u>\$ 17,742,524</u>	<u>\$ 17,735,030</u>	<u>\$ 525,579</u>

LONG-TERM DEBT

MENDHAM TOWNSHIP SCHOOL DISTRICT
LONG TERM DEBT
STATEMENT OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Retired or Matured	Balance July 1, 2019	Balance June 30, 2020
			Date	Amount				
Refunding School Bonds	02/25/10	\$ 3,120,000	12/01/20	\$ 335,000	5.0%	\$ 335,000	\$ 990,000	\$ 655,000
			12/01/21	320,000	5.0%			
Refunding School Bonds	11/09/11	6,555,000	04/01/21	725,000	4.0%	725,000	2,895,000	2,170,000
			04/01/22	725,000	4.0%			
			04/01/23	720,000	4.0%			
							<u>\$ 3,885,000</u>	<u>\$ 2,825,000</u>

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

Purpose	Original Issue	Interest Rate	Balance July 1, 2019	Issued	Retired	Balance June 30, 2020
2016 BlueBird 54 Passenger Buses (2)	\$ 199,110	2.19%	\$ 40,745		\$ 40,745	
2017 BlueBird 54 Passenger Buses (2)	200,000	2.25%	81,011		40,055	\$ 40,956
2017 Savon - 9003 SP Copier (1)	32,745	2.35%	16,343		7,611	8,732
2018 BlueBird 54 Passenger Bus (2)	198,491	2.50%	119,368		38,811	80,557
2018 Savin Copier C3504	13,080	Not Available	7,855		2,193	5,662
Savin 7503 Digital Copiers w/Accessories and Savin 4055 Digital Copier w/Accessories	82,719	Not Available	67,664		15,758	51,906
2019 BlueBird 54 Passenger Bus	188,500	2.19%		\$ 188,500	39,270	149,230
			\$ 332,986	\$ 188,500	\$ 184,443	\$ 337,043

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,216,925		\$ 1,216,925	\$ 1,216,925	
Total Revenues	1,216,925		1,216,925	1,216,925	
EXPENDITURES:					
Regular Debt Service:					
Interest	156,925		156,925	156,925	
Redemption of Principal	1,060,000		1,060,000	1,060,000	
Total Regular Debt Service	1,216,925		1,216,925	1,216,925	
Total Expenditures	1,216,925		1,216,925	1,216,925	
Excess of Revenues Over Expenditures	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Fund Balance, July 1	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Fund Balance, June 30	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

STATISTICAL SECTION
(UNAUDITED)

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-20

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

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

	June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities:										
Net Investment in Capital Assets	\$ 10,543,919	\$ 11,012,882	\$ 11,587,642	\$ 11,678,389	\$ 12,026,347	\$ 12,714,846	\$ 13,002,974	\$ 11,393,587	\$ 12,166,320	\$ 12,653,130
Restricted	724,909	1,371,268	1,732,625	1,969,227	1,180,932	2,429,790	3,281,371	2,779,563	2,228,253	2,955,708
Unrestricted/(Deficit)	304,000	398,656	(72,086)	(95,288)	(4,921,355)	(5,876,520)	(5,810,621)	(6,089,767)	(6,129,919)	(6,229,393)
Total Governmental Activities	\$ 11,572,828	\$ 12,782,806	\$ 13,248,181	\$ 13,552,328	\$ 8,285,924	\$ 9,268,116	\$ 10,473,724	\$ 8,083,383	\$ 8,264,654	\$ 9,379,445
Business-Type Activities:										
Net Investment in Capital Assets	\$ 23,286	\$ 18,519	\$ 56,811	\$ 49,625	\$ 42,440	\$ 39,987	\$ 43,094	\$ 69,763	\$ 65,572	\$ 30,627
Unrestricted/(Deficit)	93,836	70,416	179,494	332,252	562,790	830,557	(143,118)	55,255	60,445	49,318
Total Business-Type Activities/(Deficit)	\$ 117,122	\$ 88,935	\$ 236,305	\$ 381,877	\$ 605,230	\$ 870,544	\$ (100,024)	\$ 125,018	\$ 126,017	\$ 79,945
District-Wide:										
Net Investment in Capital Assets	\$ 10,567,205	\$ 11,031,401	\$ 11,644,453	\$ 11,728,014	\$ 12,068,787	\$ 12,754,833	\$ 13,046,068	\$ 11,463,350	\$ 12,231,892	\$ 12,683,757
Restricted	724,909	1,371,268	1,732,625	1,969,227	1,180,932	2,429,790	3,281,371	2,779,563	2,228,253	2,955,708
Unrestricted/(Deficit)	397,836	469,072	107,408	236,964	(4,358,565)	(5,045,963)	(5,953,739)	(6,034,512)	(6,069,474)	(6,180,075)
Total District Net Position	\$ 11,689,950	\$ 12,871,741	\$ 13,484,486	\$ 13,934,205	\$ 8,891,154	\$ 10,138,660	\$ 10,373,700	\$ 8,208,401	\$ 8,390,671	\$ 9,459,390

Source: Mendham Township School District Financial records.

