

**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, 2018**

**Comprehensive Annual  
Financial Report**

**of the**

**Borough of Madison School District**

**Madison, New Jersey**

**For the Fiscal Year Ended June 30, 2018**

**Prepared by**

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

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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

Mark Schwarz  
Superintendent

Gary S. Lane  
Business Administrator/  
Board Secretary

January 18, 2019

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, 2018, 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 2017-2018 fiscal year with an average daily enrollment of 2,620 students, which is an increase of 13 students from the previous fiscal year's average daily enrollment. This increase was preceded by a 39 student increase in the average daily enrollment in the 2016-2017 fiscal year.

2) ECONOMIC CONDITION AND OUTLOOK: While the state has made advances in increasing aid, (the district received \$1.1 million in state aid in 2017-18), the district continues to feel the impact of the loss of 100% of state aid (\$1.6 million) in 2010-11. The District continues to work within the budget guidelines and struggles to stay within the state's 2% cap and historically has used banked CAP when available to help the district move forward. Unfortunately, the district will not have Banked CAP available for use in 2019-20.

3) MAJOR INITIATIVES: The District continues to build upon the programs currently in place and is moving forward as best we are able. The district reviews and updates curriculum regularly.

The district has been as fiscally conservative as possible yet has managed to be as financially supportive as possible to the needs of the district. The district has been able to meet or exceed revenue goals and make budgetary decisions that provide spending below the original budgeted plan. As such, the district has been able to annually put monies into the both the Capital and Maintenance Reserve Accounts. This district has, among other improvements, improved security, made dramatic improvements to both the Junior School & High School Auditoriums, renovated a field at the Kings Road School and provided re-pavement projects at Central Avenue School. The district is currently scheduling a replacement of the wheelchair lift at the High School, additional security upgrades, upgrading the technology infrastructure/platform and construction/renovations at the High School for team & physical education locker rooms and other facility improvements.

The district has moved forward with STEM (*Science, Technology, Engineering & Math*) improvements completing the Junior School project in the summer of 2018 and having an anticipated completion timeline of the fall of 2018 for the High School.

The district has also just recently committed to establishing full-day kindergarten for the 2019-20 school year.

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.

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, 2018.

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.

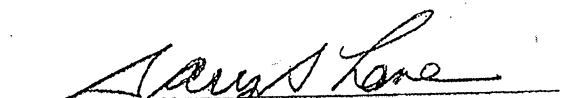
The Board is a member of the Morris Essex Insurance Group (the "Group") and the School Alliance Insurance Fund (the "Fund"). The Group and the Fund are risk-sharing public entity risk pools that are insured and self-administered groups of school boards established for the purpose of providing low-cost 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.

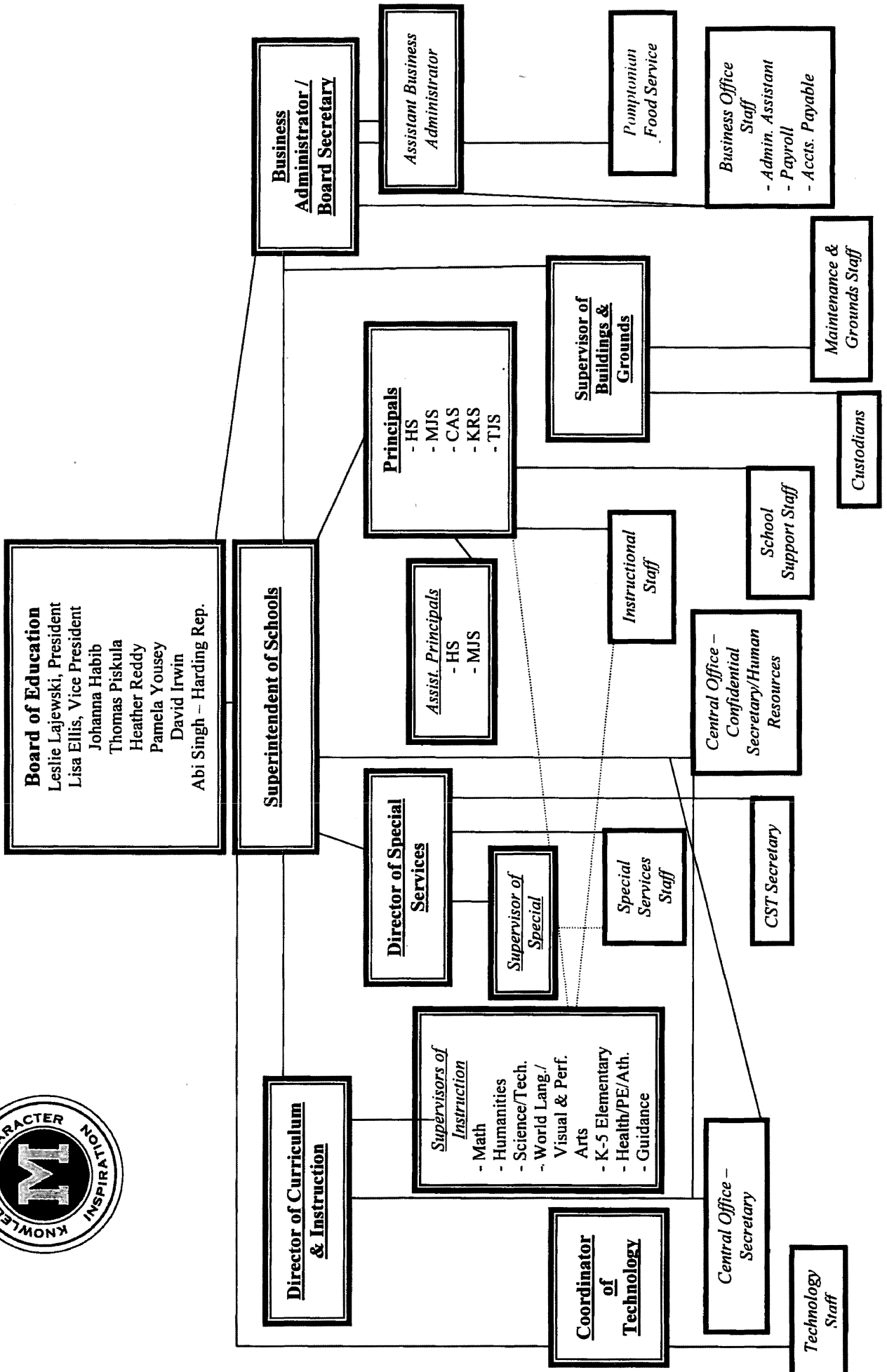
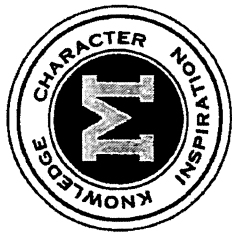
The Honorable President and Members of  
the Board of Education  
Borough of Madison School District  
Page 4  
January 18, 2019

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  
School Business Administrator/Board Secretary

**Madison Public School District**  
Organizational Chart Overview 2017-2018



**BOROUGH OF MADISON SCHOOL DISTRICT  
 ROSTER OF OFFICIALS  
 JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Leslie Lajewski, President	2019
Lisa Ellis, Vice-President	2018
Johanna Habib	2019
David Irwin	2020
Thomas Piskula	2018
Heather Reddy	2020
Pamela Yousey	2020
Abi Singh, Harding Township Representative	

Other Officials

Title

Mark Schwarz	Superintendent of Schools (from 8/14/17)
Dr. Richard Noonon	Interim Superintendent of Schools (from 8/1/17 to 8/13/17)
Dr. Thomas Ficcaro	Interim Superintendent of Schools (until 7/31/17)
Gary S. Lane	School Business Administrator/Board Secretary
Abigail E. Kutz	Treasurer of School Monies



**BOROUGH OF MADISON SCHOOL DISTRICT  
Consultants and Advisors**

**Attorneys**

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P.O. Box 1997  
Morristown, NJ 07960

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Oakland, NJ 07436

**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**

## 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 Board of Education of the Borough of Madison School District in the County of Morris, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Madison School District, in the County of Morris, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 10 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, which follows this report, the pension and post-employment benefits schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying 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 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.

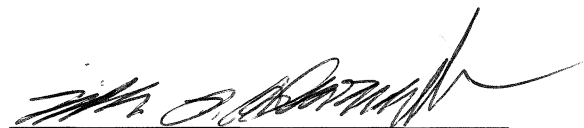
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019 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  
January 18, 2019

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, 2018  
(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, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

**Overview of the Financial Statements**

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

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as the food service, integrated preschool, kindergarten wrap-around and summer 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, 2018  
(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**

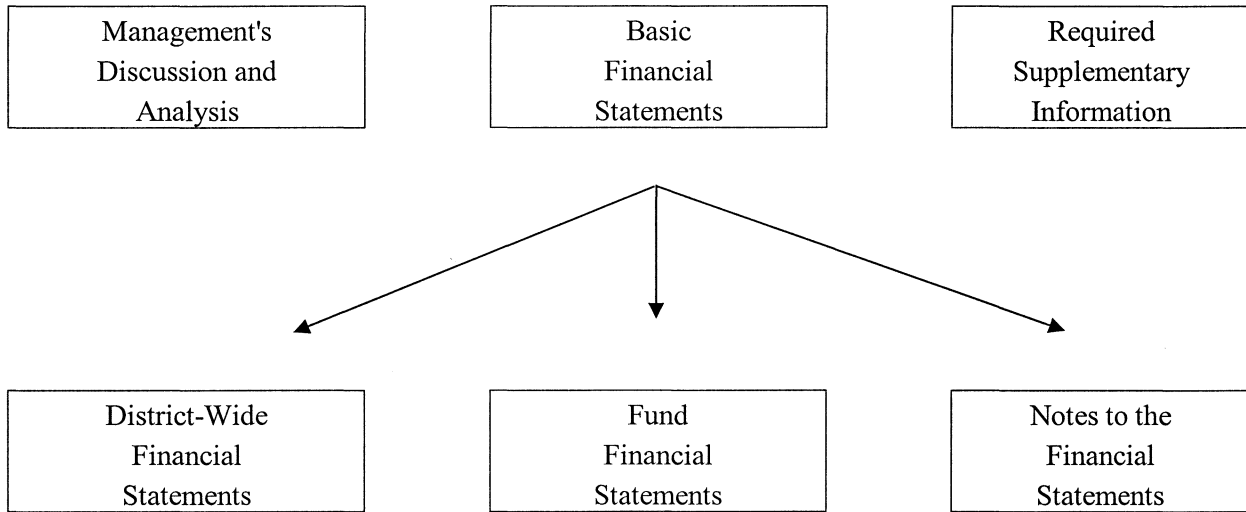


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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



**BOROUGH OF MADISON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(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, kindergarten wrap-around and summer programs	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the 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, 2018  
(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, kindergarten wrap-around and summer 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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(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 decreased by 7.08%. Net position from governmental activities decreased \$1,514,796 and net position from business-type activities increased by \$213,223. Net investment in capital assets increased by \$3,844,317, restricted net position decreased by \$6,266,038, and unrestricted net position (deficit) increased by \$1,120,148.

**Figure A-3**

**Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2017/18	(Restated) 2016/17	2017/18	2016/17	2017/18	(Restated) 2016/17	
Current and Other Assets	\$ 10,050,548	\$ 14,734,603	\$ 1,088,144	\$ 816,652	\$ 11,138,692	\$ 15,551,255	
Capital Assets, Net	52,279,693	49,617,002	58,360	65,626	52,338,053	49,682,628	
Total Assets	62,330,241	64,351,605	1,146,504	882,278	63,476,745	65,233,883	-2.69%
Deferred Outflows of Resources	8,617,715	9,224,959			8,617,715	9,224,959	-6.58%
Other Liabilities	1,134,702	1,057,659	163,936	112,933	1,298,638	1,170,592	
Long-Term Liabilities	51,019,533	54,900,337			51,019,533	54,900,337	
Total Liabilities	52,154,235	55,957,996	163,936	112,933	52,318,171	56,070,929	-6.69%
Deferred Inflows of Resources	2,689,949				2,689,949		100.00%
Net Position:							
Net Investment in Capital Assets	20,162,837	16,311,254	58,360	65,626	20,221,197	16,376,880	
Restricted	5,301,619	11,567,657			5,301,619	11,567,657	
Unrestricted (Deficit)	(9,360,684)	(10,260,343)	924,208	703,719	(8,436,476)	(9,556,624)	
Total Net Position	\$ 16,103,772	\$ 17,618,568	\$ 982,568	\$ 769,345	\$ 17,086,340	\$ 18,387,913	-7.08%

*Changes in Net Position.* The District's combined net position was \$17,086,340 on June 30, 2018, \$1,301,573 or 7.08% less than it was last fiscal year (See Figure A-3). Net Investment in Capital Assets increased due to the current year maturity of serial bonds payable of \$1,405,000, as well as current year capital assets additions (net of deletions) of \$4,345,593 offset by current year depreciation expense of \$1,690,168 and a net decrease in deferred amount on refunding of \$216,108. Restricted net position decreased due to the net decrease in Capital Reserve of \$6,206,776, the net decrease in Maintenance Reserve of \$34,409 and a decrease in Debt Service Fund fund balance of \$24,853.

