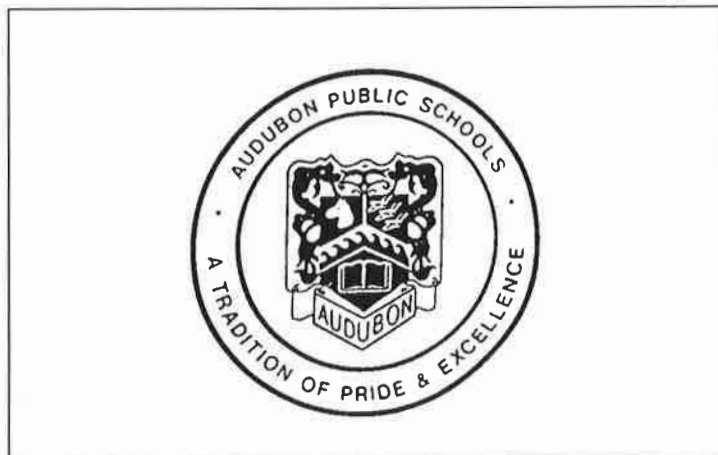


SCHOOL DISTRICT
OF
AUDUBON



Audubon Board of Education
Audubon, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016

**Comprehensive Annual
Financial Report**

of the

Audubon Board of Education

Audubon, New Jersey

For the Fiscal Year Ended June 30, 2016

**Prepared by
Audubon Board of Education
Finance Department**

AUDUBON SCHOOL DISTRICT

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Introductory Section

**AUDUBON PUBLIC SCHOOLS
350 EDGEWOOD AVENUE
AUDUBON, NEW JERSEY 08106**

Steven C. Crispin
Superintendent of Schools
856-547-7695

September 23, 2016

Honorable President and Members of
The Audubon Board of Education
County of Camden
Borough of Audubon
350 Edgewood Avenue
Audubon, NJ 08106

Dear Board Members:

The comprehensive annual financial report of the Audubon School District for the fiscal year ended June 30, 2016, 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. 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 financial position and results of operations of the various funds and account groups 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 general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, 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 of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of State, Local Governments and Not for Profit Organizations" and the state Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendation, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

The Audubon School district is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the district are included in this report. The Audubon Board of Education and all its schools constitute the Districts reporting entity.

The school district consists of three schools - Mansion Avenue Elementary, Haviland Avenue Elementary and Audubon Junior-Senior High School. The district provides a full range of educational services appropriate to grade levels K-12. These include regular, vocational and special education programs. The Audubon school district also offers a pre-school program for handicap students. In 2011 the Audubon School District was approved to participate in the State's Inter-District Public School Choice Program. This program allowed students from other districts in the surrounding area to attend Audubon High School. Student admission was based on availability of space, and the district received state aid for each student enrolled. Currently the district enrolls one hundred and two students in this program

On June 30, 2009 the Audubon Park Board of education was dissolved, as the State of New Jersey took steps to eliminate all non-operating districts in the State. The Audubon Park students are now considered resident students of the district. The district still maintains a send-receiving with the Mount Ephraim school district for grades nine through twelve.

The district completed the 2015-2016 school year, with an average daily enrollment of 1,545 students. During the past few years enrollment has increased with our district's participation in the State'

Pupil Enrollments

SCHOOL YEAR	AVERAGE DAILY ENROLLMENT
2006-2007	1,567
2007-2008	1,524
2008-2009	1,498
2009-2010	1,482
2010-2011	1,440
2011-2012	1,402
2012-2013	1,409
2013-2014	1,410
2014-2015	1,548
2015-2016	1,545

2. ECONOMIC CONDITION AND OUTLOOK:

Audubon, a community of about 9,000 people, lies in the eastern portion of Camden County. This community of 1.2 square miles is comprised primarily of residential units and small retail businesses. It is a stable community with little room for additional development. The town, however, is currently experiencing a rebirth. Several new small businesses have opened and development of a major shopping center is now completed.

3. A SNAPSHOT OF OUR SCHOOLS

ELEMENTARY SCHOOLS

Both the Haviland Avenue School (K-2) and the Mansion Avenue School (3-6) have taken great strides in their efforts to infuse technology into the learning process. LCD Projectors and Smartboards have been installed in classrooms. Additionally, a number of iPads have been purchased. These purchases were a significant part of the district's Strategic Plan, initiated during the 2007-2008 school year. In addition, goals related to writing, transitioning students, increasing scores on standardized tests, and college preparedness continue to drive professional development, budgeting and curriculum development. During the 2014-2015 school year, the district began a one to one initiative for Chrome Books, beginning with Grade 6 at Mansion Avenue School

HIGH SCHOOL

Like the elementary schools the junior – senior high school continues to move forward in an effort to infuse technology into all instructional areas. The need to immerse our students in a technology rich learning environment is addressed as a goal in the district's Strategic Plan. In addition, goals related to writing, transitioning students, increasing scores on standardized tests and college preparedness have been established. This plan, in its third full year, continues to drive professional development, budgeting and curriculum development. The District began a one to one initiative for Chromebooks for students in grades seven and eight. We have continued with this program in the junior/senior high school, adding one grade level each year. We have accomplished this through a lease purchase program.

BUILDINGS & GROUNDS

The Audubon Board of Education continues to place a great emphasis on proper maintenance of the facilities. The district continues to budget for Capital Projects each year and the Buildings & Grounds Committee meets on a regular basis with the administration to monitor the progress of the projects. During the 2015-2016 school year, the district began planning for a lighting retrofit in all three buildings, which we hope to complete during the 2016-2017 school year.

4. INTERNAL ACCOUNTING CONTROLS:

Management of the district is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure 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 and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District management.

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

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.

6. ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

10. 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.

11. OTHER INFORMATION:

a) **Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Inverso

and Stewart, RMA/CPAs, was selected by the Board's audit committee. 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 of 1984 and the related OMB Circular A-128 and state Treasury Circular Letter 15-08 OMB. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

12. ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Audubon 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 our financial and accounting staff.

Respectfully submitted,

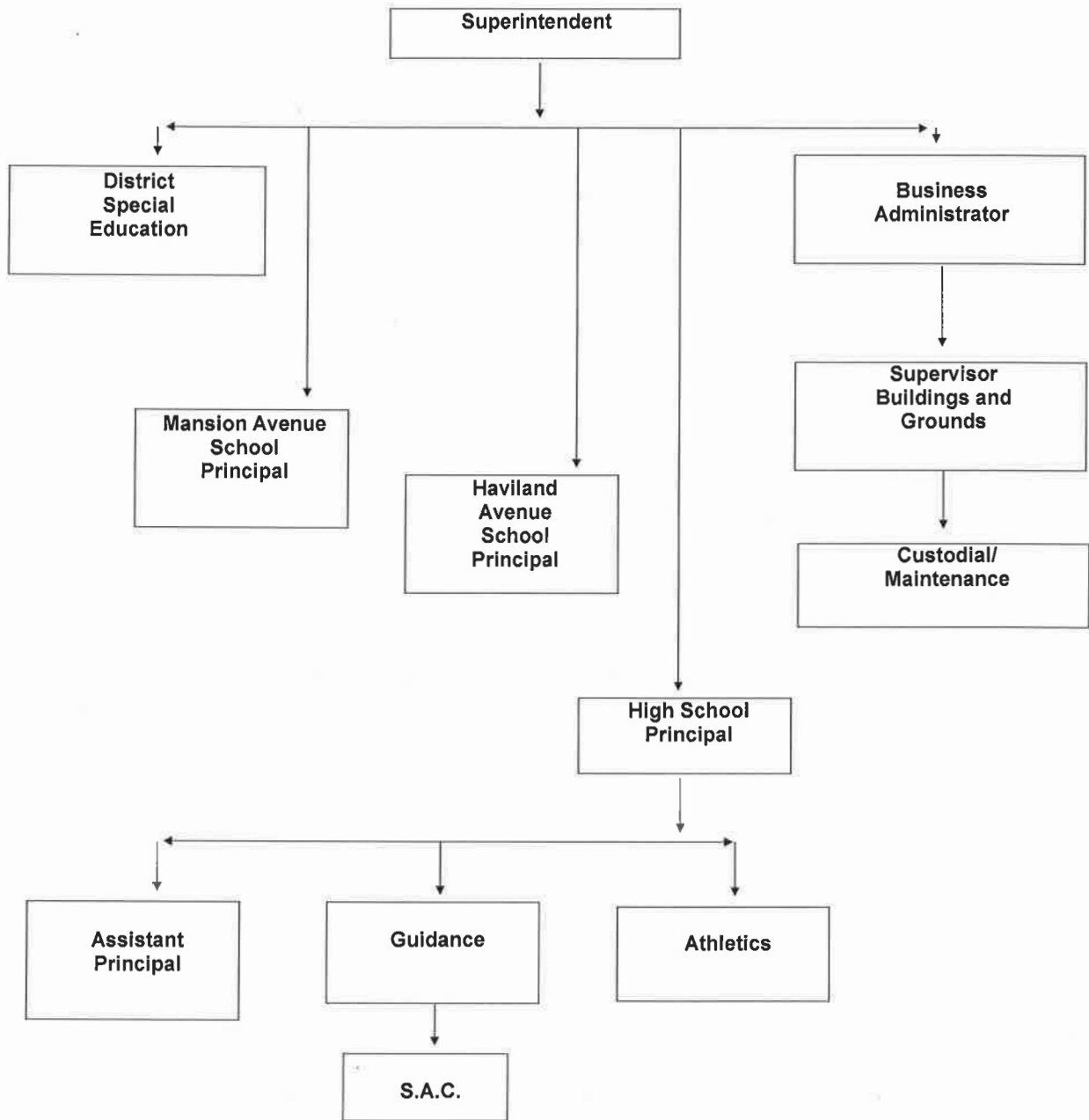


Steven C. Crispin
Superintendent



Robert Delengowski
Board Secretary

AUDUBON BOARD OF EDUCATION
Organizational Chart
(Unit Control)



AUDUBON SCHOOL DISTRICT

Roster of Officials June 30, 2016

Members of the Board of Education:

Term Expires

Robert O. Lee, President	2016
Pat Yacovelli, Vice-President	2017
James Blumenstein	2018
Marianne Brown	2017
Allison Cox	2018
Ammie Davis	2016
Jessica DiVietro	2017
Joseph Ryan	2016
Gina Osinski	2018
Joan Greenwood	

Mount Ephraim Representative

Other Officials:

Steven C. Crispin, Superintendent
Robert Delengowski, Business Administrator/Board Secretary
Mary Lynam, Treasurer
Frank Cavallo, Esq. Solicitor

**AUDUBON SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

Inverso & Stewart, LLC
651 Route 73 North, Suite 402
Marlton, NJ 08053

Attorney

Frank Cavallo, Esquire
Acting for Parker/ McCay
9000 Midlantic Drive, Suite 300
Mount Laurel, NJ 08054

Official Depository

First Colonial Community Bank
1040 Haddon Avenue
Collingswood, NJ 08108

Financial Section

INVERSO & STEWART, LLC
Certified Public Accountants

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E-Mail: lscpas@concentric.net

-Member of-
American Institute of CPAs
New Jersey Society of CPAs

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
of the Board of Education
Audubon School District
County of Camden
Audubon, New Jersey

Report on the Financial Statements

I 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 Audubon School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School 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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 School 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 School District's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Audubon School District, in the County of Camden, State of New Jersey, as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information as listed in the table of contents 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. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Audubon School District's basic financial statements. The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance, as required by U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey Treasury Circular OMB 15-08, as applicable, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance 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 my opinion, the information described in the previous paragraph is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 23, 2016 on my consideration of the Audubon School District's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Audubon School District's internal control over financial reporting and compliance.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
September 23, 2016

INVERSO & STEWART, LLC
Certified Public Accountants

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 Marlton, New Jersey 08053
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-Member of-
 American Institute of CPAs
 New Jersey Society of CPAs

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
 AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
 WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
 of the Board of Education
 Audubon School District
 County of Camden
 Audubon, New Jersey

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Audubon School District, in the County of Camden, State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued my report thereon dated September 23, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Audubon School 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Audubon School 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School 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.

My consideration of 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Audubon School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey which is described in the accompanying *Schedule of Findings and Questioned Costs and Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* as finding no: 2016-001.

The Audubon School District's Response to Findings

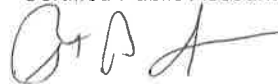
The Audubon School District's response to the finding identified in my audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

INVERSO & STEWART, LLC

Certified Public Accountants



Robert P. Inverso

Certified Public Accountant

Public School Accountant

Marlton, New Jersey
September 23, 2016

Required Supplementary Information - Part I

Management's Discussion and Analysis

**Audubon School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

As management of the Board of Education of the Borough of Audubon, New Jersey (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets of the School District exceeded its liabilities at the close of the most recent fiscal year by \$5,749,310 (*net position*).
- Governmental activities have an unrestricted net position deficit of \$7,119,250. The accounting treatment in the governmental funds for compensated absences payable, net pension liability, accrued interest payable, the June state aid payments, and state statutes that prohibit school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance are primarily responsible for this deficit balance.
- The total net position of the School District decreased by \$150,130 or a 2.54% decrease from the prior fiscal year-end balance. The majority of the reason for the increase was the payment of long-term liabilities.
- Fund balance of the School District's governmental funds decreased by \$137,324 resulting in an ending fund balance of \$148,865. The main reason for the decrease is results of operations in the general fund.
- Business-type activities have unrestricted net position of \$182,882, which may be used to meet the School District's ongoing obligations of the enterprise-related activities.
- The School District's long-term obligations increased by \$674,929 which is the result of current year payments on existing debt obligations, the acquisition of a capital lease and increase in net pension liability.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components: 1) District-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

The *district-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The district-wide financial statements include the statement of net position and the statement of activities.

The *statement of net position* presents information about all of the School District's assets and liabilities. The difference between the assets and liabilities is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the School District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the district-wide financial statements distinguish functions of the School District that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all or most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund. Business-type activities consolidate the Food Service Fund, the Community Education Program Fund and the After School Program Fund.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the School District are divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

Governmental funds account for essentially the same information reported in the governmental activities of the district-wide financial statements. However, unlike the district-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The School District maintains four individual governmental funds. The major funds are the General Fund, the Special Revenue Fund, the Capital Projects Fund, and the Debt Service Fund. They are presented separately in the fund financial statements.

The School District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and the Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

Proprietary funds are used to present the same functions as the business-type activities presented in the district-wide financial statements. The School District maintains one type of proprietary fund - the Enterprise Fund. The fund financial statements of the enterprise fund provides the same information as the district-wide financial statements, only in more detail.

The School District's three enterprise funds (Food Service Fund, Community Education Program Fund and After School Program Fund) are listed individually and are considered to be major funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the School District's programs.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains other supplementary information and schedules required by the New Jersey Audit Program, issued by the New Jersey Department of Education.

District-wide Financial Analysis

The assets of the School District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the School District. The majority of the current assets are the results of the tax levy and state aid collection process.

Capital assets are used in the operations of the School District. These assets are land, buildings, improvements and equipment. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2017. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal year 2016.

The assets of the primary government activities exceeded liabilities by 5,554,690 with an unrestricted deficit balance of \$7,119,250. The net position of the primary government does not include internal balances.

A net investment of \$12,196,150 in land, improvements, buildings, equipment and vehicles which provide the services to the School District's public school students. Net position of \$477,790 has been restricted as follows:

Restricted for Future Budget Appropriations	\$	45,925
Restricted for Future Capital Projects		30,677
Restricted for Capital Reserve		115,614
Restricted for Subsequent Year's Budget		<u>285,574</u>
Total	\$	<u>477,790</u>

As mentioned earlier, the balance of the unrestricted net position is primarily due to the accounting treatment for compensated absences payable, net pension liability and the last two state aid payments, and state statutes that prohibit school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

**Audubon School District
Comparative Summary of Net Position
As of June 30, 2016 and 2015**

	Governmental Activities		Business-Type Activities		District-Wide	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current assets	\$ 2,100,958	\$ 2,026,848	\$ 102,392	\$ 89,346	\$ 2,203,350	\$ 2,116,194
Capital assets	19,918,355	20,640,354	11,738	14,558	19,930,093	20,654,912
Total assets	<u>22,019,313</u>	<u>22,667,202</u>	<u>114,130</u>	<u>103,904</u>	<u>22,133,443</u>	<u>22,771,106</u>
Deferred Outflows of Resources	1,557,310	429,826			1,557,310	429,826
LIABILITIES						
Current liabilities	3,040,482	2,825,892	(80,490)	(74,731)	2,959,992	2,751,161
Noncurrent liabilities	14,814,618	14,149,903			14,814,618	14,149,903
Total liabilities	<u>17,855,100</u>	<u>16,975,795</u>	<u>(80,490)</u>	<u>(74,731)</u>	<u>17,774,610</u>	<u>16,901,064</u>
Deferred Inflows of Resources	166,833	400,428			166,833	400,428
Net Position	<u>\$ 5,554,690</u>	<u>\$ 5,720,805</u>	<u>\$ 194,620</u>	<u>\$ 178,635</u>	<u>\$ 5,749,310</u>	<u>\$ 5,899,440</u>
Net Position Consists of:						
Net investment in Capital Assets	\$12,196,150	\$12,095,981	\$ 11,738	\$ 14,558	\$12,207,888	\$12,110,539
Restricted Assets	477,790	627,267			477,790	627,267
Unrestricted Assets	<u>(7,119,250)</u>	<u>(7,002,443)</u>	<u>182,882</u>	<u>164,077</u>	<u>(6,936,368)</u>	<u>(6,838,366)</u>
Net Position	<u>\$ 5,554,690</u>	<u>\$ 5,720,805</u>	<u>\$ 194,620</u>	<u>\$ 178,635</u>	<u>\$ 5,749,310</u>	<u>\$ 5,899,440</u>

Governmental Activities

Governmental activities decreased the net position of the School District by \$166,115 during the current fiscal year. Key elements of the decrease in net position for governmental activities are as follows:

- Long-term debt obligations were increased by \$674,929 accounting for the majority of the decrease in net position.

Business-type Activities

Business-type activities increased the School District's net position by \$15,985. Key elements of the increase in net position for business-type activities are as follows:

- The Food Service Fund operated at a loss of \$62,965 for this fiscal year before accounting for a transfer from the operating fund of \$52,960. The net position balance at June 30, 2016 for the food service fund was \$12,921.
- The Community Education Program Fund operated at a gain of \$88 for this fiscal year. The net position balance at June 30, 2016 for the community education program fund was \$127,731.
- The After School Fund operated at a profit of \$25,902 for this fiscal year. The net position balance at June 30, 2016 for the after school fund was \$53,968.

