

**SCHOOL DISTRICT
OF THE
BOROUGH OF MENDHAM**

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015**

**Comprehensive Annual
Financial Report**

of the

Mendham Borough School District

Mendham, New Jersey

For the Fiscal Year Ended June 30, 2015

Prepared by

**Mendham Borough School District
Board of Education**

MENDHAM BOROUGH SCHOOL DISTRICT
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INTRODUCTORY SECTION

Mendham Borough Public Schools
12 Hilltop Road

Mendham, New Jersey 07945

November 13, 2015

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

Dear Board Members:

The comprehensive annual financial report of the Mendham Borough School District (the "District") for the fiscal year ended June 30, 2015, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

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

The District provides a full range of educational services appropriate to grade levels Preschool through 8. These include regular as well as special education for classified children. The District completed the 2014-15 fiscal year with an average daily enrollment of 596 students, which is a decrease of 11 students from the previous year's enrollment.

2) ECONOMIC CONDITION AND OUTLOOK:

Mendham Borough has a population of about 5,000. It extends 5.94 square miles, and the Township of Mendham forms a horseshoe around it. It is primarily residential, except for the Mendham Village Shopping Center on Main Street and several small specialty stores and antique shops. About 596 students are enrolled at the two elementary schools (Preschool - 4 and Grades 5 - 8). Students in Grades 9 - 12 attend the West Morris Mendham High School.

The Honorable President and Members
of the Board of Education
Mendham Borough School District
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November 13, 2015

3) MAJOR INITIATIVES:

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

Major district initiatives include the following:

- Ongoing, focused professional development and implementation of differentiated instruction through the University of Virginia, literacy training and the use of formative assessment and data analysis to improve instruction.
- The alignment of curriculum and assessments to the Common Core Curriculum Standards, the expansion of instructional technology and the continued preparation of teachers and students for the Partnership for Assessment of Readiness for College and Career (PARCC) Assessments that will be implemented in 2014-15.
- Research concerning models for gifted education, enrichment opportunities and specialized inclusion and self-contained programs in districts similar to our own.
- To promote articulation with surrounding Preschool - 8 districts and the regional high school district.
- Enhance and maintain technology in our schools where staff and students continuously expand their skills as they develop into effective digital citizens.
- To create and sustain a safe, secure learning environment that is equipped to deliver a 21st century instructional program.
- Continue to foster the social and emotional development of all students while providing a first class educational program that meets the needs of our diverse learners.
- To create and develop partnerships between school, home and community through purposeful communication, welcomed feedback, meaningful involvement, successful partnerships and pride in school community.

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

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

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

The Honorable President and Members
of the Board of Education
Mendham Borough School District
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November 13, 2015

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2015.

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

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

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

The Board is a member of the New Jersey School Insurance Group (NJSIG). NJSIG is a risk-sharing public entity risk fund that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage to their members. Additional information on NJSIG is included in Note 12 to the Basic Financial Statements.

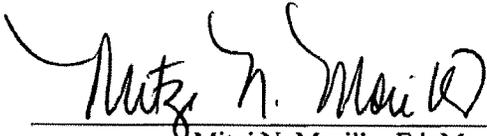
9) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP CPAs, was selected by the Board of Education at its last organization meeting. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and the New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

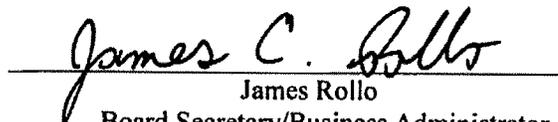
The Honorable President and Members
of the Board of Education
Mendham Borough School District
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November 13, 2015

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

Respectfully submitted,

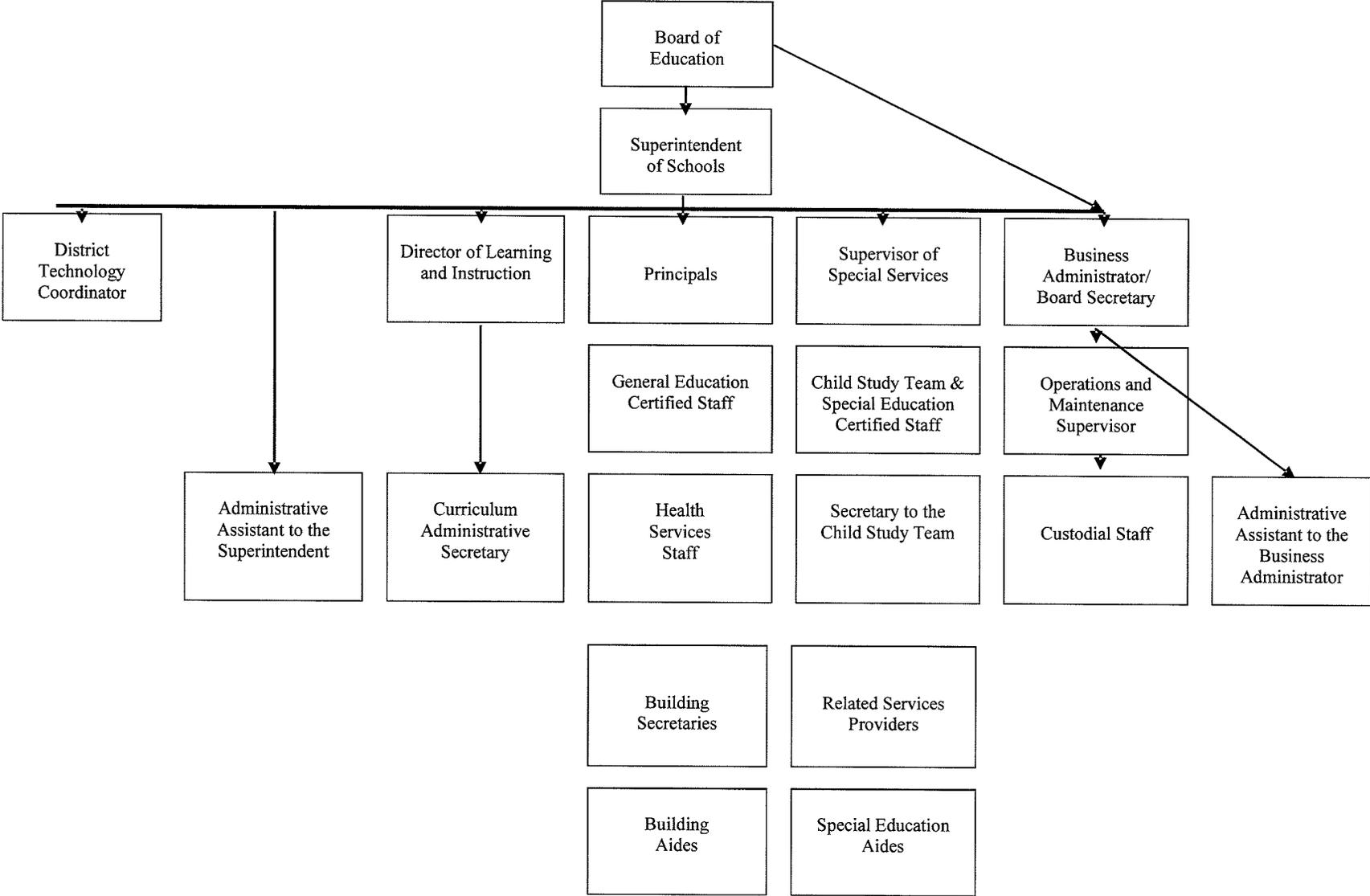


Mitzi N. Morillo, Ed. M.
Superintendent



James Rollo
Board Secretary/Business Administrator

MENDHAM BOROUGH SCHOOL DISTRICT
 ORGANIZATION CHART
 2014-2015



MENDHAM BOROUGH SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2015

<u>Members of the Board of Education</u>	<u>Term Expires</u>
John Vitale, President	11/2016
Steven Andrew, Vice President	11/2016
Raechelle Raimondo	11/2016
John Jennings	11/2017
William Corbett	11/2017
Paul Fechhelm	11/2017
AnnMarie Hornyak	11/2015
Beth Cocuzza	11/2015
Fred Scheonbrodt	11/2015

<u>Other Officials</u>	<u>Title</u>
Mitzi Morillo	Superintendent
James Rollo	Business Administrator/Board Secretary

MENDHAM BOROUGH SCHOOL DISTRICT
Consultants and Advisors

Audit Firm

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

Attorneys

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

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

Official Depository

Somerset Hills Bank
155 Morristown Road
Bernardsville, NJ 07924

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mendham Borough School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2015, 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.

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

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 Mendham Borough School District, in the County of Morris, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the fiscal year ended June 30, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balances on the Statement of Net Position and the ending balance for Net Position for the Governmental Activities as of June 30, 2014 as detailed in Note 19 to the basic financial statements.

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 required supplementary information pension schedules and the budgetary comparison information in Exhibits C-1 through C-3 and I-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey’s OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 13, 2015
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

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

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

This section of Mendham Borough School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- Overall revenue was \$13.19 million.
- The net position of the business-type activity – food services – increased by \$1,334 due to a net loss from operations in the District's business-type activity – food services – of \$1,947 and an decrease to business-type capital assets valuation of \$2,250 offset by operating transfers from the General Fund of \$5,531.
- The net position of the District's government-type activities increased by \$923,475, primarily due to the value of capital assets increasing approximately \$1,594,080 as a result of the District's ongoing capital projects. Additionally, the District's tax levy revenues increased approximately \$428,330, revenues from charges for services increased approximately \$54,165, and revenues from grants and contributions increased approximately \$1,235,405 offset by increases of approximately \$1,264,403 in expenses and decreases of \$73,933 in revenues from other sources. The District's General Fund fund balance decreased by \$367,562 under the budgetary basis of accounting.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

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

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

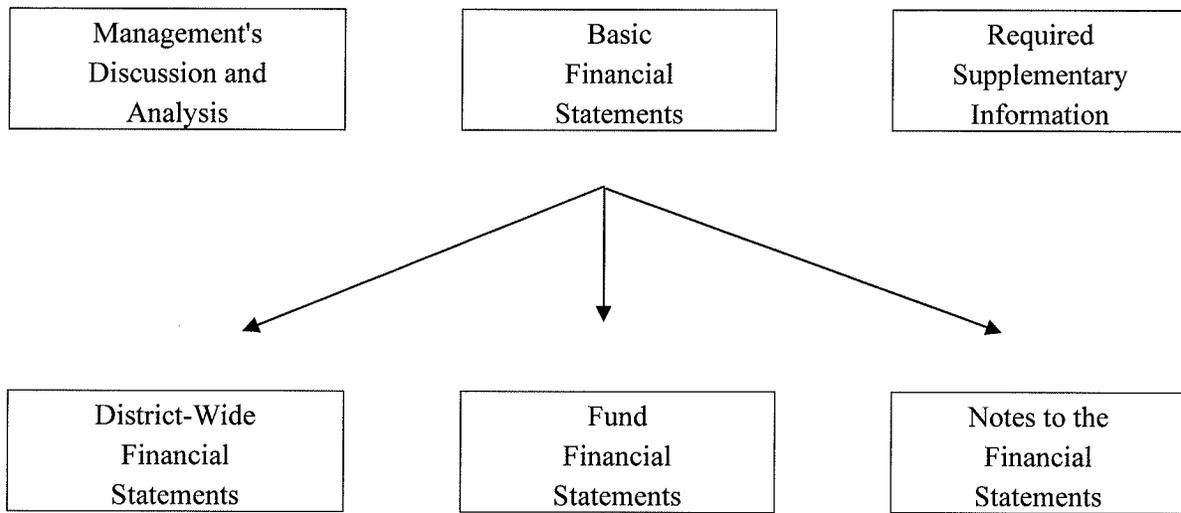


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

Financial Analysis of the District as a Whole

Net Position. The District's combined net position increased \$924,809. Net position from governmental activities increased \$923,475 and net position from business-type activities increased \$1,334. Net position invested in capital assets increased \$1,592,767, restricted net position decreased \$151,961, and unrestricted net position decreased by \$515,997.

Figure A-3
Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2014/15	2013/14*	2014/15	2013/14*	2014/15	2013/14*	2014/15
Current and Other Assets	\$ 1,549,496	\$ 1,731,801	\$ 5,627	\$ 5,073	\$ 1,555,123	\$ 1,736,874	-10.46%
Capital Assets	9,598,362	9,084,282	20,416	21,729	9,618,778	9,106,011	5.63%
Total Assets	11,147,858	10,816,083	26,043	26,802	11,173,901	10,842,885	3.05%
Deferred Outflows of Resources	177,118				177,118		100.00%
Long-Term Debt Outstanding	7,940,947	9,322,114			7,940,947	9,322,114	-14.82%
Other Liabilities	760,450	140,571	3,939	6,032	764,389	146,603	421.40%
Total Liabilities	8,701,397	9,462,685	3,939	6,032	8,705,336	9,468,717	-8.06%
Deferred Inflows of Resources	346,706				346,706		100.00%
Net Position:							
Net Investment in Capital Assets	3,533,362	1,939,282	20,416	21,729	3,553,778	1,961,011	81.22%
Restricted	1,056,492	1,208,453			1,056,492	1,208,453	-12.57%
Unrestricted/(Deficit)	(2,312,981)	(1,794,337)	1,688	(959)	(2,311,293)	(1,795,296)	28.74%
Total Net Position	\$ 2,276,873	\$ 1,353,398	\$ 22,104	\$ 20,770	\$ 2,298,977	\$ 1,374,168	67.30%

* Restated

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Changes in Net Position. The District's combined net position was \$2,298,997 on June 30, 2015, \$924,809 or 67.30% higher than it was the year before. (See Figure A-3). Net position invested in capital assets increased by \$1,592,767 or 81.22% as a result of \$640,000 of long-term debt maturities, \$854,843 in net capital acquisitions, and \$6,515,000 of bonds defeased offset by depreciation of \$335,134 in its governmental and \$4,692 in its business-type activities, adjustment decreases of \$2,250 in capital assets in its business-type activities, and issuance of \$6,075,000 of refunding serial bonds. Restricted net position decreased by \$151,961 or 12.57% due to a decrease of \$365,520 in Capital Reserve offset by an increase of \$31 in Maintenance Reserve, an increase in restricted Debt Service Fund Balance of \$69,365 and an increase of \$144,163 in excess surplus designated for subsequent year's expenditures. Unrestricted net position decreased by \$515,997 due to the following- an increase of \$24,812 in Compensated Absences Payable, an increase in net pension liability of \$32,648, and an increase in encumbrances of \$22,326 offset by decreases of \$362,557 in Fund Balance used by operations in the General Fund and \$233,226 of fund balance assigned as Designated for Subsequent Year's Expenditures. (See Figure A-3).

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities	Business-Type Activities	Total School District	Governmental Activities	Business-Type Activities	Total School District	Total Percentage Change
	2014/15	2014/15	2014/15	2013/14	2013/14	2013/14	2014/15
Revenue:							
Program Revenue:							
Charges for Services	\$ 54,165	\$ 138,880	\$ 193,045		\$ 144,663	\$ 144,663	33.44%
Operating Grants and Contributions	2,707,976		2,707,976	\$ 1,472,571		1,472,571	83.89%
General Revenue:							
Property Taxes	10,253,853		10,253,853	9,825,523		9,825,523	4.36%
Other	31,781	7,581	39,362	105,714	20,210	125,924	-68.74%
Total Revenue	<u>13,047,775</u>	<u>146,461</u>	<u>13,194,236</u>	<u>11,403,808</u>	<u>164,873</u>	<u>11,568,681</u>	14.05%
Expenses:							
Instruction	6,758,122		6,758,122	5,903,010		5,903,010	14.49%
Pupil and Instruction Services	2,570,021		2,570,021	2,105,014		2,105,014	22.09%
Administrative and Business	1,178,174		1,178,174	1,212,485		1,212,485	-2.83%
Maintenance and Operations	1,211,672		1,211,672	1,031,072		1,031,072	17.52%
Pupil Transportation	240,034		240,034	257,778		257,778	-6.88%
Other	160,746	148,408	309,154	345,007	163,459	508,466	-39.20%
Total Expenses	<u>12,118,769</u>	<u>148,408</u>	<u>12,267,177</u>	<u>10,854,366</u>	<u>163,459</u>	<u>11,017,825</u>	11.34%
Special Items:							
Capital Asset Adjustment		(2,250)	(2,250)	(2,737,432)		(2,737,432)	-99.92%
Transfers	(5,531)	5,531					
Increase/(Decrease) in Net Position	<u>\$ 923,475</u>	<u>\$ 1,334</u>	<u>\$ 924,809</u>	<u>\$ (2,187,990)</u>	<u>\$ 1,414</u>	<u>\$ (2,186,576)</u>	-142.29%

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

Revenue Sources. The District's total revenue for the 2014/15 school year was \$13,194,236. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$10,253,853 of the total, or 77.71 percent. (See Figure A-5). Another 20.53 percent came from state and federal aid for specific programs and the remainder from charges for services and miscellaneous sources. The Mendham Borough School District basically conducts its operations from the revenues it receives from its local taxpayers and state funding.