**BOROUGH OF MADISON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

Unrestricted net position increased due to a net decrease in compensated absences of \$18,059, a decrease in accrued interest of \$2,521, an increase in Capital Projects committed fund balance of \$1,500,533, a decrease in unamortized bond issuance premium of \$171,883, a \$72,286 net increase in unassigned and assigned (including encumbrances) General Fund fund balance, an increase in the change in pension proportion of \$571,189, a \$23,819 change in the difference between expected and actual pension experience, a decrease in net pension liability of \$2,285,862 and an increase of \$220,489 in business-type activities; offset by a decrease in changes in pension assumptions of \$3,239,589 and a change in the difference between projected and actual earnings in pension investments of \$506,904.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,865,312	\$ 1,854,377	\$ 1,004,358	\$ 999,008	\$ 2,869,670	\$ 2,853,385	
Grants and Contributions:							
Operating	18,133,228	16,482,287	107,366	110,856	18,240,594	16,593,143	
Capital		343,102				343,102	
General Revenue:							
Property Taxes	41,586,031	41,043,681			41,586,031	41,043,681	
Unrestricted State and Federal Aid	658,667	592,828			658,667	592,828	
Other	285,564	433,653			285,564	433,653	
Total Revenue	<u>62,528,802</u>	<u>60,749,928</u>	<u>1,111,724</u>	<u>1,109,864</u>	<u>63,640,526</u>	<u>61,859,792</u>	2.88%
Expenses:							
Instruction	38,582,125	34,961,865			38,582,125	34,961,865	
Pupil and Instruction Services	12,254,862	11,667,940			12,254,862	11,667,940	
Administrative and Business	5,260,869	5,027,962			5,260,869	5,027,962	
Maintenance and Operations	5,284,412	4,914,974			5,284,412	4,914,974	
Transportation	1,353,378	1,254,338			1,353,378	1,254,338	
Other	1,307,952	2,700,727	898,501	894,827	2,206,453	3,595,554	
Total Expenses	<u>64,043,598</u>	<u>60,527,806</u>	<u>898,501</u>	<u>894,827</u>	<u>64,942,099</u>	<u>61,422,633</u>	5.73%
Increase/(Decrease) in Net Position	<u>\$ (1,514,796)</u>	<u>\$ 222,122</u>	<u>\$ 213,223</u>	<u>\$ 215,037</u>	<u>\$ (1,301,573)</u>	<u>\$ 437,159</u>	-397.73%

**BOROUGH OF MADISON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

**Governmental Activities**

As discussed elsewhere in this commentary, the financial position of the District declined slightly. 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.

It is crucial that the District examine its expenses carefully. Staff, parental and student demands for salary increases, activities, small class sizes and programs must be evaluated thoroughly. District resources are at their tightest level in a decade. Figure A-7 presents the cost of seven major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, capital outlay and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

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

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

	Total Cost of Services		Net Cost of Services	
	2017/2018	2016/2017	2017/2018	2016/2017
Instruction	\$ 38,582,125	\$ 34,961,865	\$ 22,794,388	\$ 18,607,815
Pupil and Instruction Services	12,254,862	11,667,940	9,153,872	9,951,393
Administrative and Business	5,260,869	5,027,962	4,271,819	4,806,290
Maintenance and Operations	5,284,412	4,914,974	5,284,412	4,571,872
Transportation	1,353,378	1,254,338	1,232,615	1,209,943
Other	1,307,952	2,700,727	1,307,952	2,700,727
	<u>\$ 64,043,598</u>	<u>\$ 60,527,806</u>	<u>\$ 44,045,058</u>	<u>\$ 41,848,040</u>

**BOROUGH OF MADISON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

**Business-Type Activities**

Net position from the District's business-type activities increased by \$213,223, comprised of a \$204,768 net excess of revenue over expenses related to the kindergarten wrap-around program due to an increase in participation (Refer to Figure A-4).

**Financial Analysis of the District's Funds**

The District's financial position declined because 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 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 Long-Term Liabilities**

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

	Governmental Activities		Business-Type		Total School District		Total Percentage Change 2017/18
	2017/18	(Restated) 2016/17	2017/18	2016/17	2017/18	(Restated) 2016/17	
Land	\$ 9,072,600	\$ 9,072,600			\$ 9,072,600	\$ 9,072,600	
Land Improvements	919,465	1,022,339			919,465	1,022,339	
Buildings and Building Improvements	41,785,925	38,738,236			41,785,925	38,738,236	
Machinery and Equipment	501,703	783,827	\$58,360	\$65,626	560,063	849,453	
<b>Total Capital Assets (Net of Depreciation)</b>	<b>\$52,279,693</b>	<b>\$49,617,002</b>	<b>\$58,360</b>	<b>\$65,626</b>	<b>\$52,338,053</b>	<b>\$49,682,628</b>	<b>5.34%</b>

The District's overall capital assets, net of depreciation, increased by \$2,655,425 or 5.34% from the prior fiscal year. (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, 2018  
(UNAUDITED)**

**Long-term Liabilities**

The District's long-term liabilities decreased by \$3,880,804 or 7.07% 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-7  
Outstanding Long-Term Liabilities**

	Total School District		Total Percentage Change 2017/18
	2017/18	2016/17	
General Obligation Bonds (Financed with Property Taxes)	\$ 35,495,000	\$ 36,900,000	
Unamortized Bond Issuance Premium	1,518,672	1,690,555	
Net Pension Liability	13,401,035	15,686,897	
Other Long-Term Liabilities	604,826	622,885	
	<u>\$ 51,019,533</u>	<u>\$ 54,900,337</u>	-7.07%

- The District continued to pay down its debt, retiring \$1,405,000 of outstanding bonds.
- The District's net pension liability decreased by \$2,285,862.
- Unamortized bond issuance premiums decreased by the net amount of \$171,883.
- The District's other long-term liabilities at June 30, 2018 is comprised of compensated absences payable which decreased by a net amount of \$18,059.

**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 flowing four 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 or enhanced state aid assistance on the horizon. Even after conducting a Special Needs Evaluation, 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.
- The uncertainty of additional State mandates and the State's fiscal instability.

**BOROUGH OF MADISON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(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](http://www.madisonpublicschools.org).



**BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

BOROUGH OF MADISON SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 4,436,373	\$ 1,068,423	\$ 5,504,796
Receivables from State Government	189,448	576	190,024
Receivables from Federal Government	95,650	9,915	105,565
Other Receivables	27,459	3,150	30,609
Inventories		6,080	6,080
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	4,341,853		4,341,853
Maintenance Reserve - Cash and Cash Equivalents	959,765		959,765
Capital Assets, Net:			
Sites (Land)	9,072,600		9,072,600
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	43,207,093	58,360	43,265,453
Total Assets	<u>62,330,241</u>	<u>1,146,504</u>	<u>63,476,745</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Amount on Refunding	3,378,144		3,378,144
Changes in Assumptions - Pensions	2,699,847		2,699,847
Changes in Proportion - Pensions	1,522,524		1,522,524
Difference between Expected and Actual Experience - Pensions	315,548		315,548
Difference between Projected and Actual Earnings on Investments - Pensions	91,252		91,252
District Contribution Subsequent to the Measurement Date - Pensions	610,400		610,400
Total Deferred Outflows of Resources	<u>8,617,715</u>		<u>8,617,715</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	974,209	7,156	981,365
Accrued Interest Payable	120,268		120,268
Payable to Federal Government	25,401		25,401
Payable to State Government	14,824		14,824
Unearned Revenue		156,780	156,780
Noncurrent Liabilities:			
Due Within One Year	1,559,558		1,559,558
Due Beyond One Year	49,459,975		49,459,975
Total Liabilities	<u>52,154,235</u>	<u>163,936</u>	<u>52,318,171</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Changes in Assumptions - Pensions	2,689,949		2,689,949
Total Deferred Inflows of Resources	<u>2,689,949</u>		<u>2,689,949</u>
<u>NET POSITION/(DEFICIT)</u>			
Net Investment in Capital Assets	20,162,837	58,360	20,221,197
Restricted for:			
Capital Projects	4,341,853		4,341,853
Debt Service	1		1
Maintenance Reserve	959,765		959,765
Unrestricted/(Deficit)	<u>(9,360,684)</u>	<u>924,208</u>	<u>(8,436,476)</u>
Total Net Position	<u>\$ 16,103,772</u>	<u>\$ 982,568</u>	<u>\$ 17,086,340</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, 2018

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	\$ 29,009,506	\$ 1,600,000	\$ 10,179,298	\$ (17,230,208)		\$ (17,230,208)
Special Education	6,779,627	155,262	3,364,238	(3,260,127)		(3,260,127)
Other Special Instruction	1,251,166		391,759	(859,407)		(859,407)
School Sponsored/Other Instruction	1,541,826	97,180		(1,444,646)		(1,444,646)
Support Services:						
Tuition	1,975,166		459,203	(1,515,963)		(1,515,963)
Student and Instruction Related Services	10,279,696		2,641,787	(7,637,909)		(7,637,909)
General Administrative Services	1,359,652		135,114	(1,224,538)		(1,224,538)
School Administrative Services	2,644,749		710,333	(1,934,416)		(1,934,416)
Central Services	923,069		143,603	(779,466)		(779,466)
Administrative Information Technology	333,399			(333,399)		(333,399)
Plant Operations and Maintenance	5,284,412			(5,284,412)		(5,284,412)
Pupil Transportation	1,353,378	12,870	107,893	(1,232,615)		(1,232,615)
Transfer of Funds to Charter School	35,227			(35,227)		(35,227)
Interest on Long-Term Debt	1,272,725			(1,272,725)		(1,272,725)
Total Governmental Activities	64,043,598	1,865,312	18,133,228	(44,045,058)		(44,045,058)
Business-Type Activities:						
Food Service	655,069	555,058	107,366		\$ 7,355	7,355
Kindergarten Wrap Around	243,432	448,200			204,768	204,768
Integrated Preschool		1,100			1,100	1,100
Total Business-Type Activities	898,501	1,004,358	107,366		213,223	213,223
Total Primary Government	\$ 64,942,099	\$ 2,869,670	\$ 18,240,594	(44,045,058)	213,223	(43,831,835)

BOROUGH OF MADISON SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net	\$ 39,515,574		\$ 39,515,574
Taxes Levied for Debt Service	2,070,457		2,070,457
Federal, State and Local Aid not Restricted	658,667		658,667
Interest Earnings	95,291		95,291
Miscellaneous Income	190,273		190,273
Total General Revenues	42,530,262		42,530,262
Change in Net Position	(1,514,796)	\$ 213,223	(1,301,573)
Net Position - Beginning (Restated)	17,618,568	769,345	18,387,913
Net Position - Ending	\$ 16,103,772	\$ 982,568	\$ 17,086,340

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

**FUND FINANCIAL STATEMENTS**

BOROUGH OF MADISON SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,935,603		\$ 1,500,769	\$ 1	\$ 4,436,373
Interfund Receivable	20,597				20,597
Receivables From State Government	189,448				189,448
Receivables From Federal Government		\$ 95,650			95,650
Other Accounts Receivables		27,459			27,459
Restricted Cash and Cash Equivalents	<u>5,301,618</u>				<u>5,301,618</u>
<b>Total Assets</b>	<u>\$ 8,447,266</u>	<u>\$ 123,109</u>	<u>\$ 1,500,769</u>	<u>\$ 1</u>	<u>\$ 10,071,145</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Interfund Payable		\$ 20,597			\$ 20,597
Accounts Payable	\$ 301,286	62,287	\$ 236		363,809
Payable to Federal Government		25,401			25,401
Payable to State Government		<u>14,824</u>			<u>14,824</u>
<b>Total Liabilities</b>	<u>301,286</u>	<u>123,109</u>	<u>236</u>		<u>424,631</u>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Capital Reserve Account	4,341,853				4,341,853
Maintenance Reserve Account	959,765				959,765
Debt Service				\$ 1	1
<b>Committed:</b>					
Capital Projects			1,500,533		1,500,533
<b>Assigned:</b>					
Designated for Subsequent Year's Expenditures	150,000				150,000
Other Purposes	1,698,979				1,698,979
Unassigned	<u>995,383</u>				<u>995,383</u>
<b>Total Fund Balances</b>	<u>8,145,980</u>		<u>1,500,533</u>	<u>1</u>	<u>9,646,514</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 8,447,266</u>	<u>\$ 123,109</u>	<u>\$ 1,500,769</u>	<u>\$ 1</u>	<u>\$ 10,071,145</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

Total  
Governmental  
Funds

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

Total Fund Balances from previous page	\$ 9,646,514
Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The Cost of the Assets is \$76,493,449 and the Accumulated Depreciation is \$24,213,756.	52,279,693
Bond Issuance Premiums are Reported as Revenue in the Governmental Funds in the Year the Bonds are Sold. The Amount is \$2,149,558 and the Accumulated Amortization is \$630,886.	(1,518,672)
The Deferred Amount on Refunding is not Reported as an Expenditure in the Governmental Funds in the Year of the Expenditure.	3,378,144
Interest on Long-Term Debt is not Accrued in Governmental Funds, but Rather is Recognized as an Expenditure When Due.	(120,268)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(13,401,035)
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	2,699,847
Changes in Proportions - Pensions	1,522,524
Difference between Expected and Actual Experience	315,548
Difference Between Projected and Actual Investment Earnings on Pension	91,252
Changes in Assumptions - Pensions	(2,689,949)
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.	<u>(36,099,826)</u>
Net Position of Governmental Activities	<u><u>\$ 16,103,772</u></u>

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



BOROUGH OF MADISON SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 39,515,574			\$ 2,070,457	\$ 41,586,031
Tuition from Individuals	119,000				119,000
Tuition from Other LEAs	1,636,262				1,636,262
Interest Earned on Maintenance Reserve Funds	6,143				6,143
Interest Earned on Capital Reserve Funds	52,969				52,969
Miscellaneous	336,502	\$ 122,853			459,355
Total - Local Sources	41,666,450	122,853		2,070,457	43,859,760
State Sources	7,431,154	190,562		540,711	8,162,427
Federal Sources	2,664	752,654			755,318
Total Revenues	49,100,268	1,066,069		2,611,168	52,777,505
EXPENDITURES:					
Current:					
Regular Instruction	13,887,067	310,889			14,197,956
Special Education Instruction	3,185,942	15,617			3,201,559
Other Special Instruction	511,710				511,710
School-Sponsored/Other Instruction	1,200,133				1,200,133
Support Services and Undistributed Costs:					
Tuition	1,515,963	459,203			1,975,166
Student and Other Instruction Related Services	5,535,294	280,360			5,815,654
General Administrative Services	1,082,549				1,082,549
School Administrative Services	1,461,313				1,461,313
Central Services	557,217				557,217
Administrative Information Technology	243,705				243,705
Plant Operations and Maintenance	4,390,148				4,390,148
Student Transportation	1,257,488				1,257,488
Unallocated Benefits	14,121,028				14,121,028
Debt Service:					
Principal				1,405,000	1,405,000
Interest and Other Charges				1,231,021	1,231,021
Capital Outlay	2,338,135		\$ 2,445,715		4,783,850
Transfer of Funds to Charter School	35,227				35,227
Total Expenditures	51,322,919	1,066,069	2,445,715	2,636,021	57,470,724
Excess/(Deficit) of Revenue Over/(Under) Expenditures	(2,222,651)		(2,445,715)	(24,853)	(4,693,219)
Other Financing Sources/(Uses):					
Transfers	(3,946,248)		3,946,248		
Total Other Financing Sources/(Uses)	(3,946,248)		3,946,248		
Net Change in Fund Balances	(6,168,899)		1,500,533	(24,853)	(4,693,219)
Fund Balance - July 1	14,314,879			24,854	14,339,733
Fund Balance - June 30	\$ 8,145,980	\$ -0-	\$ 1,500,533	\$ 1	\$ 9,646,514

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 REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (4,693,219)

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 differs from depreciation in the period.