Audubon School District
Comparative Schedule of Changes in Net position
As of and for the Fiscal Year Ended June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		District-Wide	
	2016	2015	2016	2015	2016	2015
Revenues:						
Charges for services	\$ 2,845,523	\$ 2,544,829	\$ 483,761	\$ 463,486	\$ 3,329,284	\$ 3,008,315
Operating grants and contributions	3,289,702	3,229,974	185,654	180,209	3,475,356	3,410,183
Property taxes	11,740,208	11,506,334			11,740,208	11,506,334
State aid - unrestricted	8,391,845	8,302,588			8,391,845	8,302,588
Other revenues	282,314	269,265	77	38	282,391	269,303
Total Revenues	26,549,592	25,852,990	669,492	643,733	27,219,084	26,496,723
Expenses:						
Governmental Activities:						
Instruction	10,970,515	10,614,441			10,970,515	10,614,441
Tuition	892,113	881,553			892,113	881,553
Related services	2,635,317	2,590,979			2,635,317	2,590,979
Administrative services	1,982,900	2,010,691			1,982,900	2,010,691
Operations and Maintenance	2,109,641	1,861,450			2,109,641	1,861,450
Transportation	525,864	410,566			525,864	410,566
Employee benefits	6,642,863	6,303,817			6,642,863	6,303,817
Interest on debt	241,000	256,000			241,000	256,000
Other	662,534	661,596			662,534	661,596
Business-Type Activities:						
Food Service			501,262	460,429	501,262	460,429
Community Education			78,619	114,221	78,619	114,221
After School Program			126,586	116,343	126,586	116,343
Total Expenses	26,662,747	25,591,093	706,467	690,993	27,369,214	26,282,086
Increase (Decrease) in Net Position before transfers						
	(113,155)	261,897	(36,975)	(47,260)	(150,130)	214,637
Transfers	(52,960)	(20,000)	52,960	20,000		
Change in Net Position	(166,115)	241,897	15,985	(27,260)	(150,130)	214,637
Net Position, July 1	5,720,805	5,478,908	178,635	205,895	5,899,440	5,684,803
Net Position, June 30	\$ 5,554,690	\$ 5,720,805	\$ 194,620	\$ 178,635	\$ 5,749,310	\$ 5,899,440

Financial Analysis of the Governmental Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$148,865, a decrease of \$137,324 in comparison with the prior year. Results of operations in the general fund are the main reason for the decrease.

The unreserved fund balance for the School District at the end of the fiscal year represents the unreserved deficit fund balance for the General Fund of \$328,925. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed as follows, 1) appropriated as a revenue source in the subsequent year's budget (\$285,574), 2) reserved for capital projects expenditures (\$146,291), or reserved for future appropriation in accordance with state statutes (\$45,925).

The general fund is the chief operating fund of the School District. As discussed earlier, the deficit balance in the unreserved fund balance is due, primarily, to the accounting treatment of the June state aid payments as discussed in the notes to the basic financial statements, and state statutes that prohibit New Jersey school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

Revenue in the special revenue fund is generally recognized at the time that the outlays are identified; therefore no fund balances are normally generated in the special revenue fund.

General Fund Budgetary Highlights

At the end of the current fiscal year, unreserved fund balance (budgetary basis) of the general fund was \$446,665, while total fund balance (budgetary basis) was \$893,778. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to \$25,235,978. Unreserved fund balance (budgetary basis) represents 1.77% of expenditures while total fund balance (budgetary basis) represents 3.54% of that same amount.

Capital Assets and Debt Administration

The School District's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totaled \$19,930,093 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings and equipment. The total decrease in the School District's investment in capital assets for the current fiscal year was \$724,819.

Major capital assets events during the current fiscal year included the following:

- Depreciation expense for the current fiscal year was \$727,014.
- Current year additions were \$2,195.

Capital Assets (net of accumulated depreciation) June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		District-Wide	
	2016	2015	2016	2015	2016	2015
Land	\$ 764,000	\$ 764,000	\$ -	\$ -	\$ 764,000	\$ 764,000
Const. in Progress					-	-
Site Improvements	595,051	655,984			595,051	655,984
Building and Building Improvements	18,131,873	18,712,498			18,131,873	18,712,498
Equipment	427,431	507,872	11,738	14,558	439,169	522,430
Total	\$ 19,918,355	\$ 20,640,354	\$ 11,738	\$ 14,558	\$ 19,930,093	\$ 20,654,912

Additional information on the School District's capital assets can be found in the notes to the basic financial statements (Note 5) of this report.

Long-term debt – During the fiscal year ended June 30, 2016, the School District had total bonded debt outstanding of \$7,150,000 backed by the full faith and credit of the School District. Additionally, the School District has long-term obligations for capital leases in the amount of \$572,205, compensated absences balance of \$799,946 outstanding at the end of the current fiscal year, and a net pension liability of \$7,277,456.

General Obligation Bonds for the School District decreased by \$770,000, reflecting debt service payments made during the year.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$27,845,493 and the legal debt margin was \$20,695,493.

Additional information on the School District's long-term obligations can be found in the notes to the basic financial statements (Note 7) of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered and incorporated into the preparation of the School District's budget for the 2016-2017 fiscal year.

- The 2016-2017 budget increased by \$490,004 (2.04%) over the previous year's budget. Of this increase, \$29,000 was generated by an increase in capital outlay expenditures. The general fund budget increased by \$410,233. The tax rate for 2016 increased 6.5 cents from the previous year.
- The Audubon School District has committed itself to strong financial controls. The Business office continually monitors spending requests in relation to the district budget and is committed to review its business practices in order to maximize revenues and generate a budget surplus each year. Additionally, the district is looking to improve its use of technology in the coming years in an effort to meet all future educational challenges.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Audubon School District Business Administrator, 350 Edgewood Avenue, Audubon, New Jersey, 08106, telephone number (856) 547-1716.

Basic Financial Statements

District-Wide Financial Statements

AUDUBON SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 373,276	\$ 78,083	\$ 451,359
Receivables, net	1,612,068	17,417	1,629,485
Inventory		6,892	6,892
Restricted assets:			
Cash and cash equivalents	115,614		115,614
Capital assets, net (Note 5)	19,918,355	11,738	19,930,093
Total Assets	22,019,313	114,130	22,133,443
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources from pensions	1,557,310		1,557,310
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	23,576,623	114,130	23,690,753
LIABILITIES:			
Accounts payable	643,503	163	643,666
Internal balance	83,000	(83,000)	
State aid anticipation note payable	775,590		775,590
Other liabilities	450,000	2,347	452,347
Accrued interest payable	103,400		103,400
Noncurrent liabilities:			
Due within one year	984,989		984,989
Due beyond one year	14,814,618		14,814,618
Total Liabilities	17,855,100	(80,490)	17,774,610
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of resources from pensions	166,833		166,833
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	18,021,933	(80,490)	17,941,443
NET POSITION:			
Net investment in capital assets	12,196,150	11,738	12,207,888
Restricted for:			
Capital projects	146,291		146,291
Other purposes	331,499		331,499
Unrestricted	(7,119,250)	182,882	(6,936,368)
Total Net Position	\$ 5,554,690	\$ 194,620	\$ 5,749,310

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

AUDUBON SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 7,583,364	\$ 2,845,523	\$ 191,831	\$ -	\$ (4,546,010)	\$ -	\$ (4,546,010)
Special Education	2,253,829		362,672		(1,891,157)		(1,891,157)
Other instruction	1,133,322				(1,133,322)		(1,133,322)
Support Services:							
Tuition	892,113				(892,113)		(892,113)
Student & instruction related services	2,635,317		62,022		(2,573,295)		(2,573,295)
General administrative services	402,459				(402,459)		(402,459)
School administrative services	1,020,320				(1,020,320)		(1,020,320)
Central administrative services	560,121				(560,121)		(560,121)
Plant operations and maintenance	2,109,641				(2,109,641)		(2,109,641)
Pupil transportation	525,864				(525,864)		(525,864)
Unallocated employee benefits	6,642,863		2,673,177		(3,969,686)		(3,969,686)
Interest on long-term debt	241,000				(241,000)		(241,000)
Unallocated depreciation and amortization	662,534				(662,534)		(662,534)
Total Governmental Activities	<u>26,662,747</u>	<u>2,845,523</u>	<u>3,289,702</u>		<u>(20,527,522)</u>		<u>(20,527,522)</u>
Business-Type Activities:							
Food service	501,262	252,643	185,654			(62,965)	(62,965)
Community education program	78,619	78,630				11	11
After school program	126,586	152,488				25,902	25,902
Total Business-Type Activities	<u>706,467</u>	<u>483,761</u>	<u>185,654</u>			<u>(37,052)</u>	<u>(37,052)</u>
Total Primary Government	<u>\$ 27,369,214</u>	<u>\$ 3,329,284</u>	<u>\$ 3,475,356</u>	<u>\$ -</u>	<u>(20,527,522)</u>	<u>(37,052)</u>	<u>(20,564,574)</u>
General Revenues:							
Taxes:							
Property taxes, levied for general purposes, net					10,729,208		10,729,208
Taxes levied for debt service					1,011,000		1,011,000
Federal and State aid not restricted					8,391,845		8,391,845
Miscellaneous Income					282,314	77	282,391
Special Items:							
Transfer					(52,960)	52,960	
Total general revenues, special items, extraordinary items and transfers					<u>20,361,407</u>	<u>53,037</u>	<u>20,414,444</u>
Change in Net Position					(166,115)	15,985	(150,130)
Net Position - July 1, 2015					5,720,805	178,635	5,899,440
Net Position - June 30, 2016					<u>\$ 5,554,690</u>	<u>\$ 194,620</u>	<u>\$ 5,749,310</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

Fund Financial Statements

AUDUBON SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

ASSETS	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 373,276	\$ -	\$ -	\$ -	\$ 373,276
Receivables, net:					
District tax levy	67,666			787,503	855,169
State aid	164,119		250,590		414,709
Federal aid	19,934	85,446			105,380
Other	136,810				136,810
Interfund	1,134,955			100,000	1,234,955
Restricted assets:					
Cash and cash equivalents	115,614				115,614
Total Assets	<u>2,012,374</u>	<u>85,446</u>	<u>250,590</u>	<u>887,503</u>	<u>3,235,913</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	585,596	57,907			643,503
Interfund payable	533,000	27,539	219,913	887,503	1,667,955
State aid anticipation note payable	775,590				775,590
Total Liabilities	<u>1,894,186</u>	<u>85,446</u>	<u>219,913</u>	<u>887,503</u>	<u>3,087,048</u>
Fund Balances:					
Restricted for:					
Excess surplus	45,925				45,925
Excess surplus - designated for subsequent year's budget	85,637				85,637
Capital reserve	115,614				115,614
Assigned to:					
Subsequent year's budget	199,937				199,937
Unassigned	(328,925)		30,677		(298,248)
Total Fund Balances	<u>118,188</u>		<u>30,677</u>		<u>148,865</u>
Total Liabilities and Fund Balances	<u>\$ 2,012,374</u>	<u>\$ 85,446</u>	<u>\$ 250,590</u>	<u>\$ 887,503</u>	

Amounts reported for governmental activities in the statement of net position (A-1) are 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 \$31,575,245 and the accumulated depreciation is \$11,656,890. 19,918,355

The District's proportionate share of net pension assets and liabilities as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:

Deferred Outflows of resources from Pensions	1,557,310	
Net Pension Liability	(7,277,456)	
Deferred Inflows of resources from Pensions	(166,833)	(5,886,979)

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:

General Obligation Bonds	\$ (7,150,000)	
Capital Lease Payable	(572,205)	
Accrued Interest Payable	(103,400)	
Compensated Absences Payable	(799,946)	
		<u>(8,625,551)</u>

Net position of governmental activities \$ 5,554,690

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

AUDUBON SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$ 10,729,208	\$ -	\$ -	\$ 1,011,000	\$ 11,740,208
Tuition	2,845,523				2,845,523
Capital reserve interest	201				201
Miscellaneous	282,113				282,113
Total local sources	13,857,045			1,011,000	14,868,045
State sources	11,009,236				11,009,236
Federal sources	55,786	616,525			672,311
Total Revenues	24,922,067	616,525		1,011,000	26,549,592
EXPENDITURES:					
Current expense:					
Regular instruction	7,459,959	191,831			7,651,790
Special education instruction	1,891,157	362,672			2,253,829
Other instruction	1,133,322				1,133,322
Support services and undistributed costs:					
Tuition	892,113				892,113
Student & instruction related services	2,573,295	62,022			2,635,317
General administrative services	402,179				402,179
School administrative services	1,020,320				1,020,320
Central administrative services	560,121				560,121
Plant operations and maintenance	1,771,100				1,771,100
Pupil transportation	510,070				510,070
Unallocated employee benefits	6,421,304				6,421,304
Capital outlay	548,078				548,078
Debt service:					
Principal				770,000	770,000
Interest and other charges				241,000	241,000
Total Expenditures	25,183,018	616,525		1,011,000	26,810,543
Excess (deficiency) of revenues over (under) expenditures	(260,951)				(260,951)
Other Financing Sources (Uses):					
Proceeds of Capital Lease	176,587				176,587
Transfers out	(52,960)				(52,960)
Total other financing sources (uses)	123,627				123,627
Net Change in Fund Balance	(137,324)				(137,324)
Fund balance - July 1, 2015	255,512		30,677		286,189
Fund Balance - June 30, 2016	\$ 118,188	\$ -	\$ 30,677	\$ -	\$ 148,865

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

AUDUBON SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2016

Total net change in fund balances - governmental funds (from B-2)		\$ (137,324)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
<p>Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Depreciation expense	\$ (724,194)	
Fixed assets additions	<u>2,195</u>	(721,999)
<p>Repayment of long-term debt 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.</p>		
		770,000
<p>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. This amount is the net effect of the difference in the treatment of interest on long-term debt.</p>		
		7,058
<p>Repayment of capital lease principal is an expenditure in the governmental funds, But the repayment reduces long-term liabilities in the statement of net position and is reported in the statement of activities.</p>		
		228,755
<p>The proceeds of a capital lease is an other financing source of revenue in the governmental funds but is not reported in the statement of activities.</p>		
		(176,587)
<p>Net differences between pension system contributions recognized in the fund statement of revenues, expenditures and changes in fund balances and the statement of activities.</p>		
		(221,559)
<p>In the statement of activities, certain operating expenses, (e.g. compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+)</p>		
		<u>85,541</u>
Change in net position of governmental activities		<u>\$ (166,115)</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

AUDUBON SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-Type Activities			Total
	Enterprise Funds			
	Food Service Fund	Community Education Program	After School Program	
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 52,731	\$ 54,131	\$ 106,862
Intergovernmental receivables				
State	181			181
Federal	7,601			7,601
Interfund	8,000	75,000		83,000
Other	9,635			9,635
Inventories	6,892			6,892
Total current assets	<u>32,309</u>	<u>127,731</u>	<u>54,131</u>	<u>214,171</u>
Noncurrent assets:				
Machinery and equipment (net of accumulated depreciation)	11,738			11,738
Total noncurrent assets	<u>11,738</u>			<u>11,738</u>
Total Assets	<u>44,047</u>	<u>127,731</u>	<u>54,131</u>	<u>225,909</u>
LIABILITIES:				
Current liabilities:				
Cash overdraft	28,779			28,779
Accounts Payable			163	163
Unearned revenue	2,347			2,347
Total Current Liabilities	<u>31,126</u>		<u>163</u>	<u>31,289</u>
NET POSITION:				
Net Investment in capital assets	11,738			11,738
Unrestricted	1,183	127,731	53,968	182,882
Total Net Position	<u>\$ 12,921</u>	<u>\$ 127,731</u>	<u>\$ 53,968</u>	<u>\$ 194,620</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

AUDUBON SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	Business-Type Activities			Totals
	Enterprise Funds			
	Food Service Fund	Community Education Program	After School Program	
Operating Revenues:				
Charges for services:				
Daily sales:				
Reimbursable programs	\$ 99,789	\$ -	\$ -	\$ 99,789
Non-reimbursable programs	152,854			152,854
Program fees		78,630	152,488	231,118
Total Operating Revenue	<u>252,643</u>	<u>78,630</u>	<u>152,488</u>	<u>483,761</u>
Operating Expenses:				
Salaries and fringe benefits	249,109	35,409	115,768	400,286
Management fee	24,867			24,867
Supplies and materials	15,549		818	16,367
Other costs	23,890		10,000	33,890
Depreciation	2,820			2,820
Cost of sales - reimbursable programs	73,082			73,082
Cost of sales - nonreimbursable programs	111,945	43,210		155,155
Total Operating Expenses	<u>501,262</u>	<u>78,619</u>	<u>126,586</u>	<u>706,467</u>
Operating Income (Loss)	<u>(248,619)</u>	<u>11</u>	<u>25,902</u>	<u>(222,706)</u>
Non-Operating Revenues:				
State sources:				
State school lunch program	4,050			4,050
Federal sources:				
National school lunch program	140,374			140,374
National school breakfast program	14,531			14,531
Food distribution program	26,699			26,699
Local sources:				
Interest earned		77		77
Total Non-Operating Revenues	<u>185,654</u>	<u>77</u>		<u>185,731</u>
Income (Loss) before Contributions and Transfers	<u>(62,965)</u>	<u>88</u>	<u>25,902</u>	<u>(36,975)</u>
Operating Transfers In	<u>52,960</u>			<u>52,960</u>
Change in Net Position	(10,005)	88	25,902	15,985
Net Position - July 1, 2015	<u>22,926</u>	<u>127,643</u>	<u>28,066</u>	<u>178,635</u>
Net Position - June 30, 2016	<u>\$ 12,921</u>	<u>\$ 127,731</u>	<u>\$ 53,968</u>	<u>\$ 194,620</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

AUDUBON SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	Business-Type Activities			Total
	Enterprise Funds			
	Food Service Fund	Community Education Program	After School Program	
Cash Flows from Operating Activities:				
Cash receipts from customers	\$ 246,918	\$ 78,630	\$ 152,488	\$ 478,036
Cash payments to employees for services	(249,109)	(35,409)	(115,768)	(400,286)
Cash payments to suppliers for goods and services	<u>(242,645)</u>	<u>(43,210)</u>	<u>(10,655)</u>	<u>(296,510)</u>
Net cash used by operating activities	<u>(244,836)</u>	<u>11</u>	<u>26,065</u>	<u>(218,760)</u>
Cash Flows from Noncapital Financing Activities:				
Cash received from state sources	3,869			3,869
Cash received from federal sources	174,003			174,003
Operating transfer in	<u>44,960</u>			<u>44,960</u>
Net cash provided by noncapital financing activities	<u>222,832</u>			<u>222,832</u>
Cash Flows used by Noncapital Financing Activities:				
Cash advance to General Fund				
Cash Flow Provided by Investing Activities:				
Interest on cash equivalents		<u>77</u>		<u>77</u>
Net increase (decrease) in cash and cash equivalents	(22,004)	88	26,065	4,149
Cash and cash equivalents - July 1, 2015	<u>(6,775)</u>	<u>52,643</u>	<u>28,066</u>	<u>73,934</u>
Cash and cash equivalents - June 30, 2016	<u>\$ (28,779)</u>	<u>\$ 52,731</u>	<u>\$ 54,131</u>	<u>\$ 78,083</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (248,619)	\$ 11	\$ 25,902	\$ (222,706)
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:				
Depreciation	2,820			2,820
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(7,804)			(7,804)
(Increase) decrease in interfund receivable				
(Increase) decrease in inventory	6,688			6,688
Increase (decrease) in unearned revenue	2,079			2,079
Increase (decrease) in accounts payable			163	163
Net cash provided by (used for) operating activities	<u>\$ (244,836)</u>	<u>\$ 11</u>	<u>\$ 26,065</u>	<u>\$ (218,760)</u>
Noncash Noncapital Financing Activities:				
During the year the District received \$26,699 of food commodities from the U.S. Department of Agriculture.				