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

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses:										
Governmental Activities										
Instruction:										
Regular	\$ 5,936,004	\$ 5,979,747	\$ 6,791,162	\$ 6,155,762	\$ 6,104,125	\$ 6,313,306	\$ 6,658,674	\$ 8,986,250	\$ 8,307,563	\$ 8,258,757
Special Education	1,933,287	1,487,622	1,455,221	1,290,977	1,364,647	1,492,497	1,594,096	2,777,430	2,633,503	2,821,994
Other Special Education	297,863	306,196	322,215	334,233	349,116	362,199	387,201			
Other Instruction	213,797	240,961	270,066	262,969	280,353	330,098	297,251	686,536	532,454	643,700
School - Sponsored Instruction								95,963	203,760	248,689
Support Services:										
Tuition	466,311	453,251	370,629	269,623	484,355	627,038	239,943	199,346	279,052	266,576
Student and Instruction Related Services	1,784,887	1,901,612	1,699,698	1,928,462	2,028,083	1,946,654	1,993,151	2,993,835	2,859,598	2,370,468
General Administrative Services	573,421	655,408	532,902	611,498	713,418	634,217	668,166	708,975	653,455	736,119
School Administrative Services	612,648	620,929	830,016	958,830	818,574	787,022	835,610	1,144,566	1,077,501	845,071
Central Services	292,159	308,327	288,167	301,603	304,689	293,257	278,549	433,729	434,052	479,544
Administration Information Technology										
Plant Operations and Maintenance	1,943,369	2,129,583	2,080,172	2,311,829	2,283,844	2,430,491	2,583,776	2,267,846	2,385,403	2,124,534
Pupil Transportation	2,230,068	2,278,548	2,343,243	2,396,188	2,696,545	2,641,080	2,619,195	2,256,004	2,365,703	2,310,152
Unallocated Employee Benefits	8,612	30,176	165,357	(1,634)	111,689	(44,112)	667,857			
Unallocated Depreciation								5,027	6,214	6,439
Charter Schools								20,954		17,930
Capital Outlay								314,714	61,715	61,355
Interest on Long-Term Debt	448,985	374,576	389,327	364,000	333,386	302,485	270,936	244,899	191,521	146,157
Total Governmental Activities Expenses	16,741,411	16,766,936	17,538,175	17,184,340	17,872,824	18,116,232	19,144,765	23,136,074	21,991,494	21,337,485
Business-Type Activities:										
Food Service	289,687	272,142	281,016	301,289	375,445	292,935	280,416	316,065	319,648	240,837
Enrichment Program	38,976	61,462	39,178	55,762	98,249	32,517	24,908	26,235		
Preschool Program			31,736	147,215	204,221	38,636	2,964	104,165	336,623	
2 Year Old Program								85,311	95,613	
Middle School Play								26,178	47,526	10,678
Total Business-Type Activities Expense	328,663	333,604	351,930	504,266	677,915	364,088	308,288	557,954	799,410	251,515
Total District Expenses	\$ 17,070,074	\$ 17,100,540	\$ 17,890,105	\$ 17,688,606	\$ 18,550,739	\$ 18,480,320	\$ 19,453,053	\$ 23,694,028	\$ 22,790,904	\$ 21,589,000
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Tuition						\$ 63,384	\$ 45,525	\$ 48,607	\$ 78,814	\$ 434,343
Plant Operations and Maintenance						11,759	12,729			
Pupil transportation	\$ 665,327	\$ 708,242	\$ 689,515	\$ 791,006	\$ 791,999	740,743	809,489	810,909	951,006	1,196,293
Operating Grants and Contributions	1,149,748	1,307,965	1,611,808	1,386,134	1,527,454	1,789,617	1,863,123	6,207,991	5,099,924	4,376,337
Total Governmental Activities Program Revenues	1,815,075	2,016,207	2,301,323	2,177,140	2,319,453	2,605,503	2,730,866	7,067,507	6,129,744	6,006,973

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

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Program Revenues:										
Business-Type Activities:										
Charges for Services:										
Food Service	\$ 273,753	\$ 258,523	\$ 276,602	\$ 267,096	\$ 285,249	\$ 299,975	\$ 298,406	\$ 319,700	\$ 318,315	\$ 229,617
Enrichment Program	56,858	42,311	50,521	69,234	81,077	71,707	139,185	153	338,872	
Preschool Program			157,848	147,925	168,615	217,560	217,719	298,776	91,004	
2 Year Old Program								91,277	91,004	
Middle School Play								20,759	50,723	6,120
Operating grants and contributions	4,652	4,343	4,132	4,694	5,486	3,734	3,729	3,546		
Total Business-Type Activities Program Revenues	335,263	305,177	489,103	488,949	540,427	592,976	659,039	734,211	798,914	235,737
Total District Program Revenues	\$ 2,150,338	\$ 2,321,384	\$ 2,790,426	\$ 2,666,089	\$ 2,859,880	\$ 3,198,479	\$ 3,389,905	\$ 7,801,718	\$ 6,928,658	\$ 6,242,710
Net (Expense)/Revenue:										
Governmental Activities	\$(14,926,336)	\$(14,750,729)	\$(15,236,852)	\$(15,007,200)	\$(15,553,371)	\$(15,510,729)	\$(16,413,899)	\$(16,068,567)	\$(15,861,750)	\$(15,330,512)
Business-Type Activities	6,600	(28,427)	137,173	(15,317)	(137,488)	228,888	350,751	176,257	(496)	(15,778)
Total District-Wide Net Expense	\$(14,919,736)	\$(14,779,156)	\$(15,099,679)	\$(15,022,517)	\$(15,690,859)	\$(15,281,841)	\$(16,063,148)	\$(15,892,310)	\$(15,862,246)	\$(15,346,290)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 13,895,226	\$ 13,895,226	\$ 13,895,226	\$ 13,895,226	\$ 14,132,426	\$ 14,382,115	\$ 14,367,805	\$ 14,645,103	\$ 14,762,364	\$ 15,499,544
Taxes Levied for Debt Service	1,194,260	1,149,255	1,209,613	1,174,250	1,215,438	1,178,925	1,180,538	1,205,525	1,189,038	1,216,925
Unrestricted Grants and Contributions	229,266	476,517	418,969	561,737	577,283	590,109	581,687	34,804	15,699	14,031
Miscellaneous Income	70,728	146,546	52,916	13,554	2,233	124,557	6,685	21,639	75,767	25,237
Capital Lease Payments	141,931	156,099	122,950	112,846	145,736	176,221	181,704			
Fixed Assets	203,749	(80,935)	12,572	(285,583)	(311,108)	194,802	(139,811)			
Transfers						274,723	581,181		153	(133)
Other Items		217,999			(5,214,556)					(310,301)
Total Governmental Activities	15,735,160	15,960,707	15,712,246	15,472,030	10,547,452	16,921,452	16,759,789	15,907,071	16,043,021	16,445,303
Business-Type Activities:										
Fixed Assets	26,633									133
Transfers						(274,723)	(581,181)		(153)	
Miscellaneous Income	310	240	178	206	356	904	1,294	965	1,648	862
Other Items								19,698		(31,289)
Total Business-Type Activities	26,943	240	178	206	356	(273,819)	(579,887)	20,663	1,495	(30,294)
Total District-Wide	\$ 15,762,103	\$ 15,960,947	\$ 15,712,424	\$ 15,472,236	\$ 10,547,808	\$ 16,647,633	\$ 16,179,902	\$ 15,927,734	\$ 16,044,516	\$ 16,415,009
Change in Net Position:										
Governmental Activities	\$ 808,824	\$ 1,209,978	\$ 475,394	\$ 464,830	\$ (5,005,919)	\$ 1,410,723	\$ 345,890	\$ (161,496)	\$ 181,271	\$ 1,114,791
Business-Type Activities	33,543	(28,187)	137,351	(15,111)	(137,132)	(44,931)	(229,136)	196,920	999	(46,072)
Total District	\$ 842,367	\$ 1,181,791	\$ 612,745	\$ 449,719	\$ (5,143,051)	\$ 1,365,792	\$ 116,754	\$ 35,424	\$ 182,270	\$ 1,068,719

Source: Mendham Township School District Financial records.