Depreciation Expense	\$ (1,682,902)	
Capital Outlays	<u>4,345,593</u>	
		2,662,691

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+). 2,521

Repayment of serial bonds is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities. 1,405,000

The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 171,883

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. (216,108)

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		2,285,862
Deferred Outflows:		
Changes in Assumptions		(549,640)
Changes in Proportion		571,189
Difference between Expected and Actual Experience		23,819
Net Difference Between Projected and Actual Investment Earnings on Pension		(506,904)
Deferred Inflows:		
Changes in Assumptions		(2,689,949)

In the statement of activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). 18,059

Change in Net Position of Governmental Activities \$ (1,514,796)

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

BOROUGH OF MADISON SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Non-Major Funds</u>	<u>Major Funds</u>		<u>Total Enterprise</u>
		<u>Summer Program</u>	<u>Kindergarten Wrap-Around</u>	
<u>ASSETS:</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 36,158	\$ 53,200	\$ 979,065	\$ 1,068,423
Intergovernmental Accounts Receivable:				
State	576			576
Federal	9,915			9,915
Other Accounts Receivable			3,150	3,150
Inventories	6,080			6,080
Total Current Assets	<u>52,729</u>	<u>53,200</u>	<u>982,215</u>	<u>1,088,144</u>
Non-Current Assets:				
Capital Assets	356,870			356,870
Less: Accumulated Depreciation	<u>(298,510)</u>			<u>(298,510)</u>
Total Non-Current Assets	<u>58,360</u>			<u>58,360</u>
Total Assets	<u>111,089</u>	<u>53,200</u>	<u>982,215</u>	<u>1,146,504</u>
<u>LIABILITIES:</u>				
Current Liabilities:				
Accounts Payable	7,156			7,156
Unearned Revenue	18,480	53,200	85,100	156,780
Total Current Liabilities	<u>25,636</u>	<u>53,200</u>	<u>85,100</u>	<u>163,936</u>
Total Liabilities	<u>25,636</u>	<u>53,200</u>	<u>85,100</u>	<u>163,936</u>
<u>NET POSITION:</u>				
Investment in Capital Assets	58,360			58,360
Unrestricted	<u>27,093</u>		897,115	<u>924,208</u>
Total Net Position	<u>\$ 85,453</u>	<u>\$ -0-</u>	<u>\$ 897,115</u>	<u>\$ 982,568</u>

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

BOROUGH OF MADISON SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds			Total Enterprise
	Non-Major Funds	Major Funds		
		Summer Program	Kindergarten Wrap-Around	
Operating Revenue:				
Daily Sales:				
Reimbursable Programs	\$ 253,611			\$ 253,611
Non-Reimbursable Programs	298,997			298,997
Charges for Services:				
Program Fees	1,100		\$ 448,200	449,300
Miscellaneous Revenue	2,450			2,450
Total Operating Revenue	556,158		448,200	1,004,358
Operating Expenses:				
Cost of Sales:				
Reimbursable Programs	186,636			186,636
Non-Reimbursable Programs	83,851			83,851
Salaries	209,179		195,317	404,496
Employee Benefits	77,996		31,475	109,471
Purchased Professional and Technical Services	26,183			26,183
Other Purchased Services	26,159		11,639	37,798
Supplies and Materials	25,363		5,001	30,364
Miscellaneous Expense	12,436			12,436
Depreciation Expense	7,266			7,266
Total Operating Expenses	655,069		243,432	898,501
Operating Income/(Loss)	(98,911)		204,768	105,857
Non-Operating Income:				
State Sources:				
State School Lunch Program	5,372			5,372
Federal Sources:				
National School Lunch Program	88,698			88,698
Special Milk Program	263			263
Food Distribution Program	13,033			13,033
Total Non-Operating Income	107,366			107,366
Change in Net Position	8,455		204,768	213,223
Net Position - Beginning of Year	76,998		692,347	769,345
Net Position - End of Year	\$ 85,453	\$ -0-	\$ 897,115	\$ 982,568

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

BOROUGH OF MADISON SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds			
	Non-Major Funds	Major Funds		Total Enterprise
		Summer Program	Kindergarten Wrap-Around	
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 556,040	\$ 53,200	\$ 435,950	\$ 1,045,190
Payments to Food Service Contractor	(621,639)			(621,639)
Payments to/for Employees			(226,792)	(226,792)
Payments to Suppliers	(8,428)		(16,775)	(25,203)
Net Cash Provided by/(Used for) Operating Activities	(74,027)	53,200	192,383	171,556
Cash Flows from Noncapital Financing Activities:				
State Sources	5,074			5,074
Federal Sources	84,012			84,012
Net Cash Provided by Noncapital Financing Activities	89,086			89,086
Net Increase in Cash and Cash Equivalents	15,059	53,200	192,383	260,642
Cash and Cash Equivalents, July 1	21,099		786,682	807,781
Cash and Cash Equivalents, June 30	\$ 36,158	\$ 53,200	\$ 979,065	\$ 1,068,423
Reconciliation of Operating Income/(Loss) to Net Cash Used for Operating Activities:				
Operating Income/(Loss)	\$ (98,911)		\$ 204,768	\$ 105,857
Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:				
Depreciation	7,266			7,266
Food Distribution Program	13,033			13,033
Changes in Assets and Liabilities:				
(Increase) in Other Accounts Receivable			(3,150)	(3,150)
(Increase) in Inventory	(2,453)			(2,453)
Increase/(Decrease) in Accounts Payable	7,156		(135)	7,021
Increase/(Decrease) in Unearned Revenue	(118)	\$ 53,200	(9,100)	43,982
Net Cash Provided by/(Used for) Operating Activities	\$ (74,027)	\$ 53,200	\$ 192,383	\$ 171,556

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$13,033 and utilized U.S.D.A. Commodities valued at \$13,033.

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

BOROUGH OF MADISON SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2018

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarships Trust</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 356,790	\$ 227,845	\$ 84,131	\$ 114,064
Total Assets	<u>356,790</u>	<u>227,845</u>	<u>84,131</u>	<u>114,064</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	27,825			
Due to Student Groups	<u>328,965</u>			
Total Liabilities	<u>356,790</u>			
<u>NET POSITION:</u>				
Held in Trust for:				
Unemployment Claims		227,845		
Flexible Spending Claims			84,131	
Restricted for Scholarships				<u>114,064</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 227,845</u>	<u>\$ 84,131</u>	<u>\$ 114,064</u>

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

BOROUGH OF MADISON SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ADDITIONS:			
Contributions:			
Plan Members	\$ 94,918	\$ 102,231	
Donations			\$ 6,898
Total Contributions	<u>94,918</u>	<u>102,231</u>	<u>6,898</u>
Investment Earnings:			
Interest	1,159	413	356
Net Investment Earnings	<u>1,159</u>	<u>413</u>	<u>356</u>
Total Additions	<u>96,077</u>	<u>102,644</u>	<u>7,254</u>
DEDUCTIONS:			
Unemployment Claims	29,849		
Flexible Spending Claims		108,226	
Scholarships Awarded			13,025
Total Deductions	<u>29,849</u>	<u>108,226</u>	<u>13,025</u>
Change in Net Position	66,228	(5,582)	(5,771)
Net Position - Beginning of the Year	<u>161,617</u>	<u>89,713</u>	<u>119,835</u>
Net Position - End of the Year	<u>\$ 227,845</u>	<u>\$ 84,131</u>	<u>\$ 114,064</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, 2018

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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



BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

B. Basis of Presentation: (Cont'd)

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.

The District reports the following proprietary fund:

Enterprise (Food Service, Integrated Preschool, Kindergarten Wrap-Around and Summer Programs) Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's cafeteria, integrated preschool, kindergarten wrap-around and summer programs operations. The food service, integrated preschool, kindergarten wrap-around and summer 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.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

C. Measurement Focus and Basis of Accounting (Cont'd)

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.

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, 2018 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.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 49,112,420	\$ 1,058,726
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.		
Prior Year Encumbrances		93,297
Cancellation of Prior Year Encumbrances		(72,273)
Current Year Encumbrances		(13,681)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	93,089	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(105,241)	
	<u>\$ 49,100,268</u>	<u>\$ 1,066,069</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 51,322,919	\$ 1,058,726
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.		
Prior Year Encumbrances		93,297
Cancellation of Prior Year Encumbrances		(72,273)
Current Year Encumbrances		(13,681)
	<u>\$ 51,322,919</u>	<u>\$ 1,066,069</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>General Fund</u>	<u>Special Revenue Fund</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

E. Cash and Cash Equivalents and Investments:

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

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

New Jersey school districts are limited as to 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. 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.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

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, 2018.

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 acquisition value. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment. The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are on the following page.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

K. Capital Assets (Cont'd)

	<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

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, 2018.

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.

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.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

P. Fund Balance Appropriated:

General Fund: Of the \$8,145,980 General Fund fund balance at June 30, 2018, \$1,698,979 is assigned for encumbrances; \$4,341,853 is restricted in the capital reserve account; \$959,765 is restricted in the maintenance reserve account; \$150,000 is assigned and included as anticipated budget revenue for the fiscal year ending June 30, 2019; and \$995,383 is unassigned which is \$105,241 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, 2019.

Debt Service Fund: The Debt Service Fund balance at June 30, 2018 of \$1 is restricted.

Capital Projects Fund: The Capital Projects Fund balance at June 30, 2018 of \$1,500,533 is committed.

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.

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

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.



BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

Q. Fund Balance Restrictions, Commitments and Assignments (Cont'd)

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 \$1,500,533 in committed resources at June 30, 2018.

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, 2018.

R. Deficit Net Position and Fund Balance:

The District has a deficit in unrestricted net position of \$9,360,684 in governmental activities, which is due to accrued interest payable of \$120,268, an unamortized bond premium of \$1,518,672, \$604,826 of compensated absences payable, changes in pension assumptions of \$2,689,949 and net pension liability of \$13,401,035; net of \$150,000 of fund balance assigned for subsequent year's expenditures, \$995,383 of General Fund unassigned fund balance, \$1,698,979 assigned for encumbrances, \$1,500,533 of Capital Projects Fund committed fund balance, changes in pension assumptions of \$2,699,847, changes in proportion in pensions of \$1,522,524, the difference between expected and actual pension experience of \$315,548 and the difference between projected and actual earnings in pension investments of \$91,252. This deficit does not indicate that the District is in 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, 2018 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, the net difference between projected and actual investment earnings on pension plan investments, and the District contribution subsequent to measurement date.

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had a deferred inflow of resources at June 30, 2018 for changes in assumptions.

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.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

S. Net Position: (Cont'd)

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, kindergarten wrap-around and summer programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of each Enterprise Fund.

V. Management Estimates:

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

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

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 governmental 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.

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

GASB requires disclosure of the level of custodial credit risk assumed by the 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's policy with respect to custodial credit risk ensures that District Funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

Deposits:

New Jersey statutes 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, 2018  
(Continued)

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

Deposits (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 of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

Investments (Cont'd)

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

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

Investments (Cont'd)

As of June 30, 2018, cash and cash equivalents of the District consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>		
	Cash and Cash Equivalents	Capital Reserve Account	Maintenance Reserve Account	<u>Total</u>
Checking and Savings Accounts	<u>\$ 6,287,626</u>	<u>\$ 4,341,853</u>	<u>\$ 959,765</u>	<u>\$ 11,589,244</u>

During the period ended June 30, 2018, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2018, was \$11,589,244 and the bank balance was \$12,371,720.