Figure A-5

Sources of Revenue for Fiscal Year 2015

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 212,272	1.61%
Property Taxes	10,253,853	77.71%
Federal and State Categorical Grants	2,495,704	18.92%
Charges for Services	193,045	1.46%
Other	39,362	0.30%
	\$ 13,194,236	100.00%

The total cost of all programs and services was \$12,267,177. The District's expenses are predominantly related to instructing, caring for and transporting pupil services (78.01 percent instruction). The administrative and business activities of the schools were 9.60 percent. (See Figure A-6.) The District's maintenance and operations accounted for 9.88 percent of total costs. It is important to note that depreciation is included in expenses for the year under this accounting reporting model; expenses therefore include \$339,826 in depreciation of which a large portion was charged to Maintenance and Operations.

Figure A-6

Expenses for Fiscal Year 2015

	Amount	Percentage
Expense Category:		
Instruction	\$ 6,758,122	55.10%
Pupil and Instruction Services	2,570,021	20.95%
Administrative and Business	1,178,174	9.60%
Maintenance and Operations	1,211,672	9.88%
Transportation	240,034	1.96%
Other	309,154	2.51%
	\$ 12,267,177	100.00%

Governmental Activities

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

Careful management of expenses remains essential for the District to maintain its financial health. State aid increased this year while costs continue to escalate.

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

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

Figure A-7

	Net Cost of Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2014/15</u>	<u>2014/15</u>	<u>2013/14</u>	<u>2013/14</u>
Instruction	\$ 6,758,122	\$ 4,722,577	\$ 5,903,010	\$ 4,784,223
Pupil and Instruction Services	2,570,021	1,994,712	2,105,014	1,758,555
Administrative and Business	1,178,174	1,178,174	1,212,485	1,212,485
Maintenance and Operations	1,211,672	1,211,672	1,031,072	1,031,072
Transportation	240,034	216,443	257,778	250,453
Other	160,746	160,746	345,007	345,007
	<u>\$ 12,118,769</u>	<u>\$ 9,484,324</u>	<u>\$ 10,854,366</u>	<u>\$ 9,381,795</u>

The cost of all governmental activities this year was \$12.12 million.

- The federal and state governments subsidized certain programs with grants and aid (\$2.71 million).
- Most of the District's costs, however, were financed by District taxpayers (\$10.25 million).
- A portion of the governmental activities was financed with approximately \$212,272 in state aid based on the SFRA schedule, which is included in the \$2.71 million above.
- The remainder of the funding came from miscellaneous revenue and investment earnings.

Business-Type Activities

Net position from the District's business-type activity increased \$1,334 (Refer to Figure A-4). Factors contributing to these results included:

- Food service expenses exceeded revenues by \$1,947. There was also an adjustment which decreased capital assets by \$2,250 which was offset by operating transfers from the General Fund of \$5,531. These various factors accounted for the overall increase in the net position of the business-type activities.

Financial Analysis of the District's Funds

The District's financial position decreased during the year mostly due to the rising costs of fixed obligations. Programs were reduced in order to balance the budget. The Finance/Facilities/Technology Committee meets monthly to review any items that may have significant financial impact on the District. A four year lease program for computers is in place that will continue to keep the District on target with its technology program while staying within its budgetary limits. The District intends to continue with the preschool program that was established in September, 2007 and has added an extended summer program for Special Education students.

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

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Figure A-8

	Capital Assets (Net of Depreciation)						Percentage Change 2014/15
	Government Activities		Business-Type Activities		Total School District		
	<u>2014/15</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2013/14</u>	
Land	\$ 251	\$ 251			\$ 251	\$ 251	0.00%
Construction in Progress	319,240				319,240		8.17%
Site Improvements	655,060	684,241			655,060	684,241	-4.26%
Buildings and Building Improvements	8,309,614	8,008,810			8,309,614	8,008,810	3.76%
Machinery and Equipment	<u>314,197</u>	<u>390,980</u>	<u>\$ 20,416</u>	<u>\$ 21,729</u>	<u>334,613</u>	<u>412,709</u>	-18.92%
Total Capital Assets (Net of Depreciation)	<u>\$ 9,598,362</u>	<u>\$ 9,084,282</u>	<u>\$ 20,416</u>	<u>\$ 21,729</u>	<u>\$ 9,618,778</u>	<u>\$ 9,106,011</u>	5.63%

During the fiscal year, total depreciation expense was \$335,134 for governmental activities and \$4,692 for business-type activities. Additions totaled \$849,214 for government activities and \$5,629 for business-type activities offset by disposals of \$2,250 for business-type activities.

Long-term Debt

At year-end, the District had \$6,065,000 in general obligation bonds outstanding – a decrease of \$1,080,000 in bonds from last year as well as an increase of \$24,812 in compensated absences liability from last year – as shown in Figure A-9 and a net decrease of \$325,979 in net pension liability. (More detailed information about the District's long-term liabilities is presented in Note 9 to the financial statements.)

- The District continued to pay down its debt, retiring \$640,000 of outstanding bonds. Additionally, the District refunded a portion of its 2005 refunding bonds, which resulted in the defeasement of \$6,515,000 of bonds payable, and issuance of \$6,075,000 of refunding serial bonds.

Figure A-9

	Outstanding Long-Term Debt		
	<u>2014/15</u>	<u>2013/14</u>	<u>Percentage Change 2013/14</u>
Bonds Payable	\$ 6,065,000	\$ 7,145,000	-15.12%
Net Pension Liability	1,697,385	2,023,364	
Compensated Absences Payable	<u>178,562</u>	<u>153,750</u>	16.14%
	<u>\$ 7,940,947</u>	<u>\$ 9,322,114</u>	-14.82%

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

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

It has proven to be a challenging year as we explored different avenues of saving money and reducing expenses. The District initiated a Pay To Participate program in 2012 for sports and clubs. Parents were responsible for paying for their children to participate in middle school sports. Initially, the cost to parents ranged from \$100 to \$525 per player for each sport. For the 2014-2015 school year, the cost that parents pay will only be \$60 per player per sport. The District also contracted with an outside food service company to manage the cafeterias in both schools. The declining student participation in the food service program and the rising cost of sales has caused a loss in the current year for the food service fund. The District has discontinued its participation in the Federal and State School Lunch Programs and the likely result is that any profit generated by the foods operations will be offset by the expense of subsidizing the underprivileged students. During 2014-2015 the District received two tuition students from outside the district. The number of tuition paying students is subject to change from year to year.

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

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 414,461	\$ 2,017	\$ 416,478
Receivables from Other Governments:			
Federal	65,010		65,010
State	234,981		234,981
Other Accounts Receivable	4,180		4,180
Inventory		3,610	3,610
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	785,266		785,266
Maintenance Reserve Account - Cash and Cash Equivalents	45,598		45,598
Capital Assets, Net			
Sites (Land)	251		251
Depreciable Site Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment	9,598,111	20,416	9,618,527
Total Assets	<u>11,147,858</u>	<u>26,043</u>	<u>11,173,901</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Amount on Refunding	123,743		123,743
Changes in Assumptions - Pensions	53,375		53,375
Total Deferred Outflow of Resources	<u>177,118</u>		<u>177,118</u>
LIABILITIES			
Accrued Interest Payable	81,750		81,750
Accounts Payable - Vendors	20,206		20,206
Accounts Payable - Cash Deficit	13,119		13,119
Payable to State Government	32,864		32,864
Unamortized Bond Insurance Premium	601,967		601,967
Unearned Revenue	10,544	3,939	14,483
Noncurrent Liabilities:			
Due Within One Year	585,000		585,000
Due Beyond One Year	5,658,562		5,658,562
Net Pension Liability	<u>1,697,385</u>		<u>1,697,385</u>
Total Liabilities	<u>8,701,397</u>	<u>3,939</u>	<u>8,705,336</u>
DEFERRED INFLOW OF RESOURCES			
Investment Gains - Pensions	101,155		101,155
Changes in Proportion - Pensions	245,551		245,551
Total Deferred Inflow of Resources	<u>346,706</u>		<u>346,706</u>
NET POSITION			
Net Investment in Capital Assets	3,533,362	20,416	3,553,778
Restricted for:			
Capital Projects	785,266		785,266
Other Purposes	271,226		271,226
Unrestricted/(Deficit)	(2,312,981)	1,688	(2,311,293)
Total Net Position	<u>\$ 2,276,873</u>	<u>\$ 22,104</u>	<u>\$ 2,298,977</u>

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

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 5,751,753	\$ 54,165	\$ 1,444,788	\$ (4,252,800)		\$ (4,252,800)
Special Education	916,686		536,592	(380,094)		(380,094)
Other Instruction	89,683			(89,683)		(89,683)
Support Services:						
Tuition	708,090		109,081	(599,009)		(599,009)
Student & Instruction Related Services	1,861,931		466,228	(1,395,703)		(1,395,703)
General Administrative Services	441,942			(441,942)		(441,942)
School Administrative Services	491,406			(491,406)		(491,406)
Plant Operations and Maintenance	1,211,672			(1,211,672)		(1,211,672)
Pupil Transportation	240,034		23,591	(216,443)		(216,443)
Central Services	244,826			(244,826)		(244,826)
Interest on Long-Term Debt	160,746			(160,746)		(160,746)
Total Governmental Activities	12,118,769	54,165	2,580,280	(9,484,324)		(9,484,324)

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:						
Food Service	\$ 148,408	\$ 138,880			\$ (9,528)	\$ (9,528)
Total Business-Type Activities	148,408	138,880			(9,528)	(9,528)
Total Primary Government	\$ 12,267,177	\$ 193,045	\$ 2,580,280	\$ (9,484,324)	(9,528)	(9,493,852)
General Revenue:						
Taxes:						
Property Taxes, Levied for						
General Purposes, Net						
				9,328,709		9,328,709
Taxes Levied for Debt Service						
				925,144		925,144
Federal and State Aid not Restricted						
				127,696		127,696
Investment Earnings						
				1,773	4	1,777
Miscellaneous Income						
				30,008	7,577	37,585
Transfers						
				(5,531)	5,531	
Total General Revenues				10,407,799	13,112	10,420,911
Special Item - Change in Net Capital Assets Valuation					(2,250)	(2,250)
Change in Net Position				923,475	1,334	924,809
Net Position - Beginning (Restated)				1,353,398	20,770	1,374,168
Net Position - Ending				\$ 2,276,873	\$ 22,104	\$ 2,298,977

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

FUND FINANCIAL STATEMENTS

MENDHAM BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents		\$ 21,427	\$ 323,871	\$ 69,163	\$ 414,461
Interfund Receivable:					
Capital Projects Fund	\$ 368,710			202	368,912
Special Revenue Fund	46,402				46,402
Receivables From Other Governments:					
Federal		65,010			65,010
State	107,285		127,696		234,981
Other Accounts Receivable		4,180			4,180
Restricted Assets:					
Capital Reserve Account - Cash and Cash Equivalents	785,266				785,266
Maintenance Reserve Account - Cash and Cash Equivalents	45,598				45,598
Total Assets	<u>\$ 1,353,261</u>	<u>\$ 90,617</u>	<u>\$ 451,567</u>	<u>\$ 69,365</u>	<u>\$ 1,964,810</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable - Vendors	\$ 18,471	\$ 1,735			\$ 20,206
Accounts Payable - Cash Deficit	13,119				13,119
Interfund Payable:					
General Fund		46,402	\$ 368,710		415,112
Debt Service Fund			202		202
Payable to State Government		32,864			32,864
Unearned Revenue	928	9,616			10,544
Total Liabilities	<u>32,518</u>	<u>90,617</u>	<u>368,912</u>	<u>\$ -0-</u>	<u>492,047</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Fund Balances:					
Restricted for:					
Capital Reserve Account	\$ 785,266				\$ 785,266
Maintenance Reserve Account	45,598				45,598
Excess Surplus - For Subsequent Year's Expenditures	156,263				156,263
Debt Service				\$ 69,365	69,365
Assigned to:					
Year End Encumbrances	31,115				31,115
Committed:					
Capital Projects			\$ 82,655		82,655
Unassigned:					
General Fund	302,501				302,501
Total Fund Balances	1,320,743		82,655	69,365	1,472,763
Total Liabilities and Fund Balances	\$ 1,353,261	\$ 90,617	\$ 451,567	\$ 69,365	

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

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$14,221,957 and the accumulated depreciation is \$4,623,595.	9,598,362
Bond issuance premium is reported as revenue in the governmental funds in the year of the related expenditure. The cost is \$656,691 and accumulated amortization is \$54,724.	(601,967)
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(6,243,562)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(81,750)
Deferred interest costs are not reported as expenditures in governmental funds in the year of the expenditure. The deferred interest is \$134,992 and accumulated amortization is \$11,249.	123,743
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(1,697,385)
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:	
Changes in Assumptions - Pensions	53,375
Investment Gains - Pensions	(101,155)
Changes in Proportions - Pensions	(245,551)
Net Position of Governmental Activities	\$ 2,276,873

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 9,328,709			\$ 925,144	\$ 10,253,853
Tuition Charges	54,165				54,165
Interest Earned on Capital Reserve Funds	410				410
Interest Earned on Maintenance Reserve Funds	31				31
Interest Earned	1,165		\$ 167		1,332
Miscellaneous	23,355	\$ 1,907		4,746	30,008
Total - Local Sources	9,407,835	1,907	167	929,890	10,339,799
State Sources	1,273,846	80,310	127,696		1,481,852
Federal Sources		171,879			171,879
Total Revenue	10,681,681	254,096	127,863	929,890	11,993,530
EXPENDITURES					
Current:					
Regular Instruction	3,497,113	61,325			3,558,438
Special Education Instruction	539,080				539,080
Other Instruction	86,519				86,519
Support Services and Undistributed Costs:					
Tuition	599,009	109,081			708,090
Student & Instruction Related Services	1,097,179	83,690			1,180,869
General Administrative Services	363,180				363,180
School Administrative Services	402,728				402,728
Central Services	207,771				207,771
Pupil Transportation	244,992				244,992

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Plant Operations and Maintenance	\$ 637,244				\$ 637,244
Benefits - Allocated and Unallocated	2,565,870				2,565,870
Debt Service:					
Principal				\$ 640,000	640,000
Interest and Other Charges				220,852	220,852
Capital Outlay	529,974		\$ 319,240		849,214
Total Expenditures	10,770,659	\$ 254,096	319,240	860,852	12,204,847
Excess/(Deficiency) of Revenue over/(under) Expenditures	(88,978)		(191,377)	69,038	(211,317)
OTHER FINANCING SOURCES/(USES)					
Serial Bonds Issued				6,075,000	6,075,000
Bond Premium				656,691	656,691
Serial Bonds Defeased				(6,515,000)	(6,515,000)
Bond Issuance Costs				(81,699)	(81,699)
Deferred Interest				(134,992)	(134,992)
Transfers In			274,199	167	274,366
Transfers Out	(279,730)		(167)		(279,897)
Total Other Financing Sources/(Uses)	(279,730)		274,032	167	(5,531)
Net Change in Fund Balances	(368,708)		82,655	69,205	(216,848)
Fund Balance—July 1	1,689,451			160	1,689,611
Fund Balance—June 30	\$ 1,320,743	\$ - 0 -	\$ 82,655	\$ 69,365	\$ 1,472,763

