

**SCHOOL DISTRICT
OF THE
BOROUGH OF MADISON**

**Borough of Madison School District
Madison, New Jersey**

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

**Comprehensive Annual
Financial Report**

of the

Borough of Madison School District

Madison, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

**Borough of Madison School District
Board of Education**

BOROUGH OF MADISON SCHOOL DISTRICT
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**INTRODUCTORY SECTION
(UNAUDITED)**



BOARD OF EDUCATION OF THE BOROUGH OF MADISON

359 Woodland Road • Madison, NJ 07940 • (973) 593-3101 • Fax (973) 593-3161

Dr. Michael A. Rossi
Superintendent

Gary S. Lane
Business Administrator/
Board Secretary

October 18, 2016

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

Dear Board Members:

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

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

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular, vocational as well as special education for disabled youngsters. The District completed the 2015-2016 fiscal year with an average daily enrollment of 2,565 students, which is an increase of 37 students from the previous fiscal year's average daily enrollment. This increase was preceded by a 19 student increase in the average daily enrollment in the 2014-2015 fiscal year.

The Honorable President and Members of
the Board of Education
Borough of Madison School District
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2) ECONOMIC CONDITION AND OUTLOOK: The District continues to feel the impact of the loss of 100% of state aid in 2010-11 of approximately \$1.6 million. From 2010-11 to 2016-17, the Madison School District has lost almost \$6.0 million dollars cumulatively in State Aid. Base State Aid from 2014-15 to 2015-16 remained flat. And, while State Aid increased by \$29,363 for 2016-17, the State *reduced* the district's Debt Service Aid by \$27,086 thereby providing a net increase in aid of only \$2,277. The District continues to work within the budget guidelines and struggles to stay within the state's 2% cap and has used banked CAP to help the district move forward over the past few years however, the district used up the last of the banked CAP (\$20,123) in 2016-17 and will have no banked CAP to rely upon for the next several years. There is real concern that the district will need to make and, began to make in 2016-17, substantial adjustments to maintain and, if possible improve under these rules. It is the District's goal, to strive every day, as best as it is able, to provide the very best educational program, learning environment, support and care to the children of Madison. The one bright spot is the sale of the former Green Village Road School, which has enabled the district to make substantial deposits into both the Capital and Maintenance Reserve Accounts.

3) MAJOR INITIATIVES: Given the aforementioned restrictions, the District continues to build upon the programs currently in place and is moving forward as best we are able. The district has moved forward with the purchase and implementation of a new student information system (Genesis), continued the Professional Development Academy for teachers and sustained the Chromebook Initiative. The district continues our staff training and implementation of State Mandates such as PARCC and upgrade via new/revised curriculum being implemented as necessary.

The district has been as frugal yet has managed to be as financially supportive as possible and has been able to annually put monies toward needed improvements, one-time purchases and, worked over the years to put funds into the both the Capital and Maintenance Reserve Accounts. This district has improved security, lighting, remote systems capabilities, roofing and boilers.

The district has implemented several ROD grants, moved forward with STEM improvements at both the Junior School and High School, and is looking to renovate the locker room/PE and athletic facilities and continue to overhaul the auditorium at the high school with improved systems. Other projects that are working their way near to possible fruition due to the sale of the Green Village Road School include the possible upgrade of the auditorium of the Junior School. The District continues to be hopeful to someday see the reimbursement of certain costs approved in previous ROD grants come back to the district in order to further support these efforts.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at fiscal year-end are either canceled or are included as reappropriations of fund balance in the subsequent fiscal year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2016.

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

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

8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. Insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the District's CAFR.

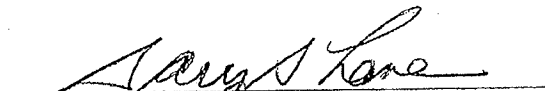
The Board is a member of the Morris Essex Insurance Group (the "Group") and the School Alliance Insurance Fund (the "Fund"). The Group and the Fund are risk-sharing public entity risk pools that are insured and self-administered groups of school boards established for the purpose of providing low-cost insurance coverage for their respective members. Additional information on the Group and the Fund is included in Note 11 to the Basic Financial Statements.

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

The Honorable President and Members of
the Board of Education
Borough of Madison School District
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October 18, 2016

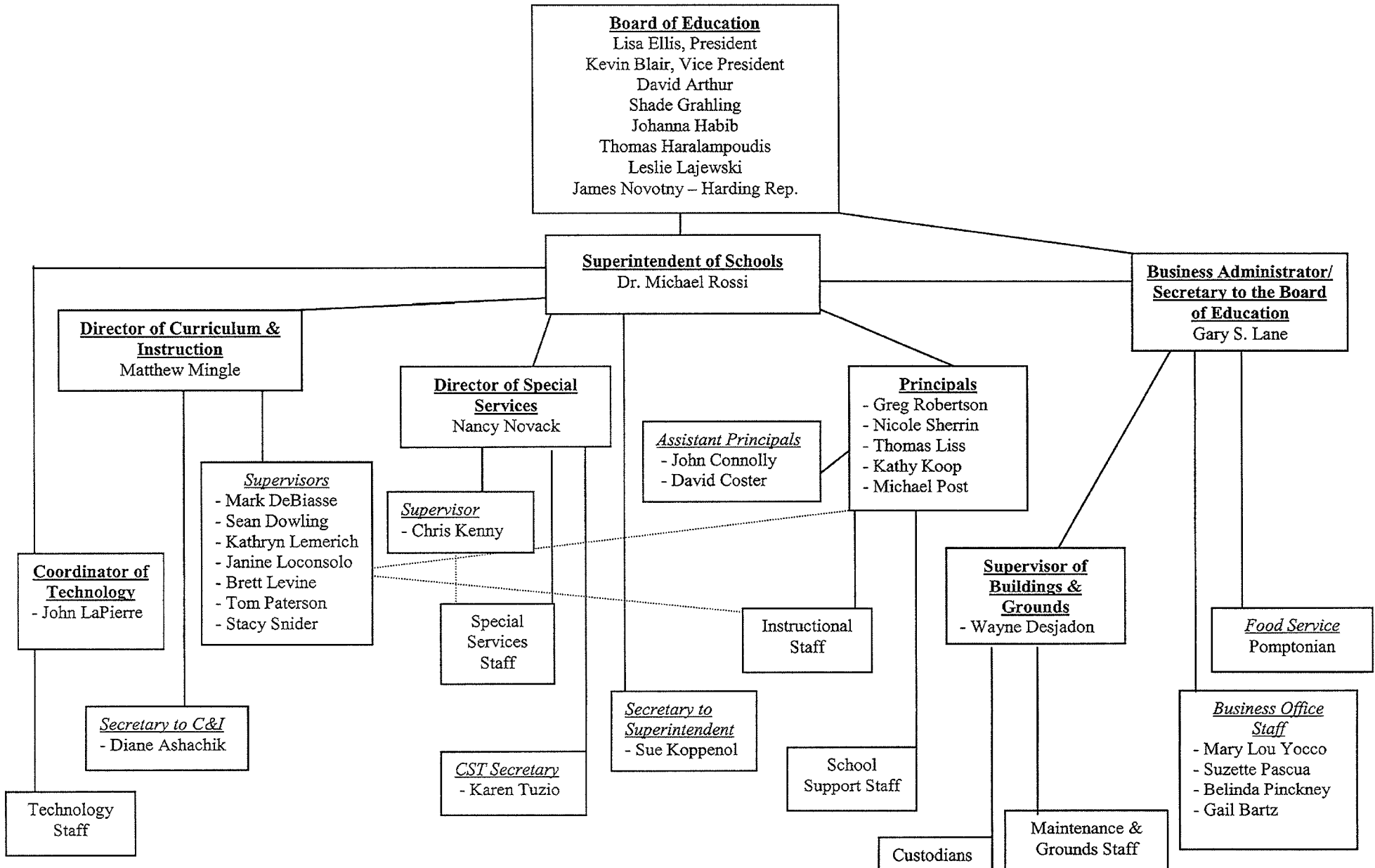
10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Borough of Madison School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and maintenance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

Respectfully submitted,



Gary S. Lane, RSB/A
School Business Administrator/Board Secretary

Madison Public School District
Organizational Chart Overview 2014-2015



**BOROUGH OF MADISON SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2016**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Lisa Ellis, President	2018
Shade Grahling, Vice President	2017
David Arthur	2017
Debra Coen	2017
Johanna Habib	2016
Leslie Lajewski	2016
Thomas Piskula	2018
Abi Singh, Harding Township Representative	

Other OfficialsTitle

Dr. Michael A. Rossi, Jr.	Superintendent of Schools
Gary S. Lane	School Business Administrator/Board Secretary
Abigail E. Kutz	Treasurer of School Monies

BOROUGH OF MADISON SCHOOL DISTRICT
Consultants and Advisors

Attorneys

Porzio, Bromberg & Newman, LLC
100 Southgate Parkway
P.O. Box 1997
Morristown, NJ 07960

Audit Firm

Nisivoccia LLP, CPAs
Mount Arlington Corporate Center
200 Valley Road Suite 300
Mount Arlington, NJ 07856-1320

Official Depository

The Provident Bank
98 Main Street
Madison, NJ 07940

FINANCIAL SECTION



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

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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Madison School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

The Honorable President and Members
of the Board of Education
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Madison School District, in the County of Morris, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension schedules in Exhibits L-1 through L-4 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
October 18, 2016

NISIVOCCIA LLP



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

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

This section of Borough of Madison School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's governmental activities net position increased by \$9,314,502 and the District's General Fund fund balance increased by \$9,579,057 from \$5,352,292 to \$15,021,177 at June 30, 2016 mainly due to a one time sale of a school building for \$9,000,000.
- Overall revenue was \$65.6 million.
- The District's outstanding bonded long-term debt decreased with the pay down of \$1,560,000 of outstanding bonds and \$6,945,000 of outstanding bonds defeased, offset by \$7,060,000 of refunding bonds issued.

Overview of the Financial Statements

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

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

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the fiscal year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

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

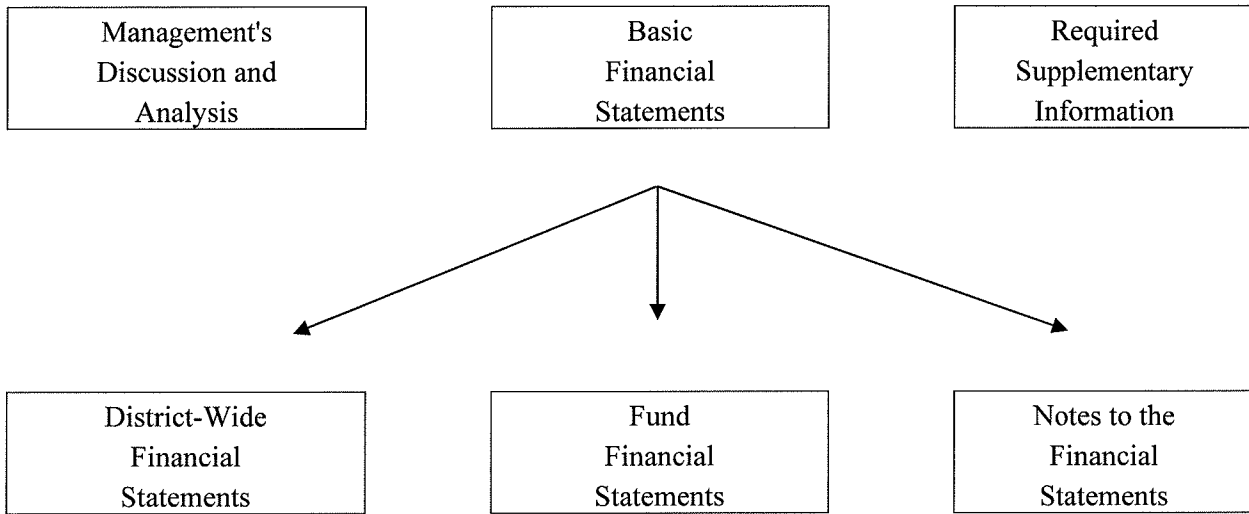


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)**

Fund Financial Statements

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

Notes to the Basic Financial Statements

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

Financial Analysis of the District as a Whole

Net Position. The District's combined net position increased by 89.27%. Net position from governmental activities increased \$9,314,502 and net position from business-type activities increased by \$163,321. Net investment in capital assets increased by \$685,650, restricted net position increased by \$9,822,765, and unrestricted net position (deficit) decreased by \$1,030,592.

**Figure A-3
Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
Current and Other Assets	\$ 15,527,551	\$ 5,846,061	\$ 580,263	\$ 458,691	\$ 16,107,814	\$ 6,304,752	155.49%
Capital Assets, Net	51,051,684	52,305,880	71,712	74,143	51,123,396	52,380,023	-2.40%
Total Assets	66,579,235	58,151,941	651,975	532,834	67,231,210	58,684,775	14.56%
Deferred Outflows of Resources	6,753,191	3,890,952			6,753,191	3,890,952	73.56%
Other Liabilities	1,029,984	543,470	97,667	141,847	1,127,651	685,317	64.54%
Long-Term Liabilities	52,575,019	50,747,205			52,575,019	50,747,205	3.60%
Total Liabilities	53,605,003	51,290,675	97,667	141,847	53,702,670	51,432,522	4.41%
Deferred Inflows of Resources	186,595	525,892			186,595	525,892	-64.52%
Net Position:							
Net Investment in Capital Assets	16,342,044	15,653,963	71,712	74,143	16,413,756	15,728,106	4.36%
Restricted	12,835,643	3,012,878			12,835,643	3,012,878	326.03%
Unrestricted (Deficit)	(9,636,859)	(8,440,515)	554,308	390,987	(9,082,551)	(8,049,528)	12.83%
Total Net Position	\$ 3,198,784	\$ (5,427,637)	\$ 554,308	\$ 390,987	\$ 3,753,092	\$ (5,036,650)	-174.52%

Changes in Net Position. The District's combined net position was \$20,095,136 on June 30, 2016, \$9,477,823 or 89.27% more than it was last fiscal year (See Figure A-3). Net investment in capital assets increased \$685,650 due to \$324,046 of capital additions, the pay down of \$1,560,000 of outstanding bonds, \$6,945,000 of outstanding bonds defeased, the pay down of \$26,375 capital lease principal, and a \$690,670 increase in the deferred amount on refunding, offset by \$7,060,000 of refunding bonds issued, \$219,768 of the deferred amount on refunding amortized, and \$1,580,673 in depreciation. Restricted net position increased \$9,822,765 due to net increases in the capital and maintenance reserves totaling \$9,798,684 and an increase in debt service fund balance of \$24,081 (See Figure A-3).

**BOROUGH OF MADISON SCHOOL DISTRICT
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Changes in Net Position. Unrestricted net position (deficit) decreased by \$1,030,592 due to prior fiscal year encumbrances appropriated of \$1,348,607, \$150,000 of surplus used to support the 2015/2016 budget, deposits to the capital and maintenance reserves totaling \$9,966,108 remaining mostly due to the sale of property for \$9,000,000, unexpended appropriations of \$82,326 returned to the capital reserve, capital projects expenditures of \$63,725, an increase of \$626,844 in bond issuance premiums, a deficit in federal revenue of \$2,344, an increase in June state aid payments not recognized until the subsequent fiscal year of \$1,113, and the change in net pension liability of \$2,781,023, offset by excess local revenues of \$9,000,000 and state revenues of \$295,400, unexpended appropriations of \$2,093,518, transfers in of \$31,781, \$106,787 of bond issuance premiums amortized, a decrease in accrued interest of \$36,274, a net decrease in compensated absences payable of \$1,891, an increase in the operations of the business-type activities of \$165,752, and, with regard to pensions, investment gains of \$339,297, changes in assumptions of \$968,851, changes in proportion of \$675,080, the sale of Green Village Road School of \$9,000,000 and the difference between expected and actual experience of \$276,867 (See Figure A-3).

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,921,279	\$ 1,907,076	\$ 999,139	\$ 904,057	\$ 2,920,418	\$ 2,811,133	3.89%
Grants and Contributions:							
Operating	12,754,451	10,865,042	117,251	119,290	12,871,702	10,984,332	17.18%
General Revenue:							
Property Taxes	40,358,606	38,514,868			40,358,606	38,514,868	4.79%
Federal and State Aid							
Not Restricted	100,346	81,021			100,346	81,021	23.85%
Other	353,245	2,395,977			353,245	2,395,977	-85.26%
Total Revenue	<u>55,487,927</u>	<u>53,763,984</u>	<u>1,116,390</u>	<u>1,023,347</u>	<u>56,604,317</u>	<u>54,787,331</u>	3.32%
Expenses:							
Instruction	30,577,487	28,441,066			30,577,487	28,441,066	7.51%
Pupil and Instruction Services	10,725,145	10,124,066			10,725,145	10,124,066	5.94%
Administrative and Business	4,884,595	4,623,935			4,884,595	4,623,935	5.64%
Maintenance and Operations	4,804,932	4,334,959			4,804,932	4,334,959	10.84%
Transportation	1,173,062	1,178,059			1,173,062	1,178,059	-0.42%
Other	3,039,985	3,075,242	953,069	885,856	3,993,054	3,961,098	0.81%
Total Expenses	<u>55,205,206</u>	<u>51,777,327</u>	<u>953,069</u>	<u>885,856</u>	<u>56,158,275</u>	<u>52,663,183</u>	6.64%
Transfers	31,781				31,781	-0-	100.00%
Sale of Property	9,000,000				9,000,000	-0-	100.00%
Increase in Net Position	<u>\$ 9,314,502</u>	<u>\$ 1,986,657</u>	<u>\$ 163,321</u>	<u>\$ 137,491</u>	<u>\$ 9,477,823</u>	<u>\$ 2,124,148</u>	346.19%

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Revenue Sources. The District's total revenue for the 2015/16 school year was \$65,604,317 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$40,358,606 of the total, or 61.52 percent (See Figure A-5). Another 19.67 percent came from state formula aid and state and federal aid for specific programs, 4.45 percent came from charges for services and 14.36% came from other miscellaneous sources, which includes a one times sale of a school building for \$9,000,000. It is important to note that of the categorical grants amount of \$11,916,404, over \$8.883 million is included in funds that are not paid to the District, but are included in funding for TPAF post-retirement and pension contributions that the State of New Jersey is paying on behalf of the District. The Borough of Madison School District primarily conducts its operations from the revenue it receives from its local taxpayers.

**Figure A-5
Sources of Revenue for Fiscal Year 2016 and 2015**

Sources of Income:	2016		2015	
	Amount	Percentage	Amount	Percentage
State Formula Aid	\$ 986,631	1.50%	\$ 977,566	1.78%
Property Taxes	40,358,606	61.52%	38,514,868	70.30%
Federal and State Categorical Grants	11,916,404	18.17%	9,937,550	18.14%
Charges for Services	2,920,418	4.45%	2,811,133	5.13%
Other	9,422,258	14.36%	2,546,214	4.65%
	<u>\$ 65,604,317</u>	<u>100.00%</u>	<u>\$ 54,787,331</u>	<u>100.00%</u>

The total cost of all programs and services was \$56,158,275. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (75.64 percent) (See Figure A-6). The District's administrative and business activities accounted for 8.7 percent of total costs.

**Figure A-6
Expenses for Fiscal Year 2016 and 2015**

Expense Category:	2016		2015	
	Amount	Percentage	Amount	Percentage
Instruction	\$ 30,577,487	54.45%	\$ 28,441,066	54.01%
Pupil and Instruction Services	10,725,145	19.10%	10,124,066	19.22%
Administrative and Business	4,884,595	8.70%	4,623,935	8.78%
Maintenance and Operations	4,804,932	8.55%	4,334,959	8.23%
Transportation	1,173,062	2.09%	1,178,059	2.24%
Other	3,993,054	7.11%	3,961,098	7.52%
	<u>\$ 56,158,275</u>	<u>100.00%</u>	<u>\$ 52,663,183</u>	<u>100.00%</u>

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District improved significantly. However, maintaining existing programs with increased enrollment, the provision of a multitude of special programs/services for disabled pupils, and increases in District benefits costs place a great demand on the District's resources. As a result, careful management of expenses remains essential for the District to sustain its financial health.