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, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$ 10,548,629
Increase by Board Resolution - June 2018	318,184
Interest Earned	52,969
Budgeted Withdrawal	(3,474,495)
Withdrawal as per Board Resolution	(3,946,248)
Unexpended/Unencumbered Balance of Budgeted Withdrawal Returned	<u>842,814</u>
Ending Balance, June 30, 2018	<u>\$ 4,341,853</u>

The balance in the capital reserve account at June 30, 2018 does not exceed the LRFP balance of local support costs of uncompleted capital projects. The withdrawals from capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 (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 maintenance reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$ 994,174
Increase by Board Resolution - June 2018	106,061
Interest Earned	6,143
Budgeted Withdrawal	(150,407)
Unexpended/Unencumbered Balance of Budgeted Withdrawal Returned	3,794
Ending Balance, June 30, 2018	\$ 959,765

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2018, the District made \$177,500 in transfers to the capital outlay accounts for equipment. 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, 2018**  
(Continued)

**NOTE 7. CAPITAL ASSETS**

Capital asset balances and activity for the fiscal year ended June 30, 2018 were as follows:

	(Restated) Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
<b>Governmental Activities:</b>				
<b>Capital Assets not Being Depreciated:</b>				
Sites (Land)	\$ 9,072,600			\$ 9,072,600
Construction in Progress		\$ 2,391,337	\$ (2,391,337)	
<b>Total Capital Assets Not Being Depreciated</b>	<b>9,072,600</b>	<b>2,391,337</b>	<b>(2,391,337)</b>	<b>9,072,600</b>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements	3,014,408			3,014,408
Buildings and Building Improvements	55,701,618	\$ 1,930,437	2,391,337	60,023,392
Machinery and Equipment	4,359,230	23,819		4,383,049
<b>Total Capital Assets Being Depreciated</b>	<b>63,075,256</b>	<b>1,954,256</b>	<b>2,391,337</b>	<b>67,420,849</b>
<b>Governmental Activities Capital Assets</b>	<b>72,147,856</b>	<b>4,345,593</b>		<b>76,493,449</b>
<b>Less Accumulated Depreciation for:</b>				
Land Improvements	(1,992,069)	(102,874)		(2,094,943)
Buildings and Building Improvements	(16,963,382)	(1,274,085)		(18,237,467)
Machinery and Equipment	(3,575,403)	(305,943)		(3,881,346)
	<b>(22,530,854)</b>	<b>(1,682,902)</b>		<b>(24,213,756)</b>
<b>Governmental Activities Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 49,617,002</b>	<b>\$ 2,662,691</b>	<b>\$ -0-</b>	<b>\$ 52,279,693</b>
	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
<b>Business-Type Activities:</b>				
<b>Capital Assets Being Depreciated:</b>				
Machinery and Equipment	\$ 356,870			\$ 356,870
Less Accumulated Depreciation	(291,244)	\$ (7,266)		(298,510)
<b>Business-Type Activities Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 65,626</b>	<b>\$ (7,266)</b>	<b>\$ -0-</b>	<b>\$ 58,360</b>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 686,789
Special Education	147,169
Other Instruction	130,817
Support Services	277,391
General Administration	49,056
School Admin	65,408
Central Services	32,705
Admin Info Tech	16,352
Maintenance/Custodial	208,467
Pupil Transportation	68,748
	<b>\$ 1,682,902</b>



BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in long-term liabilities reported in the district-wide financial statements:

	Balance 6/30/2017	Issued/ Accrued	Retired/ Matured	Balance 6/30/2018
Serial Bonds Payable	\$ 36,900,000		\$ 1,405,000	\$ 35,495,000
Unamortized Bond Issuance Premiums	1,690,555		171,883	1,518,672
Net Pension Liability	15,686,897		2,285,862	13,401,035
Compensated Absences Payable	622,885	\$ 167,495	185,554	604,826
	<u>\$ 54,900,337</u>	<u>\$ 167,495</u>	<u>\$ 4,048,299</u>	<u>\$ 51,019,533</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, 2018 is \$1,445,000 and the long-term portion is \$34,050,000. The Debt Service Fund will be used to liquidate bonds payable.

On May 30, 2012, the District issued \$9,955,000 refunding bonds with interest rates ranging from 2.00% to 4.00% to advance refund \$8,545,000 school bonds with an interest rate of 4.00%. The refunding bonds mature on December 15, 2012 through 2035. On September 26, 2012, the District issued \$21,075,000 refunding bonds with interest rates ranging from 1.00% to 4.00% to advance refund \$19,695,000 school bonds with interest rates of 4.50% to 4.75%. The refunding bonds mature on December 15, 2013 through 2031. 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 school bonds are called on July 15, 2015. The advance refundings met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's financial statements. Bond issuance costs are expenditures in the fund financial statements; but are amortized over the life of the shorter of the refunding issue or the refunded issues in the district-wide financial statements.

As a result of the advance refundings, the District reduced its total debt service requirements by \$2,278,884, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,056,880.

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.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

A. Bonds Payable (Cont'd)

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, 2018 as follows:

<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
School Improvements	09/15/2018	4.375%	\$ 285,000
School Refunding Bonds	12/15/2035	2.00%-4.00%	9,635,000
School Refunding Bonds	12/15/2031	3.00%-4.00%	18,565,000
School Refunding Bonds	09/15/2035	2.00%-4.00%	7,010,000
			<u>\$ 35,495,000</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,445,000	\$ 1,184,337	\$ 2,629,337
2020	1,490,000	1,138,477	2,628,477
2021	1,540,000	1,093,028	2,633,028
2022	1,580,000	1,046,553	2,626,553
2023	1,625,000	999,046	2,624,046
Thereafter:			
2024-2028	9,140,000	4,000,356	13,140,356
2029-2033	10,990,000	2,216,242	13,206,242
2034-2036	7,685,000	400,154	8,085,154
	<u>\$35,495,000</u>	<u>\$ 12,078,193</u>	<u>\$ 47,573,193</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2018, the Board had no bonds authorized but not issued.

C. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$15,000 and is separated from the long-term liability balance of compensated absences of \$589,826. The General Fund will be used to liquidate the governmental funds Compensated Absences Payable.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

C. Compensated Absences: (Cont'd)

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, 2018, \$-0- is recorded for compensated absences in the Enterprise Funds.

D. 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, 2018 is \$99,558 and the long-term portion is \$1,419,114.

E. 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, 2018 is \$-0- and the long-term portion is \$13,401,035. 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.nj.gov/treasury/pensions/financial-reports.shtml](http://www.nj.gov/treasury/pensions/financial-reports.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:

<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

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 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.

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 \$540,368 for fiscal year 2018.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2018, the District reported a liability of \$13,401,035 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the District's proportion was 0.058%, which was an increase of 0.005% from its proportion measured as of June 30, 2016.

For the fiscal year ended December 31, 2017, the District recognized pension expense of \$1,400,604. At June 30, 2018, 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, 2018  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

	<u>Deferral Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions:	2014	6.44	\$ 152,020	
	2015	5.72	640,351	
	2016	5.57	1,907,476	
	2017	5.48		\$ 2,689,949
			<u>2,699,847</u>	<u>2,689,949</u>
Difference Between Expected and Actual Experience	2015	5.72	177,663	
	2016	5.57	57,887	
	2017	5.48	79,998	
			<u>315,548</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(160,584)	
	2015	5.00	136,987	
	2016	5.00	574,368	
	2017	5.48	(459,519)	
			<u>91,252</u>	
Changes in Proportion:	2014	6.44	122,900	
	2015	5.72	418,056	
	2016	5.57	161,171	
	2017	5.48	820,397	
			<u>1,522,524</u>	
District Contribution Subsequent to the Measurement Date	2017	1.00	610,400	
			<u>\$ 5,239,571</u>	<u>\$ 2,689,949</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 on the following page.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Fiscal Year Ending June 30,	Total
2018	315,473
2019	476,057
2020	288,466
2021	(383,661)
2022	(279,637)
	\$ 416,698

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65% – 4.15% based on age
Thereafter	2.65% – 5.15% based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, 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, 2018  
(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, 2017 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's proportionate share of the Net Pension Liability	\$ 16,624,893	\$ 13,401,035	\$ 10,715,161

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.nj.gov/treasury/pensions/financial-reports.shtml](http://www.nj.gov/treasury/pensions/financial-reports.shtml).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, 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, 2018  
(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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and to Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which 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 2018, the State's pension contribution was less than the actuarial 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 2018, the State of New Jersey contributed \$2,829,069 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$8,873,451.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> 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, 2018  
(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, 2018, the State's proportionate share of the net pension liability associated with the District was \$128,090,349. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the District's proportion was 0.1900%, which was an increase of 0.0003% from its proportion measured as of June 30, 2016.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		<u>128,090,349</u>
Total	\$	<u><u>128,090,349</u></u>

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the District in the amount of \$8,873,451 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 financial statements.

The State reported collective 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, 2018  
(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)

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,383,974,317	
	2015	8.3	3,776,126,119	
	2016	8.3	8,218,154,928	
	2017	8.3		\$ 11,684,858,458
			<u>13,378,255,364</u>	<u>11,684,858,458</u>
Difference Between Expected and Actual Experience	2014	8.3		13,181,413
	2015	8.5	233,218,057	
	2016	8.3		102,199,790
	2017	8.3	207,898,332	
			<u>441,116,389</u>	<u>115,381,203</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments:	2014	5	(435,309,142)	
	2015	5	385,284,122	
	2016	5	1,295,565,574	
	2017	5	(904,033,050)	
			<u>341,507,504</u>	
		<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</u>	

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

Fiscal Year Ending June 30,	Total
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	<u>(1,714,363,628)</u>
	<u>\$ 2,360,639,596</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the actuarial assumptions on the following page, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60 years average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following page.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(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  
(Cont'd)

	June 30, 2017		
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 152,175,352	\$ 128,090,349	\$ 108,249,018

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 \$10,639 for the fiscal year ended June 30, 2018. Employee contributions to DCRP amounted to \$12,670 for the fiscal year ended June 30, 2018.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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

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

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	<u>223,747</u>
Total	<u><u>366,078</u></u>

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

	2.50%		
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases:			
Through 2026	1.55 - 4.55% based on years of service	2.15 - 4.15% based on age	2.10 - 8.98% based on age
Thereafter	2.00 - 5.45% based on years of service	3.15 - 5.15% based on age	3.10 - 9.98% based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS and PERS, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.



BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the State's Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	45,748,749
Net Changes	(4,191,942,326)
Balance at June 30, 2017	\$53,639,841,858

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
	Total OPEB Liability Attributable to the District	\$ 102,317,251	\$ 86,192,951

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate (Cont'd)

	June 30, 2016		
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
Total OPEB Liability Attributable to the District	\$ 111,060,272	\$ 92,703,092	\$ 78,253,638

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 70,885,370	\$ 86,192,951	\$ 106,521,239

	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 76,065,468	\$ 92,703,092	\$ 114,946,010

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

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$5,578,493 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	<u>\$ 1,190,373,242</u>	<u>\$ (6,343,769,032)</u>

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

Fiscal Year Ending June 30,	Total
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)
	<u>\$ (6,343,769,032)</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

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.

The June 30, 2018 audit for the Group was not available as of the date of this report. Selected, summarized financial information for the Group as of June 30, 2017 and the Fund as of June 30, 2018 is as follows:

	<u>Group</u>	<u>Fund</u>
Total Assets	\$ 10,087,866	\$ 45,062,979
Net Position	\$ 7,503,025	\$ 12,432,937
Total Revenue	\$ 3,384,095	\$ 42,084,945
Total Expenses	\$ 1,932,089	\$ 39,779,381
Member Dividends	\$ 961,773	\$ -0-
Change in Net Position	\$ 490,233	\$ 2,305,564

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

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>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$ 1,159	\$ 94,918	\$ 29,849	227,845
2016-2017	1,037	31,334	43,939	161,617
2015-2016	651	28,176	33,643	173,185

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, 2018  
(Continued)

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 20,597	
Special Revenue Fund		\$ 20,597
	<u>\$ 20,597</u>	<u>\$ 20,597</u>

The General Fund interfund receivable due from the Special Revenue Fund represents an interfund loan at June 30, 2018 due to the timing of grant receipts paid to the District.

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, 2018  
(Continued)

NOTE 16. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2018:

	<u>Governmental Funds</u>			District Contribution Subsequent to the Measurement Date	Total Governmental Activities	Business- Type Activities Proprietary Funds
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>			
Vendors	\$ 301,286	\$ 62,287	\$ 236		\$ 363,809	\$ 7,156
Due to:						
State of New Jersey				\$ 610,400	610,400	
	<u>\$ 301,286</u>	<u>\$ 62,287</u>	<u>\$ 236</u>	<u>\$ 610,400</u>	<u>\$ 974,209</u>	<u>\$ 7,156</u>

NOTE 17. COMMITMENTS AND CONTINGENCIES

Litigation

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, 2018, 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>Capital Projects</u>	<u>Total</u>
<u>\$ 1,698,979</u>	<u>\$ 13,681</u>	<u>\$1,388,656</u>	<u>\$ 3,101,316</u>

On the District's Governmental Funds Balance Sheet as of June 30, 2018, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$13,681 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. Encumbrances in the Capital Projects Fund are included in Fund Balance committed for Capital Projects.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 18. TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

The Borough recognized revenue in the amount of \$51,429 from two payment in lieu of taxes ("PILOT) agreements. The taxes which would have been paid on these properties for 2017 without the abatements would have been \$69,300 of which \$42,786 would have been for the local school tax.

NOTE 19. PRIOR PERIOD ADJUSTMENT

The District made a prior year adjustment in the District Wide Financial Statements to remove certain fixed assets which should not have been capitalized in the prior year.