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

Exhibit B-3

MENDHAM BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$ (216,848)
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation differs from capital outlays in the period.	
Depreciation expense	\$ (335,134)
Capital outlays	<u>849,214</u> 514,080
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).	(24,812)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. (+)	640,000
In the Statement of Activities, interest on Long-Term Debt in the Statement of Activities is accrued, regardless of when due. In the Governmental Funds, interest is reported when due. When accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).	16,631
Proceeds from debt issued for the advanced refunding less the amount of bonds defeased are not recorded in the governmental fund. They are reflected in the statement of activities as a special item.	
School Bond Premium	(656,691)
Bond Deferred Interest	134,992
School Bonds Issued	(6,075,000)
School Bonds Defeased	<u>6,515,000</u>
	(81,699)
The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (+)	54,724
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:	
Change in Net Pension Liability	325,979
Deferred Outflows:	
Changes in Assumptions	53,375
Deferred Inflows:	
Changes in Proportion	
Net Difference Between Projected and Actual Investment Earnings on Pension	(101,155)
Plan Investments	(245,551)
The governmental funds report the effect of bond issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (-)	<u>(11,249)</u>
Change in Net Position - Governmental Funds (Exhibit A-2)	<u>\$ 923,475</u>

Exhibit B-4

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	<u>Business-Type Activities - Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 2,017
Inventories	3,610
	5,627
Total Current Assets	5,627
Capital Assets:	
Equipment	98,529
Accumulated Depreciation	(78,113)
	20,416
Total Capital Assets	20,416
Total Assets	26,043
LIABILITIES:	
Current Liabilities:	
Unearned Revenue - Prepaid Sales	3,939
	3,939
Total Liabilities	3,939
NET POSITION:	
Net Investment in Capital Assets	20,416
Unrestricted	1,688
	22,104
Total Net Position	\$ 22,104

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

Exhibit B-5

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Business-Type Activities - Enterprise Funds</u>
Operating revenue	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 138,880
Other Non-Reimbursable Sales	<u>7,577</u>
Total Operating Revenue	<u>146,457</u>
Operating Expenses:	
Cost of Sales	72,713
Salaries, Benefits & Payroll Taxes	49,205
Supplies, Insurance & Other Costs	5,111
Management Fee	13,079
Depreciation	4,692
Miscellaneous Expenses	<u>3,608</u>
Total Operating Expenses	<u>148,408</u>
Operating (Loss)	<u>(1,951)</u>
Non-Operating Revenue	
Local Sources:	
Interest Income	<u>4</u>
Total Non-Operating Revenue	<u>4</u>
Net (Loss) Before Operating Transfers	(1,947)
Operating Transfers from General Fund	<u>5,531</u>
Change in Net Position after Transfers	3,584
Change Net Capital Assets Valuation	(2,250)
Net Position - Beginning of Year	<u>20,770</u>
Net Position - End of Year	<u><u>\$ 22,104</u></u>

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

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Business-Type Activities - Enterprise Funds</u>
Cash Flows From Operating Activities:	
Receipts from Customers	\$ 146,457
Payments to Food Service Vendor	(142,133)
Payments to Suppliers	(3,608)
	716
Net Cash Used for Operating Activities	
Cash Flows From Investing Activities:	
Interest Income	4
	4
Net Cash Provided by Investing Activities	
Cash Flows Used for Capital Financing Activities:	
Acquisition of Capital Assets	(5,629)
	(5,629)
Net Cash Used for Capital Financing Activities	
Cash Flows from Noncapital Financing Activities:	
Operating Transfer from General Fund	5,531
	5,531
Net Cash Provided by Noncapital Financing Activities	
Net Increase in Cash and Cash Equivalents	622
Cash and Cash Equivalents, July 1	1,395
Cash and Cash Equivalents, June 30	\$ 2,017
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (1,951)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	4,692
Changes in Assets and Liabilities:	
Decrease in Inventory	68
(Decrease) in Accounts Payable	(2,662)
Increase in Prepaid Sales	569
	569
Net Cash Used for Operating Activities	\$ 716

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

Exhibit B-7

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

<u>ASSETS:</u>	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
Cash and Cash Equivalents	\$ 119,113	\$ 16,908	\$ 50,993
Total Assets	<u>119,113</u>	<u>16,908</u>	<u>50,993</u>
<u>LIABILITIES:</u>			
Payroll Deductions and Withholdings	54,375		
Due to Student Groups	<u>64,738</u>		
Total Liabilities	<u>119,113</u>		
<u>NET POSITION:</u>			
Held in Trust for Flexible Spending Claims		16,908	
Restricted for Unemployment Claims			<u>50,993</u>
Total Net Position	<u>\$ - 0 -</u>	<u>\$ 16,908</u>	<u>\$ 50,993</u>

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

Exhibit B-8

MENDHAM BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
Additions:		
Contributions:		
Plan Contributions	\$ 28,749	
Total Contributions	<u>28,749</u>	
Investment Earnings:		
Interest	6	\$ 57
Net Investment Earnings	<u>6</u>	<u>57</u>
Total Additions	<u>28,755</u>	<u>57</u>
Deductions:		
Flexible Spending Claims	19,490	
Unemployment Compensation Claims		55,918
Total Deductions	<u>19,490</u>	<u>55,918</u>
Change in Net Position	9,265	(55,861)
Net Position - Beginning of the Year	<u>7,643</u>	<u>106,854</u>
Net Position - End of the Year	<u>\$ 16,908</u>	<u>\$ 50,993</u>

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include an elementary and a middle school located in the Borough of Mendham. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2015 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 10,682,827	\$ 266,328
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary basis recognizes Encumbrances as Expenditures and Revenue whereas the GAAP basis does not.		(12,232)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	18,638	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(19,784)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 10,681,681	\$ 254,096
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 10,770,659	\$ 266,328
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(12,232)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 10,770,659	\$ 254,096

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

E. Cash and Cash Equivalents and Investments:

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

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

H. Encumbrances: (Cont'd)

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2015.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

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

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2015.

N. Compensated Absences:

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

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

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$1,320,743 General Fund fund balance at June 30, 2015, \$785,266 is restricted in the capital reserve account; \$45,598 is restricted in the maintenance reserve account; \$156,263 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the year ending June 30, 2016, \$31,115 is assigned for year end encumbrances, and \$302,501 is unassigned which is \$19,784 less than the Budgetary basis, due to the final state aid payments, which are not recognized until the fiscal year ending June 30, 2016.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2015 is \$82,655 and is committed.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2015 is \$69,365 and is restricted.

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$19,784 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payments in the subsequent fiscal year, the school district cannot recognize the last state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last state aid payments.

Q. Deficit in Net Position:

The District had a deficit in the governmental activities unrestricted net position at June 30, 2015 of \$2,312,981. This deficit primarily resulted from increases in compensated absence liabilities of \$24,812, investment gains in pensions of 101,155, changes in proportion in pensions of \$ 245,551, and unamortized bond premiums of \$601,967, net pension liability of \$1,697,385, and accrued interest payable of \$81,750 from the issuance of refunding serial bonds; net of \$53,375 for changes in pension assumptions. This deficit does not indicate that the District is facing financial difficulties and is a permitted practice under generally accepted accounting principals.

R. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had a deferred outflow of resources at June 30, 2015 for the deferred amount on refunding of debt related to the District's refunding bonds and changes in assumptions in pensions.

The District had deferred inflows of resources at June 30, 2015 for the changes in proportion in pension and the net difference between projected and actual investment earnings on pension plan investments.

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

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

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

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments:

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources in the Capital Projects Fund at June 30, 2015.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources in the General Fund for year-end encumbrances and amounts designated for subsequent year's expenditures at June 30, 2015.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

W. Pensions

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

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

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

Note 3. Cash and Cash Equivalents and Investments

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

Investments are stated at cost, which approximates market. 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 Statement No. 40, *Governmental Accounting Standards Board and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

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

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
 (Continued)

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

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

As of June 30, 2015, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents</u>		<u>Total</u>
		<u>Capital Reserve Account</u>	<u>Maintenance Reserve Account</u>	
Checking & Savings Accounts	\$ 603,492	\$ 785,266	\$ 45,598	\$ 1,434,356
	<u>\$ 603,492</u>	<u>\$ 785,266</u>	<u>\$ 45,598</u>	<u>\$ 1,434,356</u>

During the period ended June 30, 2015 the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2015, was \$1,434,356 and the bank balance was \$1,476,405. The cash and cash equivalents balance at June 30, 2015 of \$1,434,356 differs from the total of \$1,421,237 on the Governmental Funds Balance Sheet and Proprietary Funds and Fiduciary Fund Statements of Net Assets at June 30, 2015 by \$13,199. This difference is the result of cash deficit in the General Fund due to the board approved transfer of funds to Capital Reserve and Restricted Cash and Cash Equivalents. This cash deficit of \$13,199 is included as accounts payable on the Balance Sheet.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Beginning Balance, July 1, 2014	\$ 1,150,786
Increased by:	
Interest Earnings	410
Board Resolution June 26, 2015	274,269
	<u>1,425,465</u>
Decreased by:	
Budgeted Withdrawal	<u>(640,199)</u>
Ending Balance, June 30, 2015	<u>\$ 785,266</u>

The June 30, 2015 Capital Reserve balance does not exceed the local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP"). The withdrawal from the capital reserve was for use in DOE approved facilities projects, consistent with the District's LRFP.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
 (Continued)

NOTE 5. MAINTENANCE RESERVE ACCOUNT

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

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

The activity of the maintenance reserve for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Beginning Balance, July 1, 2014	\$	45,567
Increased by:		
Interest Earnings		31
Ending Balance, June 30, 2015		<u>45,598</u>

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2015, the District made transfers to the capital outlay accounts in the amount of \$25,200 for equipment which did not require the approval of the County Superintendent.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 251			\$ 251
Construction in Progress		\$ 319,240		319,240
Total Capital Assets Not Being Depreciated	<u>251</u>	<u>319,240</u>		<u>319,491</u>
Capital Assets Being Depreciated:				
Site Improvements	1,026,389			1,026,389
Buildings and Building Improvements	11,423,770	527,474		11,951,244
Machinery and Equipment	922,333	2,500		924,833
Total Capital Assets Being Depreciated	<u>13,372,492</u>	<u>529,974</u>		<u>13,902,466</u>
Governmental Activities Capital Assets	<u>13,372,743</u>	<u>849,214</u>		<u>14,221,957</u>
Less Accumulated Depreciation for:				
Site Improvements	(342,148)	(29,181)		(371,329)
Buildings and Building Improvements	(3,414,960)	(226,670)		(3,641,630)
Machinery and Equipment	(531,353)	(79,283)		(610,636)
	<u>(4,288,461)</u>	<u>(335,134)</u>		<u>(4,623,595)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 9,084,282</u>	<u>\$ 514,080</u>	<u>\$ - 0 -</u>	<u>\$ 9,598,362</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 95,150	\$ 5,629	\$ (2,250)	\$ 98,529
Less Accumulated Depreciation	<u>(73,421)</u>	<u>(4,692)</u>		<u>(78,113)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 21,729</u>	<u>\$ 937</u>	<u>\$ (2,250)</u>	<u>\$ 20,416</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 5,286
Student and Instruction Related Services	2,865
School Administrative Services	13,807
Operations and Maintenance of Plant	313,176
	<u>\$ 335,134</u>

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 8. OPERATING LEASES

The District has commitments to lease copying equipment, computers and mail meters under operating leases which expire in 2017. Total operating lease payments made during the year ended June 30, 2015 were approximately \$56,137. Future minimum lease payments are as follows:

Fiscal Year Ended June 30,	Amount
2016	\$ 39,705
2017	16,499
Total Future Minimum Lease Payments	\$ 56,204

NOTE 9. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2015, the following changes occurred in liabilities reported in the district-wide financial statements:

	(Restated) Balance 6/30/2014	Accrued	Retired	Defeased Debt	Balance 6/30/2015
Bonds Payable	\$ 7,145,000	\$ 6,075,000	\$ 640,000	\$ 6,515,000	\$ 6,065,000
Compensated Absences Payable	153,750	24,812			178,562
Net Pension Liability - PERS	2,023,364		325,979		1,697,385
	\$ 9,322,114	\$ 6,099,812	\$ 965,979	\$ 6,515,000	\$ 7,940,947

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.

On December 2, 2014, the District issued refunding bonds of \$6,075,000 with interest rates ranging from 3.0% to 5.0% to advance refund \$6,515,000 of the 2005 school bonds with interest rates ranging from 4.00% to 4.25%. The bonds mature on March 1, 2015 through 2026 and are callable. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the School's government-wide financial statements.

As a result of the advance refunding, the District will realize a total of \$778,641 in cash savings over the life of the bond issue. On a net present value basis, the savings equate to \$705,139, or 1.78%, of the bonds refunded.

The District had bonds outstanding as of June 30, 2015 as follows:

Final Maturity Date	<u>Serial Bonds</u> Interest Rate	Amount
6/30/2026	3.00% - 5.00%	\$ 6,065,000

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 9. General Long-Term Debt (Cont'd)

A. Bonds Payable: (Cont'd)

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

Fiscal Year Ending June 30,	Bonds		Total
	Principal	Interest	
2016	\$ 585,000	\$ 245,250	\$ 830,250
2017	585,000	221,850	806,850
2018	575,000	198,450	773,450
2019	575,000	169,700	744,700
2020	575,000	140,950	715,950
2021-2025	2,800,000	333,250	3,133,250
2026	370,000	11,100	381,100
	<u>\$ 6,065,000</u>	<u>\$ 1,320,550</u>	<u>\$ 7,385,550</u>

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

B. Bonds Authorized But Not Issued:

As of June 30, 2015, the Board had no bonds authorized but not issued.

C. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded as a long-term liability. There is no current portion of the compensated absences balance of the governmental funds and business type activities in the current year. The long-term liability balance of compensated absences is \$178,562 for Governmental Activities and \$ - 0 - for Business-type Activities.

Compensated absences will be liquidated by the General Fund.

D. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2015 is \$-0- and the long-term portion is \$1,697,385. See Note 8 for further information on the PERS.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 10. PENSION PLANS

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

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

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 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 \$74,738 for fiscal year 2015.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2015, the District reported a liability of \$1,697,385 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. 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, 2014, the District's proportion was 0.009%, which was a decrease of 0.002% from its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$90,112. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 53,375	
Changes in Proportion		\$ 101,155
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		245,551
	<u>\$ 53,375</u>	<u>\$ 346,706</u>

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2015	\$ (15,477)
2016	(15,477)
2017	(15,477)
2018	(15,477)
2019	9,812
Thereafter	4,316
	\$ (47,780)

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2014 are summarized in the following table:

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount Rate

The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2014 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
District's proportionate share of the Net Pension Liability	\$ 2,135,368	\$ 1,697,385	\$ 1,329,591

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts. The following represents the membership tiers for TPAF:

<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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014, the State's pension contribution was less than the actuarially determined amount.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

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 2015, the State of New Jersey contributed \$233,793 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,288,038.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2015, the State's proportionate share of the net pension liability associated with the District was \$23,937,056. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. 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, 2014, the District's proportion was 0.045%, which was a decrease of 0.001% from its proportion measured as of June 30, 2013.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		<u>23,937,056</u>
Total	\$	<u><u>23,937,056</u></u>

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the District in the amount of \$1,288,038 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 10. 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)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 2,306,623,861	
Difference Between Expected and Actual Experience		\$ 21,969,019
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		1,741,236,574
	<u>\$ 2,306,623,861</u>	<u>\$ 1,763,205,593</u>

The \$2,306,623,861 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$21,969,019 reported as reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$1,741,236,574 reported as a deferred inflow of resources resulting from the difference between projected and actual investment earnings on pension plan investments will be amortized over 5 years.