State aid was unchanged in 2015-16 and although a portion of state aid was restored in 2012-13, it was cut 100% in 2010-11 and had remained relatively flat over the previous few fiscal years. As a result, the burden of funding education in the District has fallen on property taxes. Therefore, it is crucial that the District examine its expenses carefully, since any proposed increase to the School District budget will be funded almost entirely through property taxes.

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

**Figure A-7
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2015/2016	2014/2015	2015/2016	2014/2015
Instruction	\$ 30,577,487	\$ 28,441,066	\$ 20,020,992	\$ 19,203,329
Pupil and Instruction Services	10,725,145	10,124,066	7,874,117	7,749,179
Administrative and Business	4,884,595	4,623,935	4,257,642	4,095,537
Maintenance and Operations	4,804,932	4,334,959	4,804,932	4,334,959
Transportation	1,173,062	1,178,059	1,078,053	1,093,251
Other	3,039,985	3,075,242	2,493,740	2,528,954
	<u>\$ 55,205,206</u>	<u>\$ 51,777,327</u>	<u>\$ 40,529,476</u>	<u>\$ 39,005,209</u>

- The cost of all governmental activities this fiscal year was \$55.205 million.
- The federal and state governments subsidized certain programs with grants and contributions (\$12.855 million).
- Most of the District's costs, however, were financed by District taxpayers (\$40.359 million).
- A portion of governmental activities was financed with state aid based on the SFRA formula (\$.987 million).
- The remainder of governmental activities funding came from charges for services (tuition, subscription busing and student activities fees), sale of the Green Village Road School (\$9 million), investment earnings and miscellaneous revenue (\$11.275 million).

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Business-Type Activities

Net position from the District's business-type activities increased by \$163,321, comprised of a \$164,360 net excess of revenue over expenses related to the kindergarten wrap-around program due to an increase in participation, offset by a \$1,039 net excess of expenses over revenue related to the food service program (Refer to Figure A-4).

Financial Analysis of the District's Funds

The District's financial position improved significantly but difficult economic times continue to have a direct impact upon the District. Decreasing available revenues due to the hard 2% cap on the tax levy and much closer to the margin miscellaneous revenues, excluding proceeds from the sale of the Green Village Road School, continue to be difficult funding issues. Increasing costs, especially those related to supplies, benefits, energy, salaries and, the costs of the State's new teacher evaluation system and student testing programs continue to burden the District's financial condition. To maintain a stable financial position, the District must continue to practice, on a day-to-day basis, sound fiscal management and review of all purchases.

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

**Figure A-8
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
Land	\$ 9,072,600	\$ 9,072,600			\$ 9,072,600	\$ 9,072,600	0.00%
Construction in Progress		142,975				142,975	-100.00%
Land Improvements	1,125,213	1,221,581			1,125,213	1,221,581	-7.89%
Buildings and Building Improvements	39,575,568	40,266,979			39,575,568	40,266,979	-1.72%
Machinery and Equipment	1,278,303	1,601,745	\$71,712	\$74,143	1,350,015	1,675,888	-19.44%
Total Capital Assets (Net of Depreciation)	\$51,051,684	\$52,305,880	\$71,712	\$74,143	\$51,123,396	\$52,380,023	-2.40%

The District's overall capital assets, net of depreciation, decreased by \$1,256,627 from the prior fiscal year as depreciation exceeded capital additions. (More detailed information about the District's capital assets is presented in Note 7 to the basic financial statements.)

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Long-term Liabilities

At fiscal year-end, the District had \$38,520,000 in general obligation bonds – a decrease of \$1,445,000 from last fiscal year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 8 to the basic financial statements.)

**Figure A-9
Outstanding Long-Term Liabilities**

	Total School District		Total Percentage Change
	2015/16	2014/15	2015/16
General Obligation Bonds (Financed with Property Taxes)	\$ 38,520,000	\$ 39,965,000	-3.62%
Net Pension Liability	11,605,527	8,824,504	31.51%
Other Long-Term Liabilities	2,449,492	1,957,701	25.12%
	<u>\$ 52,575,019</u>	<u>\$ 50,747,205</u>	<u>3.60%</u>

- The District continued to pay down its debt, retiring \$1,560,000 of outstanding bonds.
- The District issued \$7,060,000 of 2016 refunding bonds and defeased \$6,945,000 of its 2012 refunding bonds.
- The District's net pension liability increased by \$2,781,023.
- Unamortized bond issuance premiums increased by the net amount of \$520,057.
- The District's other long-term liabilities at June 30, 2016 are comprised of \$653,709 of compensated absences payable and \$1,795,783 of unamortized bond issuance premiums.

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

At the time these financial statements were prepared and audited, the District was aware of the following five major existing circumstances that could significantly affect its financial health in the future:

- The inability to anticipate any increase in state aid, along with the realization that the state will not likely every fully fund the districts. Not having any banked CAP to help grow the budget.
- Special need student requirements continue to escalate, creating a very disparate student cost chasm between special and regular need students, with no legislative nor enhanced state aid assistance on the horizon. Even after conducting a Special Needs Evaluation this past year, we struggle to balance the needs with the costs.
- The challenge continues in being able to bring the rising costs in areas of supplies, staff, health benefits, insurance, transportation equipment, and technology, all of which are critical to the success of a school district, into a budget within the state mandated cap. While negotiations have concluded with the Madison Education Association (representing the teachers, secretaries and teacher assistants) and achieved some savings with regard to the maximum level of health care to be provided, the district is currently in negotiations with the district's administrative association and still needs to bargain with the custodial association and, address the salary needs of all the non-aligned staff in the district.
- The uncertainty of additional State mandates and the State's fiscal instability.
- The sale of the Green Village Road School (GVR) has enabled the District to begin moving ahead in addressing some of the District's capital projects.

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If anyone has questions about this report or desire additional information or clarification, please contact the Board of Education's Business Office, located at 359 Woodland Road, Madison, New Jersey 07940. Additionally, these reports can be viewed on the District's website at www.madisonpublicschools.org.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

BOROUGH OF MADISON SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,322,490	\$ 554,496	\$ 2,876,986
Receivables from State Government	227,773	762	228,535
Receivables from Federal Government	97,447	14,208	111,655
Other Receivables	69,052		69,052
Inventory		10,797	10,797
Restricted Assets:			
Cash and Cash Equivalents:			
Capital Reserve Account	10,459,120		10,459,120
Maintenance Reserve Account	2,351,669		2,351,669
Capital Assets, Net:			
Sites (Land)	9,072,600		9,072,600
Depreciable Land Improvements, Buildings and Building Improvements and Machinery and Equipment	41,979,084	71,712	42,050,796
Total Assets	<u>66,579,235</u>	<u>651,975</u>	<u>67,231,210</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	3,810,360		3,810,360
Changes in Assumptions - Pensions	1,246,341		1,246,341
Changes in Proportion - Pensions	949,084		949,084
Difference Between Expected and Actual Experience - Pensions	276,867		276,867
District Contribution Subsequent to the Measurement Date - Pensions	470,539		470,539
Total Deferred Outflows of Resources	<u>6,753,191</u>		<u>6,753,191</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	864,294	2,148	866,442
Accrued Interest Payable	135,068		135,068
Payable to State Government	26,533		26,533
Unearned Revenue	4,089	95,519	99,608
Noncurrent Liabilities:			
Due Within One Year	1,837,010		1,837,010
Due Beyond one Year	50,738,009		50,738,009
Total Liabilities	<u>53,605,003</u>	<u>97,667</u>	<u>53,702,670</u>
DEFERRED INFLOWS OF RESOURCES			
Investment Gains - Pensions	186,595		186,595
Total Deferred Inflows of Resources	<u>186,595</u>		<u>186,595</u>
NET POSITION			
Net Investment in Capital Assets	16,342,044	71,712	16,413,756
Restricted for:			
Capital Projects	10,459,120		10,459,120
Maintenance	2,351,669		2,351,669
Debt Service	24,854		24,854
Unrestricted (Deficit)	<u>(9,636,859)</u>	<u>482,596</u>	<u>(9,154,263)</u>
Total Net Position	<u>\$ 19,540,828</u>	<u>\$ 554,308</u>	<u>\$ 20,095,136</u>

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

BOROUGH OF MADISON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 22,134,753	\$ 1,815,704	\$ 5,576,238	\$ (14,742,811)		\$ (14,742,811)
Special Education	5,410,247		2,357,663	(3,052,584)		(3,052,584)
Other Special Instruction	1,118,974		285,871	(833,103)		(833,103)
Other Instruction	1,913,513	95,825	425,194	(1,392,494)		(1,392,494)
Support Services:						
Tuition	1,510,444		462,296	(1,048,148)		(1,048,148)
Student & Instruction Related Services	9,214,701		2,388,732	(6,825,969)		(6,825,969)
General Administrative Services	1,342,234			(1,342,234)		(1,342,234)
School Administrative Services	2,569,426		626,953	(1,942,473)		(1,942,473)
Central Services	684,642			(684,642)		(684,642)
Administration Information Technology	288,293			(288,293)		(288,293)
Plant Operations and Maintenance	4,804,932			(4,804,932)		(4,804,932)
Pupil Transportation	1,173,062	9,750	85,259	(1,078,053)		(1,078,053)
Transfer of Funds to Charter Schools	24,192			(24,192)		(24,192)
Interest on Long-Term Debt	1,488,674		546,245	(942,429)		(942,429)
Unallocated Depreciation	1,527,119			(1,527,119)		(1,527,119)
Total Governmental Activities	55,205,206	1,921,279	12,754,451	(40,529,476)		(40,529,476)

BOROUGH OF MADISON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Business-Type Activities:						
Food Service	\$ 694,629	\$ 576,339	\$ 117,251		\$ (1,039)	\$ (1,039)
Integrated Preschool Program	12,200	12,200				
Kindergarten Wrap-Around Program	246,240	410,600			164,360	164,360
	<u>953,069</u>	<u>999,139</u>	<u>117,251</u>		<u>163,321</u>	<u>163,321</u>
Total Business-Type Activities	<u>953,069</u>	<u>999,139</u>	<u>117,251</u>		<u>163,321</u>	<u>163,321</u>
Total Primary Government	<u>\$ 56,158,275</u>	<u>\$ 2,920,418</u>	<u>\$ 12,871,702</u>	<u>\$ (40,529,476)</u>	<u>163,321</u>	<u>(40,366,155)</u>

General Revenues and Special Items:

Taxes:			
Property Taxes, Levied for General Purposes, Net		37,961,408	37,961,408
Taxes Levied for Debt Service		2,397,198	2,397,198
Federal and State Aid not Restricted		100,346	100,346
Interest and Miscellaneous Income		353,245	353,245
Special Item - Sale of Property		9,000,000	9,000,000
Transfers - Fiduciary Funds		31,781	31,781
Total General Revenues, Special Items and Transfers		<u>49,843,978</u>	<u>49,843,978</u>
Change in Net Position		9,314,502	163,321
Net Position - Beginning		<u>10,226,326</u>	<u>390,987</u>
Net Position - Ending		<u>\$ 19,540,828</u>	<u>\$ 554,308</u>

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

FUND FINANCIAL STATEMENTS

Exhibit B-1

BOROUGH OF MADISON SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 2,240,493		\$ 57,143	\$ 24,854	\$ 2,322,490
Interfund Receivable	51,550				51,550
Receivables from State Government	227,635	\$ 138			227,773
Receivables from Federal Government	6,759	90,688			97,447
Other Receivables	57,477	11,575			69,052
Restricted Cash and Cash Equivalents	12,810,789				12,810,789
Total Assets	\$ 15,394,703	\$ 102,401	\$ 57,143	\$ 24,854	\$ 15,579,101
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable		\$ 51,550			\$ 51,550
Accounts Payable	\$ 372,226	21,529			393,755
Payable to State Government		26,533			26,533
Unearned Revenue	1,300	2,789			4,089
Total Liabilities	373,526	102,401	\$ -0-	\$ -0-	475,927
Fund Balances:					
Restricted:					
Capital Reserve	10,459,120				10,459,120
Maintenance Reserve	2,351,669				2,351,669
Debt Service				24,854	24,854
Committed			57,143		57,143
Assigned:					
Year-End Encumbrances	1,251,219				1,251,219
Designated for Subsequent Year's Expenditures	150,000				150,000
Unassigned	809,169				809,169
Total Fund Balances	15,021,177	-0-	57,143	24,854	15,103,174
Total Liabilities and Fund Balances	\$ 15,394,703	\$ 102,401	\$ 57,143	\$ 24,854	

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 \$71,946,062 and the accumulated depreciation is \$20,894,378.	51,051,684
The Deferred Amount on Refunding is not reported as an expenditure in the Governmental Funds in the year of the expenditure. The Deferred Amount on Refunding is \$4,576,118 and the accumulated amortization is \$765,758.	3,810,360
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(11,605,527)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Changes in Assumptions - Pensions	1,246,341
Changes in Proportion - Pensions	949,084
Difference Between Expected and Actual Experience - Pensions	276,867
Investment Gains - Pensions	(186,595)
Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(135,068)
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 (see Note 8)	(39,173,709)
Bond Issuance Premiums are reported as revenue in the Funds. These premiums total \$2,149,558 and the accumulated amortization is \$353,775.	(1,795,783)
Net Position of Governmental Activities	\$ 19,540,828

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

Exhibit B-2

BOROUGH OF MADISON SCHOOL DISTRICT
STATEMENT OF REVENUE, 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	\$ 37,961,408			\$ 2,397,198	\$ 40,358,606
Tuition	1,815,704				1,815,704
Miscellaneous	458,820	\$ 69,013			527,833
Total - Local Sources	40,235,932	69,013		2,397,198	42,702,143
State Sources	5,830,512	143,910		546,245	6,520,667
Federal Sources	14,857	703,669			718,526
Total Revenues	46,081,301	916,592	\$ -0-	2,943,443	49,941,336
EXPENDITURES					
Current:					
Regular Instruction	12,991,907	151,224			13,143,131
Special Education Instruction	3,055,415	109,097			3,164,512
Other Special Instruction	642,121				642,121
Other Instruction	1,240,510				1,240,510
Support Services and Undistributed Costs:					
Tuition	1,048,148	462,296			1,510,444
Student & Instruction Related Services	5,359,717	193,975			5,553,692
General Administrative Services	1,174,552				1,174,552
School Administrative Services	1,462,833				1,462,833
Central Services	541,470				541,470
Administration Information Technology	230,474				230,474
Plant Operations and Maintenance	4,276,237				4,276,237
Pupil Transportation	1,152,415				1,152,415
Unallocated Benefits	11,956,911				11,956,911
Debt Service:					
Principal				1,560,000	1,560,000
Interest and Other Charges				1,359,362	1,359,362
Capital Outlay	287,295		63,725		351,020
Transfer of Funds to Charter Schools	24,192				24,192
Total Expenditures	45,444,197	916,592	63,725	2,919,362	49,343,876
Excess/(Deficiency) of Revenues					
Over/(Under) Expenditures	637,104		(63,725)	24,081	597,460
OTHER FINANCING SOURCES/(USES)					
Transfers In	31,781				31,781
Refunding Bonds Issued				7,060,000	7,060,000
Bond Issuance Premium				626,844	626,844
Serial Bonds Defeased				(6,945,000)	(6,945,000)
Bond Issuance Costs				(51,174)	(51,174)
Deferred Amount on Refunding				(690,670)	(690,670)
Sale of Property	9,000,000				9,000,000
Total Other Financing Sources/(Uses)	9,031,781				9,031,781
Net Change in Fund Balances	9,668,885		(63,725)	24,081	9,629,241
Fund Balance—July 1	5,352,292	-0-	120,868	773	5,473,933
Fund Balance—June 30	\$ 15,021,177	\$ -0-	\$ 57,143	\$ 24,854	\$ 15,103,174

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

BOROUGH OF MADISON 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)		\$ 9,629,241
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differ from depreciation of of capital assets in the period.		
	Depreciation expense	\$ (1,574,587)
	Capital outlays	<u>320,391</u> (1,254,196)
Repayment of capital leases 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.		26,375
Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		1,560,000
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		36,274
Proceeds from debt issued for the advanced refunding less the amount of bonds defeased are not recorded in the Governmental Funds.		
	School refunding bonds issued	\$ (7,060,000)
	School bonds defeased	6,945,000
	Bond issuance premiums	(626,844)
	Deferred amount on refunding	<u>690,670</u> (51,174)
The governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (+)		106,787
The governmental funds report the effect of the deferred amount on refunding when debt is first issued, whereas this amount is deferred and amortized in the statement of activities (-)		(219,768)
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		
Change in Net Pension Liability		(2,781,023)
Deferred Outflows:		
Changes in Assumptions		968,851
Changes in Proportion		675,080
Difference Between Expected and Actual Experience		276,867
Deferred Inflows:		
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		339,297
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		<u>1,891</u>
Change in Net Position of Governmental Activities (Exhibit A-2)		<u>\$ 9,314,502</u>

Exhibit B-4

BOROUGH OF MADISON SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF JUNE 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Major Funds</u>		<u>Non-Major</u>	<u>Totals</u>
	<u>Food</u>	<u>Kindergarten</u>	<u>Fund</u>	
	<u>Service</u>	<u>Wrap-Around</u>	<u>Integrated</u>	
			<u>Preschool</u>	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 21,387	\$ 529,859	\$ 3,250	\$ 554,496
Receivables from Other Governments:				
State	762			762
Federal	14,208			14,208
Inventories	10,797			10,797
Total Current Assets	47,154	529,859	3,250	580,263
Non-Current Assets:				
Capital Assets	356,870			356,870
Less: Accumulated Depreciation	(285,158)			(285,158)
Total Non-Current Assets	71,712			71,712
Total Assets	118,866	529,859	3,250	651,975
LIABILITIES:				
Current Liabilities:				
Accounts Payable - Vendors	2,148			2,148
Unearned Revenue	18,269	74,000	3,250	95,519
Total Current Liabilities	20,417	74,000	3,250	97,667
Total Liabilities	20,417	74,000	3,250	97,667
NET POSITION:				
Investment in Capital Assets	71,712			71,712
Unrestricted	26,737	455,859		482,596
Total Net Position	\$ 98,449	\$ 455,859	\$ -0-	\$ 554,308

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

Exhibit B-5

BOROUGH OF MADISON SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Major Funds</u>		<u>Non-Major Fund</u>	
	<u>Food Service</u>	<u>Kindergarten Wrap-Around</u>	<u>Integrated Preschool</u>	
Operating Revenue:				
Charges for Services:				
Daily Sales:				
Reimbursable Programs	\$ 202,099			\$ 202,099
Non-Reimbursable Programs	368,356			368,356
Total Daily Sales	570,455			570,455
Special Events	5,884			5,884
Charges and Fees		\$ 410,600	\$ 12,200	422,800
Total Operating Revenue	576,339	410,600	12,200	999,139
Operating Expenses:				
Cost of Sales:				
Reimbursable Programs	173,461			173,461
Non-Reimbursable Programs	142,626			142,626
Total Cost of Sales	316,087			316,087
Salaries	201,941	199,937	7,740	409,618
Payroll Taxes	31,637	3,825		35,462
Employee Benefits	47,292	28,478	2,460	78,230
Purchased Property Services	45,834	13,610	2,000	61,444
Supplies and Materials	45,752	390		46,142
Depreciation Expense	6,086			6,086
Total Operating Expenses	694,629	246,240	12,200	953,069
Operating Income/(Loss)	(118,290)	164,360		46,070
Non-Operating Revenue:				
State Sources:				
School Lunch Program	4,328			4,328
Federal Sources:				
Special Milk Program	555			555
National School Lunch Program	78,278			78,278
Food Distribution Program	34,090			34,090
Total Non-Operating Revenue	117,251			117,251
Change in Net Position	(1,039)	164,360		163,321
Net Position - Beginning of Year	99,488	291,499	-0-	390,987
Net Position - End of Year	\$ 98,449	\$ 455,859	\$ -0-	\$ 554,308

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

Exhibit B-6

BOROUGH OF MADISON SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds			
	Major Funds		Non-Major Fund	Totals
	Food Service	Kindergarten Wrap-Around	Integrated Preschool	
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 577,094	\$ 410,000	\$ 12,850	\$ 999,944
Payments to Food Service Vendor	(665,965)			(665,965)
Payments to Employees		(232,240)	(10,200)	(242,440)
Payments to Suppliers	(32,715)	(19,060)	(2,000)	(53,775)
Net Cash Provided by/(Used for) Operating Activities	(121,586)	158,700	650	37,764
Cash Flows from Noncapital Financing Activities:				
State Sources	4,022			4,022
Federal Sources	70,848			70,848
Net Cash Provided by Noncapital Financing Activities	74,870			74,870
Cash Flows from Capital and Related Financing Activities:				
Purchases of Capital Assets	(3,655)			(3,655)
Net Cash Used for Capital and Related Financing Activities	(3,655)			(3,655)
Net Increase/(Decrease) in Cash and Cash Equivalents	(50,371)	158,700	650	108,979
Cash and Cash Equivalents, July 1	71,758	371,159	2,600	445,517
Cash and Cash Equivalents, June 30	\$ 21,387	\$ 529,859	\$ 3,250	\$ 554,496
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:				
Operating Income/(Loss)	\$ (118,290)	\$ 164,360	\$ -0-	\$ 46,070
Adjustment to Reconcile Operating Income to Net Cash Provided by/(Used for) Operating Activities:				
Depreciation	6,086			6,086
Federal Food Distribution Program	34,090			34,090
Changes in Assets and Liabilities:				
Decrease in Other Receivables	205			205
(Increase) in Inventories	(4,507)			(4,507)
(Decrease) in Accounts Payable	(39,720)	(5,060)		(44,780)
Increase/(Decrease) in Unearned Revenue	550	(600)	650	600
Net Cash Provided by/(Used for) Operating Activities	\$ (121,586)	\$ 158,700	\$ 650	\$ 37,764

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$34,090 for the fiscal year ended June 30, 2016.