	Balance 6/30/2017 as Previously Reported	Retroactive Adjustments	Balance 6/30/2017 Restated
<u>Governmental Activities:</u>			
Statement of Net Position:			
Capital Assets, Net:			
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	\$42,688,784	\$ (2,144,382)	\$40,544,402
Total Capital Assets, Net	51,761,384	(2,144,382)	49,617,002



**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

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 FOUR FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
District's proportion of the net pension liability	0.0471325568%	0.0516996112%	0.0529656198%
District's proportionate share of the net pension liability	\$ 8,824,504	\$ 11,605,527	\$ 15,686,897
District's covered employee payroll	\$ 3,511,965	\$ 3,592,692	\$ 3,870,729
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	251.27%	323.03%	405.27%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%
			48.10%

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  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST FOUR FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 388,554	\$ 444,478	\$ 470,539
Contributions in relation to the contractually required contribution	(388,554)	(444,478)	(470,539)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 3,494,405	\$ 3,511,965	\$ 3,592,692
Contributions as a percentage of covered employee payroll	11.12%	12.66%	13.10%
			13.96%

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  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY ASSOCIATED WITH THE DISTRICT  
TEACHERS' PENSION AND ANNUITY FUND  
LAST FOUR FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.1837704429%	0.1831969937%	0.1902641734%
State's proportionate share of the net pension liability attributable to the District	\$ 98,219,321	\$ 115,788,323	\$ 149,673,913
District's covered employee payroll	\$ 18,972,527	\$ 19,192,534	\$ 19,844,835
State's proportionate share of the net pension liability as a percentage of its covered employee payroll	517.69%	603.30%	754.22%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%
			2018
			0.1899784903%
			\$ 128,090,349
			\$ 19,986,894
			640.87%
			25.41%

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  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF STATE CONTRIBUTIONS  
TEACHERS' PENSION AND ANNUITY FUND  
LAST FOUR FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 5,285,122	\$ 7,069,920	\$ 11,245,912
Contributions in relation to the contractually required contribution	<u>(990,430)</u>	<u>(1,523,329)</u>	<u>(2,062,167)</u>
Contribution deficiency/(excess)	<u>\$ 4,294,692</u>	<u>\$ 5,546,591</u>	<u>\$ 9,183,745</u>
District's covered employee payroll	\$ 19,192,534	\$ 19,844,835	\$ 19,986,894
Contributions as a percentage of covered employee payroll	5.16%	7.68%	10.32%
			-14.12%
			<u>\$ 8,873,451</u>
			<u>\$ 11,702,520</u>
			<u>\$ 20,041,852</u>
			<u>2,829,069</u>

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  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST TWO FISCAL YEARS  
UNAUDITED

	Fiscal Years Ending June 30,	
	2016	2017
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	(1,223,298,019)	(1,242,412,566)
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	46,849,651,824	57,831,784,184
Total OPEB Liability - Ending	\$ 57,831,784,184	\$ 53,639,841,858
State's Covered Employee Payroll *	\$ 13,493,400,208	\$ 13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

\* Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% as of June 30, 2016 to 2.25% as of June 30, 2017.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 2.50% as of June 30, 2016 to 2.25% as of June 30, 2017.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017

**BUDGETARY COMPARISON SCHEDULES  
(UNAUDITED)**



BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)

REVENUES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Local Sources:					
Local Tax Levy	\$ 39,515,574		\$ 39,515,574	\$ 39,515,574	
Tuition from Individuals	124,556		124,556	119,000	\$ (5,556)
Tuition from Other LEA's	1,600,000		1,600,000	1,636,262	36,262
Unrestricted Miscellaneous Revenue	359,036		359,036	336,502	(22,534)
Interest Earned on Maintenance Reserve Funds	6,143		6,143	6,143	
Interest Earned on Capital Reserve Funds	52,969		52,969	52,969	
Other Restricted Miscellaneous Revenue	18,600		18,600		(18,600)
<b>Total - Local Sources</b>	<b>41,676,878</b>		<b>41,676,878</b>	<b>41,666,450</b>	<b>(10,428)</b>
State Sources:					
Extraordinary Aid				71,328	71,328
Excess Nonpublic School Transportation Costs				47,749	47,749
Special Education Aid	956,746		956,746	956,746	
Security Aid	43,615		43,615	43,615	
Transportation Aid	60,229		60,229	60,229	
PARCC Readiness Aid	23,800		23,800	23,800	
Per Pupil Growth Aid	23,800		23,800	23,800	
Professional Learning Community Aid	24,240		24,240	24,240	
On-Behalf TPAF Post Retirement Contributions (Non-Budgeted)				1,871,578	1,871,578
On-Behalf TPAF Pension Contributions (Non-Budgeted)				2,829,069	2,829,069
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				68,654	68,654
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				5,442	5,442
TPAF Social Security (Reimbursed - Non-Budgeted)				1,417,056	1,417,056
<b>Total State Sources</b>	<b>1,132,430</b>		<b>1,132,430</b>	<b>7,443,306</b>	<b>6,310,876</b>
Federal Sources:					
Medicaid Assistance Program	19,031		19,031	2,664	(16,367)
<b>Total - Federal Sources</b>	<b>19,031</b>		<b>19,031</b>	<b>2,664</b>	<b>(16,367)</b>
<b>Total Revenues</b>	<b>42,828,339</b>		<b>42,828,339</b>	<b>49,112,420</b>	<b>6,284,081</b>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
<b>REGULAR PROGRAMS - INSTRUCTION:</b>					
Kindergarten - Salaries of Teachers	\$ 252,759	\$ (3,733)	\$ 249,026	\$ 248,660	\$ 366
Grades 1-5 - Salaries of Teachers	5,140,917	(228,305)	4,912,612	4,853,139	59,473
Grades 6-8 - Salaries of Teachers	2,857,514	10,882	2,868,396	2,864,764	3,632
Grades 9-12 - Salaries of Teachers	4,957,056	(49,110)	4,907,946	4,903,939	4,007
Regular Programs - Home Instruction:					
Salaries of Teachers	37,000	(2,400)	34,600	19,475	15,125
Purchased Professional-Educational Services	49,000	(8,061)	40,939	40,939	
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	11,300	(4,074)	7,226	7,215	11
Other Purchased Services (400-500 series)	207,983	9,871	217,854	197,057	20,797
General Supplies	656,979	2,419	659,398	568,999	90,399
Textbooks	213,103	(34,993)	178,110	176,128	1,982
Other Objects	18,324	(8,789)	9,535	6,752	2,783
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<b>14,401,935</b>	<b>(316,293)</b>	<b>14,085,642</b>	<b>13,887,067</b>	<b>198,575</b>
<b>SPECIAL EDUCATION - INSTRUCTION:</b>					
Learning and/or Language Disabilities:					
General Supplies	4,500	(3,000)	1,500	427	1,073
Total Learning and/or Language Disabilities	4,500	(3,000)	1,500	427	1,073
Resource Room/Resource Center:					
Salaries of Teachers	2,988,476	(134,888)	2,853,588	2,837,882	15,706
General Supplies	11,319	(5,000)	6,319	5,573	746
Textbooks	1,000	(1,000)			
Total Resource Room/Resource Center	3,000,795	(140,888)	2,859,907	2,843,455	16,452

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
<b>SPECIAL EDUCATION - INSTRUCTION:</b>					
Autism:					
Purchased Professional - Educational Services	\$ 2,000	\$ (2,000)			
General Supplies	5,140	(4,000)	\$ 1,140	\$ 814	\$ 326
Total Autism	7,140	(6,000)	1,140	814	326
Preschool Disabilities - Part-Time:					
Salaries of Teachers	88,736	(35,000)	53,736	53,351	385
Other Salaries for Instruction	72,591	61,601	134,192	131,425	2,767
General Supplies	1,602	487	2,089	1,089	1,000
Total Preschool Disabilities - Part-Time	162,929	27,088	190,017	185,865	4,152
Preschool Disabilities - Full-Time:					
Salaries of Teachers	60,993	94,413	155,406	155,381	25
Total Preschool Disabilities - Full-Time	60,993	94,413	155,406	155,381	25
<b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>	<b>3,236,357</b>	<b>(28,387)</b>	<b>3,207,970</b>	<b>3,185,942</b>	<b>22,028</b>
<b>Basic Skills/Remedial - Instruction:</b>					
Salaries of Teachers	369,750	16,874	386,624	386,624	
Total Basic Skills/Remedial - Instruction	369,750	16,874	386,624	386,624	
<b>Bilingual Education - Instruction:</b>					
Salaries of Teachers	109,099	17,266	126,365	125,086	1,279
Total Bilingual Education - Instruction	109,099	17,266	126,365	125,086	1,279

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
School Sponsored Cocurricular Activities:					
Salaries	\$ 239,998	\$ 19,330	\$ 259,328	\$ 250,602	\$ 8,726
Purchased Services (300-500 Series)	51,650	(32,065)	19,585	13,919	5,666
Supplies and Materials	34,106	(16,819)	17,287	12,111	5,176
Total School-Sponsored Cocurricular Activities	325,754	(29,554)	296,200	276,632	19,568
School-Sponsored Athletics:					
Salaries	771,591	(36,022)	735,569	726,028	9,541
Purchased Services (300-500 Series)	150,469	(11,672)	138,797	132,863	5,934
Supplies and Materials	65,248	11,866	77,114	58,823	18,291
Other Objects	9,900	(3,694)	6,206	5,787	419
Total School-Sponsored Athletics	997,208	(39,522)	957,686	923,501	34,185
Before/After School Programs - Instruction:					
Salaries of Teacher Tutors	19,000	(19,000)			
Total Before/After School Programs - Instruction	19,000	(19,000)			
Total Instruction	19,459,103	(398,616)	19,060,487	18,784,852	275,635
Undistributed Expenditures - Instruction:					
Tuition to Other LEA's Within the State - Special	128,710	20,137	148,847	148,847	
Tuition to County Vo. School District-Regular	55,200	29,219	84,419	84,419	
Tuition to County Vo. School District-Special	21,000	(7,000)	14,000	14,000	
Tuition to Private Schools for the Handicapped Within State	893,236	194,896	1,088,132	1,076,390	11,742
Tuition to Private Schools for the Handicapped Outside State	117,480	71,884	189,364	159,355	30,009
Tuition - State Facilities		32,952	32,952	32,952	
Total Undistributed Expenditures - Instruction	1,215,626	342,088	1,557,714	1,515,963	41,751

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Undistributed Expenditures - Health Services:					
Salaries	\$ 431,493	\$ 4,800	\$ 436,293	\$ 434,132	\$ 2,161
Purchased Professional and Technical Services	11,500	(149)	11,351	11,351	152
Other Purchased Services	1,050	(71)	979	827	1,692
Supplies and Materials	9,630	162	9,792	8,100	4,005
Total Undistributed Expenditures - Health Services	453,673	4,742	458,415	454,410	3,044
Undist. Expend. - Speech, OT, PT and Related Services:					
Salaries	505,201	(56,500)	448,701	445,657	740
Purchased Professional - Educational Services	113,266	14,414	127,680	126,940	1,375
Supplies and Materials	5,103		5,103	3,728	5,159
Total Undist. Expend. - Speech, OT, PT and Related Services	623,570	(42,086)	581,484	576,325	3,865
Undist. Expend. - Other Supp. Serv. Students - Extraordinary Services:					
Salaries	1,163,787	122,500	1,286,287	1,282,422	4,959
Purchased Professional - Educational Services	56,676	4,151	60,827	55,868	8,824
Total Undist. Expend. - Other Supp. Serv. Students - Extraordinary Serv.	1,220,463	126,651	1,347,114	1,338,290	859
Undist. Expend. - Guidance:					
Salaries of Other Professional Staff	710,896	22,700	733,596	732,737	253
Salaries of Secretarial and Clerical Assistants	84,065		84,065	83,812	150
Purchased Professional - Educational Services	3,500	(2,500)	1,000	850	291
Other Purchased Services	2,499	(2,190)	309	18	255
Supplies and Materials	4,703	(2,493)	2,210	1,955	206
Other Objects	4,926	(2,192)	2,734	2,528	2,014
Total Undist. Expend. - Guidance	810,589	13,325	823,914	821,900	

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Undist. Expend. - Child Study Teams:	\$ 967,547	\$ 37,000	\$ 1,004,547	\$ 997,679	\$ 6,868
Salaries of Other Professional Staff	62,880	3,500	66,380	66,361	19
Salaries of Secretarial and Clerical Assistants	63,450		63,450	55,000	8,450
Other Purchased Professional and Technical Services	3,300	(990)	2,310	1,523	787
Miscellaneous Purchased Services	18,899	(5,200)	13,699	12,285	1,414
Supplies and Materials	3,143	(1,000)	2,143	1,923	220
Other Objects					
Total Undist. Expend. - Child Study Teams	1,119,219	33,310	1,152,529	1,134,771	17,758
Undist. Expend. - Improvement of Instructional Services:					
Salaries of Other Professional Staff	56,200	3,307	59,507	59,507	
Purchased Professional - Educational Services	10,000	(10,000)			
Other Purchased Services	7,125	(6,965)	160	160	
Supplies and Materials	4,500	11,835	16,335	11,281	5,054
Other Objects	56,051	(21,000)	35,051	33,882	1,169
Total Undist. Expend. - Improvement of Instructional Services	133,876	(22,823)	111,053	104,670	6,383
Undist. Expend. - Educational Media Services/School Library:					
Salaries	356,981	(55,077)	301,904	286,827	15,077
Salaries of Technology Coordinators	215,023	(92,623)	122,400	122,400	
Other Purchased Services	2,700	(2,700)			
Supplies and Materials	83,312	(21,215)	62,097	60,277	1,820
Total Undist. Expend. - Educational Media Services/School Library	658,016	(171,615)	486,401	469,504	16,897
Undist. Expend. - Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	728,880	(37,180)	691,700	635,424	56,276
Purchased Professional - Educational Services	36,345	(29,439)	6,906		6,906
Total Undist. Expend. - Instructional Staff Training Services	765,225	(66,619)	698,606	635,424	63,182