MENDHAM TOWNSHIP SCHOOL DISTRICT
FUND BALANCES, GOVERNMENT FUNDS
 LAST TEN FISCAL YEARS

UNAUDITED

(Modified Accrual Basis of Accounting)

June 30,

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Restricted	\$ 707,771	\$ 1,328,706	\$ 1,690,063	\$ 1,926,665	\$ 1,746,656	\$ 2,387,228	\$ 3,281,371	\$ 2,779,563	\$ 2,228,253	\$ 2,955,708
Committed	68,112	168,661		7,412	142,543	164,853	48,256	7,179		7,680
Assigned		431,374	17,409	418,684	428,878	437,668	421,139	455,845	553,070	554,442
Unassigned	443,221		278,090							
Total General Fund	\$ 1,219,104	\$ 1,928,741	\$ 1,985,562	\$ 2,352,761	\$ 2,318,077	\$ 2,989,749	\$ 3,750,766	\$ 3,242,587	\$ 2,781,323	\$ 3,517,830
All Other Governmental Funds										
Restricted, Reported in:										
Debt Service Fund	\$ 17,138	\$ 42,562	\$ 42,562	\$ 42,562	\$ 42,562	\$ 42,562	\$ 42,562	\$ 42,562	\$ - 0 -	\$ - 0 -
Total All Other Governmental Funds	\$ 17,138	\$ 42,562	\$ 42,562	\$ 42,562	\$ 42,562	\$ 42,562	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

Source: Mendham Township School District Financial records.

MENDHAM TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENT FUNDS,
LAST TEN FISCAL YEARS

UNAUDITED

(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues:										
Tax Levy	\$ 15,089,486	\$ 15,044,481	\$ 15,104,839	\$ 15,069,476	\$ 15,347,864	\$ 15,561,040	\$ 15,548,343	\$ 15,850,628	\$ 15,951,402	\$ 16,716,469
Tuition Charges	4,168	7,293	770	27,675	46,785	63,384	45,525	48,607	78,814	434,343
Transportation Fees from other LEAs	665,327	708,242	689,515	763,331	726,985	740,743	809,489	810,909	951,006	1,196,293
Interest Earnings	659	365	369	25	1,214	2,369	6,685	12,336	6,163	5,931
Miscellaneous	65,911	127,419	53,577	13,529	23,380	103,958	2,623	167	57,972	9,548
Rental Income						29,988	12,729	11,429	12,460	9,758
State Sources	1,165,177	1,558,099	1,844,941	1,767,587	1,927,834	2,164,558	2,297,776	2,666,120	3,042,404	3,314,649
Federal Sources	213,827	221,063	184,036	180,284	172,771	215,168	144,411	282,360	295,422	160,346
Total Revenue	17,204,555	17,666,962	17,878,047	17,821,907	18,246,833	18,881,208	18,867,581	19,682,556	20,395,643	21,847,337
Expenditures:										
Instruction										
Regular Instruction	4,437,131	4,468,943	4,935,823	4,646,348	4,666,396	4,599,211	4,726,763	4,701,133	4,759,563	4,852,934
Special Education Instruction	1,508,645	1,106,013	1,054,901	946,119	990,755	1,080,940	1,128,803	1,440,402	1,540,837	1,688,286
Other Special Instruction	223,477	226,248	232,353	243,716	252,241	261,906	274,200			
Other Instruction	161,488	179,162	195,786	192,737	203,555	239,089	210,501	301,073	199,409	268,784
School-Sponsored										
Support Services:										
Tuition	352,220	337,006	268,690	197,614	351,675	454,162	169,918	199,346	279,052	266,576
Student and Instruction Related Services	1,350,289	1,420,204	1,237,174	1,418,064	1,480,517	1,406,785	1,409,638	1,543,113	1,553,536	1,461,164
General Administrative Services	427,754	482,255	381,969	442,729	501,575	432,695	449,973	420,729	411,570	464,477
School Administrative Services	461,639	460,729	600,941	701,959	593,554	569,254	590,978	599,137	597,939	473,320
Central Services	220,677	229,251	208,909	221,053	221,225	212,405	197,257	229,223	243,337	280,764
Plant Operations and Maintenance	1,075,483	1,192,280	1,158,448	1,337,980	1,300,093	1,397,712	1,465,446	1,479,374	1,450,749	1,278,079
Pupil Transportation	1,551,820	1,577,663	1,596,388	1,652,743	1,848,684	1,794,880	1,731,701	1,907,814	1,999,911	1,880,032
Unallocated Benefits	3,745,582	3,967,425	4,433,402	4,307,402	4,529,477	4,655,914	5,045,824	5,667,319	5,994,179	6,274,021

**MENDHAM TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENT FUNDS,
LAST TEN FISCAL YEARS**

UNAUDITED

(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenditures: (Cont'd)										
Capital Outlay	\$ 98,361	\$ 39,987	\$ 130,544	\$ 14,176	\$ 9,771	\$ 31,194	\$ 22,512	\$ 589,321	\$ 516,899	\$ 287,578
Charter Schools								20,954		17,930
Debt Service:	1,195,255	1,140,620	1,209,613							
Principal				830,000	875,000	870,000	945,000	965,000	990,000	1,060,000
Interest and Other Charges				390,913	340,438	308,925	278,100	240,525	199,038	156,925
Total Expenditures	16,809,821	16,827,786	17,644,941	17,543,553	18,164,956	18,315,072	18,646,614	20,400,426	20,939,779	20,959,559
Excess (Deficiency) of Revenues Over (Under) Expenditures	394,734	839,176	233,106	278,354	81,877	566,136	220,967	(717,870)	(544,136)	887,778
Other Financing Sources (Uses)										
Transfers In				170,702	233,355	274,723	581,181		153	4,647
Transfers Out					(5,558)		(35,663)			(4,780)
Capital Leases (Non-Budgeted)					228,440	199,110	232,745	209,691	82,719	188,500
Due to State for Prior Year's Grant Funds										(236,569)
Cancellation of Prior Year Receivable										(103,069)
Refund from Issuance of Bonds		16,789								
Total Other Financing Sources (Uses)	45,409	186,515		273,217	228,440	199,110	232,745	209,691	82,719	188,500
Net Change in Fund Balances	440,143	1,042,480	233,106	722,273	538,114	1,039,969	999,230	(508,179)	(461,264)	736,507
Debt Service as a Percentage of Noncapital Expenditures	7.15 %	6.79 %	6.91 %	6.96 %	6.69 %	6.45 %	6.57 %	6.09 %	5.82 %	5.89 %