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

Exhibit B-7

BOROUGH OF MADISON SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2016

ASSETS:	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
Cash and Cash Equivalents	\$ 391,914	\$ 173,185	\$ 80,020	\$ 114,197
Total Assets	<u>391,914</u>	<u>173,185</u>	<u>80,020</u>	<u>114,197</u>
LIABILITIES:				
Payroll Deductions and Withholdings	2,856			
Due to Student Groups	<u>389,058</u>			
Total Liabilities	<u>391,914</u>			
NET POSITION:				
Held in Trust for:				
Unemployment Claims		173,185		
Flexible Spending Trust Claims			80,020	
Restricted for Scholarships				<u>114,197</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 173,185</u>	<u>\$ 80,020</u>	<u>\$ 114,197</u>

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

Exhibit B-8

BOROUGH OF MADISON SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ADDITIONS:			
Contributions:			
Plan member	\$ 28,176	\$ 67,846	
Donations			\$ 5,901
Total Contributions	<u>28,176</u>	<u>67,846</u>	<u>5,901</u>
Investment Earnings:			
Interest	<u>651</u>	<u>269</u>	<u>393</u>
Net Investment Earnings	<u>651</u>	<u>269</u>	<u>393</u>
Total Additions	<u>28,827</u>	<u>68,115</u>	<u>6,294</u>
DEDUCTIONS:			
Quarterly Contribution Reports and Unemployment Claims	33,643		
Flexible Spending Trust Claims		49,924	
Scholarships Awarded			12,903
Total Deductions	<u>33,643</u>	<u>49,924</u>	<u>12,903</u>
Change in Net Position Before Transfers	(4,816)	18,191	(6,609)
Transfers Out - General Fund			<u>(31,781)</u>
Change in Net Position After Transfers	(4,816)	18,191	(38,390)
Net Position - Beginning of the Year	<u>178,001</u>	<u>61,829</u>	<u>152,587</u>
Net Position - End of the Year	<u>\$ 173,185</u>	<u>\$ 80,020</u>	<u>\$ 114,197</u>

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

Enterprise (Food Service, Integrated Preschool and Kindergarten Wrap-Around Program) Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's cafeteria, integrated preschool and kindergarten wrap-around programs operations. The food service, integrated preschool and kindergarten wrap-around programs funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2016 was submitted to the County and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the fiscal year).

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 generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 55,082,414	\$ 987,899
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue while the GAAP Basis does not.		(71,307)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	89,828	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(90,941)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 55,081,301	\$ 916,592

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 45,444,197	\$ 987,899
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		(71,307)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 45,444,197	\$ 916,592

E. Cash and Cash Equivalents and Investments:

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

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

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

F. Interfund Transactions:

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

F. Interfund Transactions: (Cont'd)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

K. Capital Assets:

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

K. Capital Assets: (Cont'd)

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

	<u>Estimated Useful Life</u>
Buildings	40 years
Building Improvements	20 to 40 years
Land Improvements	15 to 20 years
Machinery and Equipment	10 to 20 years
Computer and Related Technology	5 to 6 years
Vehicles	8 years

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

L. Long-Term Liabilities:

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

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month fiscal year, therefore, there are no accrued salaries and wages as of June 30, 2016.

N. Compensated Absences:

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

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

N. Compensated Absences: (Cont'd)

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$15,021,177 General Fund fund balance at June 30, 2016, \$1,251,219 is assigned for encumbrances; \$10,459,120 is restricted in the capital reserve account; \$2,351,669 is restricted in the maintenance reserve account; \$150,000 is assigned and included as anticipated budget revenue for the fiscal year ending June 30, 2017; and \$809,169 is unassigned which is \$90,941 less on the GAAP basis than the calculated maximum unassigned fund balance (budgetary basis) due to the June state aid payments which are not recognized until the fiscal year ended June 30, 2017.

Capital Projects Fund: The Capital Projects Fund balance at June 30, 2016 of \$57,143 is committed for capital projects which is \$556,576 less on the GAAP basis due to SDA grants which have not been recognized.

Debt Service Fund: The Debt Service Fund balance at June 30, 2016 of \$24,854 is restricted.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation 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 fiscal year's budget. The District did not have excess surplus.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$90,941 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event one or more state school aid payment(s) are not made until the following school budget year, districts must record the June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school district cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

Q. Fund Balance Restrictions, Commitments and Assignments:

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

Fund balance restrictions have been established for capital and maintenance reserves and the debt service fund.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources in the Capital Projects Fund at June 30, 2016.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for fiscal year-end encumbrances and amounts designated for subsequent fiscal year's expenditures in the General Fund at June 30, 2016.

R. Deficit Net Position:

The District has a \$9,636,859 deficit in unrestricted net position from governmental activities, primarily due to the accrual of \$653,709 in compensated absences payable, \$135,068 in accrued interest payable, \$1,795,783 of unamortized bond issuance premiums, investment gains in pensions of \$186,595, and net pension liability of \$11,605,527, offset by the deferred amount on refunding of \$3,810,360, changes in pension assumptions of \$1,246,341, changes in proportion in pensions of \$949,084, the difference between expected and actual experience in pensions of \$276,867 and Governmental Funds committed, assigned and unassigned fund balances. This deficit does not indicate that the District is having financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. The District had a deferred outflow of resources at June 30, 2016 for the deferred amount on refunding of debt related to the District's 2012 and 2015 refunding bonds, and, with regard to pensions, changes in assumptions, changes in proportion, difference between expected and actual experience, and the District contribution subsequent to measurement date.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

S. Net Position: (Cont'd)

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred inflows of resources at June 30, 2016 for the net difference between projected and actual investment earnings on pension plan investments.

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

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

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

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

T. Revenue - Exchange and Nonexchange Transactions:

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the 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. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the respective Enterprise Fund. For the School District, these revenues are sales for food service and charges and fees for integrated preschool and kindergarten wrap-around programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of each Enterprise Fund.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

V. Management Estimates:

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

W. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

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

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

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

Custodial Credit Risk – The District does not have a policy with respect to custodial credit risk. However, the District ensures that District Funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

Deposits:

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

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

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

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

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

Investments:

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

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

As of June 30, 2016, cash and cash equivalents of the District consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>		<u>Total</u>
	Cash and Cash Equivalents	Capital Reserve Account	Maintenance Reserve Account	
Checking and Savings Accounts	<u>\$ 3,636,302</u>	<u>\$10,459,120</u>	<u>\$ 2,351,669</u>	<u>\$ 16,447,091</u>

During the period ended June 30, 2016, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents at June 30, 2016, was \$16,447,091 and the bank balance was \$17,273,292.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District by inclusion of \$1,200,000 in June, 2002 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

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

Beginning Balance, July 1, 2015	\$ 1,480,279
Increase by Board Resolution - June 28, 2016	9,146,265
Budgeted Withdrawal	(249,750)
Unexpended/Unencumbered Balance of Budgeted Withdrawal Returned	<u>82,326</u>
Ending Balance, June 30, 2016	<u>\$ 10,459,120</u>

The balance in the capital reserve account at June 30, 2016 does not exceed the LRFP balance of local support costs of uncompleted capital projects. The withdrawal from capital reserve were for use in DOE approved facilities project, consistent with the District's LRFP. The \$249,750 withdrawal from Capital Reserve was for the construction of a television studio in the high school.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 5. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account was established by Board resolution on June 26, 2012. These funds may be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

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

Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any fiscal year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at fiscal year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current fiscal year of the District's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent fiscal year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

Beginning Balance, July 1, 2015	\$ 1,531,826
Increase by Board Resolution:	
March 22, 2016	<u>819,843</u>
Ending Balance, June 30, 2016	<u><u>\$ 2,351,669</u></u>

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2016, the District made no transfers to the capital outlay accounts. As a result, County Superintendent approval was not required.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2016 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 9,072,600			\$ 9,072,600
Construction in Progress	142,975	\$ 47,725	\$ (190,700)	
Total Capital Assets Not Being Depreciated	<u>9,215,575</u>	<u>47,725</u>	<u>(190,700)</u>	<u>9,072,600</u>
Capital Assets Being Depreciated:				
Land Improvements	3,014,408			3,014,408
Buildings and Building Improvements	54,716,431	\$ 137,413	411,021	55,264,865
Machinery and Equipment	4,687,717	135,253	(228,781)	4,594,189
Total Capital Assets Being Depreciated	<u>62,418,556</u>	<u>272,666</u>	<u>182,240</u>	<u>62,873,462</u>
Governmental Activities Capital Assets	<u>71,634,131</u>	<u>320,391</u>	<u>(8,460)</u>	<u>71,946,062</u>
Less Accumulated Depreciation for:				
Land Improvements	(1,792,827)	(96,368)		(1,889,195)
Buildings and Building Improvements	(14,449,452)	(1,239,845)		(15,689,297)
Machinery and Equipment	(3,085,972)	(238,374)	8,460	(3,315,886)
	<u>(19,328,251)</u>	<u>(1,574,587)</u>	<u>8,460</u>	<u>(20,894,378)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 52,305,880</u>	<u>\$ (1,254,196)</u>	<u>\$ -0-</u>	<u>\$ 51,051,684</u>
	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 336,295	\$ 3,655	\$ 16,920	\$ 356,870
Less Accumulated Depreciation	(262,152)	(6,086)	(16,920)	(285,158)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 74,143</u>	<u>\$ (2,431)</u>	<u>\$ -0-</u>	<u>\$ 71,712</u>

Capital acquisitions totaled \$324,046 of current fiscal year capitalized expenditures were comprised of \$320,391 from governmental activities and \$3,655 from business-type activities. During the fiscal year ended June 30, 2016, the District capitalized \$47,725 expended in construction in progress and transferred \$190,700 of completed capital projects to depreciable capital assets. As of June 30, 2016, the District's three capital projects were deemed complete.

Depreciation expense was charged to governmental functions as follows:

Student and Instruction Related Services	\$ 15,758
Plant Operations and Maintenance	20,179
Pupil Transportation	11,531
Unallocated	<u>1,527,119</u>
	<u>\$ 1,574,587</u>

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2016, the following changes occurred in long-term liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>6/30/2015</u>	<u>Issued/</u> <u>Accrued</u>	<u>Retired/</u> <u>Defeased</u>	<u>Balance</u> <u>6/30/2016</u>
Serial Bonds Payable	\$ 39,965,000	\$ 7,060,000	\$ 8,505,000	\$ 38,520,000
Unamortized Bond Issuance Premiums	1,275,726	626,844	106,787	1,795,783
Capital Lease Payable	26,375		26,375	
Net Pension Liability	8,824,504	2,781,023		11,605,527
Compensated Absences Payable	655,600	99,118	101,009	653,709
	<u>\$ 50,747,205</u>	<u>\$ 10,566,985</u>	<u>\$ 8,739,171</u>	<u>\$ 52,575,019</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds. The current portion of bonds at June 30, 2016 is \$1,620,000 and the long-term portion is \$36,900,000. The Debt Service Fund will be used to liquidate bonds payable.

On December 29, 2015, the District issued \$7,060,000 of refunding bonds with interest rates ranging from 2.00% to 4.00% to advance refund \$6,945,000 of 2007 school bonds with interest rates ranging from 4.375% to 4.50%. The refunding bonds mature on September 15, 2016 through 2035 and are callable. The net proceeds from the issuance of the refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the 2007 school bonds are called on September 15, 2018. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's financial statements.

As a result of the advance refunding, the District will realize a total of \$518,275 in cash savings over the life of the 2015 refunding bond issue. On a net present value basis, the savings equate to \$408,685 or 5.88% of the 2007 school bonds refunded.

The District had bonds outstanding as of June 30, 2016 as follows:

<u>Purpose</u>	<u>Final</u> <u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
School Refunding Bonds	02/15/2017	4.00%	\$ 260,000
School Improvements	09/15/2018	4.375%	835,000
School Refunding Bonds	12/15/2035	2.00%-4.00%	9,750,000
School Refunding Bonds	12/15/2031	2.00%-4.00%	20,615,000
School Refunding Bonds	09/15/2035	2.00%-4.00%	7,060,000
			<u>\$ 38,520,000</u>

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

A. Bonds Payable: (Cont'd)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,620,000	\$ 1,281,403	\$ 2,901,403
2018	1,405,000	1,231,022	2,636,022
2019	1,445,000	1,184,337	2,629,337
2020	1,490,000	1,138,478	2,628,478
2021	1,540,000	1,093,028	2,633,028
Thereafter:			
2022-2026	8,470,000	4,664,900	13,134,900
2027-2031	10,220,000	2,921,063	13,141,063
2032-2036	12,330,000	1,076,389	13,406,389
	<u>\$38,520,000</u>	<u>\$ 14,590,620</u>	<u>\$ 53,110,620</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2016, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

In fiscal year 2015-16, the District made the final payment on its \$125,000 five year capital lease agreement for the Madison High School turf field. Capital leases payable are liquidated by the General Fund. At June 30, 2016, the District had no capital leases payable.

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current liability portion of compensated absences at June 30, 2016 is \$113,347 and the long-term liability balance of compensated absences is \$540,362.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2016, no liability existed for compensated absences in the Enterprise Funds.

The General Fund will be used to liquidate compensated absences payable.

E. Unamortized Bond Issuance Premiums:

The liability for unamortized bond issuance premiums of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of unamortized bond issuance premiums at June 30, 2016 is \$103,663 and the long-term portion is \$1,692,120.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

F. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2016 is \$-0- and the long-term portion is \$11,605,527. See Note 9 for further information on the PERS.

NOTE 9. PENSION PLANS

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$444,478 for fiscal year 2016.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2016, the District reported a liability of \$11,605,527 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.0517%, which was an increase of 0.0046% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$965,387. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources on the following page.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

	<u>Amortization Period</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions:			
2014	6.44 years	\$ 248,426	
2015	5.72 years	997,915	
Subtotal		<u>1,246,341</u>	
Changes in Proportion:			
2014	6.44 years	223,634	
2015	5.72 years	725,450	
Subtotal		<u>949,084</u>	
Difference Between Expected and Actual Experience - 2015	5.72 years	<u>276,867</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments:			
2014	5 years		\$ 432,638
2015	5 years		<u>(246,043)</u>
Subtotal			<u>186,595</u>
District Contribution Subsequent to the Measurement Date - 2015	1 year	<u>470,539</u>	
		<u>\$ 2,942,831</u>	<u>\$ 186,595</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2016	\$ 243,331
2017	243,331
2018	243,331
2019	387,544
2020	<u>219,076</u>
	<u>\$ 1,336,613</u>

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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 one 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 pension 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 in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the table on the following page.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the 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 7.9% and a municipal bond rate of 3.80% 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 upon the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2015 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the Net Pension Liability	\$ 14,424,250	\$ 11,605,527	\$ 9,242,330

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division).

For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

The following represents the membership tiers for TPAF:

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2016, the State of New Jersey contributed \$1,523,329 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$7,069,920.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

At June 30, 2016, the State's proportionate share of the net pension liability associated with the District was \$115,788,323. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.18320%, which was a decrease of 0.00057% from its proportion measured as of June 30, 2014.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>115,788,323</u>
Total	<u><u>\$ 115,788,323</u></u>

For the fiscal year ended June 30, 2015, the State recognized pension expense on behalf of the District in the amount of \$7,069,920 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

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

	<u>Amortization Period</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions:			
2014	8.5 years	\$ 1,999,074,013	
2015	8.3 years	5,201,079,373	
Difference Between Expected and Actual Experience:			
2014	8.5 years		\$ 19,039,817
2015	8.3 years	321,224,871	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments:			
2014	5 years		1,305,927,430
2015	5 years		(770,568,242)
		<u>\$ 7,521,378,257</u>	<u>\$ 554,399,005</u>

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ 818,433,596
2017	818,433,596
2018	818,433,598
2019	1,253,742,742
2020	1,061,100,680
Thereafter	<u>2,196,835,040</u>
	<u>\$ 6,966,979,252</u>

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 actuarial assumptions on the following page, applied to all periods in the measurement.

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

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

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% 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 in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Markets Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

Discount Rate – TPAF

The discount rate used to measure the 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 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

The following presents the net pension liability of the State as of June 30, 2015 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 137,610,094	\$ 115,788,323	\$ 96,987,562

Pension Plan Fiduciary Net Position

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the District recognized pension expense of \$6,913 for the fiscal year ended June 30, 2016. Employee contributions to DCRP amounted to \$12,674 for the fiscal year ended June 30, 2016.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 10. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required the TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 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 attributed to P.L. 1992, c.126 which provides free 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 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 Pension and Benefits issues a publically available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury's website at <http://www.nj.gov/treasury/pensions/pdf/financial2015combined.pdf>.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$1,813,865, \$1,572,309 and \$1,274,684 for 2016, 2015 and 2014, respectively.

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District has health benefits coverage for its employees under the State Employees' Health Benefit Plan.

Property and Liability Insurance

The Borough of Madison School District is a member of the Morris Essex Insurance Group (the "Group") and the School Alliance Insurance Fund (the "Fund"). The Group provides worker's compensation coverage for its members and the Fund provides general liability, property and automobile coverage for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Group and Fund are risk-sharing public entity risk pools that are insured and self-administered groups of school boards established for the purpose of providing low-cost insurance for their respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group and Fund are elected.