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Undist. Expend. - Support Services - General Administration:					
Salaries	\$ 454,435	\$ (4,900)	\$ 449,535	\$ 448,887	\$ 648
Legal Services	141,853	65,000	206,853	165,248	41,605
Audit Fees	42,750		42,750	42,640	110
Architectural/Engineering Services	123,911	(94,788)	29,123	2,440	26,683
Other Purchased Professional Services	30,000	5,215	35,215	35,215	
Purchased Technical Services	17,500	14,000	31,500	15,198	16,302
Communications/Telephone	214,000	(53,315)	160,685	148,695	11,990
BOE Other Purchased Services	16,356	(2,000)	14,356	6,116	8,240
Miscellaneous Purchased Services	12,000	31,983	43,983	40,535	3,448
General Supplies	11,152	(4,683)	6,469	6,403	66
Miscellaneous Expenditures	169,400	2,847	172,247	153,807	18,440
BOE Membership Dues and Fees	17,500	(134)	17,366	17,365	1
<b>Total Undist. Expend. - Support Services - General Administration</b>	<b>1,250,857</b>	<b>(40,775)</b>	<b>1,210,082</b>	<b>1,082,549</b>	<b>127,533</b>
Undist. Expend. - Support Serv. - School Administration:					
Salaries of Principals/Assistant Principals	986,464	(38,648)	947,816	927,828	19,988
Salaries of Secretarial and Clerical Assistants	498,661	(592)	498,069	488,533	9,536
Other Purchased Services	6,785	(2,000)	4,785	3,733	1,052
Supplies and Materials	50,909	(7,485)	43,424	41,219	2,205
<b>Total Undist. Expend. - Support Serv. - School Administration</b>	<b>1,542,819</b>	<b>(48,725)</b>	<b>1,494,094</b>	<b>1,461,313</b>	<b>32,781</b>
Undist. Expend. - Central Services:					
Salaries	623,471	(60,000)	563,471	511,236	52,235
Miscellaneous Purchased Services	56,690	1,000	57,690	42,342	15,348
Supplies and Materials	5,500		5,500	2,989	2,511
Miscellaneous Expenditures	6,000	(2,000)	4,000	650	3,350
<b>Total Undist. Expend. - Central Services</b>	<b>691,661</b>	<b>(61,000)</b>	<b>630,661</b>	<b>557,217</b>	<b>73,444</b>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Undist. Expend. - Administrative Information Technology:					
Salaries	\$ 205,922	\$ (35,000)	\$ 170,922	\$ 169,461	\$ 1,461
Purchased Technical Services	44,914	35,892	80,806	67,044	13,762
Other Purchased Services (400-500 series)	11,000	(1,400)	9,600	7,200	2,400
Total Undist. Expend. - Administrative Information Technology	<u>261,836</u>	<u>(508)</u>	<u>261,328</u>	<u>243,705</u>	<u>17,623</u>
Required Maintenance for School Facilities:					
Salaries	336,694	(10,000)	326,694	287,040	39,654
Cleaning, Repair and Maintenance Services	1,820,704	351,100	2,171,804	1,439,112	732,692
General Supplies	73,665		73,665	71,515	2,150
Other Objects	5,453	199	5,652	5,493	159
Total Required Maintenance for School Facilities	<u>2,236,516</u>	<u>341,299</u>	<u>2,577,815</u>	<u>1,803,160</u>	<u>774,655</u>
Undist. Expend. - Custodial Services:					
Salaries	1,451,652	(52,055)	1,399,597	1,390,108	9,489
Purchased Professional and Technical Services	13,550	(10,014)	3,536	3,536	
Other Purchased Property Services	76,116	(16,968)	59,148	51,573	7,575
Insurance	205,700	(3,010)	202,690	202,690	
Miscellaneous Purchased Services	8,710	5,500	14,210	12,679	1,531
General Supplies	87,270	22,693	109,963	101,355	8,608
Energy (Natural Gas)	190,000	61,468	251,468	248,448	3,020
Energy (Electricity)	380,701	(53,336)	327,365	315,725	11,640
Other Objects	15,407	1,253	16,660	16,438	222
Total Undist. Expend. - Custodial Services	<u>2,429,106</u>	<u>(44,469)</u>	<u>2,384,637</u>	<u>2,342,552</u>	<u>42,085</u>
Undist. Expend. - Care and Upkeep of Grounds:					
Salaries	192,008	(12,031)	179,977	161,106	18,871
Cleaning, Repair, and Maintenance Services	107,000	(6,898)	100,102	73,365	26,737
General Supplies	10,150		10,150	9,965	185
Total Undist. Expend. - Care and Upkeep of Grounds	<u>309,158</u>	<u>(18,929)</u>	<u>290,229</u>	<u>244,436</u>	<u>45,793</u>



BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Undist. Expend. - Student Transportation Services:					
Salaries for Pupil Transportation:	\$ 60,000	\$ (10,000)	\$ 50,000	\$ 28,950	\$ 21,050
Other than Between Home and School	22,700	872	23,572	23,572	
Cleaning, Repair and Maintenance Services					
Contracted Services:					
Aid in Lieu of Payments for Nonpublic School Students	115,804	6,885	122,689	122,689	
Between Home and School - Vendors	290,000	52,423	342,423	342,424	(1)
Other than Between Home and School - Vendors	75,000	22,000	97,000	89,655	7,345
Special Education Students - Vendors	640,000	1,049	641,049	641,018	31
Supplies and Materials	28,600	(12,360)	16,240	9,180	7,060
Total Undist. Expend. - Student Transportation Services	1,232,104	60,869	1,292,973	1,257,488	35,485
Unallocated Benefits:					
Social Security Contributions	574,174	(19,594)	554,580	539,638	14,942
Other Retirement Contribution - PERS	540,000	4,100	544,100	540,368	3,732
Other Retirement Contribution - Regular	7,524	3,115	10,639	10,639	
Unemployment Compensation	250,000	(250,000)			
Workmen's Compensation	221,642		221,642	221,275	367
Health Benefits	6,149,923	96,285	6,246,208	6,238,634	7,574
Tuition Reimbursement	132,057	15,000	147,057	140,573	6,484
Other Employee Benefits	153,000	117,474	270,474	238,102	32,372
Total Unallocated Benefits	8,028,320	(33,620)	7,994,700	7,929,229	65,471
Unallocated Benefits:					
ON-BEHALF CONTRIBUTIONS:					
On-Behalf TPAF Post Retirement Contributions (Non-Budgeted)				1,871,578	(1,871,578)
On-Behalf TPAF Pension Contributions (Non-Budgeted)				2,829,069	(2,829,069)
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				68,654	(68,654)
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				5,442	(5,442)

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Unallocated Benefits:					
<b>ON-BEHALF CONTRIBUTIONS:</b>					
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				\$ 1,417,056	\$ (1,417,056)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>				6,191,799	(6,191,799)
<b>TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS</b>	\$ 8,028,320	\$ (33,620)	\$ 7,994,700	14,121,028	(6,126,328)
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	24,982,634	371,115	25,353,749	30,164,705	(4,810,956)
<b>TOTAL GENERAL CURRENT EXPENSE</b>	44,441,737	(27,501)	44,414,236	48,949,557	(4,535,321)
<b>CAPITAL OUTLAY:</b>					
Equipment:					
Regular Programs - Instruction:					
Grades 9-12		27,500	27,500		27,500
Undistributed:					
Instruction		150,000	150,000	112,316	37,684
Total Equipment		177,500	177,500	112,316	65,184
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	550,367	(56,517)	493,850	55,133	438,717
Other Purchased Professional and Technical Services	556,936	(494,452)	62,484	29,307	33,177
Construction Services	6,641,279	(3,645,278)	2,996,001	2,038,039	957,962
Supplies and Materials		100,000	100,000	99,751	249
Other Objects - Assessment for Debt Service on SDA Funding	3,589		3,589	3,589	
Total Facilities Acquisition and Construction Services	7,752,171	(4,096,247)	3,655,924	2,225,819	1,430,105
<b>TOTAL CAPITAL OUTLAY</b>	7,752,171	(3,918,747)	3,833,424	2,338,135	1,495,289
Transfer of Funds to Charter Schools	35,227		35,227	35,227	

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
TOTAL EXPENDITURES	\$ 52,229,135	\$ (3,946,248)	\$ 48,282,887	\$ 51,322,919	\$ (3,040,032)
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(9,400,796)	3,946,248	(5,454,548)	(2,210,499)	3,244,049
Other Financing Sources/(Uses):					
Capital Reserve - Transfer to Capital Projects Fund		(3,946,248)	(3,946,248)	(3,946,248)	
Total Other Financing Uses		(3,946,248)	(3,946,248)	(3,946,248)	
Excess/(Deficit) of Revenues Over/(Under) Expenditures and Other Financing Uses	(9,400,796)		(9,400,796)	(6,156,747)	3,244,049
Fund Balance, July 1	14,407,968		14,407,968	14,407,968	
Fund Balance, June 30	\$ 5,007,172	\$ -0-	\$ 5,007,172	\$ 8,251,221	\$ 3,244,049
Recapitulation:					
Restricted Fund Balance:				\$ 4,341,853	
Capital Reserve				959,765	
Maintenance Reserve					
Assigned Fund Balance:				150,000	
Designated for Subsequent Year's Expenditures				1,698,979	
Year End Encumbrances				1,100,624	
Unassigned Fund Balance				8,251,221	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP basis				(105,241)	
Fund Balance per Governmental Funds (GAAP)				\$ 8,145,980	

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 (Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources	\$ 65,000	\$ 64,540	\$ 129,540	\$ 129,540	
State Sources	142,229	56,390	198,619	190,562	\$ (8,057)
Federal Sources	618,044	243,810	861,854	738,624	(123,230)
<b>Total Revenues</b>	<b>825,273</b>	<b>364,740</b>	<b>1,190,013</b>	<b>1,058,726</b>	<b>(131,287)</b>
<b>EXPENDITURES:</b>					
Instruction:					
Purchased Professional - Educational Services	106,320	38,830	145,150	137,605	7,545
Tuition	15,277	443,926	459,203	459,203	
General Supplies	19,229	156,583	175,812	159,332	16,480
Textbooks		22,569	22,569	22,276	293
<b>Total Instruction</b>	<b>140,826</b>	<b>661,908</b>	<b>802,734</b>	<b>778,416</b>	<b>24,318</b>
Support Services:					
Other Salaries		24,282	24,282	21,482	2,800
Purchased Professional and Technical Services		257,676	257,676	177,794	79,882
Other Purchased Services		57,544	57,544	43,672	13,872
Supplies and Materials	100,306	(57,654)	42,652	37,362	5,290
Other Objects	519,141	(519,141)			
<b>Total Support Services</b>	<b>619,447</b>	<b>(237,293)</b>	<b>382,154</b>	<b>280,310</b>	<b>101,844</b>
Facilities Acquisition:					
Instructional Equipment	65,000	(59,875)	5,125		5,125
<b>Total Facilities Acquisition</b>	<b>65,000</b>	<b>(59,875)</b>	<b>5,125</b>		<b>5,125</b>
<b>Total Expenditures</b>	<b>\$ 825,273</b>	<b>\$ 364,740</b>	<b>\$ 1,190,013</b>	<b>\$ 1,058,726</b>	<b>\$ 131,287</b>

BOROUGH OF MADISON SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(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	\$ 49,112,420	\$ 1,058,726
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognized Encumbrances as Expenditures and Revenue while the GAAP Basis does not:		
Prior Year Encumbrances		93,297
Cancellation of Prior Year Encumbrances		(72,273)
Current Year Encumbrances		(13,681)
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	93,089	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(105,241)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 49,100,268	\$ 1,066,069
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 51,322,919	\$ 1,058,726
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:		
Prior Year Encumbrances		93,297
Cancellation of Prior Year Encumbrances		(72,273)
Current Year Encumbrances		(13,681)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 51,322,919	\$ 1,066,069

BOROUGH OF MADISON SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISION SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2018 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 the GAAP revenue due to a difference in the recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

**SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)**

**SPECIAL REVENUE FUND**



BOROUGH OF MADISON SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Nonpublic			
	Textbooks	Nursing	Technology Initiative	Security Aid
REVENUES:				
Local Sources				
State Sources	\$ 22,276	\$ 39,964	\$ 14,985	\$ 30,681
Federal Sources				
Total Revenues	<u>22,276</u>	<u>39,964</u>	<u>14,985</u>	<u>30,681</u>
EXPENDITURES:				
Instruction:				
Purchased Professional - Educational Services		39,964	14,985	
Tuition				
General Supplies				
Textbooks	<u>22,276</u>			
Total Instruction	<u>22,276</u>	<u>39,964</u>	<u>14,985</u>	
Support Services:				
Other Salaries				
Purchased Professional and Technical Services				
Other Purchased Services				30,681
Supplies and Materials				<u>30,681</u>
Total Support Services				<u>30,681</u>
Total Expenditures	<u>\$ 22,276</u>	<u>\$ 39,964</u>	<u>\$ 14,985</u>	<u>\$ 30,681</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Nonpublic Services				
	Examination and Classification	Handicapped	Corrective Speech	Supplementary Instruction	Auxiliary Compensatory Education
REVENUES:					
Local Sources					
State Sources	\$ 32,578	\$ 18,927	\$ 23,710	\$ 7,441	
Federal Sources					
Total Revenues	<u>32,578</u>	<u>18,927</u>	<u>23,710</u>	<u>7,441</u>	
EXPENDITURES:					
Instruction:					
Purchased Professional - Educational Services	32,578	18,927	23,710	7,441	
Tuition					
General Supplies					
Textbooks					
Total Instruction	<u>32,578</u>	<u>18,927</u>	<u>23,710</u>	<u>7,441</u>	
Support Services:					
Other Salaries					
Purchased Professional and Technical Services					
Other Purchased Professional Services					
Supplies and Materials					
Total Support Services					
Total Expenditures	<u>\$ 32,578</u>	<u>\$ 18,927</u>	<u>\$ 23,710</u>	<u>\$ 7,441</u>	