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

AUDUBON SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Trust Funds			Agency Funds
	Unemployment Compensation Trust	Flexible Benefit Trust	Private Purpose Scholarship Fund	
ASSETS:				
Cash and cash equivalents	\$ 93,843	\$ 1,497	\$ 101,733	\$ 479,206
Interfund receivable	<u>325,000</u>			<u>25,000</u>
Total Assets	<u>418,843</u>	<u>1,497</u>	<u>101,733</u>	<u>504,206</u>
LIABILITIES:				
Payroll deductions and withholdings	143			\$ 5,586
Due to student groups				<u>498,620</u>
Total Liabilities	<u>143</u>			<u>\$ 504,206</u>
NET POSITION:				
Held in trust for unemployment claims and other purposes	<u>\$ 418,700</u>			
Held in trust for claims		<u>\$ 1,497</u>		
Reserved for scholarships			<u>\$ 101,733</u>	

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

AUDUBON SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

	<u>Unemployment Compensation Trust</u>	<u>Flexible Benefit Trust</u>	<u>Private Purpose Scholarship Fund</u>
ADDITIONS:			
Contributions			
Employee	\$ 25,757	\$ 11,750	\$ -
Donations			6,812
Total Contributions	<u>25,757</u>	<u>11,750</u>	<u>6,812</u>
Interest earned on investments	<u>77</u>	<u>4</u>	<u>181</u>
Total Additions	<u>25,834</u>	<u>11,754</u>	<u>6,993</u>
DEDUCTIONS:			
Claims paid	5,506	11,991	
Scholarships awarded			11,600
Total Deductions	<u>5,506</u>	<u>11,991</u>	<u>11,600</u>
Change in Net Position	20,328	(237)	(4,607)
Net Position - July 1, 2015	<u>398,372</u>	<u>1,734</u>	<u>106,340</u>
Net Position - June 30, 2016	<u>\$ 418,700</u>	<u>\$ 1,497</u>	<u>\$ 101,733</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Borough of Audubon School District ("School District") is a Type II district located in the County of Camden, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board of Education is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The purpose of the School District is to provide educational services for resident students in grades K through 12. In addition, the School District provides educational services for students in grades 9 through 12 received from the Mount Ephraim School District, on a tuition basis. The Audubon School District has an approximate enrollment at June 30, 2016 of 1,545 students.

The primary criteria for including activities within the School District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards* is the degree of oversight responsibility maintained by the School District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School district over which the Board exercises operating control.

Component Units – GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Unit*, provide guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39. In addition, GASB Statement No. 61, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

Basis of Presentation

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental 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 School District's accounting policies are described below.

The School District's basic financial statements consists of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The statement of net position presents the financial condition of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. The policy of the School District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements - During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a single column. The fiduciary fund is reported by type. The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund - The general fund is the general operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America as they pertain to governmental entities state 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 revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, district taxes and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenues sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Fund - The capital projects fund is used to account and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes or serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

Proprietary Funds - Proprietary funds are used to account for the School District's ongoing activities, which are similar to those in the private sector.

Enterprise Funds - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the School District is that all costs (expenses, including depreciation) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the School District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The School District's enterprise funds are:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the School District.

After School Program Fund - This fund accounts for the financial resources of the School District's extended day program. This program provides before and after school care to students.

Community Education Fund - This fund accounts for the financial activity related to providing adult school activities within the School District.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net position) is segregated into net investment in capital assets, and unrestricted net, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

**Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued) - Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
Light Trucks and Vehicles	4 Years
Heavy Trucks and Vehicles	6 Years

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: trust funds and agency funds. Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds (i.e. payroll and student activities). They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has five fiduciary funds; an unemployment compensation trust fund, a private purpose scholarship fund, a flexible spending trust fund, a student activity fund, and a payroll fund.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e. revenues) and decreases (i.e. expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange 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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that 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 School District, available means expected to be received within sixty days after fiscal year end.

Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues - Exchange and Non-exchange Transactions - Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The School District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year since the revenue is both measurable and available. The School District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". With the exception of restricted formula aids recorded in the special revenue fund, 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 fiscal 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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end; tuition, grants, fees, and rentals.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year is reported in the operating statement as an expense. Unused donated commodities are reported as unearned revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets/Budgetary Control - Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. 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. 6:23A-16.2(f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only and the special revenue fund. 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 budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on Exhibit C-1, Exhibit C-2 and Exhibit I-3, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances – governmental funds. Note that the School District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis with the exception of the revenue recognition policy for the one or more June state aid payments.

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. Encumbrances are a component of fund balance at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances – Open Encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, and all eligibility and time requirements satisfied are reflected on the balance sheet as unearned grant 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.

Cash, Cash Equivalents and Investments - Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

N.J.S.A. 17:9-41et 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 public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (GUDPA), a multiple financial institution collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Tuition Receivable - Tuition charges were established by the School District based on estimated costs. The charges are subject to adjustment when the final costs are determined.

Tuition Payable - Tuition charges for the fiscal years ended June 30, 2016 and 2015 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

Inventories - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out basis.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed, and is not recorded since any amounts are considered immaterial to the basic financial statements.

Inventories recorded in the government-wide financial statements and in the proprietary fund types are recorded as expenditures when consumed rather than when purchased.

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

In the governmental fund types, however, payments for prepaid items are fully recognized as an expenditure in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 School District and that are due within one year. These amounts are eliminated in the governmental and business-type columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Capital Assets - General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and the proprietary fund statement of net position. .

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land and Improvements	10-20 years	N/A
Buildings and Improvements	10-50 years	N/A
Furniture and Equipment	5-20 years	12 years
Vehicles	5-10 years	4-6 years

Accrued Salaries and Wages - Certain School District employees, who provide services to the School District over the ten-month academic year, have the option to have their salaries evenly disbursed during the twelve-month year. New Jersey statute s require that these earned but undisbursed amounts be retained in a separate bank account.

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the School District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the School District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources. In proprietary funds, the entire amount of compensated absences is recorded as a fund liability.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the School District is eligible to realize the revenue.

Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

Net Position - Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

Net investment in capital assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or law or regulations of other governments.

Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Fund Balance - The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criteria includes items that are not expected to be converted to cash, such as inventories and prepaid amounts. The School District had no nonspendable fund balance at June 30, 2016.

Restricted - This fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, which for the School District is the Board of Education. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action imposing the commitment.

Assigned - This fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the Business Administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes.

Unassigned - This fund balance classification is the residual classification for the General Fund. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the School District's policy to spend restricted fund balances first. Likewise, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating and Non-Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales for the food service program and maintenance service fees for the internal service fund. Non-operating revenues principally consist of interest income earned on various interest bearing accounts and federal and state subsidy reimbursements for the food service program.

Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. There are no non-operating expenses.

Interfunds – Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Recently Issued Accounting Pronouncements - In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. This Statement is effective for financial statements for periods beginning after June 15, 2016 and will not have any effect on the District's financial reporting.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria. This Statement is effective for financial statements for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for financial statements for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

In December 2015, the GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

**Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued) - This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

In March 2016, the GASB issued Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. Furthermore, this Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures. Also, this Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School district in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings of funds that pass to the School District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. Of the School District's amount on deposit of \$1,596,642 as of June 30, 2016, \$346,729 was insured under FDIC and the remaining balance of \$1,249,913 was collateralized under GUDPA.

3. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the School District 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 School District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the New Jersey Department of Education, a school 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 fiscal year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A school 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-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

**Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

3. CAPITAL RESERVE ACCOUNT (Continued)

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Balance July 1, 2015		\$	115,413		
Increased by:					
Interest Earned	\$	201			
Board Resolution	<u> </u>		<u>201</u>		
			115,614		
Decreased by:					
Budget Withdrawal	<u> </u>		<u>-</u>		
Balance June 30, 2016		\$	<u>115,614</u>		

The June 30, 2016 capital reserve balance does not exceed the LRFPP balance of local support costs of uncompleted projects.

4. ACCOUNTS RECEIVABLES

Accounts receivables at June 30, 2016 consisted of accounts (fees) and intergovernmental grants. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

Accounts receivable at June 30, 2016 for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Proprietary Fund	Total
Intergovernmental						
District Tax Levy	\$ 67,666	\$ -	\$ -	\$ 787,503	\$ -	\$ 855,169
State	164,119		250,590		181	414,890
Federal	19,934	85,446			7,601	112,981
Other	<u>136,810</u>				<u>9,635</u>	<u>146,445</u>
Total	<u>\$ 388,529</u>	<u>\$ 85,446</u>	<u>\$ 250,590</u>	<u>\$ 787,503</u>	<u>\$ 17,417</u>	<u>\$ 1,529,485</u>

**Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Governmental Activities:				
Land	\$ 764,000	\$ -	\$ -	\$ 764,000
Total Capital Assets not being Depreciated	<u>764,000</u>	<u>-</u>	<u>-</u>	<u>764,000</u>
Capital Assets, being Depreciated:				
Land Improvements	1,550,617			1,550,617
Building and Improvements	27,531,810			27,531,810
Equipment	<u>1,740,423</u>	<u>2,195</u>	<u>(13,800)</u>	<u>1,728,818</u>
Total Historical Cost	<u>30,822,850</u>	<u>2,195</u>	<u>(13,800)</u>	<u>30,811,245</u>
Less Accumulated Depreciation:				
Land Improvements	(894,633)	(60,933)		(955,566)
Building and Improvements	(8,819,312)	(580,625)		(9,399,937)
Equipment	<u>(1,232,551)</u>	<u>(82,636)</u>	<u>13,800</u>	<u>(1,301,387)</u>
Total Accumulated Depreciation	<u>(10,946,496)</u>	<u>(724,194)</u>	<u>13,800</u>	<u>(11,656,890)</u>
Total Capital Assets, being depreciated, net	<u>19,876,354</u>	<u>(721,999)</u>		<u>19,154,355</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,640,354</u>	<u>\$ (721,999)</u>	<u>\$ -</u>	<u>\$ 19,918,355</u>
Business-Type Activities:				
Equipment	\$ 195,636	\$ -	\$ -	\$ 195,636
Less - Accumulated Depreciation	<u>(181,078)</u>	<u>(2,820)</u>		<u>(183,898)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 14,558</u>	<u>\$ (2,820)</u>	<u>\$ -</u>	<u>\$ 11,738</u>

Depreciation expense in the amount of \$724,194 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Regular Instruction	\$ 17,115
General Administration	280
Plant Operations and Maintenance	21,413
Transportation	15,794
Unallocated	<u>669,592</u>
Total depreciation expense	<u>\$ 724,194</u>

**Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

6. INVENTORY

Inventory in the food service fund at June 30, 2016 consisted of the following:

Food	\$	4,640
Supplies		<u>2,252</u>
	\$	<u><u>6,892</u></u>

7. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2016, the following changes occurred in long-term obligations:

	<u>Principal Outstanding June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2016</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 885,487	\$ 1,055	\$ 86,596	\$ 799,946	\$ -
Obligations under Capital Leases	624,373	176,587	228,755	572,205	229,989
General Obligation Bonds	7,920,000		770,000	7,150,000	755,000
Net Pension Liability	<u>5,694,818</u>	<u>1,582,638</u>		<u>7,277,456</u>	
	<u>\$ 15,124,678</u>	<u>\$ 1,760,280</u>	<u>\$ 1,085,351</u>	<u>\$ 15,799,607</u>	<u>\$ 984,989</u>

Bonds Payable - Bonds and loans are authorized in accordance with State law by the voters of the School District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the School District are as follows:

2012 Refunding 2004 Bonds dated January 15, 2012 in the amount of \$7,150,000 due in annual installments through January 15, 2025, bearing interest rate of 2.00% to 4.00%.

As of June 30, 2016, principal and interest due on bonds outstanding is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 755,000	\$ 225,600	\$ 980,600
2018	740,000	210,500	950,500
2019	775,000	195,700	970,700
2020	730,000	180,200	910,200
2021	770,000	158,300	928,300
2022-2025	<u>3,380,000</u>	<u>346,200</u>	<u>3,726,200</u>
	<u>\$ 7,150,000</u>	<u>\$ 1,316,500</u>	<u>\$ 8,466,500</u>

As of June 30, 2016 the School District had no authorizations to issue additional bonded debt.

Compensated Absences - Compensated absences will be paid from the fund from which the employees' salaries are paid.

**Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

7. LONG-TERM OBLIGATIONS (Continued)

Capital Leases Payable - The School District has entered into the following capital lease agreement:

<u>Equipment</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Value</u>
High Efficiency Boilers	Oct. 7, 2016	2.450%	\$ 295,177
Facilities Lease - Ground Use	July 1, 2019	1.480%	500,000
Dell Chromebooks	August 1, 2018	1.990%	176,587

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2016:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 229,989	\$ 9,748	\$ 239,737
2018	169,740	5,515	175,255
2019	172,476	2,780	175,256
	<u>\$ 572,205</u>	<u>\$ 18,043</u>	<u>\$ 590,248</u>

8. OPERATING LEASES

At June 30, 2016, the School District had operating lease agreements in effect for copy machines and chromebooks. Total rental payments for such leases were \$85,466 for the fiscal year ended June 30, 2016. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 85,466
2018	\$ 52,548
2019	\$ 36,348
2020	33,108
	<u>\$ 207,470</u>

9. PENSION PLANS

Description of Plans – Substantially all of the School District's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits (Division): the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund is a cost-sharing contributory defined benefit pension plan which was established on January 1, 1955, under the provisions of N.J.S.A. 18A:66. The TPAF provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:66.

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 113, 114, 115, P.L. 1997, plan members enrolled in the TPAF were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92 P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007.

**Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over the several preceding fiscal years.

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 Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the year ended June 30, 2016, the District recognized pension expense of \$4,018,368 and revenue of \$4,018,368 for support provided by the State. Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district.

The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	06/30/15	06/30/14
Collective deferred outflows of resources	\$ 7,521,378,257	\$ 2,306,623,861
Collective deferred inflows of resources	554,399,005	1,763,205,593
Collective net pension liability (Non-Employer – State of New Jersey)	63,577,864,440	53,446,745,367
State's portion of the net pension liability that was associated with the district	65,811,229	55,527,216
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	.1041246558%	.1038926042%

Actuarial assumptions – The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

- Inflation: 2.5%
- Salary Increases: Varies based on experience
- Investment Rate of Return: 7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table 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, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

**Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on 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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	05.00%	0.53%
Government Bonds	01.75%	1.39%
Credit Bonds	13.50%	2.72%
Mortgages	02.10%	2.54%
Inflation-Indexed Bonds	01.50%	1.47%
High Yield Bonds	02.00%	4.57%
Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Markets Equity	06.40%	8.46%
Private Real Estate Property	04.25%	3.97%
Timber	01.00%	4.09%
Farmland	01.00%	4.61%
Private Equity	09.25%	9.15%
Commodities	01.00%	3.58%
Hedge Funds – MultiStrategy	04.00%	4.59%
Hedge Funds – Equity Hedge	04.00%	5.68%
Hedge Funds - Distressed	04.00%	4.30%
	100.00%	

Discount rate. The discount rate used to measure the State's total pension liability was 4.13% as of June 30, 2015. 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 3.80% as of June 30, 2015, respectively, 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 (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on 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. Since the District has no proportionate share of the net pension liability, because of the special funding situation, the district would not be sensitive to any changes in the discount rate.

Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established on January 1, 1955. The PERS provides retirement, death and disability, and medical benefits to certain qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012 and increases each subsequent July 1.

**Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The School District is billed annually for its normal contribution plus any accrued liability. The School District's contributions, equal to the required contribution for each fiscal year, were as follows:

Fiscal Year	Normal Contributions	Accrued Liability	Non Contributory Life	Total Liability Paid by District
2016	\$ 47,186	\$ 217,368	\$ 14,164	\$ 278,718
2015	41,744	193,100	15,906	250,750
2014	42,277	185,875	3,880	232,032

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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the year ended June 30, 2016, the District recognized pension expense of \$533,573. At June 30, 2016, the District reported a liability of \$7,277,456 for its proportionate share of the PERS net pension liability and deferred outflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 173,615	\$ -
Changes of assumptions	781,541	
Net Difference between projected and actual earnings on pension plan investments		117,007
Changes in proportion	318,100	49,826
District contributions subsequent to the measurement date	284,054	
Total	\$ 1,557,310	\$ 166,833

\$284,054 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ended:	Net Deferred Outflows of Resources
2016	\$ 204,975
2017	204,976
2018	204,975
2019	305,083
2020	186,414
Total	\$ 1,106,423

Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Additional Information

Collective balances at June 30, 2015 and 2014 are as follows:

	6/30/2015	6/30/2014
Collective deferred outflows of resources	\$ 3,578,755,666	\$ 952,194,675
Collective deferred inflows of resources	\$ 993,410,455	\$ 1,479,224,662
Collective net pension liability	\$ 22,447,996,119	\$ 18,722,735,003
District's Proportion	.0324191799%	.03041659238%

Actuarial assumptions – The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate: 3.04%
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) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	05.00%	01.04%
U.S. Treasuries	01.75%	01.64%
Investment Grade Credit	10.00%	01.79%
Mortgages	02.10%	01.62%
High Yield Bonds	02.00%	04.03%
Inflation Indexed Bonds	01.50%	03.25%
Broad US Equities	27.25%	08.52%
Developed Foreign Equities	12.00%	06.88%
Emerging Market Equities	06.40%	10.00%
Private Equity	09.25%	12.41%
Hedge Funds/Absolute Ret	12.00%	04.72%
Real Estate (Property)	02.00%	06.83%
Commodities	01.00%	05.32%
Global Debt ex US	03.50%	-0.40%
REIT	04.25%	5.12%
	<u>100.00%</u>	

**Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Discount rate. The discount rate used to measure the State's total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.8% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on 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 net pension liability measured as of June 30, 2015, calculated using the discount rate of 4.90%, 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 (3.90%) or 1 percentage point higher (5.90%) than the current rate:

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the net pension liability	\$ 9,044,987	\$ 7,277,456	\$ 5,795,570

Pension Plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program is a cost-sharing multiple-employer defined contribution pension plan which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A.43:15C-1 et. seq), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Divisions of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq. The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

The School District's contributions, equal to the required contribution for each fiscal year, were as follows:

Fiscal Year	Total Liability	Paid by School District
2016	\$ 21,886	\$ 21,886
2015	18,432	18,432
2014	12,454	12,454

Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

10. POST-RETIREMENT BENEFITS

The School District contributes to the New Jersey State Health Benefits Program (SHBP), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP was established to provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (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, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 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 benefits 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 health 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 \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The State establishes the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contribution to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the year ended June 30, 2016 was \$1,015,563 which equaled the required contributions. The State's contribution to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website.

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2016, the School District has recognized as revenues and expenditures \$852,896 of on-behalf payments made by the State of New Jersey for normal retirement costs related to TPAF and \$804,718 for employer's share of social security contributions for TPAF members, as calculated on their base salaries.

12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters.

Property and Liability Insurance - The School District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

The District provides employer health insurance through the New Jersey Health Benefits Program. Effective July 1, 2015 the District passed a resolution to participate in a 60 day premium delay option. As of June 30, 2016, the District has delayed one month's premium. If the District elects to terminate participation in the Health Benefits Program, the premium will become immediately due at the premium rates effective as of that date.

**Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

12. RISK MANAGEMENT (Continued)

Joint Insurance Pool - The School District is a member of the School Alliance Insurance Fund. Insurance coverage as provided by the Fund can be found in the Statistical Section of this Comprehensive Annual Financial Report.