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

The June 30, 2016 audit for the Group and the Fund was not available as of the date of this report. Selected, summarized financial information for the Group and the Fund as of June 30, 2015 is as follows:

	<u>Group</u>	<u>Fund</u>
Total Assets	\$ 9,175,098	\$ 35,565,090
Net Position	\$ 6,102,625	\$ 7,171,390
Total Revenue	\$ 3,268,234	\$ 38,392,884
Total Expenses	\$ 1,811,032	\$ 36,335,763
Member Dividends	\$ 764,521	\$ -0-
Change in Net Position for the Year Ended June 30	\$ 692,681	\$ 2,057,121

Financial statements for the Group and the Fund are available at the Executive Directors' Offices:

<u>Group</u>	<u>Fund</u>
Burton Agency	Public Entity Group Administrative Services
44 Bergen Street	51 Everett Drive
PO Box 270	Suite 40-B
Westwood, NJ 07675	West Windsor, NJ 08550
(201) 664-0310	(609) 275-1155

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, interest earned, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two fiscal years.

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$ -0-	\$ 651	\$ 28,176	\$ 33,643	\$ 173,185
2014-2015	\$ -0-	\$ 212	\$ 45,164	\$ 68,986	\$ 178,001
2013-2014	\$ 65,000	\$ 289	\$ 42,349	\$ 138,816	\$ 201,611

NOTE 12. ECONOMIC DEPENDENCY

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following interfund balances existed as of June 30, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 51,550	
Special Revenue Fund		\$ 51,550
	<u>\$ 51,550</u>	<u>\$ 51,550</u>

The General Fund interfund receivable due from the Special Revenue Fund represents an interfund loan at June 30, 2016 due to the timing of grant receipts paid to the District.

In addition, during the fiscal year, the Private Purpose Scholarship Trust Fiduciary Fund transferred \$31,781 to the General Fund.

NOTE 14. DEFERRED COMPENSATION

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

- Fidelity Investment
- Variable Annuity Life Insurance Company
- Equitable Life Assurance
- Metropolitan Life Insurance Company
- Lincoln Investment

NOTE 15. TAX CALENDAR

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

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 16. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2016:

	<u>Governmental Funds</u>		<u>District Contribution Subsequent to the Measurement Date</u>	<u>Total Governmental Activities</u>	<u>Business- Type Activities Proprietary Funds</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>			
Vendors	\$ 319,559	\$ 7,916		\$ 327,475	\$ 2,148
Due to:					
State of New Jersey			\$ 470,539	470,539	
Other Governmental Units	<u>52,667</u>	<u>13,613</u>		<u>66,280</u>	
	<u>\$ 372,226</u>	<u>\$ 21,529</u>	<u>\$ 470,539</u>	<u>\$ 864,294</u>	<u>\$ 2,148</u>

NOTE 17. COMMITMENTS AND CONTINGENCIESLitigation

The Board is periodically involved in claims or lawsuits arising in the normal course of business. The Board does not believe that the ultimate outcome of these cases would have a material adverse effect on the District's financial position.

Grant Programs

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

Encumbrances

At June 30, 2016, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

<u>Governmental Funds</u>		
<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
<u>\$ 1,251,219</u>	<u>\$ 71,306</u>	<u>\$ 1,322,525</u>

On the District's Governmental Funds Balance Sheet as of June 30, 2016, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$71,306 less than the actual fiscal year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

L-1

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

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.0471325568%	0.0516996112%
District's proportionate share of the net pension liability	\$ 8,824,504	\$ 11,605,527
District's covered employee payroll	\$ 3,398,214	\$ 3,592,692
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	259.68%	323.03%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%

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

L-2

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

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 388,554	\$ 444,478
Contributions in relation to the contractually required contribution	<u>(388,554)</u>	<u>(444,478)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 3,592,692	\$ 3,870,729
Contributions as a percentage of covered employee payroll	10.82%	11.48%

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

L-3

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

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
State's proportion of the net pension liability attributable to the District	0.1837704429%	0.1831969937%
State's proportionate share of the net pension liability attributable to the District	\$ 98,219,321	\$ 115,788,323
District's covered employee payroll	\$ 18,471,890	\$ 19,192,534
State's proportionate share of the net pension liability attributable to the District as a percentage of District's covered employee payroll	531.72%	603.30%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%

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

L-4

BOROUGH OF MADISON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 5,285,122	\$ 7,069,920
Contributions in relation to the contractually required contribution	<u>(990,430)</u>	<u>(1,523,329)</u>
Contribution deficiency/(excess)	<u>\$ 4,294,692</u>	<u>\$ 5,546,591</u>
District's covered employee payroll	\$ 19,192,534	\$ 19,844,835
Contributions as a percentage of covered employee payroll	27.54%	35.63%

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015. The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

**BUDGETARY COMPARISON SCHEDULES
(UNAUDITED)**

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 37,961,408		\$ 37,961,408	\$ 37,961,408	
Tuition	115,500		115,500	192,000	\$ 76,500
Tuition from Other LEAs Within the State	1,575,000		1,575,000	1,623,704	48,704
Sale of Property				9,000,000	9,000,000
Miscellaneous Revenues	375,000		375,000	458,820	83,820
Total - Local Sources	40,026,908		40,026,908	49,235,932	9,209,024
State Sources:					
Transportation Aid	52,188		52,188	52,188	
Special Education Categorical Aid	849,970		849,970	849,970	
Security Aid	37,986		37,986	37,986	
Per Pupil Growth Aid	23,800		23,800	23,800	
PARCC Readiness Aid	23,800		23,800	23,800	
Extraordinary Special Education Costs Aid				53,246	53,246
Nonpublic School Transportation Costs				33,130	33,130
On-Behalf TPAF Contributions:					
Post-Retirement Medical (Non-Budgeted)				1,813,865	1,813,865
Pension (Non-Budgeted)				1,523,329	1,523,329
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				1,420,311	1,420,311
Total State Sources	987,744		987,744	5,831,625	4,843,881
Federal Sources:					
Medical Reimbursement	17,201		17,201	14,857	(2,344)
Total Federal Sources	17,201		17,201	14,857	(2,344)
TOTAL REVENUES	41,031,853		41,031,853	55,082,414	14,050,561

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 268,171	\$ (15,050)	\$ 253,121	\$ 252,875	\$ 246
Grades 1-5 - Salaries of Teachers	4,667,334	(4,058)	4,663,276	4,656,893	6,383
Grades 6-8 - Salaries of Teachers	2,622,276	62,120	2,684,396	2,678,286	6,110
Grades 9-12 - Salaries of Teachers	4,896,752	(313,674)	4,583,078	4,565,793	17,285
Regular Programs - Home Instruction:					
Salaries of Teachers	36,131		36,131	31,766	4,365
Purchased Professional - Educational Services	54,500	(21,500)	33,000	29,625	3,375
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	6,000		6,000	5,940	60
Other Purchased Services (400-500 series)	86,729	45,666	132,395	131,878	517
General Supplies	580,176	187,128	767,304	537,060	230,244
Textbooks	192,846	21,187	214,033	84,223	129,810
Other Objects	19,658	5,466	25,124	17,568	7,556
Total Regular Programs - Instruction	<u>13,430,573</u>	<u>(32,715)</u>	<u>13,397,858</u>	<u>12,991,907</u>	<u>405,951</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
General Supplies	5,500		5,500	5,316	184
Total Learning and/or Language Disabilities	<u>5,500</u>		<u>5,500</u>	<u>5,316</u>	<u>184</u>
Resource Room/Resource Center:					
Salaries of Teachers	2,658,347	128,200	2,786,547	2,768,176	18,371
General Supplies	9,200		9,200	8,303	897
Textbooks	1,000	(1,000)			
Total Resource Room/Resource Center	<u>2,668,547</u>	<u>127,200</u>	<u>2,795,747</u>	<u>2,776,479</u>	<u>19,268</u>

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction:					
Autism:					
Purchased Professional - Educational Services	\$ 2,000	\$ (2,000)	\$ 5,000	\$ 4,577	\$ 423
General Supplies	5,000		5,000	4,577	423
Total Autism	<u>7,000</u>	<u>(2,000)</u>	<u>5,000</u>	<u>4,577</u>	<u>423</u>
Preschool Disabilities - Part-time:					
Salaries of Teachers	145,655	1,000	146,655	143,528	3,127
Other Salaries for Instruction	76,645	37,904	114,549	112,357	2,192
Purchased Professional - Educational Services	12,000		12,000	12,000	
General Supplies	1,158		1,158	1,158	
Total Preschool Disabilities - Part-time	<u>235,458</u>	<u>38,904</u>	<u>274,362</u>	<u>269,043</u>	<u>5,319</u>
Total Special Education Instruction	<u>2,916,505</u>	<u>164,104</u>	<u>3,080,609</u>	<u>3,055,415</u>	<u>25,194</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	527,286	5,000	532,286	531,176	1,110
Total Basic Skills/Remedial - Instruction	<u>527,286</u>	<u>5,000</u>	<u>532,286</u>	<u>531,176</u>	<u>1,110</u>
Bilingual Education - Instruction:					
Salaries of Teachers	158,650	(47,604)	111,046	110,945	101
Total Bilingual Education - Instruction	<u>158,650</u>	<u>(47,604)</u>	<u>111,046</u>	<u>110,945</u>	<u>101</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	210,549	43,210	253,759	251,224	2,535
Purchased Services (300-500 series)	29,860	(1,456)	28,404	28,156	248
Supplies and Materials	55,866	(27,855)	28,011	25,413	2,598
Total School-Sponsored Cocurricular Activities - Instruction	<u>296,275</u>	<u>13,899</u>	<u>310,174</u>	<u>304,793</u>	<u>5,381</u>

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 729,134	\$ (23,740)	\$ 705,394	\$ 703,842	\$ 1,552
Purchased Services (300-500 series)	120,399	23,408	143,807	142,340	1,467
Supplies and Materials	60,216	(5,228)	54,988	54,818	170
Other Objects	39,399	(4,682)	34,717	34,717	
Total School-Sponsored Cocurricular Athletics - Instruction	<u>949,148</u>	<u>(10,242)</u>	<u>938,906</u>	<u>935,717</u>	<u>3,189</u>
Before/After School Programs:					
Salaries of Teacher Tutors	18,539	(9,510)	9,029		9,029
Total Before/After School Programs	<u>18,539</u>	<u>(9,510)</u>	<u>9,029</u>		<u>9,029</u>
Total Instruction	<u>18,296,976</u>	<u>82,932</u>	<u>18,379,908</u>	<u>17,929,953</u>	<u>449,955</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	210,322	(22,048)	188,274	179,405	8,869
Tuition to County Vocational Schools - Regular	65,000	(3,546)	61,454	30,963	30,491
Tuition to County Vocational Schools - Special	15,954	3,546	19,500	18,850	650
Tuition to Private Schools for the Disabled - Within the State	823,725	(49,966)	773,759	747,462	26,297
Tuition to Private Schools for the Disabled and Other LEAs - Special - Outside the State	236,415	(63,128)	173,287	71,468	101,819
Total Undistributed Expenditures - Instruction	<u>1,351,416</u>	<u>(135,142)</u>	<u>1,216,274</u>	<u>1,048,148</u>	<u>168,126</u>
Health Services:					
Salaries	386,811	11,756	398,567	398,487	80
Purchased Professional and Technical Services	14,000	(6,317)	7,683	7,250	433
Other Purchased Services (400-500 series)	1,045		1,045	363	682
Supplies and Materials	10,544	(106)	10,438	7,561	2,877
Total Health Services	<u>412,400</u>	<u>5,333</u>	<u>417,733</u>	<u>413,661</u>	<u>4,072</u>

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	\$ 509,622	\$ (41,743)	\$ 467,879	\$ 464,722	\$ 3,157
Purchased Professional - Educational Services	88,950	(1,051)	87,899	87,418	481
Supplies and Materials	3,150	144	3,294	3,252	42
Total Other Support Services - Speech, OT, PT and Related Services	601,722	(42,650)	559,072	555,392	3,680
Other Support Services - Students - Extraordinary Services:					
Salaries	951,926	26,047	977,973	963,211	14,762
Purchased Professional - Educational Services	128,328	49,207	177,535	164,159	13,376
Total Other Support Services - Students - Extraordinary Services	1,080,254	75,254	1,155,508	1,127,370	28,138
Other Support Services - Guidance:					
Salaries of Other Professional Staff	680,610	(8,360)	672,250	670,382	1,868
Salaries of Secretarial and Clerical Assistants	78,267		78,267	78,266	1
Purchased Professional - Educational Services	4,195	(818)	3,377	3,052	325
Other Purchased Services (400-500 series)	2,940	(2,500)	440	299	141
Supplies and Materials	5,464	(636)	4,828	4,622	206
Other Objects	5,517	(1,500)	4,017	3,679	338
Total Other Support Services - Guidance	776,993	(13,814)	763,179	760,300	2,879
Other Support Services - Child Study Teams:					
Salaries of Other Professional Staff	958,323	(26,800)	931,523	929,328	2,195
Salaries of Secretarial and Clerical Assistants	58,603		58,603	58,603	
Other Purchased Professional and Technical Services	57,800	(35,000)	22,800	17,504	5,296
Miscellaneous Purchased Services (400-500 series)	3,280		3,280	737	2,543
Supplies and Materials	19,649	(4,500)	15,149	13,370	1,779
Other Objects	2,560		2,560	1,407	1,153
Total Other Support Services - Child Study Teams	1,100,215	(66,300)	1,033,915	1,020,949	12,966

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Improvement of Instructional Services:					
Salaries of Other Professional Staff	\$ 64,288	\$ (11,326)	\$ 52,962	\$ 52,350	\$ 612
Purchased Professional - Educational Services	750		750	750	
Other Purchased Services (400-500 series)	1,500	2,388	3,888	3,603	285
Supplies and Materials	4,500	577	5,077	5,077	
Other Objects	48,147	(21,139)	27,008	27,008	
Total Improvement of Instructional Services	119,185	(29,500)	89,685	88,788	897
Educational Media Services/School Library:					
Salaries	436,543	6,520	443,063	442,509	554
Salaries of Technology Coordinators	114,662	77,600	192,262	192,262	
Other Purchased Services (400-500 series)	5,261		5,261	2,261	3,000
Supplies and Materials	89,046	(8,596)	80,450	73,605	6,845
Total Educational Media Services/School Library	645,512	75,524	721,036	710,637	10,399
Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	678,055	29,000	707,055	679,720	27,335
Other Purchased Services (400-500 series)	15,000	(12,000)	3,000	2,900	100
Total Instructional Staff Training Services	693,055	17,000	710,055	682,620	27,435
Support Services - General Administration:					
Salaries	491,345	20,647	511,992	503,946	8,046
Legal Services	140,465	(49,999)	90,466	84,870	5,596
Audit Fees	40,400	1,500	41,900	41,900	
Architectural/Engineering Services	140,226	(18,867)	121,359	95,584	25,775
Other Purchased Professional Services	32,432	6,891	39,323	32,504	6,819
Purchased Technical Services	25,000	(15,370)	9,630	9,381	249
Communications/Telephone	175,000	(11,256)	163,744	128,565	35,179

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - General Administration (Cont'd):					
BOE Other Purchased Services	\$ 17,045	\$ (630)	\$ 16,415	\$ 11,132	\$ 5,283
Miscellaneous Purchased Services (400-500 series)	8,500	9,764	18,264	16,373	1,891
General Supplies	15,258	1,307	16,565	16,166	399
Judgments Against the School District		50,000	50,000	50,000	
Miscellaneous Expenditures	187,876	(5,157)	182,719	166,766	15,953
BOE Membership Dues and Fees	18,000		18,000	17,365	635
Total Support Services - General Administration	<u>1,291,547</u>	<u>(11,170)</u>	<u>1,280,377</u>	<u>1,174,552</u>	<u>105,825</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	984,422	(19,000)	965,422	948,210	17,212
Salaries of Secretarial and Clerical Assistants	477,384	672	478,056	460,046	18,010
Other Purchased Services (400-500 series)	8,711	(1,500)	7,211	7,009	202
Supplies and Materials	55,430	(6,403)	49,027	47,568	1,459
Total Support Services - School Administration	<u>1,525,947</u>	<u>(26,231)</u>	<u>1,499,716</u>	<u>1,462,833</u>	<u>36,883</u>
Central Services:					
Salaries	492,013	(8,258)	483,755	481,375	2,380
Miscellaneous Purchased Services (400-500 series)	68,270	(5,000)	63,270	54,720	8,550
Supplies and Materials	10,039	(5,000)	5,039	3,645	1,394
Miscellaneous Expenditures	12,000	(5,200)	6,800	1,730	5,070
Total Central Services	<u>582,322</u>	<u>(23,458)</u>	<u>558,864</u>	<u>541,470</u>	<u>17,394</u>
Administration Information Technology:					
Salaries	129,400	65,000	194,400	194,400	
Purchased Technical Services	15,000	8,274	23,274	23,274	
Other Purchased Services (400-500 series)	10,700	2,100	12,800	12,800	
Total Administration Information Technology	<u>155,100</u>	<u>75,374</u>	<u>230,474</u>	<u>230,474</u>	

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Required Maintenance for School Facilities:					
Salaries	\$ 119,688	\$ 45,007	\$ 164,695	\$ 154,188	\$ 10,507
Cleaning, Repair and Maintenance Services	1,762,869	533,892	2,296,761	1,616,871	679,890
General Supplies	55,000	18,614	73,614	72,144	1,470
Other Objects	4,880	3,007	7,887	6,285	1,602
Total Required Maintenance for School Facilities	<u>1,942,437</u>	<u>600,520</u>	<u>2,542,957</u>	<u>1,849,488</u>	<u>693,469</u>
Custodial Services:					
Salaries	1,267,167	(54,226)	1,212,941	1,203,056	9,885
Purchased Professional and Technical Services	11,326	(7,892)	3,434	2,650	784
Other Purchased Property Services	65,000	(6,500)	58,500	42,589	15,911
Insurance	187,000	1,320	188,320	188,320	
Miscellaneous Purchased Services	10,000	(2,930)	7,070	7,059	11
General Supplies	116,895	(32,626)	84,269	84,269	
Energy (Natural Gas)	200,000	(940)	199,060	174,475	24,585
Energy (Electricity)	485,625	(42,247)	443,378	389,985	53,393
Other Objects	19,605	(14,908)	4,697	4,696	1
Total Custodial Services	<u>2,362,618</u>	<u>(160,949)</u>	<u>2,201,669</u>	<u>2,097,099</u>	<u>104,570</u>
Care & Upkeep of Grounds:					
Salaries	298,561	(52,872)	245,689	244,772	917
Cleaning, Repair and Maintenance Services	122,985	(48,772)	74,213	72,506	1,707
General Supplies	11,200	1,172	12,372	12,372	
Total Care & Upkeep of Grounds	<u>432,746</u>	<u>(100,472)</u>	<u>332,274</u>	<u>329,650</u>	<u>2,624</u>

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Student Transportation Services:					
Salaries for Pupil Transportation:					
Other Than Between Home and School	\$ 61,742		\$ 61,742	\$ 30,651	\$ 31,091
Cleaning, Repair and Maintenance Services	40,000	\$ (19,710)	20,290	20,290	
Contracted Services:					
Between Home and School - Vendors	314,877	(44,203)	270,674	258,008	12,666
Other Than Between Home and School - Vendors	80,000		80,000	69,691	10,309
Special Education Students - Vendors	730,000	(72,227)	657,773	637,529	20,244
Aid in Lieu - Nonpublic Students	119,340		119,340	110,987	8,353
Supplies and Materials	36,430	(2,050)	34,380	25,259	9,121
Total Student Transportation Services	<u>1,382,389</u>	<u>(138,190)</u>	<u>1,244,199</u>	<u>1,152,415</u>	<u>91,784</u>
Unallocated Benefits:					
Social Security Contributions	450,000	48,942	498,942	498,479	463
Other Retirement Contributions - PERS	406,100	38,378	444,478	444,478	
Other Retirement Contributions - DCRP		6,913	6,913	6,913	
Workmen's Compensation	195,200	1,590	196,790	196,790	
Health Benefits	6,224,070	(196,620)	6,027,450	5,879,890	147,560
Tuition Reimbursement	123,000	(30,000)	93,000	87,624	5,376
Other Employee Benefits	161,000	(55,223)	105,777	85,232	20,545
Total Unallocated Benefits	<u>7,559,370</u>	<u>(186,020)</u>	<u>7,373,350</u>	<u>7,199,406</u>	<u>173,944</u>