BOROUGH OF MADISON SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Elementary and Secondary Education Act				
	Title I	Title IIA	Title III	Title III Immigrant	Title IV
<b>REVENUES:</b>					
Local Sources					
State Sources					
Federal Sources	\$ 37,309	\$ 42,934	\$ 16,886	\$ 7,927	\$ 1,450
Total Revenues	<u>37,309</u>	<u>42,934</u>	<u>16,886</u>	<u>7,927</u>	<u>1,450</u>
<b>EXPENDITURES:</b>					
Instruction:					
Purchased Professional - Educational Services					
Tuition			8,372		1,450
General Supplies	9,535				
Textbooks					
Total Instruction	<u>9,535</u>		<u>8,372</u>		<u>1,450</u>
Support Services:					
Other Salaries	9,154		7,194	5,134	
Purchased Professional and Technical Services	18,620	3,635	1,200		
Other Purchased Services		39,299			
Supplies and Materials			120	2,793	
Total Support Services	<u>27,774</u>	<u>42,934</u>	<u>8,514</u>	<u>7,927</u>	
Total Expenditures	<u>\$ 37,309</u>	<u>\$ 42,934</u>	<u>\$ 16,886</u>	<u>\$ 7,927</u>	<u>\$ 1,450</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Local Donations	I.D.E.A.		Totals 2018
		Basic	Preschool	
<b>REVENUES:</b>				
Local Sources	\$ 129,540			\$ 129,540
State Sources				190,562
Federal Sources		\$ 612,825	\$ 19,293	738,624
<b>Total Revenues</b>	<b>129,540</b>	<b>612,825</b>	<b>19,293</b>	<b>1,058,726</b>
<b>EXPENDITURES:</b>				
Instruction:				
Purchased Professional - Educational Services				137,605
Tuition		439,910	19,293	459,203
General Supplies	129,540	10,435		159,332
Textbooks				22,276
<b>Total Instruction</b>	<b>129,540</b>	<b>450,345</b>	<b>19,293</b>	<b>778,416</b>
Support Services:				
Other Salaries				21,482
Purchased Professional and Technical Services		154,339		177,794
Other Purchased Services		4,373		43,672
Supplies and Materials		3,768		37,362
<b>Total Support Services</b>		<b>162,480</b>		<b>280,310</b>
<b>Total Expenditures</b>	<b>\$ 129,540</b>	<b>\$ 612,825</b>	<b>\$ 19,293</b>	<b>\$ 1,058,726</b>

**CAPITAL PROJECTS FUND**

BOROUGH OF MADISON SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Revenue and Other Financing Sources:	
Transfer from Capital Reserve	\$ 3,946,248
Total Revenue and Other Financing Sources	<u>3,946,248</u>
Expenditures:	
Purchased Professional and Technical Services	17,750
Construction Services	2,398,429
Equipment	<u>29,536</u>
Total Expenditures	<u>2,445,715</u>
Excess of Revenue and Other Financing Sources Over Expenditures	1,500,533
Fund Balance - Beginning of Year	<u>-0-</u>
Fund Balance - End of Year	<u>\$ 1,500,533</u>
<u>Recapitulation:</u>	
Committed	\$ 111,877
Committed - Year End Encumbrances	<u>1,388,656</u>
Total Fund Balance - Budgetary/GAAP Basis	<u>\$ 1,500,533</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -  
BUDGETARY BASIS  
HIGH SCHOOL SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS PROJECT ADDITION  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Transfer from Capital Reserve		\$ 3,946,248	\$ 3,946,248	\$ 3,946,248
Total Revenue and Other Financing Sources		3,946,248	3,946,248	3,946,248
Expenditures:				
Purchased Professional and Technical Services		17,750.00	17,750.00	143,820
Construction Services		2,398,429	2,398,429	3,677,428
Equipment and Furniture		29,536	29,536	125,000
Total Expenditures		2,445,715	2,445,715	3,946,248
Excess of Revenue and Other Financing Sources Over Expenditures	\$ -0-	\$ 1,500,533	\$ 1,500,533	\$ -0-

Additional Project Information:

Project Numbers	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 3,946,248
Project Balance Cancelled	-0-
Revised Authorized Cost	3,946,248
Percentage Increase over Original Authorized Cost	0%
Percentage Completion	62%
Original Target Completion Date	12/18
Revised Target Completion Date	N/A

**PROPRIETARY FUNDS**



BOROUGH OF MADISON SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2018

	Non-Major Funds		Total	Major Funds			Total Enterprise Funds
	Integrated Preschool	Food Service		Summer Program	Kindergarten Wrap-Around		
<b>ASSETS:</b>							
Current Assets:							
Cash and Cash Equivalents	\$ 4,700	\$ 31,458	\$ 36,158	\$ 53,200	\$ 979,065	\$ 1,068,423	
Intergovernmental Accounts Receivable:							
State		576	576			576	
Federal		9,915	9,915			9,915	
Other Accounts Receivable					3,150	3,150	
Inventories		6,080	6,080			6,080	
<b>Total Current Assets</b>	<b>4,700</b>	<b>48,029</b>	<b>52,729</b>	<b>53,200</b>	<b>982,215</b>	<b>1,088,144</b>	
Non-Current Assets:							
Capital Assets		356,870	356,870			356,870	
Less: Accumulated Depreciation		(298,510)	(298,510)			(298,510)	
<b>Total Non-Current Assets</b>		<b>58,360</b>	<b>58,360</b>			<b>58,360</b>	
<b>Total Assets</b>	<b>4,700</b>	<b>106,389</b>	<b>111,089</b>	<b>53,200</b>	<b>982,215</b>	<b>1,146,504</b>	
<b>LIABILITIES:</b>							
Current Liabilities:							
Accounts Payable		7,156	7,156			7,156	
Unearned Revenue	650	17,830	18,480	53,200	85,100	156,780	
<b>Total Current Liabilities</b>	<b>650</b>	<b>24,986</b>	<b>25,636</b>	<b>53,200</b>	<b>85,100</b>	<b>163,936</b>	
<b>Total Liabilities</b>	<b>650</b>	<b>24,986</b>	<b>25,636</b>	<b>53,200</b>	<b>85,100</b>	<b>163,936</b>	
<b>NET POSITION:</b>							
Investment in Capital Assets		58,360	58,360			58,360	
Unrestricted	4,050	23,043	27,093		897,115	924,208	
<b>Total Net Position</b>	<b>\$ 4,050</b>	<b>\$ 81,403</b>	<b>\$ 85,453</b>	<b>\$ -0-</b>	<b>\$ 897,115</b>	<b>\$ 982,568</b>	

BOROUGH OF MADISON SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Non-Major Funds		Total	Major Funds			Total Enterprise Funds
	Integrated Preschool	Food Service		Summer Program	Kindergarten Wrap-Around		
Operating Revenue:							
Daily Sales:							
Reimbursable Programs		\$ 253,611	\$ 253,611			\$ 253,611	
Non-Reimbursable Programs		298,997	298,997			298,997	
Charges for Services:							
Program Fees	\$ 1,100		1,100		\$ 448,200	449,300	
Miscellaneous Revenue		2,450	2,450			2,450	
<b>Total Operating Revenue</b>	<b>1,100</b>	<b>555,058</b>	<b>556,158</b>	<b>448,200</b>		<b>1,004,358</b>	
Operating Expenses:							
Cost of Sales:							
Reimbursable Programs		186,636	186,636			186,636	
Non-Reimbursable Programs		83,851	83,851			83,851	
Salaries		209,179	209,179		195,317	404,496	
Employee Benefits		77,996	77,996		31,475	109,471	
Purchased Professional and Technical Services		26,183	26,183			26,183	
Other Purchased Services		26,159	26,159		11,639	37,798	
Supplies and Materials		25,363	25,363		5,001	30,364	
Miscellaneous Expense		12,436	12,436			12,436	
Depreciation Expense		7,266	7,266			7,266	
<b>Total Operating Expenses</b>		<b>655,069</b>	<b>655,069</b>	<b>243,432</b>		<b>898,501</b>	
<b>Operating Income/(Loss)</b>	<b>1,100</b>	<b>(100,011)</b>	<b>(98,911)</b>	<b>204,768</b>		<b>105,857</b>	

BOROUGH OF MADISON SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Non-Major Funds		Major Funds			Total Enterprise Funds
	Integrated Preschool	Food Service	Total	Summer Program	Kindergarten Wrap-Around	
Non-Operating Revenue:						
State Sources:						
State School Lunch Program		\$ 5,372	\$ 5,372			\$ 5,372
Federal Sources:						
National School Lunch Program		88,698	88,698			88,698
Special Milk Program		263	263			263
Food Distribution Program		13,033	13,033			13,033
Total Non-Operating Income		107,366	107,366			107,366
Change in Net Position	\$ 1,100	7,355	8,455		\$ 204,768	213,223
Net Position - Beginning of Year	2,950	74,048	76,998		692,347	769,345
Net Position - End of Year	\$ 4,050	\$ 81,403	\$ 85,453	\$ -0-	\$ 897,115	\$ 982,568

BOROUGH OF MADISON SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Non-Major Funds		Major Funds			Total Enterprise Funds
	Integrated Preschool	Food Service	Total	Summer Program	Kindergarten Wrap-Around	
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 1,750	\$ 554,290	\$ 556,040	\$ 53,200	\$ 435,950	\$ 1,045,190
Payments to Food Service Contractor		(621,639)	(621,639)			(621,639)
Payments to/for Employees					(226,792)	(226,792)
Payments to Suppliers		(8,428)	(8,428)		(16,775)	(25,203)
Net Cash Provided by/(Used for) Operating Activities	1,750	(75,777)	(74,027)	53,200	192,383	171,556
Cash Flows from Noncapital Financing Activities:						
State Sources		5,074	5,074			5,074
Federal Sources		84,012	84,012			84,012
Net Cash Provided by Noncapital Financing Activities		89,086	89,086			89,086
Net Increase in Cash and Cash Equivalents	1,750	13,309	15,059	53,200	192,383	260,642
Cash and Cash Equivalents, July 1	2,950	18,149	21,099		786,682	807,781
Cash and Cash Equivalents, June 30	\$ 4,700	\$ 31,458	\$ 36,158	\$ 53,200	\$ 979,065	\$ 1,068,423

BOROUGH OF MADISON SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Non-Major Funds		Total	Major Funds			Total Enterprise Funds
	Integrated Preschool	Food Service		Summer Program	Kindergarten Wrap-Around		
\$	1,100	\$ (100,011)	\$ (98,911)	\$	204,768	\$	105,857
		7,266	7,266				7,266
		13,033	13,033				13,033
		(2,453)	(2,453)		(3,150)		(3,150)
		7,156	7,156		(135)		(2,453)
	650	(768)	(118)	\$	53,200	(9,100)	7,021
				\$			43,982
	\$	\$ (75,777)	\$ (74,027)	\$	53,200	\$ 192,383	\$ 171,556

Reconciliation of Operating Income/(Loss) to  
 Net Cash Provided by/(Used for) Operating Activities:  
 Operating Income/(Loss) \$ (98,911)  
 Adjustment to Reconcile Operating Income/(Loss) to Net  
 Cash Provided by/(Used for) Operating Activities:  
 Depreciation 7,266  
 Food Distribution Program 13,033  
 Changes in Assets and Liabilities:  
 (Increase) in Other Accounts Receivable (2,453)  
 (Increase) in Inventory 7,156  
 Increase/(Decrease) in Accounts Payable (118)  
 Increase/(Decrease) in Unearned Revenue 53,200  
 Net Cash Provided by/(Used for) Operating Activities \$ (74,027)

Noncash Investing, Capital and Financing Activities:  
 The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$13,033 and utilized U.S.D.A. Commodities valued at \$13,033.

**FIDUCIARY FUNDS**

BOROUGH OF MADISON SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2018

	Agency		Total Agency		Flexible Spending Trust	Private Purpose Scholarship Trust	Totals
	Student Activities	Payroll	Total Agency	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust	Totals
<u>ASSETS:</u>							
Cash and Cash Equivalents	\$ 328,965	\$ 27,825	\$ 356,790	\$ 227,845	\$ 84,131	\$ 114,064	\$ 782,830
Total Assets	328,965	27,825	356,790	227,845	84,131	114,064	782,830
<u>LIABILITIES:</u>							
Payroll Deductions and Withholdings Due to Student Groups	328,965	27,825	356,790				356,790
Total Liabilities	328,965	27,825	356,790				356,790
<u>NET POSITION:</u>							
Held in Trust for:							
Unemployment Claims				227,845			227,845
Flexible Spending Claims					84,131		84,131
Restricted for Scholarships						114,064	114,064
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 227,845	\$ 84,131	\$ 114,064	\$ 426,040

BOROUGH OF MADISON SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Totals</u>
<b>ADDITIONS:</b>				
Contributions:				
Plan Members	\$ 94,918	\$ 102,231		\$ 197,149
Donations			\$ 6,898	6,898
Total Contributions	<u>94,918</u>	<u>102,231</u>	<u>6,898</u>	<u>204,047</u>
Investment Earnings:				
Interest	1,159	413	356	1,928
Net Investment Earnings	<u>1,159</u>	<u>413</u>	<u>356</u>	<u>1,928</u>
Total Additions	<u>96,077</u>	<u>102,644</u>	<u>7,254</u>	<u>205,975</u>
<b>DEDUCTIONS:</b>				
Unemployment Claims	29,849			29,849
Scholarships Awarded			13,025	13,025
Flexible Spending Claims		108,226		108,226
Total Deductions	<u>29,849</u>	<u>108,226</u>	<u>13,025</u>	<u>151,100</u>
Change in Net Position	66,228	(5,582)	(5,771)	54,875
Net Position - Beginning of the Year	<u>161,617</u>	<u>89,713</u>	<u>119,835</u>	<u>371,165</u>
Net Position - End of the Year	<u>\$ 227,845</u>	<u>\$ 84,131</u>	<u>\$ 114,064</u>	<u>\$ 426,040</u>