Annual contributions to the Fund are determined by the Fund's Board of Trustees. The School District is jointly and personally liable for claims insured by the Fund and its members during the period of its membership, including liability for supplemental assessments, if necessary. The Fund's Board of Trustees may authorize refunds to its members in any fund year for which contributions exceed the amount necessary to fund all obligations for that year.

The Fund publishes its own financial report which can be obtained at: School Alliance Insurance Fund, c/o PEGAS, 51 Everett Drive, Suite B-40 West Windsor, New Jersey, 08550.

New Jersey Unemployment Compensation Insurance - The School District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the School 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 School District is billed quarterly for amounts due to the State.

The following is a summary of School District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the School District's expendable trust fund for the current and previous two fiscal years:

<u>Fiscal Year</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016	\$ 77	\$ 25,757	\$ 5,506	\$ 418,700
2015	34	24,786	1,574	398,372
2014	636	13,679	21,224	375,126

13. DEFERRED COMPENSATION

The School District offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, available to all permanent School District employees, permit participants to defer a portion of their current salary to future years. Participation in the plans is optional. The deferred compensation is not available to the participants until termination, retirement, death, or an unforeseeable emergency occurs. The plan assets are held in trust for the benefit of the employee and are administered by a third party therefore they are not reflected on the financial statements of the School District.

14. COMPENSATED ABSENCES

The School 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.

School District employees are granted varying amounts of vacation and sick leave in accordance with the School District's personnel policy. Upon termination, employees are paid for accrued vacation. The School District's policy permits employees to accumulated unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the School District for the unused sick leave in accordance with the School District's agreements with the various employee unions.

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2016, the liability for compensated absences in the governmental activities was \$799,946.

**Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

15. INTERFUND BALANCES AND TRANSFERS

Interfund receivables/payables are recorded to cover temporary cash shortages and/or timing differences in the respective funds. There are no interfund balances that are not expected to be repaid by June 30, 2017. The following interfund balances were recorded on the various balance sheets as of June 30, 2016:

Fund	Interfunds Receivable	Interfunds Payable
General Fund	\$ 1,134,955	\$ 533,000
Special Revenue		27,539
Capital Projects		219,913
Debt Service	100,000	887,503
Enterprise	83,000	
Trust	350,000	
	\$ 1,667,955	\$ 1,667,955

16. CONTINGENCIES

The School District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School District may be required to reimburse the grantor government.

At June 30, 2016, significant amounts of grant expenditures have not been audited by the granting agency, but the School District believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the School District. Additionally, unearned revenues are recognized in those funds that have received grant monies in advance of future, reimbursable expenditures.

17. FLEXIBLE BENEFITS PROGRAM

The School District offers its employees a Flexible Benefits Program. The purpose of the program is to provide a tax incentive for plan participants incurring health premium expenses, dependent care expenses and other medical expenses not covered by other insurance. The School District, who is the plan administrator, has contracted with a third party to act as its agent to furnish reimbursement services. The plan participants redirect a prescribed amount of their gross pay (tax-free) into a reimbursement account and then in-turn submit claims to the third party for repayment.

Because of Internal Revenue Service regulations, if at the end of any plan year unexpended funds remain, these funds will be forfeited by the participants and returned to the School District.

The following is a summary of School District contributions, employee contributions, reimbursements to the plan participants for benefits paid and the ending balance of the School District's fiduciary fund for the current and prior two years.

Fiscal Year	Interest	Employee Contributions	Amount Reimbursed	Ending Balance
2016	\$ 4	\$ 11,750	\$ 11,991	\$ 1,497
2015	3	18,130	18,190	1,734
2014	4	13,650	13,674	1,791

18. DEFICIT UNASSIGNED FUND BALANCE

The School District has a deficit unassigned fund balance of \$328,925 in the General Fund as of June 30, 2016 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenues, for budget purposes only, in the current school budget year. The statute 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 June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. 56

**Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

18. DEFICIT UNASSIGNED FUND BALANCE (Continued)

Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of \$328,925 is equal to or less than the June state aid payment.

19. DEFICIT UNRESTRICTED NET POSITION

As of June 30, 2016, a deficit of \$7,119,250 existed in the Unrestricted Net Position of the Governmental Activities. A reconciliation of Unreserved Fund Balance reported on Exhibit B-1 to Unrestricted Net Position reported on Exhibited A-1 as follows:

Balances, June 30, 2016:	
Fund Balance (Deficit)	
(Exclusive of Capital Projects and Debt Service Funds)	
Unassigned	\$ (328,925)
Liabilities:	
Accrued Interest Payable	(103,400)
Net Pension Difference	(5,886,979)
Compensated Absences	(799,946)
Unrestricted Net Position (Deficit)	\$ (7,119,250)

20. FUND BALANCES

RESTRICTED

As stated in Note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Specific restrictions of the School District's fund balance are summarized as follows:

General Fund:

Excess Surplus – In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund, 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 years' budget. The excess fund balance at June 30, 2016 is \$45,925 presented on the budgetary basis of accounting (Exhibit C-1). Additionally, \$85,637 of excess fund balance generated during the 2014-2015 fiscal year has been restricted and designated for utilization in the 2016-2017 budget.

Capital Reserve – As of June 30, 2016, the balance in the capital reserve account is \$115,614. The entire amount is restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan.

**Audubon School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

20. FUND BALANCES (Continued)

ASSIGNED

As stated in Note 1, the assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the School District's fund balance are summarized as follows:

General Fund:

Designated for Subsequent Year's Expenditures – The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2016, \$199,937 of general fund balance.

UNASSIGNED

As stated in Note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's unassigned fund balance is summarized as follows:

General Fund – As of June 30, 2016, the unassigned fund balance of the general fund was a deficit of \$328,925. The deficit is a result of the delay in the recording of the payment of state aid until the following fiscal year (See Note 18).

Capital Projects Fund – As of June 30, 2016, the unassigned fund balance of the capital projects fund was \$30,677.

21. LOAN PAYABLE – STATE SCHOOL AID ANTICIPATION NOTE

N.J.S.A. 18A:22-44.2, states that if a board of education of a school district is notified by the Commissioner of Education that one or more June state school aid payments will not be made until the following school budget year, and the school district demonstrates through a written application to the commissioner the need to borrow and the commissioner approves the application, the board may borrow on or before June 30 of the current school budget year but not earlier than June 8 of the current school budget year a sum not exceeding the amount of the delayed state school aid payments, and may execute and deliver promissory notes therefore through private sale or delivery thereof. In accordance with this statute, on June 8, 2016, the School District issued a State School Aid Anticipation Note in the amount of \$387,795 at an annual interest rate of 1.00% with a maturity date of July 8, 2016. On June 22, 2016, the School District issued a State School Aid Anticipation Note in the amount of \$387,795 at an annual interest rate of 1.00% with a maturity date of July 8, 2016. The State of New Jersey shall pay on behalf of the School District the required interest due on the Notes.

Required Supplementary Information - Part II

Budgetary Comparison Schedules

AUDUBON SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local Tax Levy	\$ 10,729,208	\$ -	\$ 10,729,208	\$ 10,729,208	\$ -
Tuition from other LEA's	2,729,000	133,512	2,862,512	2,845,523	(16,989)
Capital reserve interest				201	201
Unrestricted misc. revenues	290,000	33,670	323,670	282,113	(41,557)
Total local sources	13,748,208	167,182	13,915,390	13,857,045	(58,345)
State sources:					
Categorical special education aid	698,294		698,294	698,294	
Equalization aid	5,833,566		5,833,566	5,833,566	
Categorical security aid	129,718		129,718	129,718	
Adjustment aid	530,382		530,382	530,382	
Transportation aid	62,679		62,679	62,679	
School choice aid	939,960		939,960	939,960	
Under Adequacy Aid	25,300		25,300	25,300	
PARCC Readiness Aid	13,430		13,430	13,430	
Per Pupil Growth Aid	13,430		13,430	13,430	
Extraordinary aid		86,091	86,091	86,091	
On-behalf TPAF pension contrib.. (non-budgeted)				852,896	852,896
On-behalf TPAF Post Ret.medical (non-budgeted)				1,015,563	1,015,563
Reimbursed TPAF social security contribution (non-budgeted)				804,718	804,718
Total state sources	8,246,759	86,091	8,332,850	11,006,027	2,673,177
Federal sources:					
Medicaid Initiative (SEMI)	33,670	(33,670)		55,786	55,786
Total federal sources	33,670	(33,670)		55,786	55,786
TOTAL REVENUES	22,028,637	219,603	22,248,240	24,918,858	2,670,618
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Kindergarten	376,877	3,672	380,549	380,549	
Grades 1-5	1,965,133	16,797	1,981,930	1,981,038	892
Grades 6-8	987,233	7,519	994,752	994,752	
Grades 9-12	3,430,968	(54,153)	3,376,815	3,376,815	
Regular Programs - Home Instruction:					
Salaries of teachers	45,000	(18,471)	26,529	26,529	
Purchased professional - educational services	25,000	25,806	50,806	50,806	
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	85,000	92,043	177,043	177,043	
Purchased professional - educational services	46,000	14,538	60,538	60,538	
Purchased technical services	40,000	16,604	56,604	56,604	
Other purchased services	17,175	(7,966)	9,209	9,209	
General supplies	374,273	(41,117)	333,156	333,156	
Textbooks	19,606	(6,686)	12,920	12,920	
Total - Regular Programs - Instruction	7,412,265	48,586	7,460,851	7,459,959	892

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

**AUDUBON SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Special Education Instruction:					
Learning and/or Language Disabilities:					
Salaries of teachers	\$ 266,574	\$ (3,492)	\$ 263,082	\$ 263,082	\$ -
Other salaries for instruction	114,900	5,443	120,343	120,343	
General supplies	9,727	(2,343)	7,384	7,384	
Total learning and/or language disab.	391,201	(392)	390,809	390,809	
Behavioral Disabilities:					
Salaries of teachers	91,487	(787)	90,700	90,700	
General supplies	1,113	(1,113)			
Total behavioral disabilities	92,600	(1,900)	90,700	90,700	
Resource room/resource center:					
Salaries of teachers	1,190,910	5,576	1,196,486	1,196,486	
Other salaries for instruction	30,000	83,819	113,819	113,819	
General supplies	12,000	265	12,265	12,265	
Total resource room/resource center	1,232,910	89,660	1,322,570	1,322,570	
Preschool Disabilities - Part-Time:					
Salaries of teachers	84,593	(29,193)	55,400	55,400	
Other salaries for instruction	46,400	(16,007)	30,393	30,393	
General supplies	1,647	(362)	1,285	1,285	
Total preschool disabilities - part-time	132,640	(45,562)	87,078	87,078	
Total Special Education - Instruction	1,849,351	41,806	1,891,157	1,891,157	
Basic Skills/Remedial - Instruction					
Salaries of teachers	477,000	(171,756)	305,244	305,244	
General supplies	3,000	(3,000)			
Total basic skills/remedial - instruction	480,000	(174,756)	305,244	305,244	
School-Sponsored Cocurricular Act - Instruction:					
Salaries of teachers	250,000	3,826	253,826	253,826	
Supplies and materials	62,625	(2,852)	59,773	59,773	
Total school-sponsored cocurr. act. - instruct.	312,625	974	313,599	313,599	
School-Sponsored Athletics - Instruction:					
Salaries of teachers	350,000	12,803	362,803	362,803	
Purchased services	35,000	(10,500)	24,500	24,500	
Supplies and materials	82,726	(7,072)	75,654	75,654	
Other objects	8,500	1,851	10,351	10,351	
Total school-sponsored athletics - instruct.	476,226	(2,918)	473,308	473,308	
Community Services Programs/Operations					
Salaries	41,000	171	41,171	41,171	
Total Community Services Programs/Operations	41,000	171	41,171	41,171	
Total Instruction	10,571,467	(86,137)	10,485,330	10,484,438	892

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

AUDUBON SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Instruction					
Tuition to other LEAs within the state - reg	\$ -	\$ 9,086	\$ 9,086	\$ 9,086	\$ -
Tuition to other LEAs within the state - spec		20,985	20,985	20,985	
Tuition to county vocational school - reg	14,000	1,380	15,380	15,380	
Tuition to CSSD & regional day school	335,000	89,361	424,361	424,361	
Tuition to priv. sch. for the disabled in state	377,500	44,801	422,301	422,301	
Total undistributed expenditures - instruction	726,500	165,613	892,113	892,113	
Attendance and Social Work Services:					
Salaries	25,777	107	25,884	25,884	
Total	25,777	107	25,884	25,884	
Health Services:					
Salaries	239,835	16,845	256,680	256,680	
Purchased professional and technical services	15,962	(3,612)	12,350	12,350	
Other purchased services	500	(500)			
Supplies and materials	7,900	(2,966)	4,934	4,933	1
Total health services	264,197	9,767	273,964	273,963	1
Speech, OT, PT & Related Services:					
Salaries	384,562	9,041	393,603	393,603	
Purchased professional - educational services	4,000	(1,692)	2,308	2,308	
Supplies and materials		4,163	4,163	4,163	
Total speech, ot, pt, & related services	388,562	11,512	400,074	400,074	
Guidance:					
Salaries of other professional staff	528,920	(26,487)	502,433	502,433	
Salaries of secretarial and clerical assistants	67,942	(242)	67,700	67,700	
Purchased professional - educational services	8,750	26,921	35,671	35,671	
Other purchased services (400-500 series)	5,000	(359)	4,641	4,641	
Supplies and materials	11,750	(6,664)	5,086	5,086	
Total guidance	622,362	(6,831)	615,531	615,531	
Child Study Teams:					
Salaries of other professional staff	486,717	(31,921)	454,796	454,796	
Salaries of secretarial and clerical assistants	76,754	6,630	83,384	83,384	
Other purchased prof. and technical services	100,000	31,326	131,326	131,326	
Supplies and materials	3,500	6,264	9,764	9,764	
Total child study teams	666,971	12,299	679,270	679,270	
Improvement of Instruction Services:					
Salaries of supervisors of instruction	123,475	97,137	220,612	220,612	
Salaries of other professional staff	34,848	(34,848)			
Salaries of secretarial and clerical assistants	52,643	2,159	54,802	54,802	
Other salaries	20,000	(20,000)			
Purchased professional - educational services	10,000	(9,871)	129	129	
Supplies and materials	5,500	(5,060)	440	440	
Total improvement of instructional services	246,466	29,517	275,983	275,983	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

AUDUBON SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Educational Media Services/School Library:					
Salaries	\$ 113,032	\$ (8,225)	\$ 104,807	\$ 104,807	\$ -
Purchased professional - technical services	18,000	(4)	17,996	17,996	
Supplies and materials	14,600	380	14,980	14,980	
Total educational media services/school library	145,632	(7,849)	137,783	137,783	
Instructional Staff Training Services:					
Salaries of supervisors of instruction	151,243	(5,845)	145,398	145,398	
Salaries of other professional staff	34,848	(34,848)			
Purchased professional - educational services	18,000	3,732	21,732	19,377	2,355
Supplies and materials	1,000	(968)	32	32	
Total instructional staff training services	205,091	(37,929)	167,162	164,807	2,355
Support Services - General Administration:					
Salaries	226,386	(5,018)	221,368	221,368	
Legal services	25,000	6,554	31,554	31,554	
Audit Fees	29,000	(4,300)	24,700	24,700	
Architectural/Engineering Services	8,000	(8,000)			
Communications / telephone	42,000	(3,048)	38,952	38,952	
Other purchased services	52,000	(3,164)	48,836	48,836	
Supplies and materials	4,500	2	4,502	4,502	
Miscellaneous expenditures	31,000	1,267	32,267	32,267	
Total support services - general administration	417,886	(15,707)	402,179	402,179	
Support Services - School Administration:					
Salaries of principals/assist. principals	649,058	17,394	666,452	666,452	
Salaries of secretarial and clerical assistants	340,994	3,991	344,985	344,985	
Other purchased services (400-500 series)	6,000	(1,998)	4,002	4,002	
Supplies and materials	2,000	(957)	1,043	1,043	
Other objects	6,800	(2,962)	3,838	3,838	
Total support services - school administration	1,004,852	15,468	1,020,320	1,020,320	
Central Services:					
Salaries	329,375	9,761	339,136	339,136	
Misc. purchased services	38,000	(15,094)	22,906	22,906	
Supplies and materials	7,500	(2,498)	5,002	5,002	
Interest on lease purchase	9,000		9,000	9,000	
Miscellaneous expenditures	6,000	8,948	14,948	14,948	
Total central services	389,875	1,117	390,992	390,992	
Admin. Informational Technology					
Salaries	151,000	10,257	161,257	161,257	
General supplies	8,000	(128)	7,872	7,872	
Total admin. informational technology	159,000	10,129	169,129	169,129	
Required Maintenance School Facilities:					
Salaries	309,000	537	309,537	309,537	
General supplies	10,000		10,000	10,000	
Total required maintenance school facilities	319,000	537	319,537	319,537	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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AUDUBON SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Operation & Maintenance of Plant:					
Salaries	\$ 637,900	\$ 1,021	\$ 638,921	\$ 638,921	\$ -
Other purchased property services	60,000	750	60,750	60,750	
Insurance	70,000	6,304	76,304	76,304	
Misc. Purchased Services	67,000	(13,138)	53,862	53,862	
General Supplies	120,000	(1,317)	118,683	118,683	
Energy (Electricity)	405,000	(62,157)	342,843	342,843	
Other objects	3,000	(3,000)			
Energy (Natural Gas)	115,000	(69,157)	45,843	45,843	
Total other operations & maint. of plant	<u>1,477,900</u>	<u>(140,694)</u>	<u>1,337,206</u>	<u>1,337,206</u>	
Care & Upkeep of Grounds:					
Salaries	106,000	(1,198)	104,802	104,802	
General Supplies	15,000	(5,445)	9,555	9,555	
Total care and upkeep of grounds	<u>121,000</u>	<u>(6,643)</u>	<u>114,357</u>	<u>114,357</u>	
Total operation & maint. of plant services	<u>1,917,900</u>	<u>(146,800)</u>	<u>1,771,100</u>	<u>1,771,100</u>	
Student Transportation Services:					
Salaries for Pupil Trans (other than between home and school)	55,000	(9,105)	45,895	45,895	
Management fee - ESC Transp. programs	11,000	5,389	16,389	16,389	
Cleaning, repair and maintenance services	12,000	5,270	17,270	17,270	
Contr. serv. (not between home & sch) - vendor	55,000	(40,914)	14,086	14,086	
Contr. Serv. (Spl. Ed. Students) - ESC	200,000	206,055	406,055	406,055	
Misc. purchased services - transportation	5,000	3,098	8,098	8,098	
Supplies and materials	9,000	(6,723)	2,277	2,277	
Total student transportation services	<u>347,000</u>	<u>163,070</u>	<u>510,070</u>	<u>510,070</u>	
Unallocated Benefits - Employee Benefits:					
Social security contributions	310,000	26,283	336,283	336,283	
Other retirement contributions - PERS	275,000	23,345	298,345	298,345	
Workmen's compensation	210,000	(26,821)	183,179	183,179	
Health benefits	2,996,864	(20,096)	2,976,768	2,731,450	245,318
Tuition reimbursement	40,000	18,012	58,012	58,012	
Unused Sick Payment to Terminated/Retired Staff		111,487	111,487	111,487	
Other employee benefits	123,324	(93,953)	29,371	29,371	
Total unallocated benefits - employee benefits	<u>3,955,188</u>	<u>38,257</u>	<u>3,993,445</u>	<u>3,748,127</u>	<u>245,318</u>
On-behalf TPAF pension contr. (non-budgeted)				852,896	(852,896)
On-behalf TPAF post ret. medical (non-budgeted)				1,015,563	(1,015,563)
Reimbursed TPAF social security contr. (non-budgeted)				804,718	(804,718)
Total Undistributed Expenditures	<u>11,483,259</u>	<u>241,740</u>	<u>11,724,999</u>	<u>14,150,502</u>	<u>(2,425,503)</u>
Total General Current Expense	<u>22,054,726</u>	<u>155,603</u>	<u>22,210,329</u>	<u>24,634,940</u>	<u>(2,424,611)</u>