Source: Mendham Township School District Financial records.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Transportation</u> <u>Fees</u>	<u>Other</u>	<u>Total</u>
2011	\$ 7,453	\$ 4,168	\$ 665,327	\$ 59,107	\$ 736,055
2012	5,551	7,293	708,242	116,913	837,999
2013	3,390	770	689,515	48,756	742,431
2014	1,503	27,675	763,331	12,051	804,560
2015	1,498	46,785	726,985	23,096	798,364
2016	2,369	63,384	740,743	131,624	938,120
2017	6,685	45,525	809,489	12,729	874,428
2018	12,336	48,607	810,909	9,303	881,155
2019	6,163	78,814	951,006	69,604	1,105,587
2020	5,931	434,343	1,196,293	19,306	1,655,873

Source: Mendham Township School District records.

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
	2010	* \$ 27,782,700	* \$ 1,760,137,200	* \$ 87,577,600	* \$ 581,600	* \$ 10,890,700	* \$ 2,100	* \$ -	* \$ 1,886,971,900	* \$ 2,964,543	* \$ 1,889,936,443	* \$ 152,814,200	* \$ 0.47
2011	28,338,400	1,751,185,500	98,208,100	594,200	10,150,000	2,100	-	1,888,478,300	1,446,047	1,889,924,347	152,824,000	0.48	2,083,317,102
2012	26,460,500	1,746,400,700	105,180,500	607,200	10,162,400	2,100	-	1,888,813,400	1,446,047	1,890,259,447	152,447,200	0.50	2,010,591,255
2013	26,692,700	1,743,151,500	104,058,700	622,500	10,162,400	2,100	-	1,884,689,900	1,537,902	1,886,227,802	152,592,200	0.52	1,951,547,561
2014	23,995,000	1,733,473,800	109,314,900	617,800	10,162,400	2,100	-	1,877,566,000	1,239,350	1,878,805,350	152,605,300	0.52	1,895,672,519
2015	22,888,000	1,729,916,200	111,919,200	624,700	10,162,400	2,100	-	1,875,512,600	1,226,793	1,876,739,393	152,605,300	0.55	1,963,385,307
2016	23,331,400	1,726,534,100	112,663,100	624,700	10,162,400	2,100	-	1,873,317,800	1,240,960	1,874,558,760	152,605,300	0.55	1,942,042,113
2017	21,865,300	1,726,778,500	115,993,000	606,300	10,039,000	2,100	-	1,875,284,200	1,244,391	1,876,528,591	152,589,500	0.55	1,959,468,151
2018	21,643,900	1,719,760,500	122,730,600	520,300	10,123,500	2,100	-	1,874,780,900	1,250,037	1,876,030,937	152,607,500	0.52	1,938,936,548
2019	24,051,500	1,713,009,200	127,004,700	521,800	10,123,500	2,100	-	1,874,712,800	1,326,546	1,876,039,346	151,071,800	0.52	1,918,523,996

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

* Revaluation of Real Property.

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

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

Source: Municipal Tax Assessor

MENDHAM TOWNSHIP SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED

(Rate per \$100 of Assessed Value)

Year Ended December 31,	Mendham Township School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Regional High School	Township of Mendham	Morris County	
2010	* 0.44 *	0.03 *	0.47 *	0.36 *	0.79 *	0.27 *	1.89
2011	0.45	0.03	0.48	0.36	0.80	0.26	1.90
2012	0.47	0.03	0.50	0.36	0.80	0.26	1.92
2013	0.49	0.03	0.52	0.36	0.80	0.26	1.94
2014	0.49	0.03	0.52	0.38	0.82	0.26	1.98
2015	0.52	0.03	0.55	0.39	0.83	0.26	2.03
2016	0.52	0.03	0.55	0.42	0.83	0.27	2.07
2017	0.52	0.03	0.55	0.44	0.81	0.27	2.07
2018	0.48	0.04	0.52	0.44	0.97	0.27	2.20
2019	0.48	0.04	0.52	0.45	1.00	0.27	2.23

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

* Revaluation of Real Property was effective in this year.

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

^b Rates for Debt Service are based on each year's requirements.

Source: Municipal Tax Collector and School Business Administrator

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

	2019		2010	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Shemy, LLC	\$ 8,446,900	0.45%	\$ 7,774,700	0.41%
Woodland Lakes, Inc.	8,146,300	0.43%	7,666,700	0.41%
Mendham Golf & Tennis Club	6,700,300	0.36%	6,199,400	0.33%
Southeast Morris County MUA	4,870,100	0.26%	4,870,100	0.26%
Individual Taxpayer #1	4,099,600	0.22%	4,211,800	0.22%
Individual Taxpayer #2	3,985,400	0.21%	3,985,600	0.21%
Desiree Farm, LLC	3,850,000	0.21%	3,850,000	0.20%
Individual Taxpayer #3	3,800,000	0.20%	3,797,500	0.20%
Individual Taxpayer #4	3,603,300	0.19%	3,711,300	0.20%
Individual Taxpayer #5	3,560,600	0.19%	3,603,300	0.19%
Total	\$ 51,062,500	2.72%	\$ 49,670,400	2.63%

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

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2011	\$ 15,089,486	\$ 15,089,486	100.00 %	\$ - 0 -
2012	15,044,481	15,044,481	100.00 %	- 0 -
2013	15,104,839	15,104,839	100.00 %	- 0 -
2014	15,069,476	15,069,476	100.00 %	- 0 -
2015	15,347,864	15,347,864	100.00 %	- 0 -
2016	15,561,040	15,561,040	100.00 %	- 0 -
2017	15,548,343	14,691,462	94.49 %	856,881
2018	15,850,628	15,688,361	98.98 %	162,267
2019	15,951,402	15,951,402	100.00 %	- 0 -
2020	16,716,469	16,716,469	100.00 %	- 0 -