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2016	\$ (130,688,498)
2017	(130,688,498)
2018	(130,688,498)
2019	(130,688,496)
2020	304,620,646
Thereafter	761,551,612
	<u>\$ 543,418,268</u>

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Actuarial Assumptions (Cont'd)

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-U.S. Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad U.S. Equities	25.90%	5.88%
Large CAP U.S. Equities	0.00%	5.62%
Mid CAP U.S. Equities	0.00%	6.39%
Small CAP U.S. Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds/Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.68% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. 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 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the net pension liability of the State as of June 30, 2014 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:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (3.68%)	Current Discount Rate (4.68%)	1% Increase (5.68%)
Total Net Pension Liability	\$ 64,722,984,539	\$53,813,067,539	\$44,738,870,539

Pension Plan Fiduciary Net Position - TPAF

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

NOTE 11. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c. 62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District were \$371,148, \$310,654 and \$332,849, for 2015, 2014 and 2013, respectively.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 12. RISK MANAGEMENT

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

Property, Liability and Health Benefits

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

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

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

The audit of the NJSIG as of June 30, 2015 is not available as of the date of this report. Selected financial information for NJSIG as of June 30, 2014 is as follows:

	<u>New Jersey Schools Insurance Group</u>
Total Assets	\$ 293,795,686
Net Position	\$ 66,169,762
Total Revenue	\$ 120,623,875
Total Expenses	\$ 119,843,435
Change in Net Position	\$ 780,440
Members Dividends	\$ -0-

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

New Jersey Schools Insurance Group
450 Veterans Drive
Burlington, NJ 08016
(609) 386-6060

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 12. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

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

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

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2014-2015	\$ -0-	\$ 57	\$ 55,918	\$ 50,993
2013-2014	-0-	9,144	6,383	106,854
2012-2013	-0-	11,284	25,712	104,093

NOTE 13. ECONOMIC DEPENDENCY

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

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2015:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 415,112	
Special Revenue Fund		\$ 46,402
Capital Projects Fund		368,912
Debt Service Fund	202	
	<u>\$ 415,314</u>	<u>\$ 415,314</u>

The interfund payable from Capital Project Fund and the interfund receivable in the General Fund as of June 30, 2015 represents expenditures of \$368,912 made from the General Fund on behalf of the Capital Projects Fund, and in addition there is \$202 of interest due to the Debt Service Fund. The interfund payable in the Special Revenue Fund and the interfund receivable in the General Fund as of June 30, 2015 represents the prior year cash deficit in Special Revenue Fund which has not yet been returned to the General Fund.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 15. DEFERRED COMPENSATION

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

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

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

NOTE 16. 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 17. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

Arbitrage

The District is not subject to liability for arbitrage payable to the federal government relative to its \$6,515,000 Refunding Bonds dated November 6, 2014 as the District is considered a small issuer with debt under \$15,000,000.

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 17. CONTINGENT LIABILITIES (Cont'd)Encumbrances

At June 30, 2015, encumbrances in the governmental funds were:

General Fund	Special Revenue Fund	Total Governmental Activities
\$ 31,115	\$ 12,232	\$ 43,347

On the District's Governmental Funds Balance Sheet as of June 30, 2015, \$ -0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$12,232 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

NOTE 18. ACCOUNTS PAYABLE

Payables as of June 30, 2015 were:

	General Fund	Special Revenue Fund	Total Governmental Activities
Vendors	\$ 18,471	\$ 1,735	\$ 20,206
Cash Deficit	13,119		13,119
	\$ 31,590	\$ 1,735	\$ 33,325

The cash deficit in the General Fund is attributable to the year-end transfer of funds from the General Fund to the Capital Reserve account.

NOTE 19. PRIOR PERIOD ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements to record the net pension liability as of June 30, 2014 as a result of implementing Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

	Balance 6/30/14 as Previously Reported	Retroactive Adjustments	Balance 6/30/14 as Restated
<u>Statement of Net Assets:</u>			
<u>Governmental Activities:</u>			
Statement of Net Position:			
Liabilities:			
Non-Current Liabilities	\$ 7,298,750	\$ 2,023,364	\$ 9,322,114
Total Liabilities	7,439,321	2,023,364	9,462,685
Net Position:			
Unrestricted/(Deficit)	229,027	(2,023,364)	(1,794,337)
Total Net Position	3,376,762	(2,023,364)	1,353,398

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
District's proportion of the net pension liability	0.0105868829%	0.0090659034%
District's proportionate share of the net pension liability	\$ 2,023,364	\$ 1,697,385
District's covered employee payroll	\$ 739,333	\$ 734,369
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	273.67%	231.14%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%

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

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

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 79,770	\$ 74,738
Contributions in relation to the contractually required contribution	<u>(79,770)</u>	<u>(74,738)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 739,333	\$ 734,369
Contributions as a percentage of covered employee payroll	10.79%	10.18%

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

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

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
State's proportion of the net pension liability attributable to the District	0.0455559890%	0.0447867418%
State's proportionate share of the net pension liability attributable to the District	\$ 23,023,639	\$ 23,937,056
District's covered employee payroll	\$ 4,445,641	\$ 4,407,267
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	517.89%	543.13%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.95% as of June 30, 2013 to 4.68% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

BUDGETARY COMPARISON SCHEDULES

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
General Fund					
Revenues:					
Local Sources:					
Local Tax Levy	\$ 9,328,709		\$ 9,328,709	\$ 9,328,709	
Tuition from Other Individuals	31,920		31,920	54,165	\$ 22,245
Interest Revenue				1,165	1,165
Interest Earned on Capital Reserve Funds	100		100	410	310
Interest Earned on Maintenance Reserve Funds	60		60	31	(29)
Miscellaneous	58,410		58,410	23,355	(35,055)
Total - Local Sources	<u>9,419,199</u>		<u>9,419,199</u>	<u>9,407,835</u>	<u>(11,364)</u>
State Sources:					
Categorical Special Education Aid	204,125		204,125	204,125	
Categorical Security Aid	9,989		9,989	9,989	
Categorical Transportation Aid	15,804		15,804	15,804	
Adjustment Aid	7,457		7,457	7,457	
PARCC	5,980		5,980	5,980	
Per Pupil Growth Aid	5,980		5,980	5,980	
Nonpublic Transportation Aid				7,787	7,787
Extraordinary Aid	35,000		35,000	99,498	64,498
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				233,793	233,793
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				371,148	371,148
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				313,431	313,431
Total State Sources	<u>284,335</u>		<u>284,335</u>	<u>1,274,992</u>	<u>990,657</u>
Total Revenues	<u>9,703,534</u>		<u>9,703,534</u>	<u>10,682,827</u>	<u>979,293</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Current Expense:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 58,405	\$ (21,021)	\$ 37,384	\$ 37,384	
Kindergarten - Salaries of Teachers	201,540	1,442	202,982	202,982	
Grades 1-5 - Salaries of Teachers	1,515,653	30,988	1,546,641	1,539,525	\$ 7,116
Grades 6-8 - Salaries of Teachers	1,351,183	23,374	1,374,557	1,370,129	4,428
Regular Programs - Home Instruction:					
Salaries of Teachers	4,000	3,456	7,456	6,916	540
Purchased Professional-Educational Services	1,000	(1,000)			
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	63,873	(139)	63,734	62,562	1,172
Purchased Professional-Educational Services	3,084		3,084	3,024	60
Other Purchased Services	162,003	(50,943)	111,060	111,060	
General Supplies	147,441	6,739	154,180	150,472	3,708
Textbooks	20,700	(5,847)	14,853	11,992	2,861
Other Objects	3,700	(250)	3,450	1,067	2,383
Total Regular Programs - Instruction	<u>3,532,582</u>	<u>(13,201)</u>	<u>3,519,381</u>	<u>3,497,113</u>	<u>22,268</u>
Resource Room/Resource Center:					
Salaries of Teachers	585,485	(47,741)	537,744	472,010	65,734
Other Salaries for Instruction	62,504	2,036	64,540	64,540	
General Supplies	6,270	(3,000)	3,270	2,414	856
Total Resource Room/Resource Center	<u>654,259</u>	<u>(48,705)</u>	<u>605,554</u>	<u>538,964</u>	<u>66,590</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Home Instruction:					
Salaries of Teachers - Home Instruction	\$ 1,400		\$ 1,400	\$ 116	\$ 1,284
Total Home Instruction	<u>1,400</u>		<u>1,400</u>	<u>116</u>	<u>1,284</u>
Total Special Education - Instruction	655,659	\$ (48,705)	606,954	539,080	67,874
School-Sponsored Cocurricular Activities:					
Salaries	53,608		53,608	50,293	3,315
Purchased Services		250	250	250	
Supplies and Materials	5,825		5,825		5,825
Other Objects	500		500	240	260
Total School-Sponsored Cocurricular Activities	<u>59,933</u>	<u>250</u>	<u>60,183</u>	<u>50,783</u>	<u>9,400</u>
School-Sponsored Athletics:					
Salaries	41,773		41,773	32,637	9,136
Purchased Services	3,912		3,912		3,912
Supplies and Materials	2,275	1,000	3,275	2,924	351
Other Objects	2,342	(1,000)	1,342	175	1,167
Total School-Sponsored Athletics	<u>50,302</u>		<u>50,302</u>	<u>35,736</u>	<u>14,566</u>
Total Instruction	<u>4,298,476</u>	<u>(61,656)</u>	<u>4,236,820</u>	<u>4,122,712</u>	<u>114,108</u>
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State - Special	97,314	2,000	99,314	95,811	3,503
Tuition to Private Schools for the Disabled Within the State	446,018	71,000	517,018	503,198	13,820
Total Undistributed Expenditures - Instruction	<u>543,332</u>	<u>73,000</u>	<u>616,332</u>	<u>599,009</u>	<u>17,323</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Health Services:					
Salaries	\$ 131,700	\$ 1,014	\$ 132,714	\$ 132,714	
Purchased Professional and Technical Services	4,000		4,000	4,000	
Supplies and Materials	2,800	24	2,824	2,753	\$ 71
Total Health Services	<u>138,500</u>	<u>1,038</u>	<u>139,538</u>	<u>139,467</u>	<u>71</u>
Speech, OT, PT and Related Services:					
Salaries	63,125	1,800	64,925	64,925	
Purchased Professional - Educational Services	4,176	30,016	34,192	18,048	16,144
Supplies and Materials	400		400	285	115
Total Speech, OT, PT and Related Services	<u>67,701</u>	<u>31,816</u>	<u>99,517</u>	<u>83,258</u>	<u>16,259</u>
Students - Extraordinary Services:					
Salaries	240		240		240
Purchased Professional - Educational Services	93,294	(22,302)	70,992	69,792	1,200
Supplies and Materials	600		600	319	281
Total Students - Extraordinary Services	<u>94,134</u>	<u>(22,302)</u>	<u>71,832</u>	<u>70,111</u>	<u>1,721</u>
Guidance Services:					
Salaries of Other Professional Staff	63,215	34,641	97,856	97,856	
Other Purchased Professional and Technical Services	1,400	(1,400)			
Salaries of Secretarial & Clerical Assistants	28,842	(18,073)	10,769	9,529	1,240
Supplies and Materials	4,050	1,377	5,427	5,427	
Other Objects	800		800	650	150
Total Guidance Services	<u>98,307</u>	<u>16,545</u>	<u>114,852</u>	<u>113,462</u>	<u>1,390</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Child Study Team:					
Salaries of Other Professional Staff	\$ 236,345	\$ 17,059	\$ 253,404	\$ 236,886	\$ 16,518
Salaries of Secretarial and Clerical Assistants	43,076		43,076	43,076	
Purchased Professional - Educational Services	9,588	20,360	29,948	29,326	622
Miscellaneous Purchased Services (Other than Residential Costs)	325	6,890	7,215	7,117	98
Supplies and Materials	3,024	1,000	4,024	3,898	126
Other Objects	502		502	374	128
Total Child Study Team	292,860	45,309	338,169	320,677	17,492
Improvement of Instructional Staff:					
Salaries of Other Professional Staff	31,233		31,233	20,597	10,636
Salaries of Secretarial and Clerical Assistants	22,365		22,365	22,365	
Other Salaries	115,640		115,640	115,640	
Purchased Professional - Educational Services	2,383		2,383	2,112	271
Other Purchased Services	4,875		4,875	1,910	2,965
Supplies and Materials	1,438		1,438	928	510
Other Objects	811		811	354	457
Total Improvement of Instructional Staff	178,745		178,745	163,906	14,839
Educational Media Services/School Library:					
Salaries	93,675		93,675	93,579	96
Salaries of Technology Coordinators	70,930		70,930	70,930	
Other Purchased Services	61,503	(25,714)	35,789	26,379	9,410
Supplies and Materials	12,350	(3,221)	9,129	8,631	498
Other Objects	525		525	525	
Total Educational Media Services/School Library	238,983	(28,935)	210,048	200,044	10,004

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Instructional Staff Training Services:					
Other Purchased Services	\$ 8,000	\$ 4,000	\$ 12,000	\$ 6,254	\$ 5,746
Total Instructional Staff Training Services	8,000	4,000	12,000	6,254	5,746
Support Services - General Administration:					
Salaries	214,787	4,493	219,280	219,280	
Legal Services	25,000	20,480	45,480	43,995	1,485
Audit Fees	19,916		19,916	19,915	1
Other Purchased Professional Services		9,500	9,500	9,500	
Communications/Telephone	25,802	(8,577)	17,225	17,095	130
Other Purchased Services (400-500 series)	48,244	(6,645)	41,599	40,690	909
General Supplies	4,000		4,000	3,621	379
BOE In-House Training/Meeting Supplies	1,000	200	1,200	1,191	9
Miscellaneous Expenditures	7,000		7,000	6,905	95
BOE Membership Dues and Fees	5,456	(2,298)	3,158	988	2,170
Total Support Services - General Administration	351,205	17,153	368,358	363,180	5,178
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	254,750	4,491	259,241	259,241	
Salaries of Secretarial and Clerical Assistants	97,174	19,347	116,521	116,521	
Other Purchased Services	19,201	(2,695)	16,506	16,206	300
Supplies and Materials	5,200	766	5,966	5,960	6
Other Objects	6,670	479	7,149	4,800	2,349
Total Support Services - School Administration	382,995	22,388	405,383	402,728	2,655

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Support Services - Central Services:					
Salaries	\$ 171,888	\$ 20,795	\$ 192,683	\$ 190,667	2,016
Purchased Professional Services	6,600	2,048	8,648	8,648	
Miscellaneous Purchased Services	3,372		3,372	2,927	\$ 445
Supplies and Materials	3,500	3,385	6,885	3,891	2,994
Miscellaneous Expenditures	2,291		2,291	1,638	653
Total Support Services - Central Services	187,651	26,228	213,879	207,771	6,108
Custodial Services:					
Salaries	292,093	52	292,145	255,394	36,751
Purchased Professional Services	5,800	(266)	5,534		5,534
Cleaning, Repair and Maintenance Services	15,081	(143)	14,938	11,266	3,672
Other Purchased Property Services	18,750	1,005	19,755	19,319	436
Insurance	35,659	(11,250)	24,409	21,186	3,223
Miscellaneous Purchased Services	600	250	850	825	25
General Supplies	32,613	(1,241)	31,372	27,706	3,666
Energy (Electricity)	144,941	(14,036)	130,905	114,810	16,095
Energy (Natural Gas)	110,017	(43,005)	67,012	29,702	37,310
Total Custodial Services	655,554	(68,634)	586,920	480,208	106,712
Required Maintenance of School Facilities:					
Salaries	81,938		81,938	62,000	19,938
Cleaning, Repair and Maintenance Services	103,265	680	103,945	78,516	25,429
Other Purchased Services	125	100	225	225	
General Supplies	12,000	1,143	13,143	11,377	1,766
Total Required Maintenance of School Facilities	197,328	1,923	199,251	152,118	47,133
Care and Upkeep of Grounds:					
Cleaning, Repair & Maintenance Services	5,000	(1)	4,999	4,918	81
Total Care and Upkeep of Grounds	5,000	(1)	4,999	4,918	81