Unused Sick Payment to Terminated/Retired Staff

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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AUDUBON SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY:					
Equipment:					
Grades 9-12	\$ -	\$ 1,972	\$ 1,972	\$ 1,972	\$ -
Undist. expend. - support services - child study		2,195	2,195	2,195	
Total Equipment		4,167	4,167	4,167	
Facilities Acquisition and Construction Services:					
Construction services					
Lease purchase agreements - principal	233,000	41,873	274,873	265,873	9,000
Assessment on SDA Funding	101,451		101,451	101,451	
Total Facilities Acquisition and Constr. Services	334,451	41,873	376,324	367,324	9,000
Assets acquired under capital leases (non-budgeted):					
Equipment					
Undistributed expenditures - instruction				176,587	(176,587)
				176,587	(176,587)
Total Capital Outlay	334,451	46,040	380,491	548,078	(167,587)
TOTAL EXPENDITURES	22,389,177	201,643	22,590,820	25,183,018	(2,592,198)
Excess (Deficiency) of Revenues Over (Under) Expenditures:	(360,540)	17,960	(342,580)	(264,160)	78,420
Other Financing Sources:					
Operating transfers out	(35,000)	(17,960)	(52,960)	(52,960)	
Proceeds from capital lease				176,587	176,587
Total other financing sources	(35,000)	(17,960)	(52,960)	123,627	176,587
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	(395,540)		(395,540)	(140,533)	255,007
Fund Balance - July 1, 2015	1,034,311		1,034,311	1,034,311	
Fund Balance - June 30, 2016	\$ 638,771	\$ -	\$ 638,771	\$ 893,778	\$ 255,007
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Capital reserve				\$ 115,614	
Excess surplus- designated for subsequent year's budget				85,637	
Excess surplus				45,925	
Assigned Fund Balance:					
Designated for subsequent year's expenditures				199,937	
Unassigned Fund Balance:				446,665	
				893,778	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(775,590)	
Fund Balance per Governmental Funds (GAAP)				\$ 118,188	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

**AUDUBON SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal sources	\$ 473,000	\$ 143,525	\$ 616,525	\$ 616,525	\$ -
Total Revenues	473,000	143,525	616,525	616,525	
EXPENDITURES:					
Instruction:					
Salaries of teachers	193,000	(51,089)	141,911	141,911	
Other salaries for instruction		169,271	169,271	169,271	
Other purchased services	280,000	(55,030)	224,970	224,970	
General supplies		17,914	17,914	17,914	
Other objects		437	437	437	
Total Instruction	473,000	81,503	554,503	554,503	
Support Services:					
Salaries - other professional staff		1,160	1,160	1,160	
Personal services - employee benefits		28,833	28,833	28,833	
Purchased prof. - technical services		18,200	18,200	18,200	
Purchased prof. - educational services		2,355	2,355	2,355	
Other purchased services		11,112	11,112	11,112	
Supplies and materials		362	362	362	
Total Support Services		62,022	62,022	62,022	
Facilities Acquisition and Construction Services:					
Buildings					
Total Facilities Acq. and Const. Services					
Total Expenditures	473,000	143,525	616,525	616,525	
Total Outflows	473,000	143,525	616,525	616,525	
Excess (Deficiency) of Revenues over (under) Expenditures and other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

AUDUBON SCHOOL DISTRICT
Notes to Required Supplementary Information
Budgetary Comparison
For the Fiscal Year Ended June 30, 2016

**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 schedules	\$ 24,918,858	\$ 616,525
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	778,799	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(775,590)	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 24,922,067	\$ 616,525
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 25,183,018	\$ 616,525
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 25,183,018	\$ 616,525

Required Supplementary Information - Part III
Schedules Related to Accounting and Reporting
For Pensions (GASB 68)

AUDUBON SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employees Retirement System
Last Three Fiscal Years

	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0324191799%	0.0304165923%	0.0307947299%
District's proportionate share of the net pension liability (asset)	\$ 7,277,456	\$ 5,694,818	\$ 5,885,485
District's covered-employee payroll	2,210,636	2,131,870	2,087,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	329.20%	267.13%	282.01%
Plan fiduciary net position as a percentage of the total pension liability	38.21%	42.74%	40.71%

This schedule does not contain ten years of information as GASB 68 was implemented during this fiscal year ended June 30, 2015.

AUDUBON SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Contributions
Public Employees Retirement System
Last Three Fiscal Years

	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 284,054	\$ 278,718	\$ 250,750
Contributions in relation to the contractually required contributions	<u>(284,054)</u>	<u>(278,718)</u>	<u>(250,750)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,210,636	\$ 2,131,870	\$ 2,087,000
Contributions as a percentage of covered-employee payroll	12.85%	13.07%	12.01%

This schedule does not contain ten years of information as GASB 68 was implemented during this fiscal year ended June 30, 2015.

AUDUBON SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Teachers' Pension and Annuity Fund
Last Three Fiscal Years

	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.1041246558%	0.1038926042%	0.1041246558%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	<u>\$ 65,811,229</u>	<u>\$ 55,527,216</u>	<u>\$ 54,600,007</u>
Total	<u><u>\$ 65,811,229</u></u>	<u><u>\$ 55,527,216</u></u>	<u><u>\$ 54,600,007</u></u>
District's covered-employee payroll	\$ 11,054,820	\$ 10,903,883	\$ 10,674,384
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%	33.76%

This schedule does not contain ten years of information as GASB 68 was implemented during this fiscal year ended June 30, 2015.

Audubon School District
Notes to Required Supplementary Information
Pension Schedules
For the Fiscal Year Ended June 30, 2016

1. Teacher's Pension and Annuity Fund (TPAF)

Changes of benefit terms. 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.

Changes of assumptions: Mortality rates were based on the RP-2000 Health Annuitant Mortality Table 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.

2. Public Employees' Retirement System (PERS)

Changes of benefit terms. 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.

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

Other Supplementary Information

Special Revenue Fund

AUDUBON SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Revenues and Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2016

	<u>Title I</u>	<u>Title II A</u>	<u>IDEA Basic</u>	<u>IDEA Preschool</u>	<u>Total</u>
REVENUES:					
State sources					
Federal sources	\$ 178,724	\$ 45,396	\$ 380,344	\$ 12,061	\$ 616,525
Total Revenues	<u>178,724</u>	<u>45,396</u>	<u>380,344</u>	<u>12,061</u>	<u>616,525</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	92,613	33,521	15,777		141,911
Other salaries for instruction	64,571		103,189	1,510	169,270
Other purchased services			215,736	9,235	224,971
General supplies	689		16,330	895	17,914
Other objects	437				437
Total instruction	<u>158,310</u>	<u>33,521</u>	<u>351,032</u>	<u>11,640</u>	<u>554,503</u>
Support services:					
Salaries - other professional staff		1,160			1,160
Personal services-employee benefits	20,052	8,360		421	28,833
Purchased prof educ services		2,355			2,355
Purchased prof tech services			18,200		18,200
Other purchased services			11,112		11,112
Supplies and materials	362				362
Total support services	<u>20,414</u>	<u>11,875</u>	<u>29,312</u>	<u>421</u>	<u>62,022</u>
Facilities acquisition and const. serv.:					
Instructional equipment					
Total facilities acq. and const. serv.					
Total Expenditures	<u>178,724</u>	<u>45,396</u>	<u>380,344</u>	<u>12,061</u>	<u>616,525</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital Projects Fund

AUDUBON SCHOOL DISTRICT
Capital Projects Fund
Summary Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budgetary Basis
For the Fiscal Year ended June 30, 2016

Revenues and Other Financing Sources:	
SDA Grant	\$ -
Total revenues and other financing sources	<u> </u>
Expenditures and Other Financing (Uses):	
Purchased professional services	
Construction services	
Total expenditures and other financing (uses)	<u> </u>
Excess (deficiency) or revenues over (under) expenditures	
Fund Balance - July 1, 2015	<u>\$ 30,677</u>
Fund Balance - June 30, 2016	<u>\$ 30,677</u>

AUDUBON SCHOOL DISTRICT
Capital Projects Fund
Statement of Project Revenues, Expenditures, Project Balance,
and Project Status - Budgetary Basis
Renovations to Mansion Avenue School
From Inception and for the Fiscal Year ended June 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Costs</u>
Revenues and Other Financing Sources:				
State sources - SCC Grant	\$ 1,048,600	\$ -	\$ 1,048,600	\$ 1,048,600
Bond proceeds	1,079,795		1,079,795	1,079,795
Total revenues	<u>2,128,395</u>		<u>2,128,395</u>	<u>2,128,395</u>
Expenditures and Other Financing Uses:				
Purchased professional services	156,927		156,927	156,927
Construction services	1,958,617		1,958,617	1,958,617
	<u>2,115,544</u>		<u>2,115,544</u>	<u>2,115,544</u>
Excess (deficiency) or revenues over (under) expenditures	<u>\$ 12,851</u>	<u>\$ -</u>	<u>\$ 12,851</u>	<u>\$ 12,851</u>
Additional project information:				
Project Number	0150-050-04-1000			
Grant Date	11/13/03			
Bond Authorization Date	04/01/04			
Bonds Authorized	\$ 1,283,795			
Bonds Issued	\$ 1,283,795			
Original Authorized Cost	\$ 2,332,395			
Additional Authorized Cost	\$ (204,000)			
Revised Authorized Cost	\$ 2,128,395			
Percentage Increase over Original Authorized Cost	-8.75%			
Percentage Completion	100.00%			
Original target completion date	12/01/05			
Revised target completion date	12/01/06			

AUDUBON SCHOOL DISTRICT
Capital Projects Fund
Statement of Project Revenues, Expenditures, Project Balance,
and Project Status - Budgetary Basis
Renovations to High School
From Inception and for the Fiscal Year ended June 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Costs</u>
Revenues and Other Financing Sources:				
State sources - SCC Grant	\$ 5,681,740	\$ -	\$ 5,681,740	\$ 5,681,740
Bond proceeds	8,237,472		8,237,472	8,237,472
Prior year payables canceled	46,001		46,001	46,001
Total revenues	<u>13,965,213</u>		<u>13,965,213</u>	<u>13,965,213</u>
Expenditures and Other Financing Uses:				
Salaries	9,601		9,601	9,601
Purchased professional services	1,344,875		1,344,875	1,344,875
Construction services	12,527,615		12,527,615	12,527,615
Other objects	65,296		65,296	65,296
	<u>13,947,387</u>		<u>13,947,387</u>	<u>13,947,387</u>
Excess (deficiency) or revenues over (under) expenditures	<u>\$ 17,826</u>	<u>\$ -</u>	<u>\$ 17,826</u>	<u>\$ 17,826</u>
Additional project information:				
Project Number	0150-019-04-1000			
Grant Date	11/13/03			
Bond Authorization Date	04/01/04			
Bonds Authorized	\$ 8,152,924			
Bonds Issued	\$ 8,152,924			
Original Authorized Cost	\$ 13,834,664			
Additional Authorized Cost	\$ 130,549			
Revised Authorized Cost	\$ 13,965,213			
Percentage Increase over Original Authorized Cost	0.94%			
Percentage Completion	99.00%			
Original target completion date	12/01/05			
Revised target completion date	12/01/07			

AUDUBON SCHOOL DISTRICT
Capital Projects Fund
Statement of Project Revenues, Expenditures, Project Balance,
and Project Status - Budgetary Basis
Roof and Roof-Top HVAC Haviland Elementary School
From Inception and for the Fiscal Year ended June 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Costs</u>
Revenues and Other Financing Sources:				
State sources - SCC Grant	\$ -	\$ 312,000	\$ 312,000	\$ 312,000
Capital lease proceeds		500,000	500,000	500,000
Total revenues	<u> </u>	<u>812,000</u>	<u>812,000</u>	<u>812,000</u>
Expenditures and Other Financing Uses:				
Purchased professional services		89,610	89,610	89,610
Construction services		722,390	722,390	722,390
	<u> </u>	<u>812,000</u>	<u>812,000</u>	<u>812,000</u>
Excess (deficiency) or revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Additional project information

Project Number	0150-040-13-1002-GO4
Grant Date	01/06/14
Lease Authorization Date	07/01/14
Capital Lease Authorized	\$ 500,000
Capital Lease Issued	\$ 500,000
Original Authorized Cost	\$ 780,000
Additional Authorized Cost	\$ 32,000
Revised Authorized Cost	\$ 812,000
Percentage Increase over Original Authorized Cost	4.10%
Percentage Completion	100.00%
Original target completion date	09/30/15
Revised target completion date	09/30/15

Proprietary Funds

AUDUBON SCHOOL DISTRICT
Enterprise Funds
Combining Statement of Net Position
June 30, 2016

	<u>Food Service Fund</u>	<u>Community Education Program</u>	<u>After School Program</u>	<u>Total</u>
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 52,731	\$ 54,131	\$ 106,862
Accounts receivable:				
State	181			181
Federal	7,601			7,601
Interfund	8,000	75,000		83,000
Other	9,635			9,635
Inventories	6,892			6,892
Total Current Assets	<u>32,309</u>	<u>127,731</u>	<u>54,131</u>	<u>214,171</u>
Noncurrent Assets:				
Equipment	195,636			195,636
Less - accumulated depreciation	<u>(183,898)</u>			<u>(183,898)</u>
Total Noncurrent Assets	<u>11,738</u>			<u>11,738</u>
Total Assets	<u>44,047</u>	<u>127,731</u>	<u>54,131</u>	<u>225,909</u>
LIABILITIES:				
Current Liabilities:				
Cash Overdraft	28,779			28,779
Accounts Payable			163	163
Unearned Revenue	<u>2,347</u>			<u>2,347</u>
Total Current Liabilities	<u>31,126</u>		<u>163</u>	<u>31,289</u>
NET POSITION:				
Net investment in capital assets	11,738			11,738
Unrestricted	<u>1,183</u>	<u>127,731</u>	<u>53,968</u>	<u>182,882</u>
Total Net Position	<u>\$ 12,921</u>	<u>\$ 127,731</u>	<u>\$ 53,968</u>	<u>\$ 194,620</u>

AUDUBON SCHOOL DISTRICT
Enterprise Funds
Combining Statement of Revenues, Expenses
and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2016

	<u>Food Service Fund</u>	<u>Community Education Program</u>	<u>After School Program</u>	<u>Totals</u>
OPERATING REVENUES:				
Charges for Services:				
Daily sales reimbursable programs:				
School lunch	\$ 99,789	\$ -	\$ -	\$ 99,789
Daily sales non-reimbursable programs:				
Adult and a la carte sales	152,854			152,854
Program fees		78,630	152,488	231,118
	<u>252,643</u>	<u>78,630</u>	<u>152,488</u>	<u>483,761</u>
Total Operating Revenues				
OPERATING EXPENSES:				
Salaries and fringe benefits	249,109	35,409	115,768	400,286
Management fee	24,867			24,867
Supplies and materials	15,549		818	16,367
Other costs	23,890		10,000	33,890
Depreciation	2,820			2,820
Cost of sales - reimbursable programs	73,082			73,082
Cost of sales - nonreimbursable programs	111,945	43,210		155,155
	<u>501,262</u>	<u>78,619</u>	<u>126,586</u>	<u>706,467</u>
Total Operating Expenses				
Operating Income (Loss)	<u>(248,619)</u>	<u>11</u>	<u>25,902</u>	<u>(222,706)</u>
Non-Operating Revenues:				
State sources:				
State school lunch program	4,050			4,050
Federal sources:				
National school lunch program	140,374			140,374
National school breakfast program	14,531			14,531
Food distribution program	26,699			26,699
Local sources:				
Interest earned		77		77
	<u>185,654</u>	<u>77</u>		<u>185,731</u>
Total Non-Operating Revenues				
Income (Loss) before Contributions and Transfers	(62,965)	88	25,902	(36,975)
Operating Transfers In	52,960			52,960
Changes in Net Position	(10,005)	88	25,902	15,985
Net Position - July 1, 2015	22,926	127,643	28,066	178,635
Net Position - June 30, 2016	<u>\$ 12,921</u>	<u>\$ 127,731</u>	<u>\$ 53,968</u>	<u>\$ 194,620</u>

AUDUBON SCHOOL DISTRICT
Enterprise Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

	<u>Food Service Fund</u>	<u>Community Education Program</u>	<u>After School Program</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Cash receipts from customers	\$ 246,918	\$ 78,630	\$ 152,488	\$ 478,036
Cash payments to employees for services	(249,109)	(35,409)	(115,768)	(400,286)
Cash payments to suppliers for goods and services	<u>(242,645)</u>	<u>(43,210)</u>	<u>(10,655)</u>	<u>(296,510)</u>
Net cash provided by (used for) operating activities	<u>(244,836)</u>	<u>11</u>	<u>26,065</u>	<u>(218,760)</u>
Cash Flows from Noncapital Financing Activities:				
Cash received from state sources	3,869			3,869
Cash received from federal sources	174,003			174,003
Operating transfer in	<u>44,960</u>			<u>44,960</u>
Net cash provided by noncapital financing activities	<u>222,832</u>			<u>222,832</u>
Cash Flows used by Noncapital Financing Activities:				
Cash advance to General Fund				
Cash Flow Provided by Investing Activities:				
Interest on cash equivalents		<u>77</u>		<u>77</u>
Net increase (decrease) in cash and cash equivalents	(22,004)	88	26,065	4,149
Cash and cash equivalents - July 1, 2015	<u>(6,775)</u>	<u>52,643</u>	<u>28,066</u>	<u>73,934</u>
Cash and cash equivalents - June 30, 2016	<u>\$ (28,779)</u>	<u>\$ 52,731</u>	<u>\$ 54,131</u>	<u>\$ 78,083</u>
Reconciliation of Operating Income (Loss) to Net Cash provided by (used for)				
Operating Activities:				
Operating income (loss)	\$ (248,619)	\$ 11	\$ 25,902	\$ (222,706)
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:				
Depreciation	2,820			2,820
Change in assets and liabilities:				
(Increase) decrease in accounts receivables	(7,804)			(7,804)
(Increase) decrease in interfund receivables				
(Increase) decrease in inventories	6,688			6,688
Increase (decrease) in unearned revenue	2,079			2,079
Increase (decrease) in accounts payable			163	163
Net cash provided by (used for) operating activities	<u>\$ (244,836)</u>	<u>\$ 11</u>	<u>\$ 26,065</u>	<u>\$ (218,760)</u>

Noncash Noncapital Financing Activities:

During the year the District received \$26,699 of food commodities from the U.S. Department of Agriculture.