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

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

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

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2011	\$ 11,660,000	\$ 256,105	\$ 11,916,105	2.74 %	\$ 2,027
2012	11,128,000	286,521	11,414,521	2.53 %	1,939
2013	9,350,000	163,571	9,513,571	2.03 %	1,615
2014	8,530,000	323,942	8,853,942	1.87 %	1,509
2015	7,655,000	406,646	8,061,646	1.64 %	1,379
2016	6,785,000	429,535	7,214,535	1.40 %	1,237
2017	5,840,000	480,576	6,320,576	1.20 %	1,089
2018	4,875,000	456,721	5,331,721	0.99 %	924
2019	3,885,000	332,986	4,217,986	0.75 %	737
2020	2,825,000	337,043	3,162,043	0.57 %	558

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

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

Source: Mendham Township School District Financial records.

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2011	\$ 11,660,000	\$ -0-	\$ 11,660,000	7.63 %	1,981
2012	11,128,000	-0-	11,128,000	7.28 %	1,890
2013	9,350,000	-0-	9,350,000	6.13 %	1,593
2014	8,530,000	-0-	8,530,000	5.59 %	1,460
2015	7,655,000	-0-	7,655,000	5.02 %	1,313
2016	6,785,000	-0-	6,785,000	4.45 %	1,169
2017	5,840,000	-0-	5,840,000	3.83 %	1,012
2018	4,875,000	-0-	4,875,000	3.19 %	851
2019	3,885,000	-0-	3,885,000	2.55 %	686
2020	2,825,000	-0-	2,825,000	1.87 %	499

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

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

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

Source: Mendham Township School District Financial records.

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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Mendham Township	\$ 11,072,096	100.00 %	\$ 11,072,096
Morris County General Obligation Debt	216,220,009	2.02 %	<u>4,362,926</u>
Subtotal, Overlapping Debt			15,435,022
Mendham Township School District Direct Debt			<u>3,550,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 18,985,022</u></u>

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

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

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

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

	Fiscal Year				
	2011	2012	2013	2014	2015
Debt Limit	\$ 57,278,106	\$ 54,500,648	\$ 53,743,758	\$ 52,794,407	\$ 53,178,391
Total Net Debt Applicable to Limit	<u>11,660,000</u>	<u>11,128,000</u>	<u>9,350,000</u>	<u>8,530,000</u>	<u>7,655,000</u>
Legal Debt Margin	<u>\$ 45,618,106</u>	<u>\$ 43,372,648</u>	<u>\$ 44,393,758</u>	<u>\$ 44,264,407</u>	<u>\$ 45,523,391</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	20.36 %	20.42 %	17.40 %	16.16 %	14.39 %

	Fiscal Year				
	2016	2017	2018	2019	2020
Debt Limit	\$ 54,994,000	\$ 55,780,057	\$ 58,352,525	\$ 58,094,857	\$ 57,446,330
Total Net Debt Applicable to Limit	<u>6,785,000</u>	<u>5,840,000</u>	<u>4,875,000</u>	<u>3,885,000</u>	<u>2,825,000</u>
Legal Debt Margin	<u>\$ 48,209,000</u>	<u>\$ 49,940,057</u>	<u>\$ 53,477,525</u>	<u>\$ 54,209,857</u>	<u>\$ 54,621,330</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	12.34 %	10.47 %	8.35 %	6.69 %	4.92 %

Legal Debt Margin Calculation for Fiscal Year 2020

Equalized Valuation Basis	
2019	\$ 1,890,593,788
2018	1,916,561,951
2017	<u>1,937,477,219</u>
	<u>\$ 5,744,632,958</u>
Average Equalized Valuation of Taxable Property	\$ 1,914,877,653
Debt Limit ^a (3% of Average Equalization Value)	57,446,330
Net Bonded School Debt as of June 30, 2020	<u>2,825,000</u>
Legal Debt Margin	<u>\$ 54,621,330</u>

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

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

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

<u>Year</u>	<u>Population^a</u>	<u>Morris County Per Capita Personal Income^c</u>	<u>Personal Income^b</u>	<u>Unemployment Rate^d</u>
2011	5,887	\$ 76,727	\$ 451,691,849	2.00%
2012	5,889	79,765	469,736,085	2.10%
2013	5,869	80,805	474,244,545	2.00%
2014	5,844	84,260	492,415,440	4.00%
2015	5,831	88,219	514,404,989	3.30%
2016	5,803	90,853	527,219,959	3.20%
2017	5,773	93,555	540,093,015	3.10%
2018	5,727	98,842	566,068,134	2.40%
2019	5,662	98,842 **	559,643,404 ***	2.40%
2020	5,662 *	98,842 **	559,643,404 ***	N/A

* - Latest population data available (2019) was used for calculation purposes.
 ** - Latest Morris County per capita personal income available (2018) was used for calculation purposes.
 *** - Latest available population data (2019) and latest available Morris County per capita personal income (2018) was used for calculation purposes.
 N/A - Information Unavailable.

Source:
^a Population information provided by the New Jersey Department of Labor and Workforce Development
^b Per capita personal income by county provided by the New Jersey Department of Labor and Workforce Development
^c Personal income has been estimated based upon the municipal population and per capita personal income presented
^d Unemployment data provided by the New Jersey Department of Labor and Workforce Development

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

	2019		2010		Percentage of Total Employment	
	Employer	Employees	Percentage of Total Employment	Employer		Employees
Atlantic Health Systems		6,140	2.46%	Novartis	4,990	N/A
Picatinny Arsenal		6,000	2.41%	Atlantic Health Systems	4,933	N/A
Novartis		4,900	1.96%	U.S. Army Armament R&D	4,442	N/A
ADP		2,690	1.08%	UPS	2,332	N/A
Bayer		2,400	0.96%	County of Morris	1,959	N/A
Accenture		1,865	0.75%	ADP	1,924	N/A
Barclays		1,800	0.72%	AT&T	1,550	N/A
Honeywell		1,704	0.68%	St. Claires Health System	1,531	N/A
Allergan		1,627	0.65%	BASF Corporation	1,400	N/A
St. Claires Health System		1,565	0.63%	Avis Budget Group, Inc.	1,378	N/A
		<u>30,691</u>	<u>12.30%</u>		<u>26,439</u>	<u>9.28%</u>
Total Employment *		<u>252,894</u>			<u>250,640</u>	

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

Source: Morris County Treasurer's Office.