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Student Transportation Services:					
Other than Between Home and School - Vendors	\$ 17,069		\$ 17,069	\$ 15,487	\$ 1,582
Between Home and School - Joint Agreements	83,743	\$ (885)	82,858	68,527	14,331
Special Education Students - ESCs and CTSAAs	147,503	(10,433)	137,070	135,766	1,304
Aid in Lieu Payments - Non-Public School	14,383	11,485	25,868	25,212	656
Total Student Transportation Services	<u>262,698</u>	<u>167</u>	<u>262,865</u>	<u>244,992</u>	<u>17,873</u>
Allocated Benefits:					
Regular Programs - Instruction:					
Social Security Contributions	25,145	13,096	38,241	38,241	
Other Retirement Contributions - PERS	13,755	(650)	13,105	13,105	
Workmen's Compensation	26,813		26,813	26,813	
Health Benefits	823,717	(97,247)	726,470	726,470	
Other Employee Benefits		789	789	789	
Total Regular Programs - Instruction	<u>889,430</u>	<u>(84,012)</u>	<u>805,418</u>	<u>805,418</u>	
Special Programs - Instruction:					
Social Security Contributions	4,068	9,467	13,535	13,535	
Workmen's Compensation	5,284		5,284	5,284	
Health Benefits	148,492	(8,467)	140,025	110,318	29,707
Total Special Programs - Instruction	<u>157,844</u>	<u>1,000</u>	<u>158,844</u>	<u>129,137</u>	<u>29,707</u>
Other Instructional Programs - Instruction:					
Social Security Contributions	6,233		6,233	3,164	3,069
Total Instructional Programs - Instruction	<u>6,233</u>		<u>6,233</u>	<u>3,164</u>	<u>3,069</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Allocated Benefits:					
Health Services:					
Workmen's Compensation	\$ 1,002		\$ 1,002	\$ 1,002	
Health Benefits	47,497	\$ (10,000)	37,497	37,497	
Total Health Services	48,499	(10,000)	38,499	38,499	
Other Support Services - Speech, OT, PT and Related Services:					
Workmen's Compensation	489		489	489	
Health Benefits	16,900		16,900	16,900	
Total Other Support Services - Speech, OT, PT and Related Services	17,389		17,389	17,389	
Guidance Services:					
Workmen's Compensation	479		479	479	
Health Benefits	16,900		16,900	16,900	
Total Guidance Services	17,379		17,379	17,379	
Child Study Team:					
Social Security Contributions	3,744		3,744	3,744	
Other Retirement Contributions - PERS	7,220		7,220	7,220	
Workmen's Compensation	2,280		2,280	2,280	
Health Benefits	88,160	(7,800)	80,360	78,160	\$ 2,200
Total Child Study Team	101,404	(7,800)	93,604	91,404	2,200
Improvement of Instruction Services:					
Social Security Contributions	2,849		2,849	2,849	
Other Retirement Contributions - PERS	3,011		3,011	3,011	
Workmen's Compensation	1,107		1,107	1,107	
Health Benefits	47,631	(10,400)	37,231	32,631	4,600
Tuition Reimbursement	7,500	6,276	13,776	13,776	
Total Improvement of Instruction Services	62,098	(4,124)	57,974	53,374	4,600

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Allocated Benefits:					
Educational Media Services/School Library:					
Social Security Contributions	\$ 6,557		\$ 6,557	\$ 6,557	
Other Retirement Contributions - PERS	6,116		6,116	6,116	
Workmen's Compensation	1,451		1,451	1,451	
Health Benefits	67,300		67,300	67,300	
Total Educational Media Services/School Library	<u>81,424</u>		<u>81,424</u>	<u>81,424</u>	
Support Services - General Administration:					
Social Security Contributions	4,183		4,183	4,183	
Other Retirement Contributions - PERS	3,933	\$ 10,467	14,400	14,400	
Workmen's Compensation	1,717		1,717	1,717	
Health Benefits	44,162		44,162	44,162	
Total General Administration	<u>53,995</u>	<u>10,467</u>	<u>64,462</u>	<u>64,462</u>	
Support Services - School Administration:					
Social Security Contributions	8,751		8,751	8,751	
Other Retirement Contributions - PERS	8,919	7,812	16,731	16,731	
Workmen's Compensation	2,985		2,985	2,985	
Health Benefits	92,521	(21,401)	71,120	63,776	\$ 7,344
Total School Administration	<u>113,176</u>	<u>(13,589)</u>	<u>99,587</u>	<u>92,243</u>	<u>7,344</u>
Support Services - Central Services:					
Social Security Contributions	4,139		4,139	4,139	
Other Retirement Contributions - PERS	4,219		4,219	4,219	
Workmen's Compensation	1,683		1,683	1,683	
Health Benefits	36,938	(9,079)	27,859	26,938	921
Total Central Services	<u>46,979</u>	<u>(9,079)</u>	<u>37,900</u>	<u>36,979</u>	<u>921</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Allocated Benefits:					
Operation and Maintenance of Plant Services:					
Social Security Contributions	\$ 23,684		\$ 23,684	\$ 23,684	
Other Retirement Contributions - PERS	35,934	\$ (24,034)	11,900	11,602	\$ 298
Workmen's Compensation	15,724	(52)	15,672	14,724	948
Health Benefits	<u>157,000</u>		<u>157,000</u>	<u>150,421</u>	<u>6,579</u>
Total Operation and Maintenance of Plant Services	<u>232,342</u>	<u>(24,086)</u>	<u>208,256</u>	<u>200,431</u>	<u>7,825</u>
Unallocated Benefits:					
Tuition Reimbursement	<u>25,000</u>	<u>(6,276)</u>	<u>18,724</u>	<u>16,195</u>	<u>2,529</u>
Total Unallocated Benefits	<u>25,000</u>	<u>(6,276)</u>	<u>18,724</u>	<u>16,195</u>	<u>2,529</u>
On-Behalf Contributions:					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				233,793	(233,793)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				371,148	(371,148)
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				<u>313,431</u>	<u>(313,431)</u>
Total On-Behalf Contributions				<u>918,372</u>	<u>(918,372)</u>
Total Personal Services - Employee Benefits	<u>1,853,192</u>	<u>(147,499)</u>	<u>1,705,693</u>	<u>2,565,870</u>	<u>(860,177)</u>
Total Undistributed Expenditures	<u>5,556,185</u>	<u>(74,386)</u>	<u>5,481,799</u>	<u>6,117,973</u>	<u>(636,174)</u>
Total Current Expense	<u>9,854,661</u>	<u>(136,042)</u>	<u>9,718,619</u>	<u>10,240,685</u>	<u>(522,066)</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital Outlay:					
Equipment:					
Undistributed Expenditures:					
Care and Upkeep of Grounds	\$ 6,000	\$ 25,200	\$ 31,200	\$ 8,129	\$ 23,071
Total Equipment	6,000	25,200	31,200	8,129	23,071
Facilities Acquisition and Construction Services:					
Architectural / Engineering Services	28,800	8,932	37,732	37,732	
Other Objects- Debt Service Assessment	33,463		33,463	33,463	
Construction Services	331,200	(11,132)	320,068	450,650	(130,582)
Total Facilities Acquisition and Construction Services	393,463	(2,200)	391,263	521,845	(130,582)
Total Capital Outlay	399,463	23,000	422,463	529,974	(107,511)
Total Expenditures	10,254,124	(5,531)	10,248,593	10,770,659	(522,066)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(550,590)	5,531	(545,059)	(87,832)	457,227
Other Financing Uses:					
Operating Transfers:					
Transfer to Food Service Enterprise Fund		(5,531)	(5,531)	(5,531)	
Transfer from Capital Reserve to Capital Projects Fund	(274,199)		(274,199)	(274,199)	
Total Other Financing Uses	(274,199)	(5,531)	(279,730)	(279,730)	
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing (Uses)	(824,789)		(824,789)	(367,562)	457,227
Fund Balance, July 1	1,708,089		1,708,089	1,708,089	
Fund Balance, June 30	\$ 883,300	\$ -0-	\$ 883,300	\$ 1,340,527	\$ 457,227

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Recapitulation:

Restricted for:	
Maintenance Reserve Account	\$ 45,598
Capital Reserve Account	785,266
Excess Surplus - Designated for Subsequent Year's Expenditures	156,263
Assigned Fund Balance:	
Year End Encumbrances	31,115
Unassigned	<u>322,285</u>
	1,340,527
Reconciliation to Governmental Fund Statement (GAAP):	
Last Two State Aid Payments not Recognized on a GAAP Basis	<u>(19,784)</u>
Fund Balance per Governmental Funds (GAAP)	<u><u>\$ 1,320,743</u></u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenue:					
Local Sources	\$ 7,100	\$ (5,055)	\$ 2,045	\$ 1,907	\$ (138)
State Sources	85,108	13,708	98,816	80,310	(18,506)
Federal Sources	155,000	52,946	207,946	184,111	(23,835)
Total Revenue	<u>247,208</u>	<u>61,599</u>	<u>308,807</u>	<u>266,328</u>	<u>(42,479)</u>
Expenditures:					
Instruction:					
Salaries of Teachers	24,220	2,458	26,678	24,113	2,565
Tuition	131,471	(23,286)	108,185	108,185	
Supplies and Materials	13,113	(668)	12,445	9,235	3,210
Textbooks	13,644		13,644	13,644	
Other Objects	15,229		15,229	15,229	
Total Instruction	<u>197,677</u>	<u>(21,496)</u>	<u>176,181</u>	<u>170,406</u>	<u>5,775</u>
Support Services:					
Salaries of Other Professional Staff	12,575	27,697	40,272	26,846	13,426
Purchased Professional/Educational Services	27,446	29,299	56,745	35,641	21,104
Other Purchased Services	9,510		9,510	7,832	1,678
Supplies and Materials		26,099	26,099	25,603	496
Total Support Services	<u>49,531</u>	<u>83,095</u>	<u>132,626</u>	<u>95,922</u>	<u>36,704</u>
Total Expenditures	<u>247,208</u>	<u>61,599</u>	<u>308,807</u>	<u>266,328</u>	<u>42,479</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

MENDHAM BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 10,682,827	\$ 266,328
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary basis recognizes Encumbrances and Revenue whereas the GAAP Basis does not.		(12,232)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	18,638	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(19,784)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 10,681,681	\$ 254,096
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 10,770,659	\$ 266,328
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(12,232)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 10,770,659	\$ 254,096

MENDHAM BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2015 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest of (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

MENDHAM BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Title II A	No Child Left Behind Title I	Title I - High Progress Award	Nonpublic Technology	Nonpublic Nursing
REVENUE:					
Local Sources					
State Sources				\$ 7,328	\$ 21,721
Federal Sources	\$ 7,832	\$ 6,850	\$ 25,603		
Total Revenue	<u>7,832</u>	<u>6,850</u>	<u>25,603</u>	<u>7,328</u>	<u>21,721</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers		6,850			
Tuition					
General Supplies				7,328	
Textbooks					
Other Objects					
Total Instruction		<u>6,850</u>		<u>7,328</u>	
Support Services:					
Salaries of Other Professional Staff					21,721
Purchased Professional/Educational Services					
Other Purchased Services	7,832				
Supplies and Materials			25,603		
Total Support Services	<u>7,832</u>		<u>25,603</u>		<u>21,721</u>
Total Expenditures	<u>\$ 7,832</u>	<u>\$ 6,850</u>	<u>\$ 25,603</u>	<u>\$ 7,328</u>	<u>\$ 21,721</u>

MENDHAM BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Nonpublic Textbooks	Chapter 192, Auxiliary Services Compensatory Education	Chapter 193, Handicapped Services Examination/ Classification	Supplemental Instruction	STEM Grant
REVENUE:					
Local Sources					\$ 896
State Sources	\$ 13,644	\$ 15,229	\$ 5,125	\$ 17,263	
Federal Sources					
Total Revenue	<u>13,644</u>	<u>15,229</u>	<u>5,125</u>	<u>17,263</u>	<u>896</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers				17,263	
Tuition					
General Supplies					896
Textbooks	13,644				
Other Objects		15,229			
Total Instruction	<u>13,644</u>	<u>15,229</u>		<u>17,263</u>	<u>896</u>
Support Services:					
Salaries of Other Professional Staff			5,125		
Purchased Professional/Educational Services					
Other Purchased Services					
Supplies and Materials					
Total Support Services			<u>5,125</u>		
Total Expenditures	<u>\$ 13,644</u>	<u>\$ 15,229</u>	<u>\$ 5,125</u>	<u>\$ 17,263</u>	<u>\$ 896</u>

MENDHAM BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>H.S.A. Grant</u>	<u>IDEA Part B Preschool</u>	<u>IDEA Part B Basic</u>	<u>Totals June 30, 2015</u>
REVENUE:				
Local Sources	\$ 1,011			\$ 1,907
State Sources				80,310
Federal Sources		\$ 5,799	\$ 138,027	184,111
Total Revenue	<u>1,011</u>	<u>5,799</u>	<u>138,027</u>	<u>266,328</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers				24,113
Tuition		5,799	102,386	108,185
General Supplies	1,011			9,235
Textbooks				13,644
Other Objects				15,229
Total Instruction	<u>1,011</u>	<u>5,799</u>	<u>102,386</u>	<u>170,406</u>
Support Services:				
Salaries of Other Professional Staff				26,846
Purchased Professional/Educational Services			35,641	35,641
Other Purchased Services				7,832
Supplies and Materials				25,603
Total Support Services			<u>35,641</u>	<u>95,922</u>
Total Expenditures	<u>\$ 1,011</u>	<u>\$ 5,799</u>	<u>\$ 138,027</u>	<u>\$ 266,328</u>

CAPITAL PROJECTS FUND

MENDHAM BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE- BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ 127,696
Transfers from Capital Reserve	274,199
Interest Income	<u>167</u>
Total Revenue and Other Financing Sources	<u>402,062</u>
Expenditures:	
Purchased Professional and Technical Services	25,365
Construction Services	<u>293,875</u>
Total Expenditures and Other Financing Sources	<u>319,240</u>
Excess of Revenues Over Expenditures	<u>82,822</u>
Other Financing Uses:	
Operating Transfers Out:	
Debt Service Fund	<u>(167)</u>
Total Other Financing Uses	<u>(167)</u>
Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	<u>82,655</u>
Fund Balance - Beginning of Year	<u>-0-</u>
Fund Balance - End of Year	<u><u>\$ 82,655</u></u>

MENDHAM BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
HILLTOP ELEMENTARY MASONRY REPAIR/ WINDOW REPAIR/REPLACEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Additional Project Information:

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

PROPRIETARY FUNDS

Exhibit G-1

MENDHAM BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS:

Current Assets:

Cash and Cash Equivalents
 Inventories

\$ 2,017
 3,610

Total Current Assets

5,627

Capital Assets:

Equipment
 Accumulated Depreciation

98,529
(78,113)

Total Capital Assets

20,416

Total Assets

26,043

LIABILITIES:

Current Liabilities:

Unearned Revenue - Prepaid Sales

3,939

Total Liabilities

3,939

NET POSITION:

Net Investment in Capital Assets
 Unrestricted

20,416
1,688

Total Net Position

\$ 22,104

Exhibit G-2

MENDHAM BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Operating revenue	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 138,880
Other Non-Reimbursable Sales	7,577
	<hr/>
Total Operating Revenue	146,457
	<hr/>
Operating Expenses:	
Cost of Sales	72,713
Salaries, Benefits & Payroll Taxes	49,205
Supplies, Insurance & Other Costs	5,111
Management Fee	13,079
Depreciation	4,692
Miscellaneous Expenses	3,608
	<hr/>
Total Operating Expenses	148,408
	<hr/>
Operating Loss	(1,951)
	<hr/>
Non-Operating Revenue	
Local Sources:	
Interest Income	4
	<hr/>
Total Non-Operating Revenue	4
	<hr/>
Net Loss Before Operating Transfers	(1,947)
	<hr/>
Operating Transfers from General Fund	5,531
	<hr/>
Change in Net Position after Transfers	3,584
	<hr/>
Change in Net Capital Assets Valuation	(2,250)
	<hr/>
Net Position - Beginning of Year	20,770
	<hr/>
Net Position - End of Year	\$ 22,104
	<hr/> <hr/>

Exhibit G-3

MENDHAM BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Cash Flows From Operating Activities:	
Receipts from Customers	\$ 146,457
Payments to Food Service Vendor	(142,133)
Payments to Suppliers	(3,608)
Net Cash Used for Operating Activities	<u>716</u>
Cash Flows From Investing Activities:	
Interest Income	4
Net Cash Provided by Investing Activities	<u>4</u>
Cash Flows used for Capital Financing Activities:	
Acquisition of Capital Assets	(5,629)
Net Cash Used for Capital Financing Activities	<u>(5,629)</u>
Cash Flows from Noncapital Financing Activities:	
Operating Transfers from General Fund	5,531
Net Cash Provided by Noncapital Financing Activities	<u>5,531</u>
Net Increase in Cash and Cash Equivalents	622
Cash and Cash Equivalents, July 1	<u>1,395</u>
Cash and Cash Equivalents, June 30	<u>\$ 2,017</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (1,951)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	4,692
Food Distribution Program	
Changes in Assets and Liabilities:	
Decrease in Inventory	68
(Decrease) in Accounts Payable	(2,662)
Increase in Prepaid Sales	569
Net Cash Used for Operating Activities	<u>\$ 716</u>