Fiduciary Funds

**AUDUBON SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Fiduciary Net Position
June 30, 2016**

	<u>Trust Funds</u>			<u>Agency Funds</u>		<u>Totals</u>
	<u>Unemployment Compensation Insurance Trust</u>	<u>Flexible Benefits Trust</u>	<u>Scholarship Trust</u>	<u>Student Activity</u>	<u>Payroll</u>	
ASSETS:						
Cash and cash equivalents	\$ 93,843	\$ 1,497	\$ 101,733	\$ 473,620	\$ 5,586	\$ 676,279
Interfund receivable	325,000			25,000		350,000
Total Assets	<u><u>\$ 418,843</u></u>	<u><u>\$ 1,497</u></u>	<u><u>\$ 101,733</u></u>	<u><u>\$ 498,620</u></u>	<u><u>\$ 5,586</u></u>	<u><u>\$ 1,026,279</u></u>
LIABILITIES:						
Unemployment claim payable	143					143
Due to student groups				498,620	5,586	504,206
Total Liabilities	<u>143</u>			<u><u>\$ 498,620</u></u>	<u><u>\$ 5,586</u></u>	<u>504,349</u>
NET POSITION:						
Held in trust for payment of claims	\$ 418,700	\$ 1,497				420,197
Held in trust for scholarships			\$ 101,733			101,733
Total Net Position	<u><u>\$ 418,700</u></u>	<u><u>\$ 1,497</u></u>	<u><u>\$ 101,733</u></u>			<u><u>\$ 521,930</u></u>

AUDUBON SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2016

	<u>Flexible Benefits Trust Fund</u>	<u>Scholarship Trust Fund</u>	<u>Unemployment Compensation Insurance Trust Fund</u>	<u>Totals</u>
ADDITIONS:				
Interest on investments	\$ 4	\$ 181	\$ 77	\$ 262
Donations		6,812		6,812
Contributions	<u>11,750</u>		<u>25,757</u>	<u>37,507</u>
Total Additions	<u>11,754</u>	<u>6,993</u>	<u>25,834</u>	<u>44,581</u>
DEDUCTIONS:				
Claims paid	11,991		5,506	17,497
Scholarships paid		<u>11,600</u>		<u>11,600</u>
Total Deductions	<u>11,991</u>	<u>11,600</u>	<u>5,506</u>	<u>29,097</u>
Change in Net Position	(237)	(4,607)	20,328	15,484
Net Position -- July 1, 2015	<u>1,734</u>	<u>106,340</u>	<u>398,372</u>	<u>506,446</u>
Net Position -- June 30, 2016	<u>\$ 1,497</u>	<u>\$ 101,733</u>	<u>\$ 418,700</u>	<u>\$ 521,930</u>

AUDUBON SCHOOL DISTRICT
Fiduciary Funds
Student Activity Agency Fund Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2016

	<u>Balance July 1, 2015</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Transfers</u>	<u>Balance June 30, 2016</u>
High School	\$ 149,120	\$ 332,084	\$ 324,370	\$ 7,890	\$ 164,724
Haviland Avenue School	11,115	3,100	8,422	1,796	7,589
Mansion Avenue School	9,515	5,122	2,751	248	12,134
Class Accounts	49,708	26,370	17,185	(2,162)	56,731
Field Trips	1,624	28,856	27,615	(2,865)	
Miscellaneous	81,863	122,542	34,105	(4,407)	165,893
Interest	303				303
Athletic Reserve	89,924	123,783	123,022	(500)	90,185
Athletic Account	669	41,004	40,612		1,061
Total all schools	<u><u>\$ 393,841</u></u>	<u><u>\$ 682,861</u></u>	<u><u>\$ 578,082</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 498,620</u></u>

AUDUBON SCHOOL DISTRICT
Fiduciary Funds
Payrol Agency Fund Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
ASSETS:				
Cash and cash equivalents	\$ 2,893	\$ 17,917,496	\$ 17,914,803	\$ 5,586
Total Assets	<u>\$ 2,893</u>	<u>\$ 17,917,496</u>	<u>\$ 17,914,803</u>	<u>\$ 5,586</u>
 LIABILITIES:				
Net payroll	\$ -	\$ 8,956,867	\$ 8,956,867	\$ -
Summer savings		602,531	602,531	
Interfund payable				
Payroll deductions and withholdings	<u>2,893</u>	<u>8,358,098</u>	<u>8,355,405</u>	<u>5,586</u>
Total Liabilities	<u>\$ 2,893</u>	<u>\$ 17,917,496</u>	<u>\$ 17,914,803</u>	<u>\$ 5,586</u>

Long-Term Debt Schedules

AUDUBON SCHOOL DISTRICT
Statement of Serial Bonds
For the Fiscal Year Ended June 30, 2016

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance July 1, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2016</u>
			<u>Date</u>	<u>Amount</u>					
Refunding bonds of 2012 Issue	1/15/12	\$ 8,870,000	1/15/17	\$ 755,000	2.000%	\$ 7,920,000	\$ -	\$ 770,000	\$ 7,150,000
			1/15/18	740,000	2.000%				
			1/15/19	775,000	2.000%				
			1/15/20	730,000	3.000%				
			1/15/21	770,000	3.000%				
			1/15/22	785,000	4.000%				
			1/15/23	815,000	4.000%				
			1/15/24	880,000	4.000%				
			1/15/25	900,000	4.000%				
						<u>\$ 7,920,000</u>	<u>\$ -</u>	<u>\$ 770,000</u>	<u>\$ 7,150,000</u>

AUDUBON SCHOOL DISTRICT
Statement of Obligations Under Capital Leases
For the Fiscal Year Ended June 30, 2016

Series	Date of Lease	Maturity Date	Interest Rate	Amount of Original Issue		Amount Outstanding July 1, 2015	Issued	Retired	Amount Outstanding June 30, 2016
				Principal	Interest				
High Efficiency Boilers	10/03/11	10/07/16	2.45%	\$ 295,177	\$ 22,406	\$ 124,373	\$ -	\$ 61,434	\$ 62,939
Facilities Lease - Ground Use	07/01/14	07/01/18	1.48%	500,000	19,183	500,000		121,861	378,139
Chromebooks	08/01/15	08/01/18	1.99%	176,587	5,253		176,587	45,460	131,127
						<u>\$ 624,373</u>	<u>\$ 176,587</u>	<u>\$ 228,755</u>	<u>\$ 572,205</u>

AUDUBON SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 1,011,000	\$ -	\$ 1,011,000	\$ 1,011,000	\$ -
Total Revenues	<u>1,011,000</u>		<u>1,011,000</u>	<u>1,011,000</u>	
EXPENDITURES:					
Regular debt service:					
Interest	241,000		241,000	241,000	
Redemption of principal	770,000		770,000	770,000	
Total regular debt service	<u>1,011,000</u>		<u>1,011,000</u>	<u>1,011,000</u>	
Excess (Deficiency) of revenues over (under) expenditures					
Other Financing Sources:					
Operating transfers in					
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance - July 1, 2015					
Fund Balance - June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Statistical Section

Audubon School District
Net Position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net investment in capital assets	\$ 11,930,471	\$10,474,736	\$10,539,513	\$ 10,621,108	\$ 10,778,212	\$ 10,563,764	\$ 11,049,885	\$ 11,602,230	\$ 12,095,981	\$ 12,196,150
Restricted for:										
Capital projects	59,162	33,439	135,890	150,809	45,790	45,790	145,790	145,905	146,090	146,291
Debt service	10,175	10,175	-	-	-	-	-	-	-	-
Other purposes	176,349	269,632	265,101	625,184	483,461	837,735	626,114	696,463	481,177	331,499
Unrestricted	(1,521,693)	(1,406,239)	(1,528,614)	(1,570,690)	(1,338,067)	(1,274,859)	(1,394,258)	(1,312,237)	(7,002,443)	(7,119,250)
Total governmental activities net position	<u>\$ 10,654,464</u>	<u>\$ 9,381,743</u>	<u>\$ 9,411,890</u>	<u>\$ 9,826,411</u>	<u>\$ 9,969,396</u>	<u>\$ 10,172,430</u>	<u>\$ 10,427,531</u>	<u>\$ 11,132,361</u>	<u>\$ 5,720,805</u>	<u>\$ 5,554,690</u>
Business-type activities:										
Net investment in capital assets	\$ 37,882	\$ 20,250	\$ 17,190	\$ 14,130	\$ 23,521	\$ 23,814	\$ 23,888	\$ 18,548	\$ 14,558	\$ 11,738
Unrestricted	111,220	104,728	153,976	175,316	176,786	152,321	165,767	187,347	164,077	182,882
Total business-type activities net position	<u>\$ 149,102</u>	<u>\$ 124,978</u>	<u>\$ 171,166</u>	<u>\$ 189,446</u>	<u>\$ 200,307</u>	<u>\$ 176,135</u>	<u>\$ 189,655</u>	<u>\$ 205,895</u>	<u>\$ 178,635</u>	<u>\$ 194,620</u>
District-wide:										
Net investment in capital assets	\$ 11,968,353	\$10,494,986	\$10,556,703	\$ 10,635,238	\$ 10,801,733	\$ 10,587,578	\$ 11,073,773	\$ 11,620,778	\$ 12,110,539	\$ 12,207,888
Restricted:										
Capital projects	59,162	33,439	135,890	150,809	45,790	45,790	145,790	145,905	146,090	146,291
Debt service	10,175	10,175	-	-	-	-	-	-	-	-
Other purposes	176,349	269,632	265,101	625,184	483,461	837,735	626,114	696,463	481,177	331,499
Unrestricted	(1,410,473)	(1,301,511)	(1,374,638)	(1,395,374)	(1,161,281)	(1,122,538)	(1,226,491)	(1,124,890)	(6,838,366)	(6,936,368)
Total district net position	<u>\$ 10,803,566</u>	<u>\$ 9,506,721</u>	<u>\$ 9,583,056</u>	<u>\$ 10,015,857</u>	<u>\$ 10,169,703</u>	<u>\$ 10,348,565</u>	<u>\$ 10,617,186</u>	<u>\$ 11,338,256</u>	<u>\$ 5,899,440</u>	<u>\$ 5,749,310</u>

Audubon School District
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

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	<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>2016</u>
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 6,935,683	\$ 7,211,595	\$ 6,700,138	\$ 7,415,608	\$ 6,896,055	\$ 6,699,651	\$ 6,732,336	\$ 7,186,016	\$ 7,227,391	\$ 7,583,364
Special education	1,568,855	1,674,081	1,487,508	1,583,603	1,638,030	2,103,198	2,135,574	2,140,613	2,207,045	2,253,829
Other instruction	917,561	866,228	977,813	978,986	1,061,682	1,124,921	1,104,222	1,120,653	1,180,005	1,133,322
Support Services:										
Tuition	611,728	476,745	610,272	590,942	789,288	981,328	913,270	918,019	881,553	892,113
Student & instruction related services	1,734,057	1,740,180	2,036,527	2,140,961	2,208,581	2,194,156	2,270,838	2,404,025	2,590,979	2,635,317
General administrative services	342,117	376,133	370,343	373,972	404,882	468,260	400,541	346,080	440,310	402,459
School administrative services	807,240	856,471	897,418	932,150	935,505	982,722	1,015,206	1,000,431	985,567	1,020,320
Central administrative services	472,777	467,469	427,657	428,175	431,545	492,729	525,491	541,492	584,814	560,121
Plant operations and maintenance	1,576,573	1,720,159	1,818,448	1,618,874	1,849,599	1,725,813	1,753,205	1,928,504	1,861,450	2,109,641
Pupil transportation	288,880	374,663	324,768	357,905	334,505	341,603	350,664	366,696	410,566	525,864
Business and other support services										
Unallocated employee benefits	5,396,365	5,667,577	5,090,561	4,745,626	4,794,167	5,234,737	5,909,433	5,697,808	6,303,817	6,642,863
Transfer of funds to charter school							22,128			
Interest on long-term debt	727,693	644,414	516,610	493,454	466,463	701,040	70,205	274,846	256,000	241,000
Unallocated depreciation	200,761	610,336	612,272	610,369	616,756	626,219	874,409	624,744	661,506	662,534
Total governmental activities expenses	<u>21,580,290</u>	<u>22,686,051</u>	<u>21,870,335</u>	<u>22,270,625</u>	<u>22,427,058</u>	<u>23,676,377</u>	<u>24,077,522</u>	<u>24,549,927</u>	<u>25,591,093</u>	<u>26,662,747</u>
Business-type activities:										
Food service	425,910	457,473	455,114	446,507	432,216	427,496	437,162	448,963	460,429	501,262
Community education	83,196	86,112	80,511	90,748	76,943	72,997	100,834	101,462	114,221	78,619
After school program	101,664	107,836	104,680	94,206	110,980	108,892	104,917	105,705	116,343	126,686
Total business-type activities expense	<u>610,770</u>	<u>651,421</u>	<u>640,305</u>	<u>631,461</u>	<u>620,139</u>	<u>609,385</u>	<u>642,913</u>	<u>656,130</u>	<u>690,993</u>	<u>706,467</u>
Total district expenses	<u>\$ 22,191,060</u>	<u>\$ 23,337,472</u>	<u>\$ 22,510,640</u>	<u>\$ 22,902,086</u>	<u>\$ 23,047,197</u>	<u>\$ 24,285,762</u>	<u>\$ 24,720,435</u>	<u>\$ 25,206,057</u>	<u>\$ 26,282,086</u>	<u>\$ 27,369,214</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ 3,519,748	\$ 3,802,681	\$ 3,887,698	\$ 2,486,013	\$ 2,702,485	\$ 2,861,756	\$ 2,749,838	\$ 2,679,181	\$ 2,544,829	\$ 2,845,523
Operating grants and contributions	2,894,841	2,929,597	1,956,388	2,236,642	2,163,176	2,362,867	2,919,690	2,661,888	3,229,974	3,289,702
Capital grants and contributions	8,945	7,796	8,098							
Total governmental activities program revenues	<u>6,423,534</u>	<u>6,740,074</u>	<u>5,852,184</u>	<u>4,722,655</u>	<u>4,865,661</u>	<u>5,224,623</u>	<u>5,669,528</u>	<u>5,341,069</u>	<u>5,774,803</u>	<u>6,135,225</u>

(Continued)

Audubon School District
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

	<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>2016</u>
Business-type activities:										
Charges for services:										
Food service	\$ 341,344	\$ 340,858	\$ 339,234	\$ 313,605	\$ 274,866	\$ 241,804	\$ 245,537	\$ 246,017	\$ 243,854	\$ 252,643
Community education	87,525	93,644	91,663	90,990	85,087	83,655	105,679	108,971	99,142	78,630
After school program	87,430	92,698	113,360	103,078	118,793	101,830	106,566	105,481	120,490	152,488
Capital grants and contributions							5,360	-		
Operating grants and contributions	76,767	96,412	110,552	118,415	117,742	145,719	162,848	173,809	180,209	185,654
Total business type activities program revenues	593,066	623,612	654,809	626,088	596,488	573,008	625,990	634,278	643,695	669,415
Total district program revenues	<u>\$ 7,016,600</u>	<u>\$ 7,363,686</u>	<u>\$ 6,506,993</u>	<u>\$ 5,348,743</u>	<u>\$ 5,462,149</u>	<u>\$ 5,797,631</u>	<u>\$ 6,295,518</u>	<u>\$ 5,975,347</u>	<u>\$ 6,418,498</u>	<u>\$ 6,804,640</u>
Net (Expense)/Revenue:										
Governmental activities	\$ (15,156,756)	\$ (15,945,977)	\$(16,018,151)	\$ (17,547,970)	\$(17,561,397)	\$ (18,451,754)	\$ (18,407,994)	\$ (19,208,858)	\$ (19,816,290)	\$ (20,527,522)
Business-type activities	(17,704)	(27,809)	14,504	(5,373)	(23,651)	(36,377)	(16,923)	(21,852)	(47,298)	(37,052)
Total district-wide net expense	<u>\$ (15,174,460)</u>	<u>\$ (15,973,786)</u>	<u>\$(16,003,647)</u>	<u>\$ (17,553,343)</u>	<u>\$(17,585,048)</u>	<u>\$ (18,488,131)</u>	<u>\$ (18,424,917)</u>	<u>\$ (19,230,710)</u>	<u>\$ (19,863,588)</u>	<u>\$ (20,564,574)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 8,500,527	\$ 8,936,698	\$ 9,219,733	\$ 9,328,923	\$ 9,813,891	\$ 10,010,169	\$ 10,110,372	\$ 10,312,579	\$ 10,518,831	\$ 10,729,208
Taxes levied for debt service	969,406	980,895	868,522	921,729	960,700	1,043,016	938,312	1,163,570	987,503	1,011,000
Unrestricted grants and contributions	5,812,509	5,961,775	5,774,930	7,516,359	6,763,062	7,290,221	7,455,220	8,196,226	8,302,588	8,391,845
Investment earnings	11,302	8,387	2,797	14,919	194					
Miscellaneous income	180,771	208,907	237,469	202,561	199,633	322,736	263,243	279,313	269,265	282,314
Prior year payables cancelled										
Prior year receivables cancelled			(45,153)							
Loss on disposal of assets										
Transfers	(5,000)	(15,000)	(10,000)	(22,000)	(33,098)	(11,354)	(30,000)	(38,000)	(20,000)	(52,960)
Total governmental activities	<u>15,469,515</u>	<u>16,081,662</u>	<u>16,048,298</u>	<u>17,962,491</u>	<u>17,704,382</u>	<u>18,654,788</u>	<u>18,737,147</u>	<u>19,913,688</u>	<u>20,058,187</u>	<u>20,361,407</u>
Business-type activities:										
Investment earnings	3,753	2,760	1,666	1,653	1,414	851	443	92	38	77
Prior year payables cancelled			20,018							
Transfers	5,000	15,000	10,000	22,000	33,098	11,354	30,000	38,000	20,000	52,960
Total business-type activities	<u>8,753</u>	<u>17,760</u>	<u>31,684</u>	<u>23,653</u>	<u>34,512</u>	<u>12,205</u>	<u>30,443</u>	<u>38,092</u>	<u>20,038</u>	<u>53,037</u>
Total district-wide	<u>\$ 15,478,268</u>	<u>\$ 16,099,422</u>	<u>\$ 16,079,982</u>	<u>\$ 17,986,144</u>	<u>\$ 17,738,894</u>	<u>\$ 18,666,993</u>	<u>\$ 18,767,590</u>	<u>\$ 19,951,780</u>	<u>\$ 20,078,225</u>	<u>\$ 20,414,444</u>
Change in Net Position:										
Governmental activities	\$ 312,759	\$ 135,685	\$ 30,147	\$ 414,521	\$ 142,985	\$ 203,034	\$ 329,153	\$ 704,830	\$ 241,897	\$ (166,115)
Business-type activities	(8,951)	(10,049)	46,188	18,280	10,861	(24,172)	13,520	16,240	(27,260)	15,985
Total district-wide	<u>\$ 303,808</u>	<u>\$ 125,636</u>	<u>\$ 76,335</u>	<u>\$ 432,801</u>	<u>\$ 153,846</u>	<u>\$ 178,862</u>	<u>\$ 342,673</u>	<u>\$ 721,070</u>	<u>\$ 214,637</u>	<u>\$ (150,130)</u>