MENDHAM TOWNSHIP 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	59.00	60.00	59.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00
Special education	27.00	26.00	26.00	25.00	26.00	28.00	30.00	30.00	30.00	30.00
Other special education										
Other instruction	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Support Services:										
Student and Instruction Related Services	16.00	14.00	14.00	14.00	14.00	14.50	14.50	12.00	12.00	12.00
School Administrative Services	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
General Administrative Services	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Other Administrative Services	4.00	4.00	4.00	4.00	4.00					
Central Services	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	10.00	10.00
Plant Operations and Maintenance	8.00	4.00	4.00	4.00	4.00	9.00	9.00	10.00	10.00	10.00
Pupil Transportation	27.00	28.00	28.00	28.00	28.50	28.50	28.50	27.00	27.00	27.00
Total	<u>165.00</u>	<u>159.00</u>	<u>158.00</u>	<u>156.00</u>	<u>157.50</u>	<u>161.00</u>	<u>163.00</u>	<u>160.00</u>	<u>159.00</u>	<u>159.00</u>

Source: Mendham Township School District records.

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

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff ^d	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^e	Average Daily Attendance (ADA) ^e	% Change Average Daily Enrollment	Student Attendance Percentage
						Elementary School	Middle School				
2011	903	\$ 15,516,205	17,183	-4.38 %	94	1:9.1	1:10.1	857	820	-4.99 %	95.68 %
2012	803	15,647,179	19,486	13.40 %	97	1:8.4	1:8.8	836	780	-2.45 %	93.30 %
2013	786	16,304,784	20,744	6.46 %	93	1:8.1	1:8.8	786	753	-5.98 %	95.80 %
2014	733	16,308,464	22,249	7.25 %	91	1:8.0	1:8.8	733	709	-6.74 %	96.73 %
2015	706	16,939,747	23,994	7.84 %	90	1:7.9	1:8.7	706	682	-3.68 %	96.60 %
2016	708	17,104,953	24,160	0.69 %	90	1:7.9	1:8.6	708	686	0.28 %	96.89 %
2017	698	17,401,002	24,930	3.19 %	90	1:8.0	1:8.6	698	682	-1.41 %	97.71 %
2018	697	18,605,580	26,694	7.08 %	88	1:7.9	1:8.0	697	684	-0.14 %	98.13 %
2019	697	19,233,842	27,595	3.38 %	88	1:7.9	1:8.0	697	685	0.00 %	98.28 %
2020	724	19,455,056	26,872	-2.62 %	88	1:8.5	1:7.8	724	711	3.87 %	98.20 %

^a Enrollment includes out of District special education placements.

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

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

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

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

Note: Enrollment based on annual October District count.

Source: Mendham Township School District records.

MENDHAM TOWNSHIP SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

<u>District Building</u>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Elementary	93,300	93,300	93,300	93,300	93,300	93,300	93,300	93,300	93,300	93,300
Square Feet	695	695	695	695	695	695	695	695	695	695
Capacity (Students)	447	447	447	447	331	362	348	363	382	409
Enrollment										
Middle School	68,735	68,735	68,735	68,735	68,735	68,735	68,735	68,735	68,735	68,735
Square Feet	548	548	548	548	548	548	548	548	548	548
Capacity (Students)	456	456	456	456	375	346	350	334	315	315
Enrollment										

Number of Schools at June 30, 2020
Elementary = 1
Middle School = 1

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

Source: Mendham Township School District Business Office.

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

UNAUDITED

Undistributed Expenditures - Required Maintenance for School Facilities
Account #11-000-261-XXX

School Facility	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Elementary School	\$ 63,846	\$ 78,414	\$ 120,496	\$ 115,286	\$ 111,028	\$ 123,661	\$ 164,687	\$ 193,359	\$ 198,108	\$ 137,055
Middle School	51,990	121,942	100,630	119,819	134,668	200,897	178,107	245,847	237,980	137,070
	<u>\$ 115,836</u>	<u>\$ 200,356</u>	<u>\$ 221,126</u>	<u>\$ 235,105</u>	<u>\$ 245,696</u>	<u>\$ 324,558</u>	<u>\$ 342,794</u>	<u>\$ 439,206</u>	<u>\$ 436,088</u>	<u>\$ 274,125</u>

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

Source: Mendham Township School District records.

MENDHAM TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2020
UNAUDITED

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

Source: Mendham Township School District records.

SINGLE AUDIT SECTION



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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 Township School District
County of Morris, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Township of Mendham, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 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 30, 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 designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 30, 2020
Mount Arlington, New Jersey

Nisivoccia, LLP
NISIVOCCIA LLP

Kathryn L. Mantell

Kathryn L. Mantell
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Certified Public Accountant



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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Township of Mendham's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2020. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-001. Our opinion on each major state program is not modified with respect to this matter.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-001 that we consider to be a material weakness.

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 30, 2020
Mount Arlington, New Jersey