FIDUCIARY FUNDS

MENDHAM BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Payroll</u>	<u>Agency Student Activities</u>	<u>Total Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 54,375	\$ 64,738	\$ 119,113	\$ 16,908	\$ 50,993
Total Assets	<u>54,375</u>	<u>64,738</u>	<u>119,113</u>	<u>16,908</u>	<u>50,993</u>
<u>LIABILITIES:</u>					
Payroll Deductions and Withholdings Due to Student Groups	54,375	64,738	54,375 64,738		
Total Liabilities	<u>54,375</u>	<u>64,738</u>	<u>119,113</u>		
<u>NET POSITION:</u>					
Held in Trust for Flexible Spending Claims				16,908	
Restricted for Unemployment Claims					50,993
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 16,908</u>	<u>\$ 50,993</u>

MENDHAM BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGE IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Flexible Spending Trust	Unemployment Compensation Trust
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Plan Contributions	\$ 28,749	
Total Contributions	<u>28,749</u>	
Investment Earnings:		
Interest	6	\$ 57
Net Investment Earnings	<u>6</u>	<u>57</u>
Total Additions	<u>28,755</u>	<u>57</u>
Deductions:		
Flexible Spending Claims	19,490	
Unemployment Compensation Claims		55,918
Total Deductions	<u>19,490</u>	<u>55,918</u>
Change in Net Position	9,265	(55,861)
Net Position - Beginning of the Year	<u>7,643</u>	<u>106,854</u>
Net Position - End of the Year	<u>\$ 16,908</u>	<u>\$ 50,993</u>

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

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 60,703	\$ 136,072	\$ 132,037	\$ 64,738
Total Assets	<u>\$ 60,703</u>	<u>\$ 136,072</u>	<u>\$ 132,037</u>	<u>\$ 64,738</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 60,703	\$ 136,072	\$ 132,037	\$ 64,738
Total Liabilities	<u>\$ 60,703</u>	<u>\$ 136,072</u>	<u>\$ 132,037</u>	<u>\$ 64,738</u>

Exhibit H-4

MENDHAM BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

<u>Schools</u>	<u>Balance June 30, 2014</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2015</u>
Hilltop	\$ 6,274	\$ 16,296	\$ 14,554	\$ 8,016
Mountain View	47,558	109,938	103,268	54,228
Mountain View - Pay to Play	6,871	9,838	14,215	2,494
	<u>\$ 60,703</u>	<u>\$ 136,072</u>	<u>\$ 132,037</u>	<u>\$ 64,738</u>

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

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 230	\$ 2,950,653	\$ 2,896,508	\$ 54,375
Total Assets	<u>\$ 230</u>	<u>\$ 2,950,653</u>	<u>\$ 2,896,508</u>	<u>\$ 54,375</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 230	\$ 2,950,653	\$ 2,896,508	\$ 54,375
Total Liabilities	<u>\$ 230</u>	<u>\$ 2,950,653</u>	<u>\$ 2,896,508</u>	<u>\$ 54,375</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2015		Interest Rate	Balance June 30, 2014	Issued	Defeased	Matured	Balance June 30, 2015
			Date	Amount						
Refunding of 03/01/2001 Bonds	11/03/2005	\$ 9,160,000				\$ 7,145,000		\$ 6,515,000	\$ 630,000	
2014 Series Refunding Bonds	12/02/2014	6,075,000	3/1/2016	\$ 585,000	4.000%		\$ 6,075,000		10,000	\$ 6,065,000
			3/1/2017	585,000	4.000%					
			3/1/2018	575,000	5.000%					
			3/1/2019	575,000	5.000%					
			3/1/2020	575,000	5.000%					
			3/1/2021	575,000	5.000%					
			3/1/2022	570,000	3.000%					
			3/1/2023	560,000	4.000%					
			3/1/2024	555,000	3.000%					
			3/1/2025	540,000	3.000%					
			3/1/2026	370,000	3.000%					
						<u>\$ 7,145,000</u>	<u>\$ 6,075,000</u>	<u>\$ 6,515,000</u>	<u>\$ 640,000</u>	<u>\$ 6,065,000</u>

MENDHAM BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Original Budget	Final Budget	Actual	Variance Final to Actual
REVENUE:				
Local Sources:				
Local Tax Levy	\$ 925,144	\$ 925,144	\$ 925,144	
Miscellaneous			4,746	\$ 4,746
Total Revenue	925,144	925,144	929,890	4,746
EXPENDITURES:				
Regular Debt Service:				
Interest	295,144	285,144	220,852	64,292
Redemption of Principal	630,000	640,000	640,000	
Total Regular Debt Service	925,144	925,144	860,852	64,292
Total Expenditures	925,144	925,144	860,852	64,292
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	-0-	-0-	69,038	69,038
Other Financing Sources:				
Serial Bonds Issued			6,075,000	6,075,000
Bond Premium			656,691	656,691
Serial Bonds Defeased			(6,515,000)	(6,515,000)
Bond Issuance Costs			(81,699)	(81,699)
Deferred Interest			(134,992)	(134,992)
Transfer In- Capital Projects Fund			167	167
Total Other Financing Sources	-0-	-0-	167	167
Excess of Revenues and Other Financing Sources Over Expenditures	-0-	-0-	69,205	69,205
Fund Balance, July 1	160	160	160	-0-
Fund Balance, June 30	\$ 160	\$ 160	\$ 69,365	\$ 69,205
<u>Recapitulation:</u>				
Restricted			\$ 69,365	

STATISTICAL SECTION
(UNAUDITED)

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-20

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

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

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014*	2015
Governmental Activities:										
Net Investment in Capital Assets	\$ 2,449,320	\$ 2,579,193	\$ 3,059,808	\$ 2,987,309	\$ 3,171,978	\$ 3,406,302	\$ 3,712,067	\$ 4,043,186	\$ 1,939,282	\$ 3,533,362
Restricted	816,402	612,149	651,574	554,906	474,633	530,484	1,108,069	1,535,080	1,208,453	1,056,492
Unrestricted (Deficit)	141,470	357,762	2,157	173,945	48,050	89,292	63,644	(13,514)	(1,794,337)	(2,312,981)
Total Governmental Activities Net Position	\$ 3,407,192	\$ 3,549,104	\$ 3,713,539	\$ 3,716,160	\$ 3,694,661	\$ 4,026,078	\$ 4,883,780	\$ 5,564,752	\$ 1,353,398	\$ 2,276,873
Business-Type Activities:										
Net Investment in Capital Assets	\$ 4,865	\$ 9,872	\$ 49,436	\$ 41,837	\$ 34,981	\$ 28,722	\$ 22,695	\$ 16,668	\$ 21,729	\$ 20,416
Unrestricted/(Deficit)	19,733	17,501	15,244	20,353	4,990	4,707	2,688	(959)	1,688	
Total Business-Type Activities Net Position	\$ 24,598	\$ 27,373	\$ 64,680	\$ 62,190	\$ 34,981	\$ 33,712	\$ 27,402	\$ 19,356	\$ 20,770	\$ 22,104
District-Wide:										
Net Investment in Capital Assets	\$ 2,454,185	\$ 2,589,065	\$ 3,109,244	\$ 3,029,146	\$ 3,206,959	\$ 3,435,024	\$ 3,734,762	\$ 4,059,854	\$ 1,961,011	\$ 3,553,778
Restricted	816,402	612,149	651,574	554,906	474,633	530,484	1,108,069	1,535,080	1,208,453	1,056,492
Unrestricted (Deficit)	161,203	375,263	17,401	194,298	48,050	94,282	68,351	(10,826)	(1,795,296)	(2,311,293)
Total District Net Position	\$ 3,431,790	\$ 3,576,477	\$ 3,778,219	\$ 3,778,350	\$ 3,729,642	\$ 4,059,790	\$ 4,911,182	\$ 5,584,108	\$ 1,374,168	\$ 2,298,977

* Restated

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental Activities										
Instruction:										
Regular	\$ 3,795,440	\$ 4,175,710	\$ 4,300,858	\$ 4,438,276	\$ 4,503,614	\$ 4,542,658	\$ 4,684,574	\$ 4,883,460	\$ 4,869,654	\$ 5,751,753
Special Education	563,321	638,325	782,622	1,007,947	1,075,788	854,210	851,995	964,696	925,829	916,686
Other Special Instruction	77,152	82,385								
School-Sponsored/Other Instruction	43,920	57,817	222,649	195,328	86,422	39,960	68,081	106,104	107,527	89,683
Support Services:										
Tuition	199,272	241,834	74,817	232,066	307,477	286,933	421,473	335,006	582,042	708,090
Student & Instruction Related Services	1,195,084	1,158,322	1,381,013	1,314,469	1,657,900	1,459,793	1,413,630	1,481,159	1,522,972	1,861,931
General Administrative Services	445,603	510,790	548,161	463,694	518,311	472,335	458,764	396,745	476,372	441,942
School Administrative Services	491,279	523,750	508,387	495,115	482,443	491,812	405,599	486,753	500,426	491,406
Plant Operations and Maintenance	1,170,148	1,431,159	1,445,786	1,254,143	1,182,325	1,252,281	1,180,338	1,240,889	1,031,072	1,211,672
Pupil Transportation	137,432	202,206	220,345	294,656	274,925	188,904	211,566	209,032	257,778	240,034
Central Services	311,125	366,482	376,971	319,487	200,295	210,273	219,915	227,674	235,687	244,826
Capital Outlay		17,127	33,451	19,576	21,501	50,142		22,076	33,463	
Interest on Long- Term Debt	645,985	527,353	414,614	506,417	486,309	445,265	372,795	334,369	311,544	160,746
Total Governmental Activities Expenses	9,075,761	9,933,260	10,309,674	10,541,174	10,797,310	10,294,566	10,288,730	10,687,963	10,854,366	12,118,769
Business-Type Activities:										
Food Service	130,706	134,283	140,159	145,000	168,642	187,226	185,207	170,442	163,459	148,408
Total Business-type Activities Expense	130,706	134,283	140,159	145,000	168,642	187,226	185,207	170,442	163,459	148,408
Total District Expenses	\$ 9,206,467	\$ 10,067,543	\$ 10,449,833	\$ 10,686,174	\$ 10,965,952	\$ 10,481,792	\$ 10,473,937	\$ 10,858,405	\$ 11,017,825	\$ 12,267,177

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Program Revenues										
Governmental Activities:										
Charges for Services:										
Tuition									\$ 50,000	\$ 54,165
Plant Operations and Maintenance	\$ 7,460									
Operating Grants and Contributions	1,140,966	\$ 1,441,984	\$ 1,476,123	\$ 1,354,726	\$ 1,327,852	\$ 1,122,234	\$ 1,358,063	\$ 1,504,664	1,422,571	2,580,280
Capital Grants and Contributions						33,920	4,320			
Total Governmental Activities Program Revenues	<u>1,148,426</u>	<u>1,441,984</u>	<u>1,476,123</u>	<u>1,354,726</u>	<u>1,327,852</u>	<u>1,156,154</u>	<u>1,362,383</u>	<u>1,504,664</u>	<u>1,472,571</u>	<u>2,634,445</u>
Business-Type Activities:										
Charges for Services:										
Food Service	124,823	125,153	124,296	136,251	131,821	165,529	154,885	147,012	144,663	138,880
Operating Grants and Contributions	4,913	4,937	5,802	6,207	5,015	13,433	13,438	10		
Total Business-type Activities Program Revenues	<u>129,736</u>	<u>130,090</u>	<u>130,098</u>	<u>142,458</u>	<u>136,836</u>	<u>178,962</u>	<u>168,323</u>	<u>147,022</u>	<u>144,663</u>	<u>138,880</u>
Total District Program Revenues	<u>\$ 1,278,162</u>	<u>\$ 1,572,074</u>	<u>\$ 1,606,221</u>	<u>\$ 1,497,184</u>	<u>\$ 1,464,688</u>	<u>\$ 1,335,116</u>	<u>\$ 1,530,706</u>	<u>\$ 1,651,686</u>	<u>\$ 1,617,234</u>	<u>\$ 2,773,325</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (7,927,335)	\$ (8,491,276)	\$ (8,833,551)	\$ (9,186,448)	\$ (9,469,458)	\$ (9,138,412)	\$ (8,926,347)	\$ (9,183,299)	\$ (9,381,795)	\$ (9,484,324)
Business-type Activities	(970)	(4,193)	(10,061)	(2,542)	(31,806)	(8,264)	(16,884)	(23,420)	(18,796)	(9,528)
Total District-wide Net Expense	<u>\$ (7,928,305)</u>	<u>\$ (8,495,469)</u>	<u>\$ (8,843,612)</u>	<u>\$ (9,188,990)</u>	<u>\$ (9,501,264)</u>	<u>\$ (9,146,676)</u>	<u>\$ (8,943,231)</u>	<u>\$ (9,206,719)</u>	<u>\$ (9,400,591)</u>	<u>\$ (9,493,852)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 7,211,762	\$ 7,528,966	\$ 7,906,241	\$ 8,222,491	\$ 8,516,489	\$ 8,630,149	\$ 8,802,752	\$ 8,890,779	\$ 8,890,779	\$ 9,328,709
Taxes Levied for Debt Service	905,038	870,738	895,943	903,250	914,513	916,656	921,981	926,681	934,744	925,144
Federal and State Aid not Restricted	52,018	84,330	97,675	26,086	30,581					127,696
Investment Earnings	12,019	86,657	61,860	15,530	9,973	5,238	3,958	2,663	2,789	1,773
Miscellaneous Income	39,874	62,497	36,267	41,712	30,924	46,995	55,358	44,148	102,925	30,008
Cancellation of State Receivable	(9,292)									
Transfers				(20,000)	(54,521)	(129,209)				(5,531)
Total Governmental Activities	<u>\$ 8,211,419</u>	<u>\$ 8,633,188</u>	<u>\$ 8,997,986</u>	<u>\$ 9,189,069</u>	<u>\$ 9,447,959</u>	<u>\$ 9,469,829</u>	<u>\$ 9,784,049</u>	<u>\$ 9,864,271</u>	<u>\$ 9,931,237</u>	<u>\$ 10,407,799</u>

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-Type Activities:										
Investment Earnings	\$ 50	\$ 68	\$ 59	\$ 52	\$ 27	\$ 17				
Contributed Capital		6,900	47,309							
Miscellaneous Income					49	2,769	\$ 10,574	\$ 15,374	\$ 20,210	\$ 7,581
Transfers					4,521	4,209				5,531
Total Business-Type Activities	50	6,968	47,368	52	4,597	6,995	10,574	15,374	20,210	13,112
Total District-Wide General Revenue	8,211,469	8,640,156	9,045,354	9,189,121	9,452,556	9,476,824	9,794,623	9,879,645	9,951,447	10,420,911
Governmental Activities:										
Special Item- Capital Assets										
Reappraisal Adjustment									(2,737,432)	
Business-Type Activities:										
Special Item- Capital Assets										
Reappraisal Adjustment										(2,250)
Total Special Items									(2,737,432)	(2,250)
Change in Net Position:										
Governmental Activities	284,084	141,912	164,435	2,621	(21,499)	331,417	857,702	680,972	(2,187,990)	923,475
Business-type Activities	(920)	2,775	37,307	(2,490)	(27,209)	(1,269)	(6,310)	(8,046)	1,414	1,334
Total District	\$ 283,164	\$ 144,687	\$ 201,742	\$ 131	\$ (48,708)	\$ 330,148	\$ 851,392	\$ 672,926	\$ (2,186,576)	\$ 924,809