Audubon School District
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Restricted for:										
Capital reserve	\$ 27,404	\$ 27,415	\$ 105,213	\$ 120,132	\$ 15,113	\$ 15,113	\$ 115,113	\$ 115,228	\$ 115,413	\$ 115,614
Future tuition payments		180,932	214,040	375,184	233,461	72,317				
Excess surplus	55,049					302,713	112,272	192,856	85,637	45,925
Excess surplus - designated for subsequent year							302,713	112,272	192,856	85,637
Assigned to:										
Year-end Encumbrances			1,061							
Designated for subsequent year's budget	121,300	88,700	50,000	250,000	250,000	462,705	192,632	372,838	202,684	199,937
Unassigned	99,465	101,015	(203,576)	(305,912)	(179,525)	(217,511)	(217,959)	(267,154)	(341,078)	(328,925)
Total general fund	<u>\$ 303,218</u>	<u>\$ 398,062</u>	<u>\$ 166,738</u>	<u>\$ 439,404</u>	<u>\$ 319,049</u>	<u>\$ 635,337</u>	<u>\$ 504,771</u>	<u>\$ 526,040</u>	<u>\$ 255,512</u>	<u>\$ 118,188</u>
All Other Governmental Funds										
Unreserved, reported in:										
Special revenue fund	\$ (1,980)	\$ (1,980)								
Capital projects fund	31,758	6,024	\$ 30,677	\$ 30,677	\$ 30,677	\$ 30,677	\$ 30,677	\$ 30,677	\$ 30,677	\$ 30,677
Debt service fund	10,175	10,175					18,497	18,497		
Total all other governmental funds	<u>\$ 39,953</u>	<u>\$ 14,219</u>	<u>\$ 30,677</u>	<u>\$ 30,677</u>	<u>\$ 30,677</u>	<u>\$ 30,677</u>	<u>\$ 49,174</u>	<u>\$ 49,174</u>	<u>\$ 30,677</u>	<u>\$ 30,677</u>

Audubon School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<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>2016</u>
Revenues										
Tax levy	\$ 9,469,933	\$ 9,917,593	\$ 10,088,255	\$ 10,250,652	\$ 10,774,591	\$ 11,053,185	\$ 11,048,684	\$ 11,476,149	\$ 11,506,334	\$ 11,740,208
Tuition charges	3,519,748	3,802,681	3,887,698	2,486,013	2,702,485	2,861,756	2,749,838	2,679,181	2,544,829	2,845,523
Interest earnings	11,302	8,387	2,797	14,919	194					
Miscellaneous	163,499	208,907	237,469	202,561	199,633	322,736	263,243	279,313	269,265	282,314
State sources	8,196,536	8,371,772	7,333,170	7,994,764	8,352,205	8,897,683	9,811,571	10,206,082	10,844,166	11,009,236
Federal sources	519,759	527,396	406,246	1,767,086	574,033	755,405	563,339	652,032	688,396	672,311
Total revenue	<u>21,880,777</u>	<u>22,836,736</u>	<u>21,955,635</u>	<u>22,715,995</u>	<u>22,603,141</u>	<u>23,890,765</u>	<u>24,436,675</u>	<u>25,292,757</u>	<u>25,852,990</u>	<u>26,549,592</u>
Expenditures										
Instruction										
Regular Instruction	6,810,322	7,201,898	6,803,687	7,324,777	6,982,983	6,629,431	6,732,283	7,279,627	7,245,205	7,651,790
Special education instruction	1,568,855	1,674,081	1,487,508	1,583,603	1,638,030	2,103,198	2,135,574	2,140,613	2,207,045	2,253,829
Other instruction	917,561	866,228	977,813	978,986	1,061,682	1,124,921	1,104,222	1,120,653	1,180,005	1,133,322
Support Services:										
Tuition	611,728	476,745	610,272	590,942	789,288	981,328	913,270	918,019	881,553	892,113
Student & instruction related services	1,734,057	1,740,180	2,036,527	2,149,810	2,208,581	2,194,156	2,270,838	2,404,025	2,590,979	2,635,317
General administration	342,117	369,438	364,370	370,483	404,132	467,745	400,261	345,800	440,030	402,179
School administrative services	807,240	856,471	897,418	932,150	935,505	982,722	1,015,206	1,000,431	985,567	1,020,320
Central services	463,774	467,469	427,657	428,175	431,545	492,729	525,491	541,492	584,814	560,121
Plant operations and maintenance	1,592,091	1,706,215	1,785,104	1,751,800	1,793,283	1,706,521	1,665,454	1,746,430	1,737,874	1,771,100
Pupil transportation	270,329	359,806	316,517	346,644	325,132	332,230	340,979	350,902	394,772	510,070
Other support services										
Employee benefits	5,396,365	5,667,577	5,090,561	4,745,626	4,794,167	5,234,737	5,909,433	5,697,808	6,291,850	6,421,304
Transfer of funds to charter school							22,128	-		
Capital outlay	235,781	220,764	289,816	152,198	250,691	453,291	456,426	418,608	1,076,321	548,078
Debt service:										
Principal	465,000	495,000	505,000	565,000	600,000	705,000	770,000	970,000	750,000	770,000
Interest and other charges	732,050	650,754	523,098	501,135	475,379	450,291	257,179	289,080	256,000	241,000
Total expenditures	<u>21,947,270</u>	<u>22,752,626</u>	<u>22,115,348</u>	<u>22,421,329</u>	<u>22,690,398</u>	<u>23,858,300</u>	<u>24,518,744</u>	<u>25,223,488</u>	<u>26,622,015</u>	<u>26,810,543</u>
Excess (Deficiency) of revenues over (under) expenditures	(66,493)	84,110	(159,713)	294,666	(87,257)	32,465	(82,069)	69,269	(769,025)	(260,951)
Other Financing sources (uses)										
Prior year accounts payable canceled	17,272		(45,153)							
Capital lease (nonbudgeted)	55,000					295,177	-	-	500,000	176,587
Transfers in	10,175	8,375								
Transfers out	(15,175)	(23,375)	(10,000)	(22,000)	(33,098)	(11,354)	(30,000)	(38,000)	(20,000)	(52,960)
Total other financing sources (uses)	<u>67,272</u>	<u>(15,000)</u>	<u>(55,153)</u>	<u>(22,000)</u>	<u>(33,098)</u>	<u>283,823</u>	<u>(30,000)</u>	<u>(38,000)</u>	<u>480,000</u>	<u>123,627</u>
Net change in fund balances	<u>\$ 779</u>	<u>\$ 69,110</u>	<u>\$ (214,866)</u>	<u>\$ 272,666</u>	<u>\$ (120,355)</u>	<u>\$ 316,288</u>	<u>\$ (112,069)</u>	<u>\$ 31,269</u>	<u>\$ (289,025)</u>	<u>\$ (137,324)</u>
Debt service as a percentage of noncapital expenditures	5.51%	5.09%	4.71%	4.79%	4.79%	4.94%	4.27%	5.08%	3.94%	3.85%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

Audubon School District
General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

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<u>Fiscal Year Ending June 30,</u>	<u>Interest on Investments</u>	<u>Tuition</u>	<u>Prior Year Refunds</u>	<u>Rentals</u>	<u>Transfer From Unemployment</u>	<u>E-rate</u>	<u>Pay to Play</u>	<u>Miscellaneous</u>	<u>Total</u>
2007	\$ 73,206	\$ 3,519,748	\$ 35,132	\$ 65,700	\$ -	\$ -	\$ -	\$ 763	\$ 3,694,549
2008	57,021	3,802,681	66,647	67,915				25,711	4,019,975
2009	16,396	3,887,698	10,807	92,338	101,753			18,972	4,127,964
2010	24,619	2,486,013	80,563	89,924				22,374	2,703,493
2011	10,284	2,702,485	43,563	95,063			37,175	13,742	2,902,312
2012	8,427	2,861,756	95,257	161,811		17,400	30,412	9,429	3,184,492
2013	2,904	2,749,838	37,987	162,419			14,728	45,205	3,013,081
2014	958	2,679,181	22,754	171,572			43,485	40,429	2,958,379
2015	1,034	2,544,829	47,522	164,096			31,000	25,613	2,814,094
2016	1,203	2,845,523	17,844	165,993			41,382	55,892	3,127,837
	<u>\$ 196,052</u>	<u>\$ 30,079,752</u>	<u>\$ 458,076</u>	<u>\$ 1,236,831</u>	<u>\$ 101,753</u>	<u>\$ 17,400</u>	<u>\$ 198,182</u>	<u>\$ 258,130</u>	<u>\$ 32,546,176</u>

Source: District records

**Audubon School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
2007	\$ 1,136,700	\$ 293,651,150	\$ 49,638,300	\$ 140,000	\$ 8,114,600	\$ 352,680,750	\$ 369,893	\$ 353,050,643	\$ 27,084,400	\$ 2.810	\$ 694,607,033
2008	1,088,400	294,275,350	50,105,100	140,000	7,909,900	353,518,750	1,510,509	355,029,259	27,220,000	2.857	745,875,463
2009 R	3,140,550	627,251,600	100,783,204	750,900	17,213,600	749,139,854	1,660,744	750,800,598	54,500,900	1.362	773,143,706
2010	2,953,500	625,218,800	99,007,104	590,000	16,028,100	743,797,504	2,093,216	745,890,720	56,378,200	1.412	762,460,046
2011	2,378,000	623,609,000	96,257,804	590,000	14,307,500	737,142,304	1,639,236	738,781,540	56,764,700	1.457	749,039,997
2012	2,028,300	621,741,700	95,548,404	590,000	14,307,500	734,215,904	1,555,827	735,771,731	56,764,700	1.459	753,330,922
2013	1,897,000	621,118,700	94,902,804	590,000	14,307,500	732,816,004	1,520,417	734,336,421	56,945,600	1.515	750,311,856
2014	1,532,100	619,210,500	94,165,104	350,000	14,401,400	729,659,104	1,361,953	731,021,057	57,043,900	1.569	712,557,462
2015	1,537,300	614,309,900	92,964,504	350,000	14,041,400	723,203,104	1,391,805	724,594,909	57,238,600	1.612	676,151,844
2016	1,465,800	612,163,600	92,464,704	350,000	14,041,400	720,485,504	1,394,324	721,879,828	57,541,100	1.677	706,053,569

Added 800 to hit correct total

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, Improvements and Equipment of Telephone, Telegraph and Messenger System Companies
- b Tax rates are per \$100 of assessed valuation.
- c Information not available.
- R Reassessment

**Audubon School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**
(rate per \$100 of assessed value)

J-7

Fiscal Year Ended June 30,	Audubon School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct	Borough of Audubon	Library	Camden County	
2007	\$ 2.540	\$ 0.270	\$ 2.810	\$ 1.102	\$ -	\$ 1.296	\$ 5.208
2008	2.611	0.246	2.857	1.212		1.211	5.280
2009 R	1.239	0.123	1.362	0.651		0.597	2.610
2010	1.289	0.123	1.412	0.721		0.625	2.758
2011	1.337	0.120	1.457	0.734	0.033	0.680	2.904
2012	1.339	0.120	1.459	0.775	0.034	0.742	3.010
2013	1.362		1.362	0.807	0.034	0.802	3.005
2014	1.396	0.173	1.569	0.825	0.032	0.785	3.211
2015	1.435	0.177	1.612	0.825	0.031	0.755	3.223
2016	1.499	0.178	1.677	0.823	0.033	0.818	3.351

Source: Municipal Tax Collector

R Reassessment

**Audubon School District
Principal Property Tax Payers,
Current Year and Nine Years Ago**

J-8

Taxpayer	2016	
	Taxable Assessed Value	% of Total District Net Assessed Value
Wolfson Group, LLC	\$ 17,810,500	2.47%
Wolfson Group, LLC	14,310,600	1.98%
Supervalu	9,000,000	1.25%
PSE&G	3,500,000	0.48%
Audubon Equities, LLC	1,750,000	0.24%
Oak Terrace Apartments, LLC	1,700,000	0.24%
Lee Associates	1,378,200	0.19%
Bell Atlantic	1,394,324	0.19%
Audubon Savings Bank	1,264,100	0.18%
Castle Arms	1,200,000	0.17%
Total	\$ 53,307,724	7.38%

Taxpayer	2007	
	Taxable Assessed Value	% of Total District Net Assessed Value
Audubon Ventures	\$ 13,002,100	3.68%
Public Service Electric & Gas	3,601,900	1.02%
Imperial Reality Association	1,560,000	0.44%
Oak Terrace Apartments, LLC	1,310,700	0.37%
Audubon Equities, LLC	1,006,100	0.28%
Benjamin Company	825,000	0.23%
Audubon Pharmacy Co.	753,100	0.21%
WANN, LLC	710,000	0.20%
622 Castle Arms, LLC	700,000	0.20%
Guy E. Elzy, Jr.	625,000	0.18%
Total	\$ 24,093,900	6.82%

Source: Municipal Tax Assessor

**Audubon School District
Property Tax Levies and Collections,
Last Ten Fiscal Years**

J-9

Fiscal Year Ended June 30,	Taxes Levied for the Calendar Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	\$ 8,744,333	\$ 8,744,333	100.00%	\$ -
2007	9,469,933	9,469,933	100.00%	-
2008	9,917,593	9,917,593	100.00%	-
2009	10,088,255	10,088,255	100.00%	-
2010	10,235,157	10,235,157	100.00%	-
2011	10,774,591	10,774,591	100.00%	-
2012	11,053,185	11,053,185	100.00%	-
2013	11,048,684	11,048,684	100.00%	-
2014	11,476,149	10,312,579	89.86%	1,163,570
2015	11,506,334	11,506,334	100.00%	-
2016	12,015,208	12,015,208	100.00%	-

Source: 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 Statutes, 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.

Audubon School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

J-10

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Percentage of Personal Income ^b	Per Capita ^c
	General Obligation Bonds ^a	Unfunded Pension Liability	Capital Leases	Capital Leases	Total District		
2007	\$ 12,870,000	\$ -	\$ 253,048	\$ -	\$ 13,123,048	3.67%	\$ 1,468
2008	12,375,000	-	349,837	-	12,724,837	3.46%	1,431
2009	11,870,000	-	331,723	-	12,201,723	3.30%	1,374
2010	11,305,000	-	211,049	-	11,516,049	3.11%	1,306
2011	10,705,000	-	-	-	10,705,000	2.76%	1,216
2012	10,410,000	-	295,177	-	10,705,177	2.72%	1,218
2013	9,640,000	-	242,869	-	9,882,869	2.51%	1,130
2014	8,670,000	-	184,338	-	8,854,338	2.16%	1,014
2015	7,920,000	-	624,373	-	8,544,373	d	979
2016	7,150,000	-	572,205	-	7,722,205	d	d

Sources:

- a District Records.
- b Personal Income has been estimated based upon the municipal population and per capita personal income.
- c Per Capita Personal Income Data provided by the NJ Dept. of Labor and Workforce.
- d Not available.

Audubon School District
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
(dollars in thousands, except per capita)

J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Assessed Valuation Taxable ^b	Per Capita ^c
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding ^a		
2007	\$ 12,870,000	\$ -	\$ 12,870,000	3.65%	\$ 1,439
2008	12,375,000	-	12,375,000	3.49%	1,391
2009	11,870,000	-	11,870,000	1.58%	1,336
2010	11,305,000	-	11,305,000	1.52%	1,282
2011	10,705,000	-	10,705,000	1.45%	1,216
2012	10,410,000	-	10,410,000	1.41%	1,185
2013	9,640,000	-	9,640,000	1.31%	1,102
2014	8,670,000	-	8,670,000	1.19%	993
2015	7,920,000	-	7,920,000	1.09%	907
2016	7,150,000	-	7,150,000	0.99%	d

Sources:

- a District Records
- b Net Assessed Valuation provided by Abstract of Ratables, County Board of Taxation
- c Per Capita Personal Income Data provided by the NJ Dept. of Labor and Workforce.
- d Not available.

**Audubon School District
 Ratios of Overlapping Governmental Activities Debt
 As of December 31, 2015**

<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:			
Borough of Audubon	\$ 1,884,000 (1)	100.000%	\$ 1,884,000
Camden County General Obligation Debt	342,450,381 (1)	1.836% (2)	6,287,389
			<hr/>
Subtotal, overlapping debt			8,171,389
Audubon School District Direct Debt			<hr/>
			7,920,000
Total direct and overlapping debt			<hr/> \$ 16,091,389 <hr/>

Sources:

- (1) Entity's Audit Report
- (2) The County percentage is based upon a calculation reflecting the Borough's share of the 2015 Equalized Valuation. The source for this computation was the 2015 County Abstract of Ratables, provided by the County Board of Taxation.

**Audubon School District
Legal Debt Margin Information,
Last Ten Fiscal Years
(dollars in thousands)**

J-13

Legal Debt Margin Calculation for Fiscal Year 2016

	Equalized valuation basis (1)
2013	\$ 709,149,331
2014	676,236,426
2015	703,028,251
	<u>\$2,088,412,008</u>
Average equalized valuation of taxable property	<u>\$ 696,137,336</u>
Debt limit (4% of average equalized valuation) (2)	27,845,493
Net bonded school debt (3)	<u>7,150,000</u>
Legal debt margin	<u>\$ 20,695,493</u>

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	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 23,087,507	\$ 26,373,636	\$ 29,029,857	\$ 30,161,027	\$ 30,285,422	\$ 30,088,948	\$ 29,912,234	\$ 29,403,427	\$ 28,427,506	\$ 27,845,493
Total net debt applicable to limit (3)	<u>12,870,000</u>	<u>12,375,000</u>	<u>11,870,000</u>	<u>11,305,000</u>	<u>10,705,000</u>	<u>10,410,000</u>	<u>9,640,000</u>	<u>8,670,000</u>	<u>7,920,000</u>	<u>7,150,000</u>
Legal debt margin	<u>\$ 10,217,507</u>	<u>\$ 13,998,636</u>	<u>\$ 17,159,857</u>	<u>\$ 18,856,027</u>	<u>\$ 19,580,422</u>	<u>\$ 19,678,948</u>	<u>\$ 20,272,234</u>	<u>\$ 20,733,427</u>	<u>\$ 20,507,506</u>	<u>\$ 20,695,493</u>
Total net debt applicable to the limit as a percentage of debt limit	55.74%	46.92%	40.89%	37.48%	35.35%	34.60%	32.23%	29.49%	27.86%	25.68%

Sources:

- (1) Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation.
- (2) Limit set by NJSA 18A:24-19 for a K through 12 district.
- (3) District Records

**Audubon School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2007	8,941	\$ 357,693,646	\$ 40,006	1.6%
2008	8,894	367,971,462	41,373	2.2%
2009	8,883	369,897,003	41,641	3.5%
2010	8,815	370,168,295	41,993	3.7%
2011	8,803	388,344,345	44,115	3.7%
2012	8,788	393,192,696	44,742	3.7%
2013	8,749	394,378,673	45,077	7.8%
2014	8,728	409,221,008	46,886	7.5%
2015	8,730	e	e	6.3%
2016	e	e	e	e

Source:

- ^a Population information provided by the NJ Dept of Labor and Workforce Development
- ^b Personal income has been established based upon the municipal population and per capita personal income presented.
- ^c Per Capita personal income provided by the NJ Dept. of Labor and Workforce Development.
- ^d Unemployment data provided by the NJ Dept of Labor and Workforce Development
- ^e Information not available

**Audubon School District
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years**

J-16

<u>Function/Program</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>2016</u>
Instruction										
Regular	124	124	118	118	118	118	124	124	124	108
Special education	17	17	17	17	17	18	19	19	19	30
Other special education	1	1	1	1	1	1	1	1	1	20
Other instruction	13	13	13	13	13	13	15	15	15	17
Support Services:										
Student & instruction related services	16	16	16	16	16	16	16	16	16	29
School administrative services	10	10	10	10	10	10	10	10	10	13
General and business administrative services	9	9	9	9	9	9	9	9	9	7
Plant operations and maintenance	25	25	25	25	25	25	25	25	25	25
Pupil transportation	3	3	3	3	3	3	3	3	3	1
Business and other support services	5	5	5	5	5	5	5	5	5	4
Total	223	223	217	217	217	218	227	227	227	254

Source:
District Personnel Records

Audubon School District
 Operating Statistics,
 Last Ten Fiscal Years

J-17

Fiscal Year	Resident Enrollment	Operating Expenditures ^a	Cost Per Pupil	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
						Masion Avenue School	HaviInd Avenue School	Senior High School				
2006	1,629	\$ 19,462,281	\$ 11,947	7.42%	154	1:23	1:20	1:21	1,629.0	1,586.0	-2.51%	97.36%
2007	1,567	20,514,439	13,092	9.58%	155	1:22	1:20	1:20	1,567.0	1,487.0	-3.81%	94.89%
2008	1,524	21,386,108	14,033	7.19%	155	1:22	1:20	1:20	1,524.0	1,475.0	-2.74%	96.78%
2009	1,522	20,797,434	13,665	-2.62%	149	1:22	1:20	1:20	1,498.0	1,429.0	-1.71%	95.39%
2010	1,521	21,202,996	13,940	2.02%	149	1:22	1:20	1:20	1,482.0	1,429.0	-1.07%	96.42%
2011	1,480	21,364,328	14,435	3.55%	149	1:22	1:20	1:20	1,440.0	1,368.0	-2.83%	95.00%
2012	1,439	22,249,718	15,462	7.11%	149	1:22	1:20	1:20	1,402.0	1,337.0	-2.64%	95.36%
2013	1,485	23,035,139	15,512	0.32%	159	1:22	1:20	1:20	1,410.0	1,334.0	0.57%	94.61%
2014	1,476	23,545,800	15,952	2.84%	159	1:22	1:20	1:20	1,410.0	1,337.9	0.00%	94.89%
2015	1,553	24,539,694	15,801	-0.95%	159	1:22	1:20	1:20	1,548.0	1,465.0	9.79%	94.64%
2016	1,531	25,251,465	16,493	4.38%	175	1:22	1:20	1:20	1,545.0	1,467.0	-0.19%	94.95%

Sources: 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).