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
On-Behalf TPAF Contributions:					
Post-Retirement Medical (non-budgeted)				\$ 1,813,865	\$ (1,813,865)
Pension (non-budgeted)				1,523,329	(1,523,329)
Reimbursed TPAF Social Security Contributions (non-budgeted)				1,420,311	(1,420,311)
Total On-Behalf and Reimbursed Contributions				<u>4,757,505</u>	<u>(4,757,505)</u>
Total Personal Services - Employee Benefits	<u>\$ 7,559,370</u>	<u>\$ (186,020)</u>	<u>\$ 7,373,350</u>	<u>11,956,911</u>	<u>(4,583,561)</u>
Total Undistributed Expenses	<u>24,015,228</u>	<u>(84,891)</u>	<u>23,930,337</u>	<u>27,202,757</u>	<u>(3,272,420)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>42,312,204</u>	<u>(1,959)</u>	<u>42,310,245</u>	<u>45,132,710</u>	<u>(2,822,465)</u>
CAPITAL OUTLAY					
Equipment:					
School-Sponsored and Other Instructional Programs	17,353	(7,400)	9,953	9,953	
Undistributed Expenditures:					
Other Support Services - Students - Extraordinary Services	5,000	(900)	4,100	4,080	20
Administration Information Technology	64,805	(9,600)	55,205	13,805	41,400
Required Maintenance for School Facilities		2,200	2,200	2,150	50
Care & Upkeep of Grounds		22,000	22,000	17,334	4,666
School Buses - Special	<u>105,276</u>	<u>(6,300)</u>	<u>98,976</u>	<u>98,971</u>	<u>5</u>
Total Equipment	<u>192,434</u>		<u>192,434</u>	<u>146,293</u>	<u>46,141</u>
Facilities Acquisition and Construction Services:					
Legal Services	5,000		5,000		5,000
Architectural/Engineering Services	16,750		16,750		16,750
Other Purchased Professional and Technical Services	5,000		5,000		5,000
Construction Services	223,000		223,000	137,413	85,587
Other Objects - Debt Service Assessment	<u>3,589</u>		<u>3,589</u>	<u>3,589</u>	
Total Facilities Acquisition and Construction Services	<u>253,339</u>		<u>253,339</u>	<u>141,002</u>	<u>112,337</u>
TOTAL CAPITAL OUTLAY	<u>445,773</u>		<u>445,773</u>	<u>287,295</u>	<u>158,478</u>

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Transfer of Funds to Charter Schools	\$ 22,233	\$ 1,959	\$ 24,192	\$ 24,192	
TOTAL EXPENDITURES	42,780,210		42,780,210	45,444,197	\$ (2,663,987)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(1,748,357)		(1,748,357)	9,638,217	11,386,574
Other Financing Sources:					
Transfers In - Fiduciary Fund				31,781	31,781
Total Other Financing Sources				31,781	31,781
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	(1,748,357)		(1,748,357)	9,669,998	11,418,355
Fund Balance, July 1	5,442,120		5,442,120	5,442,120	
Fund Balance, June 30	\$ 3,693,763	\$ -0-	\$ 3,693,763	\$ 15,112,118	\$ 11,418,355
Recapitulation:					
Restricted:					
Capital Reserve				\$ 10,459,120	
Maintenance Reserve				2,351,669	
Assigned:					
Year-End Encumbrances				1,251,219	
Designated for Subsequent Year's Expenditures				150,000	
Unassigned				900,110	
				15,112,118	
Reconciliation to Governmental Funds Statement (GAAP):					
June State Aid Payments not Recognized on GAAP Basis				(90,941)	
Fund Balance per Governmental Funds (GAAP)				\$ 15,021,177	

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 119,741	\$ 50,564	\$ 170,305	\$ 143,910	\$ (26,395)
Federal Sources	612,647	226,036	838,683	734,507	(104,176)
Local Sources	65,000	44,493	109,493	109,482	(11)
Total Revenues	<u>797,388</u>	<u>321,093</u>	<u>1,118,481</u>	<u>987,899</u>	<u>(130,582)</u>
EXPENDITURES:					
Instruction:					
Personal Services - Salaries		700	700	120	580
Tuition		467,361	467,361	462,397	4,964
Other Purchased Services	115,653	30,956	146,609	120,214	26,395
General Supplies		129,422	129,422	123,487	5,935
Textbooks	19,903	3,793	23,696	23,696	
Total Instruction	<u>135,556</u>	<u>632,232</u>	<u>767,788</u>	<u>729,914</u>	<u>37,874</u>
Support Services:					
Personal Services - Salaries		8,484	8,484	2,484	6,000
Purchased Professional and Technical Services		183,523	183,523	120,996	62,527
Other Purchased Services		56,373	56,373	49,461	6,912
Supplies and Materials	563,647	(502,603)	61,044	44,935	16,109
Other Objects	33,185	(31,185)	2,000	840	1,160
Total Support Services	<u>596,832</u>	<u>(285,408)</u>	<u>311,424</u>	<u>218,716</u>	<u>92,708</u>
Facilities Acquisition:					
Noninstructional Equipment	65,000	(25,731)	39,269	39,269	
Total Facilities Acquisition	<u>65,000</u>	<u>(25,731)</u>	<u>39,269</u>	<u>39,269</u>	
Total Expenditures	<u>797,388</u>	<u>321,093</u>	<u>1,118,481</u>	<u>987,899</u>	<u>130,582</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

BOROUGH OF MADISON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 55,082,414	\$ 987,899
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue while the GAAP Basis does not.		(71,307)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	89,828	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(90,941)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 55,081,301	\$ 916,592
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 45,444,197	\$ 987,899
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		(71,307)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 45,444,197	\$ 916,592

BOROUGH OF MADISON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2016 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

BOROUGH OF MADISON SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	No Child Left Behind				IDEA Part B Basic	
	Title I	Title II	Title III	Title III Immigrant	Regular	Preschool
REVENUE:						
State Sources						
Federal Sources	\$ 57,690	\$ 35,540	\$ 12,479	\$ 8,090	\$ 598,008	\$ 20,996
Local Sources						
Total Revenue	<u>\$ 57,690</u>	<u>\$ 35,540</u>	<u>\$ 12,479</u>	<u>\$ 8,090</u>	<u>\$ 598,008</u>	<u>\$ 20,996</u>
EXPENDITURES:						
Instruction:						
Personal Services - Salaries				\$ 120		
Tuition					\$ 462,397	
Instruction Purchased Services						
General Supplies	\$ 24,602		\$ 4,113	3,880	20,679	
Textbooks						
Total Instruction	<u>24,602</u>		<u>4,113</u>	<u>4,000</u>	<u>483,076</u>	
Support Services:						
Personal Services - Salaries	2,484					
Purchased Professional and Technical Services	17,595	\$ 7,929	1,225	325	72,926	\$ 20,996
Other Purchased Services	12,000	23,351	3,187		9,499	
Supplies and Materials	1,009	4,260	3,954	2,925	32,507	
Other Objects				840		
Total Support Services	<u>33,088</u>	<u>35,540</u>	<u>8,366</u>	<u>4,090</u>	<u>114,932</u>	<u>20,996</u>
Facilities Acquisition:						
Noninstructional Equipment						
Total Facilities Acquisition						
Total Expenditures	<u>\$ 57,690</u>	<u>\$ 35,540</u>	<u>\$ 12,479</u>	<u>\$ 8,090</u>	<u>\$ 598,008</u>	<u>\$ 20,996</u>

BOROUGH OF MADISON SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Nonpublic Services					
	Investing in Innovation	Auxiliary (Chapter 192)		Handicapped (Chapter 193)		
		Home Instruction	Compensatory Education	Supplementary Instruction	Examination and Classification	Corrective Speech
REVENUE:						
State Sources		\$ 138	\$ 10,152	\$ 14,959	\$ 21,401	\$ 15,049
Federal Sources	\$ 1,704					
Local Sources						
Total Revenue	<u>\$ 1,704</u>	<u>\$ 138</u>	<u>\$ 10,152</u>	<u>\$ 14,959</u>	<u>\$ 21,401</u>	<u>\$ 15,049</u>
EXPENDITURES:						
Instruction:						
Personal Services - Salaries						
Tuition						
Instruction Purchased Services		\$ 138	\$ 10,152	\$ 14,959	\$ 21,401	\$ 15,049
General Supplies						
Textbooks						
Total Instruction		<u>138</u>	<u>10,152</u>	<u>14,959</u>	<u>21,401</u>	<u>15,049</u>
Support Services:						
Personal Services - Salaries						
Purchased Professional and Technical Services						
Other Purchased Services	\$ 1,424					
Supplies and Materials	280					
Other Objects						
Total Support Services	<u>1,704</u>					
Facilities Acquisition:						
Noninstructional Equipment						
Total Facilities Acquisition						
Total Expenditures	<u>\$ 1,704</u>	<u>\$ 138</u>	<u>\$ 10,152</u>	<u>\$ 14,959</u>	<u>\$ 21,401</u>	<u>\$ 15,049</u>

BOROUGH OF MADISON SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	NJ Nonpublic				Local Programs	Totals June 30, 2016
	Textbooks	Security	Nursing	Technology Initiative		
REVENUE:						
State Sources	\$ 23,696	\$ 10,375	\$ 37,350	\$ 10,790		\$ 143,910
Federal Sources						734,507
Local Sources					\$ 109,482	109,482
Total Revenue	<u>\$ 23,696</u>	<u>\$ 10,375</u>	<u>\$ 37,350</u>	<u>\$ 10,790</u>	<u>\$ 109,482</u>	<u>\$ 987,899</u>
EXPENDITURES:						
Instruction:						
Personal Services - Salaries						\$ 120
Tuition						462,397
Instruction Purchased Services		\$ 10,375	\$ 37,350	\$ 10,790		120,214
General Supplies					\$ 70,213	123,487
Textbooks	\$ 23,696					23,696
Total Instruction	<u>23,696</u>	<u>10,375</u>	<u>37,350</u>	<u>10,790</u>	<u>70,213</u>	<u>729,914</u>
Support Services:						
Personal Services - Salaries						2,484
Purchased Professional and Technical Services						120,996
Other Purchased Services						49,461
Supplies and Materials						44,935
Other Objects						840
Total Support Services						<u>218,716</u>
Facilities Acquisition:						
Noninstructional Equipment					39,269	39,269
Total Facilities Acquisition					<u>39,269</u>	<u>39,269</u>
Total Expenditures	<u>\$ 23,696</u>	<u>\$ 10,375</u>	<u>\$ 37,350</u>	<u>\$ 10,790</u>	<u>\$ 109,482</u>	<u>\$ 987,899</u>

CAPITAL PROJECTS FUND

Exhibit F-1

BOROUGH OF MADISON SCHOOL DISTRICT
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total Revenue	\$ <u>-0-</u>
Expenditures:	
Purchased Professional and Technical Services	16,000
Construction Services	<u>47,725</u>
Total Expenditures	<u>63,725</u>
Deficiency of Revenue Under Expenditures	(63,725)
Fund Balance - Beginning	<u>677,444</u>
Fund Balance - Ending	<u><u>\$ 613,719</u></u>
Recapitulation of Fund Balance:	
Committed	<u>\$ 613,719</u>
Fund Balance per Governmental Funds (Budgetary Basis)	613,719
Reconciliation to Governmental Funds Statement (GAAP):	
SDA Grants not Recognized on the GAAP Basis	<u>(556,576)</u>
Fund Balance per Governmental Funds (GAAP)	<u><u>\$ 57,143</u></u>

Exhibit F-1a

BOROUGH OF MADISON SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
MADISON HIGH SCHOOL
PARTIAL WINDOW REPLACEMENT PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 160,960		\$ 160,960	\$ 160,960
Transfer from Capital Outlay	241,440		241,440	241,440
Total Revenue and Other Financing Sources	<u>402,400</u>	<u>\$ -0-</u>	<u>402,400</u>	<u>402,400</u>
Expenditures:				
Purchased Professional and Technical Services		16,000	16,000	80,480
Construction Services	142,975	47,725	190,700	321,920
Total Expenditures	<u>142,975</u>	<u>63,725</u>	<u>206,700</u>	<u>402,400</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 259,425</u>	<u>\$ (63,725)</u>	<u>\$ 195,700</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number	2870-050-14-1001
Grant Date	June 27, 2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 402,400
Change Orders	\$ -0-
Revised Authorized Cost	\$ 402,400
Change Order Percentage	0.00%
Percentage Completion	100.00%
Original Target Completion Date	Spring 2015
Revised Target Completion Date	Fall 2015

Exhibit F-1b

BOROUGH OF MADISON SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
TOREY J. SABATINI ELEMENTARY SCHOOL
PARTIAL ROOF REPLACEMENT PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 201,376		\$ 201,376	\$ 201,376
Transfer from Capital Reserve	51,554		51,554	51,554
Transfer from Capital Outlay	250,510		250,510	250,510
Total Revenue and Other Financing Sources	<u>503,440</u>	<u>\$ -0-</u>	<u>503,440</u>	<u>503,440</u>
Expenditures:				
Purchased Professional and Technical Services				100,688
Construction Services	350,700		350,700	402,752
Total Expenditures	<u>350,700</u>	<u>-0-</u>	<u>350,700</u>	<u>503,440</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 152,740</u>	<u>\$ -0-</u>	<u>\$ 152,740</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number	2870-110-14-1002
Grant Date	June 27, 2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 503,440
Change Orders	\$ -0-
Revised Authorized Cost	\$ 503,440

Change Order Percentage	0.00%
Percentage Completion	100.00%
Original Target Completion Date	December 2014
Revised Target Completion Date	January 2015

Exhibit F-1c

BOROUGH OF MADISON SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
KINGS ROAD ELEMENTARY SCHOOL
BOILER REPLACEMENT PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 194,240		\$ 194,240	\$ 194,240
Transfer from Capital Outlay	291,360		291,360	291,360
Total Revenue and Other Financing Sources	<u>485,600</u>	<u>\$ -0-</u>	<u>485,600</u>	<u>485,600</u>
Expenditures:				
Purchased Professional and Technical Services				97,120
Construction Services	220,321		220,321	388,480
Total Expenditures	<u>220,321</u>	<u>-0-</u>	<u>220,321</u>	<u>485,600</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 265,279</u>	<u>\$ -0-</u>	<u>\$ 265,279</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number	2870-080-14-1006
Grant Date	June 27, 2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 485,600
Change Orders	\$ -0-
Revised Authorized Cost	\$ 485,600
Change Order Percentage	0.00%
Percentage Completion	100.00%
Original Target Completion Date	October 15, 2014
Revised Target Completion Date	November 2014

PROPRIETARY FUNDS

Exhibit G-1

BOROUGH OF MADISON SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

	<u>Major Funds</u>		<u>Non-Major Fund</u>	<u>Total</u>
	<u>Food Service</u>	<u>Kindergarten Wrap-Around</u>	<u>Integrated Preschool</u>	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 21,387	\$ 529,859	\$ 3,250	\$ 554,496
Receivables from Other Governments:				
State	762			762
Federal	14,208			14,208
Inventories	10,797			10,797
Total Current Assets	<u>47,154</u>	<u>529,859</u>	<u>3,250</u>	<u>580,263</u>
Non-Current Assets:				
Capital Assets	356,870			356,870
Less: Accumulated Depreciation	<u>(285,158)</u>			<u>(285,158)</u>
Total Non-Current Assets	<u>71,712</u>			<u>71,712</u>
Total Assets	<u>118,866</u>	<u>529,859</u>	<u>3,250</u>	<u>651,975</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable - Vendors	2,148			2,148
Unearned Revenue	<u>18,269</u>	<u>74,000</u>	<u>3,250</u>	<u>95,519</u>
Total Current Liabilities	<u>20,417</u>	<u>74,000</u>	<u>3,250</u>	<u>97,667</u>
Total Liabilities	<u>20,417</u>	<u>74,000</u>	<u>3,250</u>	<u>97,667</u>
NET POSITION:				
Investment in Capital Assets	71,712			71,712
Unrestricted	<u>26,737</u>	<u>455,859</u>		<u>482,596</u>
Total Net Position	<u>\$ 98,449</u>	<u>\$ 455,859</u>	<u>\$ -0-</u>	<u>\$ 554,308</u>

Exhibit G-2

BOROUGH OF MADISON SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Major Funds		Non-Major Fund	Totals
	Food Service	Kindergarten Wrap-Around	Integrated Preschool	
Operating Revenue:				
Charges for Services:				
Daily Sales:				
Reimbursable Programs	\$ 202,099			\$ 202,099
Non-Reimbursable Programs	368,356			368,356
Total Daily Sales	570,455			570,455
Special Events	5,884			5,884
Charges and Fees		\$ 410,600	\$ 12,200	422,800
Total Operating Revenue	576,339	410,600	12,200	999,139
Operating Expenses:				
Cost of Sales:				
Reimbursable Programs	177,253			177,253
Non-Reimbursable Programs	138,834			138,834
Total Cost of Sales	316,087			316,087
Salaries	201,941	199,937	7,740	409,618
Payroll Taxes	31,637	3,825		35,462
Employee Benefits	47,292	28,478	2,460	78,230
Purchased Property Services	45,834	13,610	2,000	61,444
Supplies and Materials	45,752	390		46,142
Depreciation Expense	6,086			6,086
Total Operating Expenses	694,629	246,240	12,200	953,069
Operating Income/(Loss)	(118,290)	164,360		46,070
Non-Operating Revenue:				
State Sources:				
School Lunch Program	4,328			4,328
Federal Sources:				
Special Milk Program	555			555
National School Lunch Program	78,278			78,278
Food Distribution Program	34,090			34,090
Total Non-Operating Revenue	117,251			117,251
Change in Net Position	(1,039)	164,360		163,321
Net Position - Beginning of Year	99,488	291,499	-0-	390,987
Net Position - End of Year	\$ 98,449	\$ 455,859	\$ -0-	\$ 554,308

Exhibit G-3

BOROUGH OF MADISON SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Major Funds</u>		<u>Non-Major Fund</u>	<u>Totals</u>
	<u>Food Service</u>	<u>Kindergarten Wrap-Around</u>	<u>Integrated Preschool</u>	
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 577,094	\$ 410,000	\$ 12,850	\$ 999,944
Payments to Food Service Vendor	(665,965)			(665,965)
Payments to Employees		(232,240)	(10,200)	(242,440)
Payments to Suppliers	(32,715)	(19,060)	(2,000)	(53,775)
Net Cash Provided by/(Used for) Operating Activities	<u>(121,586)</u>	<u>158,700</u>	<u>650</u>	<u>37,764</u>
Cash Flows from Noncapital Financing Activities:				
State Sources	4,022			4,022
Federal Sources	70,848			70,848
Net Cash Provided by Noncapital Financing Activities	<u>74,870</u>			<u>74,870</u>
Cash Flows from Capital and Related Financing Activities:				
Purchases of Capital Assets	(3,655)			(3,655)
Net Cash Used for Capital and Related Financing Activities	<u>(3,655)</u>			<u>(3,655)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(50,371)	158,700	650	108,979
Cash and Cash Equivalents, July 1	<u>71,758</u>	<u>371,159</u>	<u>2,600</u>	<u>445,517</u>
Cash and Cash Equivalents, June 30	<u>\$ 21,387</u>	<u>\$ 529,859</u>	<u>\$ 3,250</u>	<u>\$ 554,496</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:				
Operating Income/(Loss)	\$ (118,290)	\$ 164,360	\$ -0-	\$ 46,070
Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:				
Depreciation	6,086			6,086
Federal Food Distribution Program	34,090			34,090
Changes in Assets and Liabilities:				
Decrease in Other Receivables	205			205
(Increase) in Inventories	(4,507)			(4,507)
(Decrease) in Accounts Payable	(39,720)	(5,060)		(44,780)
Increase/(Decrease) in Unearned Revenue	550	(600)	650	600
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (121,586)</u>	<u>\$ 158,700</u>	<u>\$ 650</u>	<u>\$ 37,764</u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$34,090 for the fiscal year ended June 30, 2016.