Nisivoccia, LLP
NISIVOCCIA LLP

Kathryn L. Mantell

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

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

Federal Grantor Pass Through Grantor/ Program/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2019			Balance at June 30, 2020				
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Budgetary Accounts Receivable	Adjust- ments	Budgetary Expenditures	Due to Grantor	Amounts Provided to Subrecipients
U.S. Department of Education Passed-through State Department of Education:												
Special Revenue Fund:												
ESEA Consolidated Grant:												
Title I - Part A	84.010A	ESEA-3100-19	7/1/18-9/30/19	\$ 105,515	\$ (54,755)	\$ 54,755	\$ (65,768)	\$ (190,867)				
Title I - Part A	84.010A	ESEA-3100-18	7/1/17-6/30/18	104,366			(105,851)	(125,099)				
Title I - Part A	84.010A	ESEA-3100-17	7/1/16-6/30/17	125,099			(171,619)	(190,867)				
Total Title I												
Title II - Part A	84.367A	ESEA-3100-20	7/1/19-9/30/20	8,313								
Title II - Part A	84.367A	ESEA-3100-19	7/1/18-9/30/19	18,773	(18,773)	2,213	(9,703)	(9,703)				
Title II - Part A	84.367A	ESEA-3100-17	7/1/16-6/30/17	9,703								
Title II - Part A	84.367A	ESEA-3100-16	7/1/15-6/30/16	11,082								
Title II - Part A	84.367A	ESEA-3100-15	7/1/14-6/30/15	11,204	(11,204)							
Total Title II												
Title IV	84.424	ESEA-3100-19	7/1/18-9/30/19	15,000	(29,977)	20,986	(9,703)	(20,785)				
					(15,000)	15,000						
					(99,732)	90,741	(181,322)	(211,652)				
Special Education Cluster:												
IDEA Part B, Basic	84.027	IDEA-3100-20	7/1/19-9/30/20	149,498		94,701	(54,497)					
IDEA Part B, Preschool	84.173	IDEA-3100-20	7/1/19-9/30/20	8,935	(3,177)	8,935	(8,935)					
IDEA Part B, Basic	84.027	IDEA-3100-19	7/1/18-9/30/19	147,287		3,177						
IDEA Part B, Basic	84.027	IDEA-3100-17	7/1/16-6/30/17	149,338			(149,338)	(149,338)				
IDEA Part B, Preschool	84.173	IDEA-3100-17	7/1/16-6/30/17	17,463			(17,463)	(17,463)				
American Recovery and Reinvestment Act:												
IDEA Part B, Basic	84.391	IDEA-0460-10	9/1/09-8/31/11									
IDEA Part B, Preschool	84.392	IDEA-0460-10	9/1/09-8/31/11									
Total Special Education Cluster												
Total Special Revenue Fund												
Total U.S. Department of Education												
Total Federal Financial Awards												

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

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

State Grantor/Program Title	Project Number	Grant Period	Award Amount	Balance June 30, 2019		Balance June 30, 2020		Memo	
				Budgetary Accounts Receivable	Budgetary Unearned Revenue	GAAP Accounts Receivable	Unearned Revenue	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:									
General Fund:									
Security Aid	20-495-034-5120-084	7/1/19-6/30/20	\$ 13,957		\$ 12,786	\$ (13,957)	\$ (1,171)	\$ 13,957	
Transportation Aid	20-495-034-5120-014	7/1/19-6/30/20	198,422		181,773	(198,422)	(16,649)	198,422	
Special Education Categorical Aid	20-495-034-5120-089	7/1/19-6/30/20	418,984		383,827	(418,984)	(35,157)	418,984	
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	13,957	\$ (1,245)	1,245			13,957	
Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	198,422	(17,695)	17,695			198,422	
Special Education Categorical Aid	19-495-034-5120-089	7/1/18-6/30/19	357,973	(31,923)	31,923			357,973	
Extraordinary Special Education Aid	19-495-034-5120-044	7/1/18-6/30/19	234,449	(234,449)	234,449			234,449	
Extraordinary Special Education Aid	20-495-034-5120-044	7/1/19-6/30/20	264,527			(264,527)	(264,527)	264,527	
Nonpublic Transportation	19-495-034-5120-014	7/1/18-6/30/19	26,468	(26,468)	26,468			26,468	
Nonpublic Transportation	20-495-034-5120-014	7/1/19-6/30/20	3,366			(3,366)	(3,366)	3,366	
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	7/1/18-6/30/19	480,380	(2,407)	2,407			480,380	
Reimbursed TPAF Social Security Contributions	20-495-034-5094-003	7/1/19-6/30/20	486,319		462,085	(486,319)	(24,234)	486,319	
On-Behalf TPAF Post Retirement Contributions	20-495-034-5094-001	7/1/19-6/30/20	522,266		522,266	(522,266)		522,266	
On-Behalf TPAF Pension Contributions	20-495-034-5094-002	7/1/19-6/30/20	1,383,006		1,383,006	(1,383,006)		1,383,006	
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	7/1/19-6/30/20	24,789		24,789	(24,789)		24,789	
On-Behalf TPAF Long-Term Disability Insurance	20-495-034-5094-004	7/1/19-6/30/20	1,127		1,127	(1,127)		1,127	
Total General Fund State Aid				(314,187)	3,285,846	(3,316,763)	(292,127)	(345,104)	4,648,812
State Department of Health:									
Special Revenue Fund:									
Anti-Bullying Bill of Rights Act - 2014	N/A	7/1/13-6/30/14	572	\$ 572				\$ 572	
Anti-Bullying Bill of Rights Act - 2015	N/A	7/1/14-6/30/15	572	572				572	
Anti-Bullying Bill of Rights Act - 2016	N/A	7/1/15-6/30/16	572	572				572	
Total Special Revenue Fund				1,716				1,716	
Total State Awards Subject to Single Audit Determination				\$ (314,187)	\$ 3,285,846	\$ (3,316,763)	\$ (292,127)	\$ 1,716	\$ (345,104)
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	(522,266)			522,266			
On-Behalf TPAF Pension Contributions	20-495-034-5094-002	7/1/19-6/30/20	(1,383,006)			1,383,006			
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	7/1/19-6/30/20	(24,789)			24,789			
On-Behalf TPAF Long-Term Disability Insurance	20-495-034-5094-004	7/1/19-6/30/20	(1,127)			1,127			
Subtotal - On-Behalf TPAF Pension System Contributions						1,931,188			
Total State Awards Subject to Single Audit Major Program Determination						\$ (1,385,575)			

N/A - Not Applicable

MENDHAM TOWNSHIP 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 Township Board of Education Board of Education under programs of the federal and state governments for the fiscal year ended June 30, 2020. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting. This basis of accounting is described in Note 1 to the District’s basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$2,114) for the General Fund and -\$0- for the Special Revenue Fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds, respectively.

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

(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

	Federal	State	Total
General Fund		\$ 3,314,649	\$ 3,314,649
Special Revenue Fund	\$ 160,346		160,346
Total Financial Awards	\$ 160,346	\$ 3,314,649	\$ 3,474,995

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. FEDERAL AND STATE LOANS OUTSTANDING

Mendham Township School District had no loans outstanding at June 30, 2020.

NOTE 7. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2020.