Source: School District Financial Reports

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

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Reserved/ Restricted	\$ 671,851	\$ 646,900	\$ 629,836	\$ 544,152	\$ 474,633	\$ 530,484	\$ 1,108,069	\$ 1,522,980	\$ 1,208,453	\$ 987,127
Assigned						17,922	51,699		172,650	31,115
Unassigned						332,954	294,763	293,336	308,348	302,501
Unreserved	189,166	243,801	264,797	335,857	280,925					
Total General Fund	<u>\$ 861,017</u>	<u>\$ 890,701</u>	<u>\$ 894,633</u>	<u>\$ 880,009</u>	<u>\$ 755,558</u>	<u>\$ 881,360</u>	<u>\$ 1,454,531</u>	<u>\$ 1,816,316</u>	<u>\$ 1,689,451</u>	<u>\$ 1,320,743</u>
All Other Governmental Funds:										
Reserved/Restricted		\$ 68,902						\$ 125	\$ 160	\$ 69,365
Committed, Reported in:										
Capital Projects Fund										82,655
Unreserved, Reported in:										
Capital Projects Fund	\$ 122,494	95,680	\$ 21,738	\$ 10,754						
Debt Service Fund	22,057									
Total All Other Governmental Funds	<u>\$ 144,551</u>	<u>\$ 164,582</u>	<u>\$ 21,738</u>	<u>\$ 10,754</u>				<u>\$ 125</u>	<u>\$ 160</u>	<u>\$ 152,020</u>
Governmental Funds:										
Reserved/ Restricted	\$ 671,851	\$ 715,802	\$ 629,836	\$ 544,152	\$ 474,633	\$ 530,484	\$ 1,108,069	\$ 1,523,105	\$ 1,208,613	\$ 1,056,492
Assigned						17,922	51,699		172,650	31,115
Committed										82,655
Unassigned						332,954	294,763	293,336	308,348	302,501
Unreserved	333,717	339,481	286,535	346,611	280,925					
Total Governmental Funds	<u>\$ 1,005,568</u>	<u>\$ 1,055,283</u>	<u>\$ 916,371</u>	<u>\$ 890,763</u>	<u>\$ 755,558</u>	<u>\$ 881,360</u>	<u>\$ 1,454,531</u>	<u>\$ 1,816,441</u>	<u>\$ 1,689,611</u>	<u>\$ 1,472,763</u>

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Tax Levy	\$ 8,116,800	\$ 8,399,704	\$ 8,802,184	\$ 9,125,741	\$ 9,431,002	\$ 9,546,805	\$ 9,724,733	\$ 9,817,460	\$ 9,825,523	\$ 10,253,853
Tuition Charges		3,971	14,667	24,340	32,601	41,423	33,550	45,961	50,000	54,165
Interest Earnings	8,735	86,657	61,860	15,530	9,973	5,281	3,958	2,663	2,789	1,773
Miscellaneous	50,618	58,526	21,600	44,712	53,546	73,429	84,122	48,826	125,327	30,008
State Sources	1,048,790	1,363,311	1,391,204	1,180,791	1,044,856	854,379	1,068,392	1,302,240	1,208,107	1,481,852
Federal Sources	144,194	163,003	182,594	172,681	258,354	233,875	231,677	151,785	192,062	171,879
Total Revenue	9,369,137	10,075,172	10,474,109	10,563,795	10,830,332	10,755,192	11,146,432	11,368,935	11,403,808	11,993,530
Expenditures:										
Instruction										
Regular Instruction	3,622,564	3,945,161	4,081,889	3,363,222	3,477,754	3,512,837	3,445,555	3,576,032	3,478,733	3,558,438
Special Education Instruction	552,412	608,326	719,379	769,024	864,391	633,114	604,702	660,853	669,484	539,080
Other Special Instruction	77,152	82,385								
School-Sponsored/Other Instruction	38,608	52,505	168,333	195,328	86,422	39,960	62,275	96,363	101,356	86,519
Support Services:										
Tuition	199,272	241,834	74,817	232,066	307,477	286,933	421,473	335,006	582,042	708,090
Student & Instruction Related Service:	1,049,908	1,029,946	1,250,326	1,102,831	1,242,616	1,134,336	1,049,128	1,044,598	1,074,382	1,180,869
General Administrative Services	429,405	419,185	449,680	410,186	419,031	420,778	433,096	338,396	331,894	363,180
School Administrative Services	404,134	438,940	455,421	424,327	471,249	428,641	360,975	386,299	386,198	402,728
Plant Operations and Maintenance	736,954	823,558	906,378	763,935	707,089	724,862	685,453	714,404	187,767	207,771
Pupil Transportation	137,432	202,206	220,345	294,656	274,925	188,904	211,566	209,032	257,778	244,992
Central Services	247,481	271,343	276,859	262,179	160,736	165,676	171,569	173,727	736,752	637,244
Allocated and Unallocated Benefits	650,622	946,416	936,019	1,810,736	1,954,612	1,914,679	2,130,061	2,383,594	2,402,383	2,565,870
Capital Outlay	265,790	70,857	177,632	37,663	30,201	133,468	74,764	162,040	387,125	849,214
Debt Service:										
Principal	440,000	430,000	450,000	475,000	505,000	530,000	560,000	585,000	615,000	640,000
Interest and Other Charges	442,983	462,795	445,943	428,250	409,513	386,656	361,981	341,681	319,744	220,852
Total Expenditures	9,294,717	10,025,457	10,613,021	10,569,403	10,911,016	10,500,844	10,572,598	11,007,025	11,530,638	12,204,847
Excess/(Deficiency) of Revenues										
Over/(Under) Expenditures	74,420	49,715	(138,912)	(5,608)	(80,684)	254,348	573,834	361,910	(126,830)	(211,317)

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Other Financing Sources/(Uses):										
Proceeds from Borrowing	\$ 8,695,000									
Payments to Escrow Agent	(8,695,000)									
Cancellation of State Receivable	(9,292)									
Serial Bonds Issued										\$ 6,075,000
Bond Premium										656,691
Serial Bonds Defeased										(6,515,000)
Bond Issuance Costs										(81,699)
Deferred Interest										(134,992)
Transfers In	8,118	\$ 77,591	\$ 10,572	\$ 225	\$ 83	\$ 50,923	\$ 4,499	\$ 105	\$ 35	274,366
Transfers Out	(8,118)	(77,591)	(10,572)	(20,225)	(54,604)	(180,132)	(4,499)	(105)	(35)	(279,897)
Total Other Financing Sources/(Uses)	<u>(9,292)</u>	<u></u>	<u></u>	<u>(20,000)</u>	<u>(54,521)</u>	<u>(129,209)</u>	<u></u>	<u></u>	<u></u>	<u>(5,531)</u>
Net Change in Fund Balances	<u>\$ 65,128</u>	<u>\$ 49,715</u>	<u>\$ (138,912)</u>	<u>\$ (25,608)</u>	<u>\$ (135,205)</u>	<u>\$ 125,139</u>	<u>\$ 573,834</u>	<u>\$ 361,910</u>	<u>\$ (126,830)</u>	<u>\$ (216,848)</u>
Debt Service as a Percentage of Noncapital Expenditures	9.8%	9.0%	8.6%	8.6%	8.4%	8.8%	8.8%	8.5%	8.4%	7.6%

Source: School District Financial Reports

Exhibit J-5

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Rentals- Use of</u> <u>Facilities</u>	<u>Miscellaneous</u>	<u>Total</u>
2006	\$ 46,319		\$ 7,460	\$ 2,290	\$ 56,069
2007	81,066	\$ 3,971	18,502	40,024	143,563
2008	58,297	14,667	18,667	2,933	94,564
2009	15,305	24,340	19,758	21,954	81,357
2010	9,890	32,601	15,801	15,123	73,415
2011	5,238	41,423	17,001	29,951	93,613
2012	3,779	33,550	17,675	37,683	92,687
2013	2,558	45,961	8,675	35,453	92,647
2014	2,754	50,000	16,542	86,383	155,679
2015	1,773	54,165	11,933	11,255	79,126

Source: Mendham Borough School District records

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

Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Farm Qualified	Commercial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2005	\$ 7,851,304	\$ 544,056,600	\$ 15,421,400	\$ 841,011	\$ 55,412,000	\$ 1,443,900	\$ 625,026,215	\$ 52,596,700	\$ 1,223,970	\$ 626,250,185	\$ 1.24	\$1,211,658,055
2006	* 16,183,800	1,418,161,700	38,146,800	702,000	123,528,700	2,475,000	1,599,198,000	135,887,500	2,275,771	1,737,361,271	0.52	1,293,530,174
2007	14,936,900	1,417,809,000	40,278,900	695,840	121,984,300	2,475,000	1,598,179,940	135,887,500	2,707,608	1,600,887,548	0.54	1,465,301,236
2008	14,076,500	1,369,811,900	81,641,900	696,740	117,908,800	2,475,000	1,586,610,840	136,649,000	2,711,027	1,589,321,867	0.56	1,517,455,547
2009	13,020,700	1,366,117,600	79,722,600	566,840	117,908,800	2,475,000	1,579,811,540	145,003,200	3,187,134	1,582,998,674	0.59	1,569,035,776
2010	* 8,597,900	1,115,381,900	55,967,800	334,900	110,848,900	2,342,200	1,293,473,600	123,773,600	3,191,011	1,296,664,611	0.73	1,511,328,993
2011	7,898,100	1,105,338,700	63,764,800	378,500	109,617,500	2,342,200	1,289,339,800	123,773,600	2,300,875	1,291,640,675	0.75	1,410,302,723
2012	7,384,900	1,101,185,800	66,422,700	394,600	109,079,300	2,342,200	1,286,809,500	123,773,600	2,300,875	1,289,110,375	0.76	1,359,104,244
2013	7,771,700	1,097,277,400	66,897,700	397,100	105,202,000	2,342,200	1,279,888,100	123,773,600	2,287,733	1,282,175,833	0.76	1,356,943,415
2014	8,207,800	1,100,795,200	66,843,500	400,500	103,997,100	2,342,200	1,282,586,300	124,763,600	1,927,735	1,284,514,035	0.78	1,361,837,683

*- Revaluation year

Source: Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

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

Year Ended December 31,	Mendham Borough School District Direct Rate			Overlapping Rates					Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	West Morris Regional High School	Municipal Open Space	Mendham Borough	Morris County		
2005	\$ 1.09	\$ 0.15	\$ 1.24	\$ 0.80	\$ 0.02	\$ 0.52	\$ 0.52	\$ 3.10	
2006	* 0.46	0.05	0.52	0.32	0.01	0.24	0.20	1.29	
2007	0.49	0.05	0.54	0.34	0.01	0.27	0.22	1.38	
2008	0.51	0.05	0.56	0.36	0.01	0.31	0.22	1.46	
2009	0.53	0.06	0.59	0.39	0.01	0.32	0.23	1.53	
2010	* 0.66	0.07	0.73	0.48	0.01	0.41	0.27	1.90	
2011	0.68	0.07	0.75	0.47	0.01	0.42	0.26	1.91	
2012	0.69	0.07	0.76	0.47	0.01	0.42	0.26	1.92	
2013	0.69	0.07	0.76	0.49	0.01	0.43	0.27	1.96	
2014	0.65	0.06	0.78	0.45	0.01	0.44	0.27	1.95	

Source: Municipal Tax Collector and School Business Administrator

* - Revaluation year

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

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

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

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

<u>Taxpayer</u>	2014	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
V-Fee Realty Investment LLC	\$ 22,000,000	1.71%
Roxiticus Golf Club, Inc	9,955,300	0.78%
Holly Manor c/o Health Care Reit	8,558,600	0.67%
Jebara, Ghada	5,652,500	0.44%
Subramanian, Beerappan/Govindammal	5,379,200	0.42%
Markham, Richard & Susan	5,199,900	0.40%
Goldenberg, David & Cynthia	5,089,300	0.40%
Rosen, Lawrence 7 Deborah	4,398,200	0.34%
Goryeb, Joseph P Trus & Etals	4,046,100	0.31%
MTWOL Associates LLC	4,000,000	0.31%
Total	<u>\$ 74,279,100</u>	<u>5.78%</u>

<u>Taxpayer</u>	2005	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Mendham Investment Co.	\$ 12,400,000	1.98%
Roxiticus Golf Club, Inc	5,510,200	0.88%
holly Mannor Assoc. of NJ	4,587,100	0.73%
Taxpayer 1	3,750,080	0.60%
Taxpayer 2	3,585,900	0.57%
Taxpayer 3	3,538,800	0.57%
Taxpayer 4	3,406,755	0.54%
Taxpayer 5	3,035,100	0.48%
Taxpayer 6	3,032,500	0.48%
Taxpayer 7	3,001,200	0.48%
Total	<u>\$ 45,847,635</u>	<u>7.31%</u>

Note: Individual Taxpayers listed may be different in 2014 and 2005.

Note: Revaluation was done in 2006 and 2010.

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	\$ 8,116,800	\$ 8,116,800	100.00%	-0-
2007	8,399,704	8,399,704	100.00%	-0-
2008	8,802,184	8,802,184	100.00%	-0-
2009	9,125,741	9,125,741	100.00%	-0-
2010	9,431,002	9,431,002	100.00%	-0-
2011	9,546,805	9,546,805	100.00%	-0-
2012	9,724,733	9,724,733	100.00%	-0-
2013	9,817,460	9,817,460	100.00%	-0-
2014	9,825,523	9,825,523	100.00%	-0-
2015	10,253,853	10,253,853	100.00%	-0-

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

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

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Governmental</u> <u>Activities</u> <u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Total District</u>	<u>Percentage of</u> <u>Personal Income</u> <u>^a</u>	<u>Per Capita ^a</u>
2006	\$ 11,295,000	\$ 11,295,000	3.27%	\$ 2,224
2007	10,865,000	10,865,000	3.03%	2,160
2008	10,415,000	10,415,000	2.78%	2,061
2009	9,940,000	9,940,000	2.91%	1,965
2010	9,435,000	9,435,000	2.71%	1,892
2011	8,905,000	8,905,000	2.55%	1,778
2012	8,345,000	8,345,000	2.31%	1,660
2013	7,760,000	7,760,000	2.06%	1,546
2014	7,145,000	7,145,000	1.90%	1,429
2015	6,065,000	6,065,000	1.62%	1,213

Source: School District Financial Reports

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

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

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

<u>General Bonded Debt Outstanding</u>					
<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Deductions</u>	<u>Net General</u> <u>Bonded Debt</u> <u>Outstanding</u>	<u>Percentage of</u> <u>Net Valuation</u> <u>Taxable ^a of</u> <u>Property</u>	<u>Per Capita ^b</u>
2006	\$ 11,295,000	-0-	\$ 11,295,000	1.804%	\$ 2,224
2007	10,865,000	-0-	10,865,000	0.625%	2,160
2008	10,415,000	-0-	10,415,000	0.651%	2,061
2009	9,940,000	-0-	9,940,000	0.625%	1,965
2010	9,435,000	-0-	9,435,000	0.596%	1,892
2011	8,905,000	-0-	8,905,000	0.687%	1,778
2012	8,345,000	-0-	8,345,000	0.646%	1,660
2013	7,760,000	-0-	7,760,000	0.602%	1,546
2014	7,145,000	-0-	7,145,000	0.557%	1,429
2015	6,065,000	-0-	6,065,000	0.472%	1,213

Source: School District Financial Reports

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.
a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.
b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

MENDHAM BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2014
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Mendham Borough	\$ 4,619,586	100.00%	\$ 4,619,586
West Morris Regional High School District Debt (Borough Share)	17,850,000	16.00%	2,856,000
Morris County General Obligation Debt (Borough Share)	235,116,781	1.52%	<u>3,582,800</u>
Subtotal, Overlapping Debt			11,058,386
Mendham Borough School District Direct Debt			<u>6,065,000</u>
Total Direct and Overlapping Debt			<u>\$ 17,123,386</u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2015

	Equalized Valuation Basis
	2014 \$ 1,399,439,498
	2013 \$ 1,354,522,277
	2012 \$ 1,356,678,440
	<u>\$ 4,110,640,215</u>
Average Equalized Valuation of Taxable Property	<u>\$ 1,370,213,405</u>
Debt Limit (a) (3% of Average Equalization Value)	\$ 41,106,402
Net Bonded School Debt	6,065,000
Legal Debt Margin	<u>\$ 35,041,402</u>

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 35,740,907	\$ 39,213,987	\$ 42,500,182	\$ 45,527,476	\$ 45,886,182	\$ 44,755,889	\$ 42,810,881	\$ 41,413,077	\$ 40,862,032	\$ 41,106,402
Total Net Debt Applicable to Limit	11,295,000	10,865,000	10,415,000	9,940,000	9,435,000	8,905,000	8,345,000	7,760,000	7,145,000	6,065,000
Legal Debt Margin	<u>\$ 16,363,542</u>	<u>\$ 21,268,142</u>	<u>\$ 24,445,907</u>	<u>\$ 28,348,987</u>	<u>\$ 32,085,182</u>	<u>\$ 35,587,476</u>	<u>\$ 36,451,182</u>	<u>\$ 33,653,077</u>	<u>\$ 33,717,032</u>	<u>\$ 35,041,402</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	42.22%	35.33%	31.60%	27.71%	24.51%	21.83%	20.56%	18.74%	17.49%	14.75%

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

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

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

<u>Year</u>	<u>Population^a</u>	<u>Morris County Per Capita Personal Income^b</u>	<u>Total County Personal Income^c</u>	<u>Unemployment Rate^d</u>
2006	5,079	\$ 67,918	\$ 344,955,522	1.50%
2007	5,031	71,191	358,161,921	1.40%
2008	5,054	74,025	374,122,350	1.80%
2009	5,058	67,614	341,991,612	3.20%
2010	4,986	69,811	348,077,646	3.20%
2011	5,008	69,811	349,613,488	7.00%
2012	5,026	71,933	361,535,258	7.10%
2013	5,020	75,054	376,771,080	6.30%
2014	4,999	75,054 *	375,194,946 ***	4.70%
2015	4,999 **	75,054 *	375,194,946 ***	N/A

* - Latest Morris County per capita personal income available (2013) was used for calculation purposes.