FIDUCIARY FUNDS

Exhibit H-1

BOROUGH OF MADISON SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Agency</u>		<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>	
	<u>Student Activity</u>	<u>Payroll</u>				<u>Total</u>
ASSETS:						
Cash and Cash Equivalents	\$ 389,058	\$ 2,856	\$ 391,914	\$ 173,185	\$ 80,020	\$ 114,197
Total Assets	<u>389,058</u>	<u>2,856</u>	<u>391,914</u>	<u>173,185</u>	<u>80,020</u>	<u>114,197</u>
LIABILITIES:						
Payroll Deductions and Withholdings Due to Student Groups	<u>389,058</u>	<u>2,856</u>	<u>2,856</u> <u>389,058</u>			
Total Liabilities	<u>389,058</u>	<u>2,856</u>	<u>391,914</u>			
NET POSITION:						
Held in Trust for:						
Unemployment Claims			173,185			
Flexible Spending Trust Claims				80,020		
Restricted for Scholarships						114,197
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 173,185</u>	<u>\$ 80,020</u>	<u>\$ 114,197</u>

Exhibit H-2

BOROUGH OF MADISON SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ADDITIONS:			
Contributions:			
Plan member	\$ 28,176	\$ 67,846	
Other			\$ 5,901
Total Contributions	<u>28,176</u>	<u>67,846</u>	<u>5,901</u>
Investment Earnings:			
Interest	<u>651</u>	<u>269</u>	<u>393</u>
Net Investment Earnings	<u>651</u>	<u>269</u>	<u>393</u>
Total Additions	<u>28,827</u>	<u>68,115</u>	<u>6,294</u>
DEDUCTIONS:			
Quarterly Contribution Reports and Unemployment Claims	33,643		
Flexible Spending Trust Claims		49,924	
Scholarships Awarded			12,903
Total Deductions	<u>33,643</u>	<u>49,924</u>	<u>12,903</u>
Change in Net Position Before Transfers	(4,816)	18,191	(6,609)
Transfers Out - General Fund			<u>(31,781)</u>
Change in Net Position After Transfers	(4,816)	18,191	(38,390)
Net Position - Beginning of the Year	<u>178,001</u>	<u>61,829</u>	<u>152,587</u>
Net Position - End of the Year	<u>\$ 173,185</u>	<u>\$ 80,020</u>	<u>\$ 114,197</u>

Exhibit H-3

BOROUGH OF MADISON SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 341,328	\$ 777,417	\$ 729,687	\$ 389,058
Total Assets	<u>\$ 341,328</u>	<u>\$ 777,417</u>	<u>\$ 729,687</u>	<u>\$ 389,058</u>
LIABILITIES:				
Due to Student Groups	\$ 341,328	\$ 777,417	\$ 729,687	\$ 389,058
Total Liabilities	<u>\$ 341,328</u>	<u>\$ 777,417</u>	<u>\$ 729,687</u>	<u>\$ 389,058</u>

Exhibit H-4

BOROUGH OF MADISON SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
Elementary Schools:				
Central Avenue	\$ 5,402	\$ 10,433	\$ 9,079	\$ 6,756
Kings Road	5,086	9,610	9,800	4,896
Torey J. Sabatini	1,599	15,173	13,168	3,604
Total Elementary Schools	<u>12,087</u>	<u>35,216</u>	<u>32,047</u>	<u>15,256</u>
Middle Schools:				
Junior School	<u>62,538</u>	<u>79,236</u>	<u>81,552</u>	<u>60,222</u>
High School	<u>266,703</u>	<u>566,581</u>	<u>519,704</u>	<u>313,580</u>
Athletic Fund		<u>96,384</u>	<u>96,384</u>	
Total All Schools/Funds	<u>\$ 341,328</u>	<u>\$ 777,417</u>	<u>\$ 729,687</u>	<u>\$ 389,058</u>

Exhibit H-5

BOROUGH OF MADISON SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 187	\$ 36,376,134	\$ 36,373,465	\$ 2,856
Total Assets	<u>\$ 187</u>	<u>\$ 36,376,134</u>	<u>\$ 36,373,465</u>	<u>\$ 2,856</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 187	\$ 36,376,134	\$ 36,373,465	\$ 2,856
Total Liabilities	<u>\$ 187</u>	<u>\$ 36,376,134</u>	<u>\$ 36,373,465</u>	<u>\$ 2,856</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2015	Issued	Retired/ Matured	Defeased Bonds	Balance June 30, 2016	
			Date	Amount							
School Refunding Bonds	08/15/05	\$ 2,695,000	02/15/17	\$ 260,000	4.00%	\$ 520,000		\$ 260,000		\$ 260,000	
Various School Improvements	11/15/05	34,835,000				825,000		825,000			
Various School Improvements	12/27/07	11,085,000	09/15/16	270,000	4.375%						
			09/15/17	280,000	4.375%						
			09/15/18	285,000	4.375%	8,045,000		265,000	\$ 6,945,000		835,000
School Refunding Bonds	05/30/12	9,955,000	12/15/16	55,000	2.000%						
			12/15/17	60,000	4.000%						
			12/15/18-19	60,000	3.000%						
			12/15/20	65,000	3.000%						
			12/15/21	65,000	2.000%						
			12/15/22	65,000	2.250%						
			12/15/23	70,000	2.375%						
			12/15/24	70,000	2.500%						
			12/15/25	70,000	2.750%						
			12/15/26-27	75,000	4.000%						
			12/15/28	80,000	4.000%						
			12/15/29	85,000	3.000%						
			12/15/30	85,000	3.125%						
			12/15/31	660,000	3.000%						
			12/15/32	1,915,000	3.100%						
			12/15/33	1,980,000	3.150%						
12/15/34	2,045,000	3.250%									
12/15/35	2,110,000	3.300%			9,805,000		55,000		9,750,000		
School Refunding Bonds	09/26/12	21,075,000	12/15/16	1,010,000	2.000%						
			12/15/17	1,040,000	3.000%						
			12/15/18	1,075,000	3.000%						
			12/15/19	1,110,000	3.000%						
			12/15/20	1,145,000	3.000%						
			12/15/21	1,185,000	3.000%						

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2014	Issued	Retired/ Matured	Defeased Bonds	Balance June 30, 2015
			Date	Amount						
School Refunding Bonds	09/26/12	\$ 21,075,000	12/15/22	\$ 1,225,000	3.000%					
			12/15/23	1,265,000	4.000%					
			12/15/24	1,320,000	4.000%					
			12/15/25	1,375,000	4.000%					
			12/15/26	1,440,000	4.000%					
			12/15/27	1,495,000	4.000%					
			12/15/28	1,550,000	3.000%					
			12/15/29	1,600,000	3.125%					
			12/15/30	1,650,000	3.125%					
			12/15/31	1,130,000	3.250%	\$ 20,770,000		\$ 155,000		\$ 20,615,000
			School Refunding Bonds	12/29/15	7,060,000	09/15/16	25,000	2.000%		
09/15/17	25,000	2.000%								
09/15/18	25,000	2.000%								
09/15/19	320,000	3.000%								
09/15/20	330,000	3.000%								
09/15/21	330,000	3.000%								
09/15/22	335,000	3.000%								
09/15/23	350,000	4.000%								
09/15/24	365,000	4.000%								
09/15/25	380,000	4.000%								
09/15/26	390,000	4.000%								
09/15/27	400,000	4.000%								
09/15/28	420,000	4.000%								
09/15/29	430,000	2.875%								
09/15/30	445,000	2.875%								
09/15/31	460,000	4.000%								
09/15/32	480,000	4.000%								
09/15/33	490,000	4.000%								
09/15/34	515,000	4.000%								
09/15/35	545,000	4.000%				\$ 7,060,000		7,060,000		
						\$ 39,965,000	\$ 7,060,000	\$ 1,560,000	\$ 6,945,000	\$ 38,520,000

Exhibit I-2

BOROUGH OF MADISON SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2015</u>	<u>Matured</u>	<u>Balance June 30, 2016</u>
High School Turf Field	2.75%	\$ 125,000	<u>\$ 26,375</u>	<u>\$ 26,375</u>	<u>\$ -0-</u>

Exhibit I-3

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,397,198		\$ 2,397,198	\$ 2,397,198	
State Sources:					
Debt Service Aid Type II	546,245		546,245	546,245	
Total Revenues	<u>2,943,443</u>		<u>2,943,443</u>	<u>2,943,443</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	1,560,000	\$ (176,557)	1,383,443	1,359,362	\$ 24,081
Redemption of Principal	1,383,443	176,557	1,560,000	1,560,000	
Total Regular Debt Service	<u>2,943,443</u>		<u>2,943,443</u>	<u>2,919,362</u>	<u>24,081</u>
Total Expenditures	<u>2,943,443</u>		<u>2,943,443</u>	<u>2,919,362</u>	<u>24,081</u>
Excess of Revenues Over Expenditures	-0-		-0-	24,081	24,081
Other Financing Sources/(Uses):					
Refunding Bonds Issued				7,060,000	7,060,000
Bond Issuance Premium				626,844	626,844
Serial Bonds Defeased				(6,945,000)	(6,945,000)
Bond Issuance Costs				(51,174)	(51,174)
Deferred Amount on Refunding				(690,670)	(690,670)
Total Other Financing Sources/(Uses)					
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-0-		-0-	24,081	24,081
Fund Balance, July 1	<u>773</u>		<u>773</u>	<u>773</u>	
Fund Balance, June 30	<u>\$ 773</u>	<u>\$ -0-</u>	<u>\$ 773</u>	<u>\$ 24,854</u>	<u>\$ 24,081</u>
Recapitulation:					
Restricted				<u>\$ 24,854</u>	

**STATISTICAL SECTION
(UNAUDITED)**

STATISTICAL SECTION
(UNAUDITED)

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-20

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

BOROUGH OF MADISON SCHOOL DISTRICT
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
Instruction:										
Regular	\$ 15,915,075	\$ 16,337,830	\$ 15,963,354	\$ 16,493,978	\$ 15,913,709	\$ 16,691,709	\$ 17,960,322	\$ 17,173,580	\$ 20,709,510	\$ 22,134,753
Special Education	3,374,487	3,625,190	3,438,514	3,310,439	3,310,478	3,240,215	3,376,254	3,571,209	4,766,540	5,410,247
Other Special Instruction	775,027	692,677	824,753	769,639	849,652	673,459	686,980	819,199	1,139,843	1,118,974
Other Instruction	1,353,977	1,433,761	1,495,957	1,406,683	1,247,790	1,332,498	1,422,637	1,486,849	1,825,173	1,913,513
Support Services:										
Tuition	1,255,617	1,241,158	1,538,856	1,636,198	1,630,089	1,361,518	1,381,361	1,284,815	1,618,438	1,510,444
Student & Instruction Related Services	4,746,237	5,088,102	5,370,682	5,690,272	5,836,849	5,868,557	6,913,818	7,204,111	8,505,628	9,214,701
General Administrative Services	1,218,967	1,299,149	1,209,793	1,113,395	1,119,726	1,029,536	1,285,368	1,115,311	1,348,501	1,342,234
School Administrative Services	1,781,703	1,959,671	1,902,007	1,934,285	1,815,938	1,899,136	2,056,418	1,995,306	2,426,228	2,569,426
Central Services	609,557	648,309	639,410	593,624	618,872	563,464	632,739	641,578	666,171	684,642
Administration Information Technology	185,289	191,386	250,238	146,251	131,011	137,543	171,337	171,171	183,035	288,293
Plant Operations and Maintenance	3,384,943	3,785,714	3,827,313	3,776,335	3,380,072	3,391,041	3,621,643	3,244,363	4,334,959	4,804,932
Pupil Transportation	1,007,130	1,156,206	1,208,373	1,092,823	1,274,856	1,200,452	1,285,599	1,008,031	1,178,059	1,173,062
Charter Schools	4,060			6,795			34,250		8,606	24,192
Interest on Long-term Debt	1,702,266	2,595,959	2,098,749	1,987,662	1,966,701	1,760,634	1,548,776	1,591,920	1,529,594	1,488,674
Unallocated Depreciation	71,670	71,670	147,853	1,480,345	1,490,501	1,483,372	1,483,372	1,540,461	1,537,042	1,527,119
Total Governmental Activities Expenses	37,386,005	40,126,782	39,915,852	41,438,724	40,586,244	40,633,134	43,860,874	42,847,904	51,777,327	55,205,206
Business-type Activities:										
Food Service	655,104	607,283	672,336	690,171	715,271	761,673	750,099	728,307	686,979	694,629
Integrated Preschool Program								13,600	16,250	12,200
Kindergarten Wrap-Around Program							137,938	160,336	182,627	246,240
Total Business-type Activities Expenses	655,104	607,283	672,336	690,171	715,271	761,673	888,037	902,243	885,856	953,069
Total District Expenses	38,041,109	40,734,065	40,588,188	42,128,895	41,301,515	41,394,807	44,748,911	43,750,147	52,663,183	56,158,275
Program Revenues										
Governmental Activities:										
Charges for Services:										
Instruction - (Tuition)	1,347,200	1,423,300	1,472,300	1,530,100	1,660,699	1,704,388	1,695,519	1,805,518	1,806,176	1,815,704
Other Instruction - (Student Activities Fees)					61,018	87,275	89,400	93,135	92,775	95,825
Pupil Transportation - (Subscription Busing)				3,563	7,600	4,250	6,000	5,214	8,125	9,750
Operating Grants and Contributions	5,927,755	6,053,987	7,027,444	5,612,621	4,668,640	5,340,519	6,469,234	5,866,662	10,865,042	12,754,451
Capital Grants and Contributions	61,667									
Total Governmental Activities Program Revenues	7,336,622	7,477,287	8,499,744	7,146,284	6,397,957	7,136,432	8,260,153	7,770,529	12,772,118	14,675,730

BOROUGH OF MADISON SCHOOL DISTRICT
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type Activities:										
Charges for Services:										
Food Service	\$ 560,605	\$ 508,275	\$ 555,610	\$ 573,195	\$ 616,362	\$ 644,443	\$ 590,535	\$ 609,166	\$ 570,857	\$ 576,339
Integrated Preschool Program								13,600	16,250	12,200
Kindergarten Wrap-Around Program							154,900	300,550	316,950	410,600
Operating Grants and Contributions	105,977	97,460	113,039	130,878	124,906	125,063	114,767	127,258	119,290	117,251
Total Business-type Activities Revenues	666,582	605,735	668,649	704,073	741,268	769,506	860,202	1,050,574	1,023,347	1,116,390
Total District Program Revenues	8,003,204	8,083,022	9,168,393	7,850,357	7,139,225	7,905,938	9,120,355	8,821,103	13,795,465	15,792,120
Net (Expense)/Revenue										
Governmental Activities	(30,049,383)	(32,649,495)	(31,416,108)	(34,292,440)	(34,188,287)	(33,496,702)	(35,600,721)	(35,077,375)	(39,005,209)	(40,529,476)
Business-type Activities	11,478	(1,548)	(3,687)	13,902	25,997	7,833	(27,835)	148,331	137,491	163,321
Total District-wide Net (Expense)/Revenue	(30,037,905)	(32,651,043)	(31,419,795)	(34,278,538)	(34,162,290)	(33,488,869)	(35,628,556)	(34,929,044)	(38,867,718)	(40,366,155)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	27,114,621	28,199,206	29,719,423	30,908,200	31,889,528	32,527,319	33,177,865	33,979,228	36,110,120	37,961,408
Taxes Levied for Debt Service	2,503,861	2,251,993	2,574,213	2,276,190	2,529,425	2,524,587	2,513,089	2,425,545	2,404,748	2,397,198
Unrestricted Grants and Contributions	175,572	221,759	76,908	165,058	17,205		32,856	38,056	81,021	100,346
Sale of Property									2,000,000	9,000,000
Investment and Miscellaneous Income	2,462,925	1,477,387	404,029	123,893	274,820	206,896	359,240	299,290	395,977	353,245
Transfers							(10,665)			31,781
Total Governmental Activities	32,256,979	32,150,345	32,774,573	33,473,341	34,710,978	35,258,802	36,072,385	36,742,119	40,991,866	49,843,978
Business-type Activities:										
Transfers							10,665			
Total Business-type Activities							10,665			
Total District-Wide	32,256,979	32,150,345	32,774,573	33,473,341	34,710,978	35,258,802	36,083,050	36,742,119	40,991,866	49,843,978
Change in Net Position										
Governmental Activities	2,207,596	(499,150)	1,358,465	(819,099)	522,691	1,762,100	471,664	1,664,744	1,986,657	9,314,502
Business-Type Activities	11,478	(1,548)	(3,687)	13,902	25,997	7,833	(17,170)	148,331	137,491	163,321
Total District	\$ 2,219,074	\$ (500,698)	\$ 1,354,778	\$ (805,197)	\$ 548,688	\$ 1,769,933	\$ 454,494	\$ 1,813,075	\$ 2,124,148	\$ 9,477,823

Source: School District Financial Reports.

Exhibit J-3

BOROUGH OF MADISON SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	June 30,				
	2007	2008	2009	2010	2010
General Fund:					
Reserved	\$ 1,932,506	\$ 1,445,460	\$ 643,502	\$ 51,200	
Unreserved	599,521	603,931	401,241	716,470	
Restricted					\$ 155,005
Assigned					435,485
Unassigned					832,498
Total General Fund	<u>\$ 2,532,027</u>	<u>\$ 2,049,391</u>	<u>\$ 1,044,743</u>	<u>\$ 767,670</u>	<u>\$ 1,422,988</u>

All Other Governmental Funds:					
Unreserved, Reported in:					
Capital Projects Fund	\$ 30,226,202	\$ 11,215,852	\$ 1,547,169		
Debt Service Fund	712,787				
Total All Other Governmental Funds	<u>\$ 30,938,989</u>	<u>\$ 11,215,852</u>	<u>\$ 1,547,169</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

	June 30,				
	2012	2013	2014	2015	2016
General Fund:					
Restricted	\$ 512,198	\$ 1,099,168	\$ 498,230	\$ 3,005,954	\$ 12,810,789
Assigned	1,566,141	882,145	2,231,086	1,504,758	1,401,219
Unassigned	1,242,425	799,811	733,937	841,580	809,169
Total General Fund	<u>\$ 3,320,764</u>	<u>\$ 2,781,124</u>	<u>\$ 3,463,253</u>	<u>\$ 5,352,292</u>	<u>\$ 15,021,177</u>

All Other Governmental Funds:					
Restricted			\$ 3,833	\$ 773	\$ 24,854
Committed			834,864	120,868	57,143
Total All Other Governmental Funds	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 838,697</u>	<u>\$ 121,641</u>	<u>\$ 81,997</u>

Source: School District Financial Reports.