MENDHAM TOWNSHIP 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 major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*. A material weakness in internal control over certain federal programs disclosed during the audit is reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on 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.
- Audit finding 2020-001 which is required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance is reported in this schedule.
- The District's programs tested as major state programs for the current fiscal year consisted of the following:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State Aid - Public:				
Special Education Categorical Aid	20-495-034-5120-089	7/1/19-6/30/20	\$ 418,984	\$ 418,984
Security Aid	20-495-034-5120-084	7/1/19-6/30/20	13,957	13,957
Reimbursed TPAF				
Social Security Contributions	20-495-034-5094-003	7/1/19-6/30/20	486,319	486,319

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

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

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:

Our audit disclosed the following significant deficiency and other matter as detailed below:

Finding 2020-001: Material Non-Compliance – Allowable Costs/Cost Principles; Activities Allowed or Unallowed; Eligibility; Matching, Level of Effort and Earmarking; Procurement/Suspension and Debarment; Reporting and Special Tests and Provisions and Material Weakness in Internal Control over Compliance

	<u>C DFA#</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>	<u>Questioned Costs</u>
Title I - Part A	84.10A	7/1/16-6/30/17	\$ 125,099	\$ 125,099	\$ 125,099
Title I - Part A	84.10A	7/1/17-6/30/18	104,366	104,366	65,768
Title II - Part A	84.1367A	7/1/16-6/30/17	9,703	9,703	9,703
IDEA Basic	20.205	7/1/16-6/30/17	149,338	149,338	149,338
IDEA Pre-School		7/1/16-6/30/17	17,463	17,463	17,463
				<u>\$ 405,969</u>	<u>\$ 367,371</u>

Criteria:

The New Jersey Department of Education regulations under the Uniform Administrative Requirements require that pursuant to *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (UGG), 2 C.F.R. § 200.303(a), LEAs must establish and maintain effective internal control over Federal awards that provide reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards. LEA’s must ensure that transactions are properly recorded and accounted for, in order to permit the preparation of reliable financial statements and Federal reports, maintain accountability over assets; and demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards and ensure that transactions are executed in compliance with federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program and any other Federal statutes and regulations that are identified in the applicable Compliance Supplement. Additionally, in accordance with the U.S. Department of Education’s Department General Administrative Regulations (EDGAR) and New Jersey Department of Education Office of Grants Management requirements, districts are required to record approved grant budget appropriations in accordance with the approved budget and ensure Board approval for any increases in Title I funding. Also, consistent with Sections 1115(b)(1) and (2) of Elementary and Secondary Education Act (ESEA), schools operating targeted assistance programs must use Title I funds to supplement and not supplant the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under Title I. Consistent with Section 1120(a) of ESEA, districts must also maintain records of consultation with nonpublic school officials in accordance with Section 200.63(e)(1) of the Title I regulations. Finally, Districts must comply with the requirements of New Jersey Public School Contracts Law with respect to obtaining price quotations.

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

Findings and Questioned Costs for Federal Awards: (Cont'd)

Finding 2020-001: Title I, Part A, Title II Part A, IDEA Basic and IDEA Pre-School (Cont'd)

Condition and Context:

Our review of the fiscal audits dated July 28, 2020 completed by the New Jersey Department of Education, Office of Fiscal Accountability and Compliance (“OFAC”) of the Title I fiscal years 2016-17 and 2017-18 grants disclosed that for both fiscal years’ grant awards, the District did not provide evidence of consultation with nonpublic school officials. Additionally, with respect to the Title I 2017-18 grant award, the OFAC fiscal audit noted that various District board policies relating to internal controls were not provided for examination or require revision, the District failed to obtain price quotations as required by New Jersey purchasing regulations, that expenditures totaling \$64,402 incurred and charged to this grant were deemed unnecessary for the performance of the program and that adequate documentation to support that a \$1,366 disbursement charged to the grant was allowable was not provided by the District. With respect to the Title I 2016-17 award, OFAC’s audit noted that the Board of Education minutes did not reflect the increase in Title I funding, budget appropriations recorded were not consistent with the State’s approved budget, expenditures of \$56,524 benefited ineligible beneficiaries and therefore were deemed to be unallowable program costs, \$57,079 of expenditures charged to the grant supplanted local funding sources and were deemed to be unallowable program costs, and the Title I final report reflected expenditures of \$125,099 which were not substantiated by actual program charges. OFAC’s fiscal audit report for the Title I fiscal year 2016-17 award also required that the District return the Title II, IDEA Basic and Preschool fiscal year 2016-17 grant funds remitted to the District in the total amount of \$176,504 due to OFAC’s concerns regarding the District’s handling of all Federal awards.

Effect:

The District is not in compliance with the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, with the Elementary and Secondary Education Act (ESEA) with respect to Title I regulations regarding supplementing and not supplanting of funds and required consultation with nonpublic schools, with the U.S. Department of Education’s Department General Administrative Regulations (EDGAR) with respect to the approved Title I grant budgets, with New Jersey Department of Education Office of Grants Management requirements regarding recording approved grant budget appropriations in accordance with the approved budget and ensuring Board approval for any increases in Title I funding and with respect to obtaining quotes in accordance with New Jersey Public School Contract Law. This lack of compliance as well as OFAC’s concerns regarding the District’s handling of all Federal Awards resulted in questioned costs in the total amount of \$367,371 with respect to the Title I fiscal year 2016-17 and 2017-18 awards and the Title II and IDEA Basic and Preschool fiscal year 2016-17 awards.

Cause:

The District did not have policies and procedures in place to ensure that Title I and other federal grant funds were expended in accordance with the requirements of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Elementary and Secondary Education Act (ESEA), the U.S. Department of Education’s Department General Administrative Regulations (EDGAR) and New Jersey Public School Contracts Law.

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

Findings and Questioned Costs for Federal Awards: (Cont'd)

Finding 2020-001: Title I, Part A, Title II Part A, IDEA Basic and IDEA Pre-School (Cont'd)

Recommendation:

It is recommended that the District implement policies and procedures to ensure that all federal grant funds are expended in accordance with the requirements of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Elementary and Secondary Education Act (ESEA), the U.S. Department of Education's Department General Administrative Regulations (EDGAR) and New Jersey Public School Contracts Law.

Management's Response:

The District has already implemented policies and procedures to ensure that all federal grant funds are expended in accordance with the requirements of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Elementary and Secondary Education Act (ESEA), the U.S. Department of Education's Department General Administrative Regulations (EDGAR) and New Jersey Public School Contracts Law. The District plans to dispute the questioned costs related to the fiscal year ended June 30, 2016-17 IDEA Basic and IDEA Pre-School grant awards.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any finding or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance or NJOMB 15-08.

MENDHAM TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Status of Prior Year Findings:

There were no findings or questioned costs for the year ended June 30, 2019.