**Audubon School District
School Building Information
Last Ten Fiscal Years**

	<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>2016</u>
<u>District Building</u>										
<u>Elementary</u>										
Haviland Avenue School										
Square Feet	41,702	41,702	41,702	41,702	41,702	41,702	41,702	41,702	41,702	41,702
Capacity (students)	400	400	400	400	400	400	400	400	400	400
Enrollment	262	217	259	259	259	276	255	249	284	305
Mansion Avenue School										
Square Feet	48,439	48,439	48,439	48,439	48,439	48,439	48,439	48,439	48,439	48,439
Capacity (students)	575	575	575	575	575	575	575	575	575	575
Enrollment	401	390	392	392	392	369	323	292	358	371
Audubon Jr/Sr High School										
Square Feet	187,024	187,024	187,024	187,024	187,024	187,024	187,024	187,024	187,024	187,024
Capacity (students)	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Enrollment	904	917	820	820	820	781	832	869	823	869
Number of Schools at June 30, 2016										
Elementary	2									
Jr/Sr High School	1									

Source: District Facilities Office

**Audubon School District
 Schedule of Required Maintenance
 Last Ten Fiscal Years**

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**UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-xxx**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
* School Facilities											
High School	\$ 155,068	\$ 148,264	\$ 166,540	\$ 172,858	\$ 177,941	\$ 184,140	\$ 203,422	\$ 189,110	\$ 202,847	\$ 215,592	\$ 1,815,782
Haviland School	39,424	38,040	43,557	43,214	47,045	48,912	43,268	40,307	45,231	48,090	437,088
Mansion School	44,442	42,853	46,118	45,834	51,750	54,668	50,276	46,656	52,536	55,855	490,988
Total School Facilities	\$ 238,934	\$ 229,157	\$ 256,215	\$ 261,906	\$ 276,736	\$ 287,720	\$ 296,966	\$ 276,073	\$ 300,614	\$ 319,537	\$ 2,743,858

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

Source: District records

**Audubon School District
Insurance Schedule
June 30, 2016**

J-20

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package Policy (1)		
Building and Contents (All Locations)		
Limits of liability per occurrence	\$ 250,000,000	\$ 1,000
General liability	5,000,000	
General and Auto liability	5,000,000	1,000
Comprehensive crime coverage		
Employee Dishonesty	500,000	1,000
Computer Fraud	50,000	1,000
Forgery or Alteration	50,000	1,000
Boiler and machinery	100,000,000	
Excess Liability	5,000,000	1,000
Professional Liability	5,000,000	5,000
Workers Compensation (2)		
Bodily Injury by Accident	Statutory	
Bodily Injury by Disease	Statutory	
Volunteer Accident Insurance (3)	500,000	
Surety Bonds (4)		
Treasurer	250,000	
Board Secretary	75,000	

- (1) School Alliance Insurance Fund
- (2) NJ School Board Association
- (3) National Union Fire Insurance Company of Pittsburgh
- (4) Western Surety

Source: District records

Single Audit Section

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 American Institute of CPAs
 New Jersey Society of CPAs

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
 REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
 ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE
 UNIFORM GUIDANCE AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
 ASSISTANCE AS REQUIRED BY NEW JERSEY TREASURY CIRCULAR OMB 15-08**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
 of the Board of Education
 Audubon School District
 County of Camden
 Audubon, New Jersey

Report on Compliance for Each Major Federal and State Program

I have audited Audubon School District (School District), in the County of Camden, State of New Jersey's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major federal and state programs for the fiscal year ended June 30, 2016. The School District's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the School District's major federal and state programs based on my audit of the types of compliance requirements referred to above. I conducted my 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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and New Jersey Treasury Circular OMB 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, Uniform Guidance and New Jersey Treasury Circular OMB 15-08 require that I 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 federal and state program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In my opinion, the Audubon School District, in the County of Camden, State of New Jersey complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2016.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported under State of New Jersey OMB Circular 15-08 and which is described in the accompanying *Schedule of Findings and Questioned Costs and Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* as findings no: 2016-002. My opinion on the major federal and state programs is not modified with respect to these matters.

The School District's response to the finding identified in my audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Audubon School 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 my audit of compliance, I considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey Treasury Circular OMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Audubon School 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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the New Jersey Treasury Circular OMB 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Audubon School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. I issued my report thereon dated September 23, 2016, which contained unmodified opinions on those financial statements. My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey Treasury Circular OMB 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 my opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended for the information of the Board of Education, the New Jersey Department of Education, and Federal awarding agencies.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
September 23, 2016

AUDUBON SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period From - To	Balance June 30, 2015			Adjustment	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance June 30, 2016		
						(Accounts Receivable)	Unearned Revenue	Due to Grantor					(Accounts Receivable)	Unearned Revenue	Due to Grantor
U.S. Department of Education															
Passed-through State Department of Education:															
Special Revenue Fund:															
Title I:															
Fiscal Year 2016	84.010A	S010A150030	NCLB015016	178,724	7/1/15 - 6/30/16	\$ -	\$ -	\$ -	\$ -	\$ 172,170	\$ (178,724)	\$ -	\$ (6,554)	\$ -	\$ -
Fiscal Year 2015	84.010A	S010A150030	NCLB015015	192,117	7/1/14 - 6/30/15	(41,955)			15	41,940			41,940		
Title II A:															
Fiscal Year 2016	84.367A	S367A150029	NCLB015016	45,396	7/1/15 - 6/30/16					45,396	(45,396)				
Fiscal Year 2015	84.367A	S367A150029	NCLB015015	48,539	7/1/14 - 6/30/15	(17,072)				17,072					
I.D.E.A. Part B - Basic:															
Fiscal Year 2016	84.027	H027A150100	IDEA015016	380,344	7/1/15 - 6/30/16					313,513	(380,344)		(66,831)		
Fiscal Year 2015	84.027	H027A150100	IDEA015015	385,557	7/1/14 - 6/30/15	(1,000)				1,000					
I.D.E.A. Part B - Preschool:															
Fiscal Year 2016	84.173	H173A150114	IDEA015016	12,061	7/1/15 - 6/30/16						(12,061)		(12,061)		
Total U.S. Department of Education						(60,027)			15	591,091	(616,525)		(43,506)		
U.S. Department of Agriculture															
Passed-through State Department of Education:															
Enterprise Fund															
Food Distribution Program															
Fiscal Year 2016	10.565	1616NJ304N1099	N/A	26,699	7/1/15 - 6/30/16					26,699	(26,699)				
National School Breakfast Program															
Fiscal Year 2016	10.553	1616NJ304N1099	N/A	14,531	7/1/15 - 6/30/16					13,615	(14,531)		(916)		
National School Lunch Program															
Fiscal Year 2016	10.555	1616NJ304N1099	N/A	140,374	7/1/15 - 6/30/16					133,689	(140,374)		(6,685)		
Total U.S. Department of Agriculture										174,003	(181,604)		(7,601)		
U.S. Department of Health and Human Services															
Passed-through State Department of Human Services:															
General Fund:															
Medicaid Assistance Program															
Fiscal Year 2016	93.778	1605NJ5MAP	N/A	55,786	7/1/15 - 6/30/16					35,852	(55,786)		(19,934)		
										35,852	(55,786)		(19,934)		
Total Federal Awards						\$ (60,027)	\$ -	\$ -	\$ 15	\$ 800,946	\$ (853,915)	\$ -	\$ (71,041)	\$ -	\$ -

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

AUDUBON SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2016

State Grantor / Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From - To	Balance June 30, 2015			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance June 30, 2016		
				(Accounts Receivable)	Unearned Revenue	Due to Grantor				(Accounts Receivable)	Unearned Revenue	Due to Grantor
State Department of Education												
General Fund:												
Equalization Aid	16-495-034-5120-078	\$ 5,833,566	7/1/15 - 6/30/16	\$ -	\$ -	\$ -	\$ 5,284,932	\$ (5,833,566)	\$ -	\$ (548,634)	\$ -	\$ -
Equalization Aid	15-495-034-5120-078	5,833,566	7/1/14 - 6/30/15	(553,306)			553,306					
Special Education Categorical Aid	16-495-034-5120-089	698,294	7/1/15 - 6/30/16				632,621	(698,294)		(65,673)		
Special Education Categorical Aid	15-495-034-5120-089	698,294	7/1/14 - 6/30/15	(66,232)			66,232					
Security Aid	16-495-034-5120-084	129,718	7/1/15 - 6/30/16				117,518	(129,718)		(12,200)		
Security Aid	15-495-034-5120-084	129,718	7/1/14 - 6/30/15	(12,304)			12,304					
Transportation Aid	16-495-034-5120-014	62,679	7/1/15 - 6/30/16				56,784	(62,679)		(5,895)		
Transportation Aid	15-495-034-5120-014	62,679	7/1/14 - 6/30/15	(5,945)			5,945					
School Choice Aid	16-495-034-5120-068	939,960	7/1/15 - 6/30/16				851,559	(939,960)		(88,401)		
School Choice Aid	15-495-034-5120-068	904,152	7/1/14 - 6/30/15	(85,758)			85,758					
Under Adequacy Aid	16-495-034-5120-096	25,300	7/1/15 - 6/30/16				22,920	(25,300)		(2,380)		
Under Adequacy Aid	15-495-034-5120-096	25,300	7/1/14 - 6/30/15	(2,400)			2,400					
Adjustment Aid	16-495-034-5120-085	530,382	7/1/15 - 6/30/16				480,501	(530,382)		(49,881)		
Adjustment Aid	15-495-034-5120-085	530,382	7/1/14 - 6/30/15	(50,306)			50,306					
PARCC Readiness Aid	16-495-034-5120-098	13,430	7/1/15 - 6/30/16				12,167	(13,430)		(1,263)		
PARCC Readiness Aid	15-495-034-5120-098	13,430	7/1/14 - 6/30/15	(1,274)			1,274					
Per Pupil Growth Aid	16-495-034-5120-097	13,430	7/1/15 - 6/30/16				12,167	(13,430)		(1,263)		
Per Pupil Growth Aid	15-495-034-5120-097	13,430	7/1/14 - 6/30/15	(1,274)			1,274					
Extraordinary Special Education Cost Aid	16-495-034-5120-044	86,091	7/1/15 - 6/30/16					(86,091)		(86,091)		
Extraordinary Special Education Cost Aid	15-495-034-5120-044	74,862	7/1/14 - 6/30/15	(74,862)			74,862					
On behalf TPAF Pension Contribution	16-495-034-5094-002	852,896	7/1/15 - 6/30/16					(852,896)				
On behalf TPAF Post Retirement Medical	16-495-034-5094-001	1,015,563	7/1/15 - 6/30/16				1,015,563	(1,015,563)				
Reimbursed TPAF Social Security Contr.	16-495-034-5094-003	804,718	7/1/15 - 6/30/16				726,690	(804,718)		(78,028)		
Reimbursed TPAF Social Security Contr.	15-495-034-5094-003	809,198	7/1/14 - 6/30/15	(79,593)			79,593					
Total Department of Education				(933,254)			10,999,572	(11,006,027)		(939,709)		
New Jersey Schools Construction Corporation:												
Capital Projects Fund:												
EDA Educational Facilities Construction and Financing Act - Section 15:												
Roof and Roof-Top HVAC - Level I Renovations to Mansion Ave. School	#0150-040-13-1002	312,000	8/1/14- 12/31/14	(187,200)						(187,200)		
Renovations to Haviland Ave. School	#0150-050-04-1000	1,048,600	7/1/03- 6/30/13	(63,380)						(63,380)		
Renovations to Haviland Ave. School	#0150-040-04-1000	741,610	7/1/03- 6/30/13	(10)						(10)		
Total Educational Facilities Construction				(250,590)						(250,590)		
State Department of Agriculture												
National School Lunch Program (State Share) Fiscal Year 2016	16-100-010-3350-023	4,050	7/1/15 - 6/30/16				3,869	(4,050)		(181)		
Total Department of Agriculture							3,869	(4,050)		(181)		
Total State Financial Assistance				\$ (1,183,844)	\$ -	\$ -	\$ 11,003,441	\$ (11,010,077)	\$ -	\$ (1,190,480)	\$ -	\$ -
Less: State Financial Assistance Not Subject to New Jersey OMB Circular 15-08												
On-Behalf TPAF Contribution - Pension (Non-Budgeted)								(852,896)				
On-Behalf TPAF Contribution - Post Retirement Medical (Non-Budgeted)								(1,015,563)				
Total State Financial Assistance Subject to New Jersey OMB Circular 15-08								(9,141,618)				

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

**Audubon School District
Notes to Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2016**

I. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, Audubon School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using 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 School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 the expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment 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 revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$3,209 for the general fund and \$-0- for the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General	\$ 55,786	\$ 11,009,236	\$ 11,065,022
Special Revenue	616,525		616,525
Food Service	181,604	4,050	185,654
Total	\$ 853,915	\$ 11,013,286	\$ 11,867,201

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.

**Audubon School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2016
(Continued)**

5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2016. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2016.

6. MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

7. ADJUSTMENTS

Amounts reported in the column entitled "Adjustments" represent the following:

	Federal
Cancellation of Accounts Receivable	\$ 15
Total	\$ 15

**AUDUBON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Section I --Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weaknesses identified? yes X no

2) Significant deficiencies identified that are not considered to be a material weakness? yes X none reported

Noncompliance material to basic financial statements noted? X yes no

Federal Awards

Internal Control over major programs:

1) Material weakness(es) identified? yes X no

2) Significant deficiencies identified that are not considered to be a material weakness? yes X none reported

Type of auditor's report on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)? yes X no

Identification of major programs :

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>H027A150100</u>	<u>I.D.E.A. Basic</u>
<u>84.173</u>	<u>H173A150114</u>	<u>I.D.E.A. Preschool</u>
<u>10.555</u>	<u>16161NJ304N1099</u>	<u>National School Lunch Program</u>
<u>10.553</u>	<u>16161NJ304N1099</u>	<u>School Breakfast Program</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

Dollar threshold used to distinguish between type A and type B programs : \$750,000

Auditee qualified as low-risk auditee? X yes no

AUDUBON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section 1 -- Summary of Auditor's Results (Cont'd)

State Awards Section

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

Internal Control over major programs:

1) Material weakness(es) identified? yes X no

2) Significant deficiencies identified that are not considered to be material weakness? yes X none reported

Type of auditor's report on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08 as applicable? X yes no

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
<u>16-495-034-5120-078</u>	<u>Equalization Aid</u>
<u>16-495-034-5120-068</u>	<u>School Choice Aid</u>
<u>16-495-034-5094-003</u>	<u>Reimbursed TPAF Social Security Contributions</u>
<u>16-100-010-3350-023</u>	<u>School Lunch Program</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

**AUDUBON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Section 2 -- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements in accordance with Government Auditing Standards.

Finding #2016-001

Criteria or specific requirement:

The Board Secretary's Financial Report should properly reflect true balances for all balance sheet accounts, budgetary revenues and budgetary expenditures.

Condition:

The financial records reflect errors in accounts receivable, accounts payable, revenues, and expenditures which required audit adjustments.

Context:

Inadequate controls over financial statement preparation.

Effect:

Improper financial decisions may be taken by the Board of Education if financial reports do not properly reflect true balances.

Cause:

Oversight on part of business administrator.

Recommendation:

The financial records including all assets, liabilities, revenues, and expenditures should be reviewed on a monthly basis for accuracy.

View of responsible officials and planned corrective action:

The management agrees with the finding and will review the Board Secretary's Report on a monthly basis for accuracy.

**AUDUBON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Section 3 -- Schedule of Federal Awards and State Financial Assistance
Findings and Questioned Costs**

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* and NJOMB Circular Letter 15-08, as applicable.

FEDERAL AWARDS:

No findings and/or questioned costs identified.

STATE AWARDS:

Finding #2016-002

Information on the State Program:

Equalization Aid; GMIS No. 16-495-034-5120-078

Criteria or specific requirement:

The District is required to complete the Application for State School Aid (ASSA) in accordance with the instructions provided by the State Department of Education.

Condition:

The student counts for on roll students did not agree to supporting documents.

Questioned Costs:

None

Context:

My test of the ASSA disclosed an understatement of five students in the on-roll count when compared to the District's supporting documents.

Effect:

The reported differences may have an impact on the District's State Aid allocation.

Cause:

Oversight

Recommendation:

That care is exercised in preparing the Application for State School Aid.

View of Responsible Officials and Planned Corrective Action:

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**AUDUBON SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

This section identifies the status of prior year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 and NJOMB's Circular 04-04 and/or 15-08, as applicable.

FINANCIAL STATEMENT FINDINGS

Finding #2015-001

Condition:

Food Service receipts were not deposited promptly.

Current Status:

This condition has been corrected.

FEDERAL AWARDS

There were no prior year audit findings.

STATE AWARDS

There were no prior year audit findings.