BOROUGH OF MADISON SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax Levy	\$ 29,618,482	\$ 30,451,199	\$ 32,293,636	\$ 33,184,390	\$ 34,418,953	\$ 35,051,906	\$ 35,690,954	\$ 36,404,773	\$ 38,514,868	\$ 40,358,606
Tuition Charges	1,347,200	1,423,300	1,472,300	1,530,100	1,660,699	1,704,388	1,695,519	1,805,518	1,806,176	1,815,704
Interest Earned on Capital Reserve	28,304									
Sale of Property									2,000,000	9,000,000
Miscellaneous	2,377,353	1,460,568	439,302	164,318	425,613	365,292	568,278	481,170	647,114	527,833
State Sources	5,475,359	5,572,569	6,424,699	4,979,755	3,540,520	4,593,298	5,680,194	5,146,078	5,792,884	6,520,667
Federal Sources	687,291	701,763	644,380	761,062	1,063,150	680,350	708,258	675,109	708,250	718,526
Total Revenues	39,533,989	39,609,399	41,274,317	40,619,625	41,108,935	42,395,234	44,343,203	44,512,648	49,469,292	58,941,336
Expenditures										
Instruction:										
Regular Instruction	11,796,218	11,745,213	11,818,686	12,280,830	11,720,785	12,331,433	13,374,158	12,429,568	13,199,725	13,143,131
Special Education Instruction	2,583,936	2,736,260	2,656,073	2,501,596	2,494,258	2,380,027	2,384,273	2,572,376	2,974,315	3,164,512
Other Special Instruction	555,311	490,899	604,001	565,503	608,270	485,549	471,887	575,907	691,851	642,121
Other Instruction	1,004,348	1,081,609	1,154,983	1,093,759	941,569	1,030,880	1,103,105	1,131,269	1,268,741	1,240,510
Support Services:										
Tuition	1,255,617	1,241,158	1,538,856	1,636,198	1,630,089	1,361,518	1,381,361	1,284,815	1,618,438	1,510,444
Student & Instruction Related Services	3,564,537	3,783,372	4,094,123	4,312,316	4,306,361	4,406,787	5,097,451	5,196,987	5,417,963	5,553,692
General Administrative Services	1,004,955	1,072,558	1,094,438	985,504	1,024,063	937,234	1,152,942	996,607	1,218,958	1,174,552
School Administrative Services	1,268,365	1,381,158	1,404,507	1,388,661	1,317,037	1,389,057	1,398,272	1,431,167	1,491,094	1,462,833
Central Services	481,150	534,371	513,479	510,260	509,461	524,260	514,190	519,845	533,683	541,470
Administration Information Technology	134,084	133,533	200,196	119,583	104,548	95,103	139,961	139,044	148,000	230,474
Plant Operations and Maintenance	2,688,796	3,043,680	3,350,216	3,324,280	2,959,982	3,015,056	3,226,395	3,033,566	3,871,096	4,276,237
Pupil Transportation	991,658	1,134,713	1,173,316	1,060,479	1,234,916	1,172,290	1,255,080	981,635	1,156,477	1,152,415
Unallocated Benefits	8,360,695	8,836,871	7,842,969	8,000,623	8,455,831	8,220,581	9,841,747	9,657,039	10,768,388	11,956,911
Charter Schools	4,060			6,795			34,250		8,606	24,192
Capital Outlay	4,256,238	30,443,888	9,806,005	1,563,987	49,470	179,469	413,830	74,197	975,878	351,020
Debt Service:										
Principal	535,000	795,000	2,495,000	1,075,000	1,125,000	1,170,000	1,250,000	1,465,000	1,510,000	1,560,000
Interest and Other Charges	1,970,688	2,464,122	2,200,800	2,018,493	1,971,977	1,923,214	1,833,276	1,502,800	1,444,096	1,359,362
Total Expenditures	42,455,656	70,918,405	51,947,648	42,443,867	40,453,617	40,622,458	44,872,178	42,991,822	48,297,309	49,343,876
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(2,921,667)	(31,309,006)	(10,673,331)	(1,824,242)	655,318	1,772,776	(528,975)	1,520,826	1,171,983	9,597,460

BOROUGH OF MADISON SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Other Financing Sources (Uses)										
Capital Leases (Non-Budgeted)						\$ 125,000				
Bond Proceeds		\$ 11,085,000								\$ 7,060,000
Bond Issuance Premium										626,844
Serial Bonds Defeased										(6,945,000)
Bond Issuance Costs										(51,174)
Deferred Amount on Refunding										(690,670)
Premium on Temporary Note	\$ 59,612	18,233								
Transfers In	2,382,343	811,572	\$ 89,971	\$ 150,000			\$ 833	\$ 834,864		31,781
Transfers Out	(2,382,343)	(811,572)	(89,971)	(150,000)			(11,498)	(834,864)		
Total Other Financing Sources (Uses)	<u>59,612</u>	<u>11,103,233</u>	<u>-0-</u>	<u>-0-</u>	<u>\$ -0-</u>	<u>125,000</u>	<u>(10,665)</u>	<u>-0-</u>	<u>\$ -0-</u>	<u>31,781</u>
Net Change in Fund Balances	<u>\$ (2,862,055)</u>	<u>\$ (20,205,773)</u>	<u>\$ (10,673,331)</u>	<u>\$ (1,824,242)</u>	<u>\$ 655,318</u>	<u>\$ 1,897,776</u>	<u>\$ (539,640)</u>	<u>\$ 1,520,826</u>	<u>\$ 1,171,983</u>	<u>\$ 9,629,241</u>
Debt Service as a Percentage of Noncapital Expenditures	7.0%	8.8%	12.5%	8.2%	8.3%	8.3%	7.5%	7.4%	6.7%	6.3%

Source: School District Financial Reports.

BOROUGH OF MADISON SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

Fiscal Year Ending June 30,	Tuition	Student Activities Fees	Subscription Busing	Chromebook Insurance Fees	Interest on Investments	Rentals - Use of Facilities	Sale of Property	Other	Total
2007	\$ 1,347,200				\$ 240,723	\$ 108,277		\$ 43,249	\$ 1,739,449
2008	1,423,300				400,634	106,183		21,574	1,951,691
2009	1,472,300				98,825	142,726		162,478	1,876,329
2010	1,530,100		\$ 3,563		3,223	65,519		55,151	1,657,556
2011	1,660,699	\$ 61,018	7,600		749	88,350		185,721	2,004,137
2012	1,704,388	87,275	4,250			97,911		108,985	2,002,809
2013	1,695,519	89,400	6,000		3,940	69,423		285,877	2,150,159
2014	1,805,518	93,135	5,214		5,885	80,742		212,663	2,203,157
2015	1,806,176	92,775	8,125		8,433	69,968	\$ 2,000,000	a 317,576	4,303,053
2016	1,815,704	95,825	9,750	\$ 22,641	60,765	82,503	9,000,000	a 187,336	11,274,524

a - Proceeds from the sale of Green Village Road School.

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

Year Ended December 31,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2006	\$ 17,130,300	\$ 1,678,880,900	\$ 357,409,400	\$ 3,422,000	\$ 48,634,900	\$ 2,105,477,500	\$ 11,367,289	\$ 2,116,844,789	\$ 328,867,200	\$ 1.330	\$ 3,218,440,097
2007	16,966,900	1,692,930,600	359,968,900	3,422,000	48,634,900	2,121,923,300	9,384,123	2,131,307,423	328,641,600	1.400	3,534,781,760
2008	15,215,000	1,706,375,600	343,862,800	3,422,000	48,634,900	2,117,510,300	8,884,041	2,126,394,341	336,112,700	1.501	3,672,969,970
2009	14,741,400	1,717,949,500	312,466,300	3,422,000	49,503,000	2,098,082,200	8,427,766	2,106,509,966	336,503,900	1.533	3,768,811,860
2010	16,326,700	1,724,579,800	298,234,900	2,497,000	49,503,000	2,091,141,400	8,700,625	2,099,842,025	320,361,900	1.616	3,646,078,060
2011	14,830,500	1,724,066,900	298,115,100	2,497,000	49,651,900	2,089,161,400	8,919,553	2,098,080,953	341,668,600	1.656	3,599,840,895
2012	15,692,100	1,715,525,900	288,782,600	2,497,000	49,651,900	2,072,149,500	8,462,329	2,080,611,829	361,447,700	1.700	3,513,536,279
2013*	23,333,600	2,798,024,100	465,483,400	4,072,500	91,118,500	3,382,032,100	- 0 -	3,382,032,100	555,040,400	1.067	3,571,446,562
2014	15,176,600	2,814,994,500	508,259,600	4,072,500	87,621,200	3,430,124,400	- 0 -	3,430,124,400	557,518,000	1.093	3,624,640,053
2015	23,800,200	2,838,276,000	505,452,600	4,072,500	85,139,200	3,456,740,500	- 0 -	3,456,740,500	545,316,700	1.142	3,846,608,045

* - Property revaluation became effective in this year.

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

b - Tax rates are per \$100.

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.

Source: Municipal Tax Assessor.

Exhibit J-7

BOROUGH OF MADISON SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(rate per \$100 of assessed value)
UNAUDITED

Year Ended December 31,	Borough of Madison School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Madison	Morris County	
2006	\$ 1.3133	\$ 0.0167	\$ 1.330	\$ 0.490	\$ 0.380	\$ 2.200
2007	1.2816	0.1184	1.400	0.550	0.400	2.350
2008	1.3900	0.1110	1.501	0.576	0.401	2.478
2009	1.4108	0.1222	1.533	0.594	0.406	2.533
2010	1.5052	0.1108	1.616	0.626	0.397	2.639
2011	1.5343	0.1217	1.656	0.647	0.406	2.709
2012	1.5776	0.1224	1.700	0.666	0.413	2.779
2013*	0.9919	0.0751	1.067	0.420	0.267	1.754
2014	1.0202	0.0728	1.093	0.415	0.270	1.778
2015	1.0707	0.0713	1.142	0.417	0.281	1.840

* - Property revaluation became effective in this year.

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

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

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

Source: Municipal Tax Collector and School Business Administrator.

BOROUGH OF MADISON SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Ryan LLC	\$ 75,000,000	1	2.17%			
Giralda Farms RE	62,000,000	2	1.79%			
Rex 7 Giralda Farms LLC	32,500,000	3	0.94%	\$ 23,322,000	3	1.10%
3 Giralda Farms LLC	21,600,000	4	0.62%	16,183,300	6	0.76%
Maersk, Inc.	20,900,000	5	0.60%	18,000,000	5	0.85%
Rex 1 Giralda Farms LLC	20,000,000	6	0.58%	23,264,100	4	1.10%
HCP SUN1 Madison	17,600,000	7	0.51%			
HS Investors LLC c/o Heller Group	17,178,300	8	0.50%	11,366,400	8	0.54%
Rose City Associates LP of NJ	12,772,900	9	0.37%	8,380,000	10	0.40%
Town Gardens LLC	10,500,000	10	0.30%			
Route 24 Holdings, Inc.				64,000,000	1	3.02%
NJ Bell Co.				25,036,300	2	1.18%
Giralda Farms Phase 1 LLC				13,042,400	7	0.62%
Verizon				9,384,123	9	0.44%
Total	<u>\$ 290,051,200</u>		<u>8.38%</u>	<u>\$ 211,978,623</u>		<u>10.01%</u>

NOTE - Property revaluation became effective in 2013.

Exhibit J-9

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	\$ 29,618,482	\$ 29,618,482	100.00%	\$ -0-
2008	30,451,199	30,451,199	100.00%	-0-
2009	32,293,636	32,293,636	100.00%	-0-
2010	33,184,390	33,184,390	100.00%	-0-
2011	34,418,953	34,418,953	100.00%	-0-
2012	35,051,906	35,051,906	100.00%	-0-
2013	35,690,954	35,690,954	100.00%	-0-
2014	36,404,773	36,404,773	100.00%	-0-
2015	38,514,868	38,514,868	100.00%	-0-
2016	40,358,606	40,358,606	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)			
2007	\$ 36,975,000		\$ 11,000,000	\$ 47,975,000	4.46%	\$ 3,053.01
2008	47,265,000		-0-	47,265,000	4.12%	2,972.45
2009	44,770,000		-0-	44,770,000	3.82%	2,851.77
2010	43,695,000		-0-	43,695,000	3.96%	2,790.41
2011	42,570,000		-0-	42,570,000	3.69%	2,683.94
2012	44,190,000	\$ 125,000	-0-	44,315,000	3.64%	2,773.67
2013	42,940,000	77,025	-0-	43,017,025	3.40%	2,678.85
2014	41,475,000	52,043	-0-	41,527,043	3.24%	2,562.13
2015	39,965,000	26,375	-0-	39,991,375	3.00%	2,483.94
2016	38,520,000	-0-	-0-	38,520,000	2.88%	2,388.69

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

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

Exhibit J-11

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2007	\$ 36,975,000	\$ -0-	\$ 36,975,000	1.747%	\$ 2,353.00
2008	47,265,000	-0-	47,265,000	2.218%	2,972.45
2009	44,770,000	-0-	44,770,000	2.105%	2,851.77
2010	43,695,000	-0-	43,695,000	2.074%	2,790.41
2011	42,570,000	-0-	42,570,000	2.027%	2,683.94
2012	44,190,000	-0-	44,190,000	2.106%	2,765.85
2013	42,940,000	-0-	42,940,000	2.064%	2,674.06
2014	41,475,000	-0-	41,475,000	1.226%	2,558.92
2015	39,965,000	-0-	39,965,000	1.165%	2,482.30
2016	38,520,000	-0-	38,520,000	1.114%	2,388.69

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

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

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

Exhibit J-12

BOROUGH OF MADISON SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2015
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Madison	\$ 29,735,689	100.00%	\$ 29,735,689
Morris County General Obligation Debt	226,745,317	4.24%	<u>9,615,139</u>
Subtotal, Overlapping Debt			39,350,828
Borough of Madison School District Direct Debt			<u>38,780,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 78,130,828</u></u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2016

Year Ended December 31,	Equalized Valuation Basis
2013	\$ 3,563,785,142
2014	3,807,019,312
2015	3,844,239,880
	<u>\$ 11,215,044,334</u>
Average Equalized Valuation of Taxable Property	<u>\$ 3,738,348,111</u>
Debt Limit (4% of Average Equalization Value) a	\$ 149,533,924
Net Bonded School Debt	<u>38,520,000</u>
Legal Debt Margin	<u>\$ 111,013,924</u>

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt Limit	\$ 127,659,991	\$ 137,573,684	\$ 145,726,836	\$ 147,739,965	\$ 146,718,970
Total Net Debt Applicable to Limit	<u>36,975,000</u>	<u>47,265,000</u>	<u>44,770,000</u>	<u>43,695,000</u>	<u>42,570,000</u>
Legal Debt Margin	<u>\$ 90,684,991</u>	<u>\$ 90,308,684</u>	<u>\$ 100,956,836</u>	<u>\$ 104,044,965</u>	<u>\$ 104,148,970</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	28.96%	34.36%	30.72%	29.58%	29.01%

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt Limit	\$ 143,248,872	\$ 141,897,398	\$ 141,638,856	\$ 145,425,277	\$ 149,533,924
Total Net Debt Applicable to Limit	<u>44,190,000</u>	<u>42,940,000</u>	<u>41,475,000</u>	<u>39,965,000</u>	<u>38,520,000</u>
Legal Debt Margin	<u>\$ 99,058,872</u>	<u>\$ 98,957,398</u>	<u>\$ 100,163,856</u>	<u>\$ 105,460,277</u>	<u>\$ 111,013,924</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	30.85%	30.26%	29.28%	27.48%	25.76%

a - Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts.

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

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

Year	Population ^a	Personal Income ^b	Morris County Per Capita Personal Income ^c	Unemployment Rate ^d
2006	15,714	\$ 1,076,330,430	\$ 68,495	2.40%
2007	15,901	1,148,227,111	72,211	2.10%
2008	15,699	1,171,710,564	74,636	2.80%
2009	15,659	1,104,210,044	70,516	4.90%
2010	15,861	1,154,363,580	72,780	5.00%
2011	15,977	1,217,351,538	76,194	4.80%
2012	16,058	1,263,652,194	78,693	5.00%
2013	16,208	1,281,955,552	79,094	6.60%
2014	16,100	1,333,241,000	82,810	4.80%
2015	16,126	1,335,394,060 *	82,810 *	4.00%

* - Latest Morris County per capita personal income available (2014) was used for calculation purposes.

Source:

- a** - Population information provided by the US Department of Census - Population Division.
- b** - Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.
- c** - Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.
- d** - Unemployment data provided by the NJ Department of Labor and Workforce Development.

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

Employer	2016		Employer	2007	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
U.S. Army Armament Research and Development	6,090	2.28%	Novartis	5,000	1.89%
Atlantic Health System	4,844	1.81%	Atlantic Health System	4,045	1.53%
Novartis	4,749	1.77%	Picatinny Arsenal	3,412	1.29%
Bayer Healthcare, LLC	2,665	1.00%	County of Morris	2,170	0.82%
Saint Clare's Health Services	1,756	0.66%	Lucent Technologies	1,983	0.75%
County of Morris	1,667	0.62%	United Parcel Service	1,941	0.73%
Accenture	1,621	0.61%	Wyndham Worldwide	1,371	0.52%
Wyndham Worldwide	1,546	0.58%	Greystone Psychiatric	1,296	0.49%
BASF Corporation	1,500	0.56%	Tiffany & Company	1,200	0.45%
Greystone Psychiatric	1,244	0.46%	Accenture	1,200	0.45%
			Honeywell	1,200	0.45%
	<u>27,682</u>	<u>10.35%</u>		<u>24,818</u>	<u>9.37%</u>
Total Employment *	<u>267,632</u>			<u>264,477</u>	

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

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

<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	208	210	179	179	171	140	142	152	152	161
Special Education	20	21	42	41	44	44	44	45	53	57
Other Special Instruction	11	22	28	32	32	30	29	30	30	26
Support Services:										
Student & Instruction Related Services	27	27	30	30	27	35	38	43	41	44
General Administrative Services	3	3	3	3	3	3	3	3	3	3
School Administrative Services	9	9	10	9	8	13	16	19	16	15
Central Services	6	6	5	5	5	17	18	17	20	20
Administration Information Technology	2	2	3	3	2	3	3	3	3	5
Plant Operations and Maintenance	27	27	31	30	33	22	24	22	25	27
Total	<u>313</u>	<u>327</u>	<u>331</u>	<u>332</u>	<u>325</u>	<u>307</u>	<u>317</u>	<u>334</u>	<u>343</u>	<u>358</u>

Source: District Personnel Records.

BOROUGH OF MADISON SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost per Pupil ^b	Percentage Change	Teaching Staff ^c	Pupil/Teacher Ratio					Average Daily Enrollment (ADE) ^d	Average Daily Attendance (ADA) ^d	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary			Middle					
						Central Avenue	Kings Road	Torey J. Sabatini	Madison Junior School	Madison High School				
2007	2,266	35,693,730	15,752	3.25%	194	14.5:1	12.8:1	14.6:1	12.6:1	10.7:1	2,287	2,176	2.56%	95.15%
2008	2,254	37,215,395	16,511	4.82%	195	14.5:1	12.4:1	14.2:1	11.5:1	10.6:1	2,252	2,144	-1.53%	95.20%
2009	2,273	37,445,843	16,474	-0.22%	208	12.5:1	8.7:1	10.9:1	10.5:1	9.9:1	2,269	2,165	0.75%	95.42%
2010	2,275	37,786,387	16,609	0.82%	206	13.9:1	9.7:1	10.1:1	10.8:1	10.6:1	2,276	2,207	0.31%	96.97%
2011	2,363	37,307,170	15,788	-4.95%	226	11.2:1	10.5:1	10.6:1	10.5:1	9.9:1	2,372	2,300	4.22%	96.96%
2012	2,398	37,349,775	15,575	-1.35%	214	11.4:1	10.7:1	11.8:1	11.5:1	11.0:1	2,435	2,337	2.66%	95.98%
2013	2,458	41,375,072	16,833	8.07%	215	10.9:1	11.2:1	12.2:1	11.1:1	11.7:1	2,417	2,316	-0.74%	95.82%
2014	2,503	39,949,825	15,961	-5.18%	227	11.0:1	9.2:1	12.0:1	11.2:1	11.3:1	2,509	2,410	3.81%	96.05%
2015	2,524	44,367,335	17,578	10.13%	235	9.2:1	9.9:1	11.0:1	10.0:1	10.9:1	2,528	2,424	0.76%	95.89%
2016	2,565	46,073,494	17,962	2.19%	244	9.8:1	9.6:1	11.1:1	11.9:1	11.2:1	2,568	2,464	1.58%	95.95%

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

b - Cost per pupil is the sum of operating expenditures divided by enrollment. This cost per pupil and may be different from other cost per pupil calculations.

c - Teaching staff includes only full-time equivalents of certificated staff.