** - Latest population data available (2014) was used for calculation purposes.

*** - Latest County Personal Income data available (2014) was used for calculation purposes.

N/A - Information unavailable.

Source:

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

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

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

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

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

2015			2006		
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
U.S. Army Armament R&D	6,090	2.28%	Atlantic Health System	5,900	N/A
Atlantic Health System	4,844	1.96%	Novartis	5,000	N/A
Novartis	4,749	1.74%	U.S. Army Armament R&D	3,412	N/A
Bayer	2,665	0.80%	Lucent Technologies	2,300	N/A
St. Clare's Health Services	1,756	0.74%	St. Clare's Health Services	2,250	N/A
County of Morris	1,667	0.65%	County of Morris	2,228	N/A
Accenture	1,621	0.64%	United Parcel Service	2,131	N/A
Wyndham Worldwide	1,546	0.64%	Automated Data Processing	1,986	N/A
BASF Corporation	1,500	0.58%	AT&T	1,500	N/A
Greystone Psychiatric	1,244	0.58%	Greystone Psychiatric	1,300	N/A
Total	<u>27,682</u>	<u>10.34%</u>		<u>28,007</u>	
Total County Labor Force	<u>267,632</u>			<u>N/A</u>	

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

Source: Morris County Economic Development Corporation

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

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Instruction										
Regular	50.80	50.80	52.40	51.60	51.45	52.60	49.00	49.40	45.90	46.00
Special Education	9.80	11.80	15.00	13.00	12.00	14.80	10.80	10.80	10.50	10.50
Support Services:										
Student & Instruction Related Services	10.30	10.70	10.80	10.80	12.80	10.30	12.60	12.60	12.60	13.00
School Administrative Services	4.70	4.70	4.70	4.70	4.00	4.00	4.00	4.50	4.00	4.00
General and Business Administrative Services	5.20	5.20	5.20	5.20	5.00	5.00	4.50	4.00	4.00	4.00
Plant Operations and Maintenance	5.00	5.00	5.50	5.50	5.50	5.50	5.00	5.00	7.00	7.50
Food Service	4.00	4.00	4.00	4.00	3.50	3.50				
Total	<u>89.80</u>	<u>92.20</u>	<u>97.60</u>	<u>94.80</u>	<u>94.25</u>	<u>95.70</u>	<u>85.90</u>	<u>86.30</u>	<u>84.00</u>	<u>85.00</u>

MENDHAM BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2006	645	\$ 8,145,944	\$ 12,629	5.49%	61.0	1:11	1:10	645	613	-2.71%	95.00%
2007	654	9,061,805	13,856	9.71%	62.6	1:11	1:10	659	633	2.16%	96.04%
2008	668	9,539,446	14,281	3.06%	64.2	1:11	1:10	668	641	1.38%	95.91%
2009	666	9,628,490	14,457	1.24%	60.2	1:11	1:10	670	644	0.30%	96.12%
2010	660	9,966,302	15,100	4.45%	62.5	1:08	1:10	674	649	0.60%	96.29%
2011	697	9,450,720	13,559	-10.21%	60.4	1:08	1:10	698	671	3.56%	96.13%
2012	652	9,575,853	14,687	8.32%	56.9	1:11	1:12	673	648	-3.71%	96.29%
2013	652	9,918,304	15,212	3.58%	58.80	1:12	1:10	650	624	-3.41%	96.00%
2014	619	10,208,769	16,492	8.41%	56.40	1:11	1:10	607	585	-6.38%	96.38%
2015	599	10,494,781	17,521	6.24%	56.50	1:11	1:10	596	572	-1.63%	95.97%

Sources: Mendham Borough School District records

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d The Cost Per Pupil calculated above is the sum of the operating expenditures divided by enrollment. This Cost Per Pupil may be different from other Cost Per Pupil calculations.

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>District Building</u>										
Hilltop School										
Square Feet	59,790	59,790	59,790	59,790	59,790	59,790	59,790	59,790	59,790	59,790
Capacity (students)	428	428	428	428	428	428	428	428	428	428
Enrollment	353	356	357	354	348	368	336	336	303	307
Mountain View School										
Square Feet	55,280	55,280	55,280	55,280	55,280	55,280	55,280	55,280	55,280	55,280
Capacity (students)	383	383	383	383	383	383	383	383	383	383
Enrollment	292	298	311	312	312	329	316	316	307	292

Number of Schools at June 30, 2015

- Elementary = 1
- Middle School = 1

Source: Mendham Borough School District Facilities Office

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

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Hilltop School</u>	<u>Mountain View School</u>	<u>Total</u>
2006	\$ 69,353	\$ 66,494	\$ 135,847
2007	69,813	93,685	163,498
2008	117,386	73,731	191,117
2009	62,592	63,289	125,881
2010	71,001	50,118	121,119
2011	70,741	63,780	134,521
2012	61,523	63,540	125,063
2013	76,194	70,447	146,641
2014	89,956	87,831	177,787
2015	66,349	85,769	152,118

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

Source: Mendham Borough School District records

MENDHAM BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2015
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
New Jersey School Insurance Group (NJSIG)		
School Package Policy- Building & Personal Property/ Boiler/Inland Marine - Auto Physical Damage	\$ 29,696,031	\$ 5,000
School Board Legal Liability	11,000,000	5,000
Excess Liability	11,000,000	
Casualty Coverage Including General Liability, Auto Liability, Employee Benefits Liability	11,000,000	
Comprehensive Crime Coverage:		
Theft, Disappearance and Destruction - Inside & Outside	50,000	500
Employee Dishonesty and Faithful Performance	100,000 per person	1,000
Computer Fraud	50,000	500
Forgery and Alteration	100,000	1,000
Workers' Compensation SAIF	As Required by State of NJ	
Workers' Compensation Supplement	As Required by State of NJ	
Public Officials' Bonds - Selective Insurance Company of America:		
School Business Administrator/Board Secretary	190,000	
Treasurer of School Monies	190,000	

SINGLE AUDIT SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mendham Borough School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2015.

Internal Control Over Financial Reporting

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

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

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

The Honorable President and Members
of the Board of Education
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Compliance and Other Matters

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

Purpose of this Report

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

November 13, 2015
Mount Arlington, New Jersey

NISIVOCCIA LLP



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



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax
 Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Report on Compliance For Each Major State Program;
 Report on Internal Control Over Compliance Required by OMB Circular A-133
 and New Jersey's OMB Circulars 04-04 and 15-08

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

Report on Compliance for Each Major State Program

We have audited the Mendham Borough School District's (the "District's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on the District's major state program for the fiscal year ended June 30, 2015. The District's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2015.

The Honorable President and Members
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Mendham Borough School District
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Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 04-04 and 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of OMB Circular A-133 or NJOMB 04-04 and 15-08. Accordingly, this report is not suitable for any other purpose.

November 13, 2015
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

MENDHAM BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title:	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2014			Balance at June 30, 2015		
					Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	Unearned Revenue	(Accounts Receivable)
U.S. Department of Education										
Passed-through State Department of Education:										
NCLB Consolidated:										
Title II - Part A	84.367	NCLB-3090-14	7/1/13-6/30/14	\$ 11,908	\$ (2,407)					\$ (2,407)
Title II - Part A	84.367	NCLB-3090-15	7/1/14-6/30/15	9,510			\$ (7,832)			(7,832)
Title I	84.367	NCLB-3090-14	7/1/13-6/30/14	6,854	(6,509)	\$ 6,508				(1)
Title I	84.367	NCLB-3090-15	7/1/14-6/30/15	6,957			(6,850)			(6,850)
Title I - High Progress Award	84.367	NCLB-3090-15	7/1/14-6/30/15	26,099			26,099	(25,603)	\$ 496	
Total NCLB Consolidated					(8,916)		32,607	(40,285)	496	(17,090)
Special Education Cluster:										
I.D.E.A. Part B, Basic	84.027	IDEA-3090-15	7/1/14-6/30/15	159,131			83,674	(138,027)		(54,353)
I.D.E.A. Part B, Preschool	84.173	IDEA-3090-15	7/1/14-6/30/15	5,799				(5,799)		(5,799)
Total Special Education Cluster							83,674	(143,826)		(60,152)
Teacher Quality Enhancement Grant - Carryover	84.336A	N/A	9/1/08-8/31/14	660	660				660	
Total U.S. Department of Education					(8,256)		116,281	(184,111)	1,156	(77,242)
Total Special Revenue Fund					(8,256)		116,281	(184,111)	1,156	(77,242)
Total Federal Financial Awards					\$ (8,256)	\$ -0-	\$ 116,281	\$ (184,111)	\$ 1,156	\$ (77,242) \$ -0-

N/A - Not Applicable

**MENDHAM BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2014			Balance June 30, 2015		Memo		
				Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	GAAP Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Budgetary Unearned Revenue/ (Accounts Receivable)	Cumulative Total Expenditures
State Department of Education:											
Categorical Special Education Aid	15-495-034-5120-085	7/1/14-6/30/15	\$ 204,125			\$ 188,555	\$ (204,125)			\$ (15,570)	\$ 204,125
Security Aid	15-495-034-5120-078	7/1/14-6/30/15	9,989			9,058	(9,989)			(931)	9,989
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	15,804			14,331	(15,804)			(1,473)	15,804
Adjustment Aid	15-495-034-5120-085	7/1/14-6/30/15	7,457			6,762	(7,457)			(695)	7,457
Extraordinary Special Education Costs	15-100-034-5120-473	7/1/14-6/30/15	99,498				(99,498)	\$ (99,498)		(99,498)	99,498
Nonpublic Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	7,787				(7,787)	(7,787)		(7,787)	7,787
PARCC Readiness Aid	15-495-034-5120-085	7/1/14-6/30/15	5,980			5,422	(5,980)			(558)	5,980
Per Pupil Growth Aid	15-495-034-5120-085	7/1/14-6/30/15	5,980			5,423	(5,980)			(557)	5,980
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14-6/30/15	313,431			313,431	(313,431)				313,431
Categorical Special Education Aid	14-495-034-5120-085	7/1/13-6/30/14	204,125	\$ (16,239)		16,239					204,125
Security Aid	14-495-034-5120-078	7/1/13-6/30/14	9,989	(929)		929					9,989
Transportation Aid	14-495-034-5120-014	7/1/13-6/30/14	15,804	(1,470)		1,470					15,804
Extraordinary Special Education Costs	14-100-034-5120-473	7/1/13-6/30/14	69,661	(69,661)		69,661					69,661
Nonpublic Transportation Aid	14-495-034-5120-014	7/1/13-6/30/14	7,325	(7,325)		7,325					7,325
Reimbursed TPAF Social Security Contributions	14-495-034-5095-002	7/1/13-6/30/14	329,344	(16,190)		16,190					329,344
Total General Fund				(111,814)		654,796	(670,051)	(107,285)		(127,069)	1,306,299
N.J. Nonpublic Aid:											
Technology Aid	15-100-034-5120-064	7/1/14-6/30/15	7,328			7,328	(7,328)				7,328
Textbook Aid	15-100-034-5120-064	7/1/14-6/30/15	13,644			13,644	(13,644)				13,644
Nursing Services	15-100-034-5120-070	7/1/14-6/30/15	21,721			21,721	(21,721)				21,721
Auxiliary Services:											
Compensatory Education	15-100-034-5120-067	7/1/14-6/30/15	15,299			15,229	(15,229)				15,229
Compensatory Education	13-100-034-5120-067	7/1/12-6/30/13	14,047		84				84		13,963
Annual Examination	14-100-034-5120-067	7/1/13-6/30/14	4,150		4,150				4,150		
Home Instruction	13-100-034-5120-067	7/1/12-6/30/13	1,252	138				138		138	1,114
Handicapped Services:											
Examination & Classification	15-100-034-5120-066	7/1/14-6/30/15	18,912			18,912	(5,125)		13,787		5,125
Examination & Classification	14-100-034-5120-066	7/1/13-6/30/14	12,254		2,219				2,219		10,035
Examination & Classification	13-100-034-5120-066	7/1/12-6/30/13	16,403		1				1		16,402
Examination & Classification	12-100-034-5120-066	7/1/11-6/30/12	16,908		324				324		16,584
Corrective Speech	15-100-034-5120-066	7/1/14-6/30/15	8,747			8,747			8,747		
Corrective Speech	14-100-034-5120-066	7/1/13-6/30/14	8,593		1,406				1,406		7,187
Corrective Speech	13-100-034-5120-066	7/1/12-6/30/13	6,484		155				155		6,329
Corrective Speech	12-100-034-5120-066	7/1/11-6/30/12	6,714		396				396		6,318
Supplementary Instruction	15-100-034-5120-066	7/1/14-6/30/15	17,263			17,263	(17,263)				17,263
Supplementary Instruction	14-100-034-5120-066	7/1/13-6/30/14	13,183		1,595				1,595		11,588
Total Special Revenue Fund				138	10,330	102,844	(80,310)	138	32,864	138	170,642
Capital Projects Fund:											
NJ School Development Authority:											
Hilltop Elementary School Masonry Repair; Window Repair/Replacement	3030-050-14-1001	1/6/14-1/5/15	138,800				(127,696)	(127,696)		(127,696)	127,696
Total Capital Projects Fund							(127,696)	(127,696)		(127,696)	127,696
Total State Financial Awards				\$ (111,676)	\$ 10,330	\$ 757,640	\$ (878,057)	\$ (234,843)	\$ 32,864	\$ (254,627)	\$ 1,604,637

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

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Mendham Borough School District under programs of the federal and state governments for the fiscal year ended June 30, 2015. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States, Local Governments and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$1,146) for the general fund and (\$12,232) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension and Post Retirement Contributions revenue of \$233,793 and \$371,148 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,273,846	\$ 1,273,846
Special Revenue Fund	\$ 171,879	80,310	252,189
Capital Projects Fund		127,696	127,696
Total	<u>\$ 171,879</u>	<u>\$ 1,481,852</u>	<u>\$ 1,653,731</u>

MENDHAM BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 4. 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 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2015.

NOTE 6. NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY GRANT

The District has an active grant awarded in the amount of \$138,800 from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2015, the District had expended \$127,696 of the award and received \$127,696. The District realizes grant revenue in the Capital Projects Fund on the GAAP basis as it is expended and submitted for reimbursement.

MENDHAM BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state program disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey's OMB Circular 04-04 and 15-08*.
- The auditor's report on compliance for the major state program for the District expresses an unmodified opinion on the major state program.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 04-04 or Section 510(a) of Federal OMB Circular A-133.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year end June 30, 2015 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The District's program tested as a major state program for the current fiscal year consisted of the following award:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State Programs:</u>				
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14 - 6/30/15	\$ 313,431	\$ 313,431

- The threshold used for distinguishing between Type A and Type B state programs was \$300,000.
- The District was determined to be a "low-risk" auditee for state programs under the provisions of section 530 of the Federal Circular.

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular and New Jersey's OMB Circular 04-04 and 15-08.

MENDHAM BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Status of Prior Year Findings:

There were no prior year findings.