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

Note: Enrollment based on annual October District count.

Source: Borough of Madison School District records.

BOROUGH OF MADISON SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>District Building</u>										
Green Village Road School (1948)*										
Square Feet	26,159	26,159	26,159	26,159	26,159	26,159	26,159	26,159	26,159	*
Central Avenue School (1910)										
Square Feet	49,577	49,577	49,577	62,109	62,109	62,109	62,109	62,109	62,109	62,109
Capacity (students)	441	441	441	600	600	600	600	600	600	600
Enrollment	480	507	450	487	516	485	501	505	480	488
Kings Road School (1948)										
Square Feet	35,132	35,132	35,132	44,772	44,772	44,772	44,772	44,772	44,772	44,772
Capacity (students)	285	285	285	300	300	300	300	300	300	300
Enrollment	313	296	218	243	251	277	290	281	286	286
Torey J. Sabatini School (1969)										
Square Feet	41,373	41,373	41,373	53,964	53,964	53,964	53,964	53,964	53,964	53,964
Capacity (students)	303	303	303	350	350	350	350	350	350	350
Enrollment	329	310	261	262	275	301	313	333	343	337
Madison Junior School (1926)										
Square Feet	77,671	77,671	77,671	98,476	98,476	98,476	98,476	98,476	98,476	98,476
Capacity (students)	458	458	458	600	600	600	600	600	600	600
Enrollment	348	344	504	531	538	547	536	548	589	610
Madison High School (1958)										
Square Feet	133,959	133,959	133,959	151,810	151,810	151,810	151,810	151,810	151,810	151,810
Capacity (students)	725	725	725	950	950	950	950	950	950	950
Enrollment	760	772	745	752	783	788	809	836	826	844
Board Office										
Square Feet	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Number of Schools at June 30, 2016										
Elementary = 3										
Middle School = 1										
High School = 1										
Other = 0										

* - The sale of the Green Village Road School was completed during the 2015-16 fiscal year.

Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October District count.

Source: Borough of Madison School District Board Office.

BOROUGH OF MADISON SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

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

<u>School Facilities*</u>	Project # (s)	Fiscal Year Ended June 30,				
		2007	2008	2009	2010	2011
Central Avenue	N/A	\$ 153,659	\$ 184,611	\$ 190,538	\$ 171,947	\$ 107,515
Kings Road	N/A	118,163	122,156	134,765	112,964	109,838
Torey J. Sabatini	N/A	111,375	119,505	160,136	137,849	111,560
Junior School	N/A	175,873	216,637	307,020	255,381	187,384
High School	N/A	416,010	500,231	484,002	399,895	278,990
Total School Facilities		<u>975,080</u>	<u>1,143,140</u>	<u>1,276,461</u>	<u>1,078,036</u>	<u>795,287</u>
Grand Total		<u>\$ 975,080</u>	<u>\$ 1,143,140</u>	<u>\$ 1,276,461</u>	<u>\$ 1,078,036</u>	<u>\$ 795,287</u>

<u>School Facilities*</u>	Project # (s)	Fiscal Year Ended June 30,				
		2012	2013	2014	2015	2016
Central Avenue	N/A	\$ 147,287	\$ 135,480	\$ 109,524	\$ 200,355	\$ 279,273
Kings Road	N/A	113,441	97,887	79,133	144,760	201,779
Torey J. Sabatini	N/A	127,975	117,715	95,163	174,083	242,653
Junior School	N/A	233,629	214,884	173,716	317,782	442,952
High School	N/A	362,745	331,254	267,790	489,875	682,831
Total School Facilities		<u>985,077</u>	<u>897,220</u>	<u>725,326</u>	<u>1,326,855</u>	<u>1,849,488</u>
Grand Total		<u>\$ 985,077</u>	<u>\$ 897,220</u>	<u>\$ 725,326</u>	<u>\$ 1,326,855</u>	<u>\$ 1,849,488</u>

N/A - Not Applicable.

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

Exhibit J-20

BOROUGH OF MADISON SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package Policy - School Alliance Insurance Fund:		
<u>PROPERTY SECTION:</u>		
Blanket Building and Contents (fund limit)	\$ 250,000,000	\$ 2,500
Accounts Receivable	2,500,000	2,500
Automobile Physical Damage	In Blanket Limit	1,000
Builders Risk	25,000,000	2,500
Electronic Data Processing Equipment	In Blanket Limit	2,500
<u>LIABILITY SECTION:</u>		
Comprehensive General Liability	5,000,000	
Automobile Liability	5,000,000	
Employee Benefit Liability	5,000,000	1,000
<u>EXCESS LIABILITY:</u>		
Excludes School Board Legal Liability	5,000,000	
<u>CRIME:</u>		
Blanket Employee Dishonesty	100,000	1,000
Per Loss Aggregate Limit	400,000	
Forgery	50,000	1,000
Theft/Disappearance/Destruction:		
Inside	50,000	1,000
Outside	50,000	1,000
Chartis:		
<u>SCHOOL BOARD LEGAL LIABILITY</u>	5,000,000	10,000
<u>EXCESS SCHOOL BOARD LEGAL LIABILITY</u>	5,000,000	
ACE American Insurance Company:		
<u>ENVIRONMENTAL IMPAIRMENT LIABILITY:</u>		
Limit of Liability:		
Incident	1,000,000	10,000
Fund Annual Aggregate	25,000,000	
Morris Essex Insurance Group:		
<u>WORKERS' COMPENSATION:</u>		
(a) Statutory Benefits	Included	
(a) Employer's Liability	5,000,000	
Supplemental Coverage (optional)	Included	
Selective Insurance Company:		
Public Employees' Faithful Performance Blanket Position Bond -		
School Business Administrator/Board Secretary	250,000	
Treasurer	265,000	
Accountant	25,000	

Source: Borough of Madison School District records.

SINGLE AUDIT SECTION



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

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Madison School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 18, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

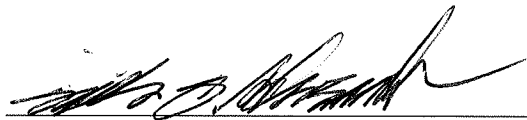
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of this Report

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

Mount Arlington, New Jersey
October 18, 2016

NISIVOCCIA LLP



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



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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Borough of Madison School District's (the "District'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 District's major federal and state programs for the fiscal year ended June 30, 2016. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

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

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

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

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

Mount Arlington, New Jersey
October 18, 2016

NISIVOCCIA LLP



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

BOROUGH OF MADISON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at	Cash	Budgetary	Balance at June 30, 2016		Amount Provided to Subrecipients
			From	To		June 30, 2015 Unearned Revenue/ (Accounts Receivable)			Received	Expenditures	
U.S. Department of Agriculture -											
Passed-through State Department of Agriculture:											
Child Nutrition Cluster:											
National School Lunch Program	10.555	N/A	7/1/15	6/30/16	\$ 78,278		\$ 64,169	\$ (78,278)	\$ (14,109)		
National School Lunch Program	10.555	N/A	7/1/14	6/30/15	82,629	\$ (6,191)	6,191				
Special Milk Program	10.556	N/A	7/1/15	6/30/16	555		456	(555)	(99)		
Special Milk Program	10.556	N/A	7/1/14	6/30/15	510	(32)	32				
Federal Food Distribution Program	10.555	N/A	7/1/15	6/30/16	34,090		34,090	(34,090)			
Subtotal Child Nutrition Cluster						(6,223)	104,938	(112,923)	(14,208)		
Total Enterprise Fund						(6,223)	104,938	(112,923)	(14,208)		
Total U.S. Department of Agriculture						(6,223)	104,938	(112,923)	(14,208)		
U.S. Department of Education -											
Passed-through State Department of Education:											
Special Revenue Fund:											
Special Education Cluster:											
I.D.E.A. Part B, Basic Regular	84.027	IDEA-2870-16	7/1/15	6/30/16	672,644		523,186	(598,008)	(74,822)		
I.D.E.A. Part B, Basic Regular	84.027	IDEA-2870-15	7/1/14	6/30/15	605,282	(36,705)	36,705				
I.D.E.A. Part B, Preschool	84.173	IDEA-2870-16	7/1/15	6/30/16	20,996		9,030	(20,996)	(11,966)		
I.D.E.A. Part B, Preschool	84.173	IDEA-2870-15	7/1/14	6/30/15	20,842	(13,683)	13,683				
Subtotal Special Education Cluster						(50,388)	582,604	(619,004)	(86,788)		
No Child Left Behind:											
Title I - Part A	84.010A	NCLB-2870-16	7/1/15	6/30/16	66,182		48,733	(57,690)	(8,957)		
Title I - Part A	84.010A	NCLB-2870-15	7/1/14	6/30/15	75,471	(3,660)	3,660				
Title II	84.367A	NCLB-2870-16	7/1/15	6/30/16	47,469		17,411	(35,540)	(18,129)		
Title II	84.367A	NCLB-2870-15	7/1/14	6/30/15	42,805	(11,927)	11,927				
Title III	84.365A	NCLB-2870-16	7/1/15	6/30/16	19,608		6,959	(12,479)	(5,520)		
Title III	84.365A	NCLB-2870-15	7/1/14	6/30/15	16,550	(2,331)	2,331				
Title III - Immigrant	84.365A	NCLB-2870-16	7/1/15	6/30/16	11,727		6,038	(8,090)	(2,052)		
Title III - Immigrant	84.365A	NCLB-2870-15	7/1/14	6/30/15	22,490	(1,083)	1,083				
Investing in Innovation Fund (I3) - Reading Recovery	84.411C	N/A	7/1/13	6/30/16	3,162	1,704		(1,704)			
Total Special Revenue Fund						(67,685)	680,746	(734,507)	(121,446)		
Total U.S. Department of Education						(67,685)	688,844	(734,507)	(128,205)		

N/A - Not Applicable/Available.

BOROUGH OF MADISON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at	Cash	Budgetary	Balance at June 30, 2016		Amount Provided to Subrecipients
			From	To		Unearned Revenue/ (Accounts Receivable)			(Accounts Receivable)	Unearned Revenue	
U.S. Department of Health and Human Services - Passed-through State Department of Human Services:											
General Fund:											
Medical Assistance Program - (SEMI)	93.778	N/A	7/1/15	6/30/16	\$ 14,857		\$ 8,098	\$ (14,857)	\$ (6,759)		
Total General Fund							8,098	(14,857)	(6,759)		
Total U.S. Department of Health and Human Services							8,098	(14,857)	(6,759)		
TOTAL FEDERAL AWARDS						\$ (73,908)	\$ 801,880	\$ (862,287)	\$ (149,172)	\$ -0-	\$ -0-

N/A - Not Applicable/Available.

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

BOROUGH OF MADISON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2015			Repayment of Balances	Balance at June 30, 2016		MEMO				
		From	To		Budgetary Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received		Budgetary Expenditures	GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures		
State Department of Education:															
General Fund:															
Special Education Categorical Aid	16-495-034-5120-089	7/1/15	6/30/16	\$ 849,970				\$ 771,714	\$ (849,970)		\$ 78,256	\$ 849,970			
Special Education Categorical Aid	15-495-034-5120-089	7/1/14	6/30/15	849,970	\$ (77,299)			77,299							
Security Aid	16-495-034-5120-084	7/1/15	6/30/16	37,986				34,488	(37,986)		3,498	37,986			
Security Aid	15-495-034-5120-084	7/1/14	6/30/15	37,986	(3,455)			3,455							
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15	6/30/16	23,800				21,609	(23,800)		2,191	23,800			
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14	6/30/15	23,800	(2,164)			2,164							
PARCC Readiness Aid	16-495-034-5120-098	7/1/15	6/30/16	23,800				21,609	(23,800)		2,191	23,800			
PARCC Readiness Aid	15-495-034-5120-098	7/1/14	6/30/15	23,800	(2,164)			2,164							
Transportation Aid	16-495-034-5120-014	7/1/15	6/30/16	52,188				47,383	(52,188)		4,805	52,188			
Transportation Aid	15-495-034-5120-014	7/1/14	6/30/15	52,188	(4,746)			4,746							
Extraordinary Special Education Costs Aid	16-495-034-5120-044	7/1/15	6/30/16	53,246					(53,246)	\$ (53,246)	53,246	53,246			
Extraordinary Special Education Costs Aid	15-495-034-5120-044	7/1/14	6/30/15	113,783	(113,783)			113,783							
Nonpublic School Transportation Costs	16-495-034-5120-014	7/1/15	6/30/16	33,130					(33,130)		33,130	33,130			
Nonpublic School Transportation Costs	15-495-034-5120-014	7/1/14	6/30/15	24,819	(24,819)			24,819							
Reimbursed TPAF Social Security Aid	16-495-034-5094-003	7/1/15	6/30/16	1,420,311				1,279,052	(1,420,311)		141,259	1,420,311			
Reimbursed TPAF Social Security Aid	15-495-034-5094-003	7/1/14	6/30/15	1,404,845	(138,201)			138,201							
Total General Fund State Aid															
					(366,631)			2,542,486	(2,494,431)		(227,635)	318,576	2,494,431		
Special Revenue Fund:															
NJ Nonpublic Aid:															
Textbook Aid (Chapter 194)	16-100-034-5120-064	7/1/15	6/30/16	23,696				23,696	(23,696)			23,696			
Nursing Services (Chapter 226)	16-100-034-5120-070	7/1/15	6/30/16	37,350				37,350	(37,350)			37,350			
Technology Initiative	16-100-034-5120-373	7/1/15	6/30/16	10,790				10,790	(10,790)			10,790			
Security Aid	16-100-034-5120-509	7/1/15	6/30/16	10,375				10,375	(10,375)			10,375			
Auxiliary Services (Chapter 192):															
Compensatory Education	16-100-034-5120-067	7/1/15	6/30/16	11,844				11,844	(10,152)	\$ 1,692		10,152			
Home Instruction	16-100-034-5120-067	7/1/15	6/30/16	138					(138)	(138)	138	138			
Handicapped Services (Chapter 193):															
Supplementary Instruction	16-100-034-5120-066	7/1/15	6/30/16	19,307				19,307	(14,959)		4,348	14,959			
Supplementary Instruction	15-100-034-5120-066	7/1/14	6/30/15	17,577		\$ 627			(627)						
Examination and Classification	16-100-034-5120-066	7/1/15	6/30/16	31,025				31,025	(21,401)		9,624	21,401			
Examination and Classification	15-100-034-5120-066	7/1/14	6/30/15	43,218		7,559			(7,559)						
Corrective Speech	16-100-034-5120-066	7/1/15	6/30/16	25,918				25,918	(15,049)		10,869	15,049			
Corrective Speech	15-100-034-5120-066	7/1/14	6/30/15	24,738		5,919			(5,919)						
Total Special Revenue Fund								14,105	170,305	(143,910)	(14,105)	(138)	26,533	138	143,910
Debt Service Fund:															
Debt Service Aid - State Support	16-495-034-5120-017	7/1/15	6/30/16	546,245				546,245	(546,245)				546,245		
Total Debt Service Fund								546,245	(546,245)					546,245	

BOROUGH OF MADISON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2015			Repayment of Balances	Balance at June 30, 2016		MEMO		
		From	To		Budgetary Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received		Budgetary Expenditures	GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:													
Enterprise Fund:													
State School Lunch Program	16-100-010-3350-023	7/1/15	6/30/16	\$ 4,328			\$ 3,566	\$ (4,328)		\$ (762)	\$ 762	\$ 4,328	
State School Lunch Program	15-100-010-3350-023	7/1/14	6/30/15	4,321	\$ (325)		325						
State School Lunch Program - Supplemental	15-100-010-3350-023	7/1/14	6/30/15	131	(131)		131						
Total Enterprise Fund					(456)		4,022	(4,328)		(762)	762	4,328	
Total State Department of Education					(367,087)	\$ 14,105	3,263,058	(3,188,914)	\$ (14,105)	(228,535)	\$ 26,533	319,476	3,188,914
Schools Development Authority:													
Capital Projects Fund:													
Educational Facilities Construction & Financing Act:													
Madison High School	2870-050-14-1001	6/27/14	6/30/16	160,960	160,960						160,960		
Torey J. Sabatini Elementary School	2870-110-14-1002	6/27/14	6/30/16	201,376	201,376						201,376		
Kings Road Elementary School	2870-080-14-1006	6/27/14	6/30/16	194,240	194,240						194,240		
Total Capital Projects Fund					556,576						556,576		
Total Schools Development Authority					556,576						556,576		
TOTAL STATE AWARDS					\$ 189,489	\$ 14,105	\$ 3,263,058	\$ (3,188,914)	\$ (14,105)	\$ (228,535)	\$ 26,533	\$ 876,052	\$ 3,188,914

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Borough of Madison School District under programs of the federal and state governments for the fiscal year ended June 30, 2016. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(1,113) for the general fund and \$30,838 for the special revenue fund (which does not include current year local grant encumbrances of \$40,469). See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Post-Retirement Medical Benefit and Pension Contributions revenue of \$1,813,865 and \$1,523,329, respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 14,857	\$ 5,830,512	\$ 5,845,369
Special Revenue Fund	703,669	143,910	847,579
Debt Service Fund		546,245	546,245
Proprietary Fund	<u>112,923</u>	<u>4,328</u>	<u>117,251</u>
Total Financial Assistance	<u>\$ 831,449</u>	<u>\$6,524,995</u>	<u>\$ 7,356,444</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2016. Revenue and expenditures reported under the Federal Food Distribution Program represent current fiscal year value received and current fiscal year distributions, respectively.

NOTE 7. NJ SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANTS

The District has active grants awarded in the amount of \$556,576 from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2016, \$-0- has been expended and drawn down and \$-0- has been received. The District realizes grant revenue in the Capital Projects Fund on the GAAP basis as it is expended and submitted for reimbursement.

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

Summary of Auditors' Results:

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

<u>State:</u>	State Grant Number/ C.F.D.A. Number	Grant Period	Award Amount	Budgetary Expenditures
Special Education Categorical Aid	16-495-034-5120-089	7/1/15-6/30/16	\$ 849,970	\$ 849,970
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	37,986	37,986
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	23,800	23,800
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	23,800	23,800

Federal:

Special Education Cluster:

I.D.E.A. Part B:

Basic Regular	84.027	7/1/15-6/30/16	672,644	598,008
Preschool	84.173	7/1/15-6/30/16	20,996	20,996

- The threshold used for distinguishing between both state and federal Type A and Type B programs was \$750,000.
- The single audit threshold identified in the Uniform Guidance and New Jersey's OMB Circular 15-08 was \$750,000.
- The District was determined to be a "low-risk" auditee for both state and federal programs.

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

(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in 2 CFR 200.516(a) of the Uniform Guidance.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

BOROUGH OF MADISON SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Status of Prior Fiscal Year Findings:

The District had no prior fiscal year audit findings.