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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 376,982	\$ 554,971	\$ 602,988	\$ 328,965
Total Assets	<u>\$ 376,982</u>	<u>\$ 554,971</u>	<u>\$ 602,988</u>	<u>\$ 328,965</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 376,982	\$ 554,971	\$ 602,988	\$ 328,965
Total Liabilities	<u>\$ 376,982</u>	<u>\$ 554,971</u>	<u>\$ 602,988</u>	<u>\$ 328,965</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>June 30, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Elementary Schools:				
Central Avenue	\$ 7,425	\$ 13,632	\$ 15,250	\$ 5,807
Kings Road School	8,817	11,213	15,398	4,632
Torey J Sabatini	7,045	11,289	13,956	4,378
	<u>23,287</u>	<u>36,134</u>	<u>44,604</u>	<u>14,817</u>
Total Elementary Schools				
Middle Schools:				
Junior School	64,877	61,905	70,849	55,933
	<u>291,330</u>	<u>382,551</u>	<u>415,787</u>	<u>258,094</u>
High School				
	<u>(2,512)</u>	<u>74,381</u>	<u>71,748</u>	<u>121</u>
Athletic Fund				
Total All Schools/Funds	<u>\$ 376,982</u>	<u>\$ 554,971</u>	<u>\$ 602,988</u>	<u>\$ 328,965</u>

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 12,390	\$ 38,435,495	\$ 38,420,060	\$ 27,825
Total Assets	<u>\$ 12,390</u>	<u>\$ 38,435,495</u>	<u>\$ 38,420,060</u>	<u>\$ 27,825</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 12,390	\$ 38,435,495	\$ 38,420,060	\$ 27,825
Total Liabilities	<u>\$ 12,390</u>	<u>\$ 38,435,495</u>	<u>\$ 38,420,060</u>	<u>\$ 27,825</u>

**LONG-TERM DEBT**

BOROUGH OF MADISON SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding			Interest Rate	Retired or Matured	Balance June 30, 2018
			Date	Amount	Balance July 1, 2017			
Various School Improvements	12/27/07	\$ 11,085,000	09/15/18	\$ 285,000	\$ 565,000	\$ 280,000	\$ 285,000	
School Refunding Bonds	05/30/12	9,955,000	12/15/18	60,000	3.000%			
			12/15/19	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	75,000	4.000%			
			12/15/27	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%						
					9,695,000	60,000	9,635,000	
School Refunding Bonds	09/26/12	21,075,000	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%			
			12/15/22	1,225,000	3.000%			
12/15/23	1,265,000	4.000%						
12/15/24	1,320,000	4.000%						

BOROUGH OF MADISON SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding			Interest Rate	Balance July 1, 2017	Retired or Matured	Balance June 30, 2018	
			Date	Amount	June 30, 2018					
School Refunding Bonds	09/26/12	\$ 21,075,000	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%		\$ 19,605,000	\$ 1,040,000	\$ 18,565,000
			09/15/18	25,000		2.000%				
			09/15/19	320,000		3.000%				
			09/15/20	330,000		3.000%				
			School Refunding Bonds	12/29/15	7,060,000	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%							
						7,035,000	25,000	7,010,000		
						\$ 36,900,000	\$ 1,405,000	\$ 35,495,000		

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 2,070,456		\$ 2,070,456	\$ 2,070,457	\$ 1
State Sources:					
Debt Service Aid Type II	540,711		540,711	540,711	
Total Revenues	2,611,167		2,611,167	2,611,168	1
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	1,231,021		1,231,021	1,231,021	
Redemption of Principal	1,405,000		1,405,000	1,405,000	
Total Regular Debt Service	2,636,021		2,636,021	2,636,021	
Total Expenditures	2,636,021		2,636,021	2,636,021	
Deficit of Revenue Under Expenditures	(24,854)		(24,854)	(24,853)	
Fund Balance, July 1	24,854		24,854	24,854	
Fund Balance, June 30	\$ -0-	\$ -0-	\$ -0-	\$ 1	\$ -0-
<u>Recapitulation:</u>					
Restricted				\$ 1	
				\$ 1	

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

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

**Contents**

	<b><u>Exhibit</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	J-1 thru J-5
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.	J-6 thru J-9
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 thru J-13
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.	J-14 thru J-15
<b>Operating Information</b> These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.	J-16 thru J-20

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



BOROUGH OF MADISON SCHOOL DISTRICT  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
ACCURAL BASIS OF ACCOUNTING  
UNAUDITED

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017*	2018
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$14,575,115	\$14,236,206	\$13,818,168	\$10,551,893	\$11,187,229	\$11,332,466	\$15,653,963	\$16,342,044	\$16,311,254	\$20,162,837
Restricted	996,260	268,850	155,005	512,198	1,099,168	502,063	3,012,878	12,835,643	11,567,657	5,301,619
Unrestricted/(Deficit)	(1,696,279)	(1,449,059)	(394,485)	4,276,697	2,972,124	(3,594,860)	(8,440,515)	(9,636,859)	(10,260,343)	(9,360,684)
Total Governmental Activities Net Position	\$13,875,096	\$13,055,997	\$13,578,688	\$15,340,788	\$15,258,521	\$8,239,669	\$10,226,326	\$19,540,828	\$17,618,568	\$16,103,772
<b>Business-type Activities</b>										
Investment in Capital Assets	\$ 45,504	\$ 44,836	\$ 54,224	\$ 75,030	\$ 88,203	\$ 81,297	\$ 74,143	\$ 71,712	\$ 65,626	\$ 58,360
Unrestricted	29,099	43,669	60,278	47,305	16,962	172,199	316,844	482,596	703,719	924,208
Total Business-type Activities Net Position	\$ 74,603	\$ 88,505	\$ 114,502	\$ 122,335	\$ 105,165	\$ 253,496	\$ 390,987	\$ 554,308	\$ 769,345	\$ 982,568
<b>District-wide</b>										
Net Investment in Capital Assets	\$14,620,619	\$14,281,042	\$13,872,392	\$10,626,923	\$11,275,432	\$11,413,763	\$15,728,106	\$16,413,756	\$16,376,880	\$20,221,197
Restricted	996,260	268,850	155,005	512,198	1,099,168	502,063	3,012,878	12,835,643	11,567,657	5,301,619
Unrestricted/(Deficit)	(1,667,180)	(1,405,390)	(334,207)	4,324,002	2,989,086	(3,422,661)	(8,123,671)	(9,154,263)	(9,536,624)	(8,436,476)
Total District Net Position	\$13,949,699	\$13,144,502	\$13,693,190	\$15,463,123	\$15,363,686	\$8,493,165	\$10,617,313	\$20,095,136	\$18,387,913	\$17,086,340

\* Restated

Source: School District Financial Reports

**BOROUGH OF MADISON SCHOOL DISTRICT**  
**CHANGES IN NET POSITION, LAST TEN FISCAL YEARS**  
**ACCURAL BASIS OF ACCOUNTING**  
**UNAUDITED**

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses:</b>										
<b>Governmental Activities:</b>										
<b>Instruction:</b>										
Regular	\$ 15,963,354	\$ 16,493,978	\$ 15,913,709	\$ 16,691,709	\$ 17,960,322	\$ 17,173,580	\$ 20,709,510	\$ 22,134,753	\$ 25,910,729	\$ 29,009,506
Special Education	3,438,514	3,310,439	3,310,478	3,240,215	3,376,254	3,571,209	4,766,540	5,410,247	5,715,609	6,779,627
Other Special Education	824,753	769,639	849,652	673,459	686,980	819,199	1,139,843	1,118,974	1,125,055	1,251,166
School Sponsored/Other Instruction	1,495,957	1,406,683	1,247,790	1,332,498	1,422,637	1,486,849	1,825,173	1,913,513	2,210,472	1,541,826
<b>Support Services:</b>										
Tuition	1,538,856	1,636,198	1,630,089	1,361,518	1,381,361	1,284,815	1,618,438	1,510,444	1,707,515	1,975,166
Student & Instruction Related Services	5,370,682	5,690,272	5,836,849	5,868,557	6,913,818	7,204,111	8,505,628	9,214,701	9,960,425	10,279,696
General Administrative Services	1,209,793	1,113,395	1,119,726	1,029,536	1,285,368	1,115,311	1,348,501	1,342,234	1,287,818	1,359,652
School Administrative Services	1,902,007	1,934,285	1,815,938	1,899,136	2,056,418	1,995,306	2,426,228	2,569,426	2,593,190	2,644,749
Central Services	639,410	593,624	618,872	563,464	632,739	641,578	666,171	684,642	821,804	923,069
Administrative Information Technology	250,238	146,251	131,011	137,543	171,337	171,171	183,035	288,293	325,150	333,399
Plant Operations and Maintenance	3,827,313	3,776,335	3,380,072	3,391,041	3,621,643	3,244,363	4,334,959	4,804,932	4,914,974	5,284,412
Pupil Transportation	1,208,373	1,092,823	1,274,856	1,200,452	1,285,599	1,008,031	1,178,059	1,173,062	1,254,338	1,353,378
Transfer of Funds to Charter School		6,795		34,250			8,606	24,192	24,261	35,227
Interest on Long-term Debt	2,098,749	1,987,662	1,966,701	1,760,634	1,548,776	1,591,920	1,529,594	1,488,674	1,269,124	1,272,725
Unallocated Depreciation	147,853	1,480,345	1,490,501	1,483,372	1,483,372	1,540,461	1,537,042	1,527,119	1,407,342	
<b>Total Governmental Activities Expenses</b>	<b>39,915,852</b>	<b>41,438,724</b>	<b>40,586,244</b>	<b>40,633,134</b>	<b>43,860,874</b>	<b>42,847,904</b>	<b>51,777,327</b>	<b>53,205,206</b>	<b>60,527,806</b>	<b>64,043,598</b>
<b>Business-type Activities:</b>										
Food Service	672,336	690,171	715,271	761,673	750,099	728,307	686,979	694,629	700,715	655,069
Kindergarten Wrap Around					137,938	160,336	182,627	246,240	181,812	243,432
Integrated Preschool						13,600	16,250	12,200	12,300	
<b>Total Business-type Activities Expense</b>	<b>672,336</b>	<b>690,171</b>	<b>715,271</b>	<b>761,673</b>	<b>888,037</b>	<b>902,243</b>	<b>885,856</b>	<b>953,069</b>	<b>894,827</b>	<b>898,501</b>
<b>Total District Expenses</b>	<b>\$ 40,588,188</b>	<b>\$ 42,128,895</b>	<b>\$ 41,301,515</b>	<b>\$ 41,394,807</b>	<b>\$ 44,748,911</b>	<b>\$ 43,750,147</b>	<b>\$ 52,663,183</b>	<b>\$ 56,158,275</b>	<b>\$ 61,422,633</b>	<b>\$ 64,942,099</b>
<b>Program Revenues:</b>										
<b>Governmental Activities:</b>										
<b>Charges for Services:</b>										
Instruction (Tuition)	\$ 1,472,300	\$ 1,530,100	\$ 1,660,699	\$ 1,704,388	\$ 1,695,519	\$ 1,805,518	\$ 1,806,176	\$ 1,815,704	\$ 1,754,597	\$ 1,854,512
School Sponsored/Other Instruction										
(Student Activity Fees)			61,018	87,275	89,400	93,135	92,775	95,825	87,300	
Pupil Transportation (Subscription Busing)		3,563	7,600	4,250	6,000	5,214	8,125	9,750	12,480	10,800
Operating Grants and Contributions	7,027,444	5,612,621	4,668,640	5,340,519	6,469,234	5,866,662	10,865,042	12,754,451	16,482,287	18,133,228
Capital Grants and Contributions									343,102	
<b>Total Governmental Activities Program Revenues</b>	<b>8,495,744</b>	<b>7,146,284</b>	<b>6,397,957</b>	<b>7,136,432</b>	<b>8,260,153</b>	<b>7,770,529</b>	<b>12,772,118</b>	<b>14,675,730</b>	<b>18,679,766</b>	<b>19,998,540</b>
<b>Business-type Activities:</b>										
<b>Charges for Services:</b>										
Food Service	555,610	573,195	616,362	644,443	590,535	609,166	570,857	576,339	565,458	555,058
Kindergarten Wrap Around					154,900	300,550	316,950	410,600	418,300	448,200
Integrated Preschool						13,600	16,250	12,200	15,250	1,100
Operating Grants and Contributions - Food Service	113,039	130,878	124,906	125,063	114,767	127,258	119,290	117,251	110,856	107,366
<b>Total Business-type Activities Program Revenues</b>	<b>668,649</b>	<b>704,073</b>	<b>741,268</b>	<b>769,506</b>	<b>860,202</b>	<b>1,050,574</b>	<b>1,023,347</b>	<b>1,116,390</b>	<b>1,109,864</b>	<b>1,111,724</b>
<b>Total District Program Revenues</b>	<b>\$ 9,168,393</b>	<b>\$ 7,850,357</b>	<b>\$ 7,139,225</b>	<b>\$ 7,905,938</b>	<b>\$ 9,120,355</b>	<b>\$ 8,821,103</b>	<b>\$ 13,795,465</b>	<b>\$ 15,792,120</b>	<b>\$ 19,789,630</b>	<b>\$ 21,110,264</b>

BOROUGH OF MADISON SCHOOL DISTRICT  
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS  
ACCURAL BASIS OF ACCOUNTING  
UNAUDITED

(Continued)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2017
Net (Expense)/Revenue:										
Governmental Activities	\$ (31,416,108)	\$ (34,292,440)	\$ (34,188,287)	\$ (33,496,702)	\$ (35,600,721)	\$ (35,077,375)	\$ (39,005,209)	\$ (40,529,476)	\$ (41,848,040)	\$ (44,045,058)
Business-type Activities	(3,687)	13,902	25,997	7,833	(27,835)	148,331	137,491	163,321	215,037	213,223
Total District-wide Net Expense	\$ (31,419,795)	\$ (34,278,538)	\$ (34,162,290)	\$ (33,488,869)	\$ (35,628,556)	\$ (34,929,044)	\$ (38,867,718)	\$ (40,366,155)	\$ (41,633,003)	\$ (43,831,835)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 29,719,423	\$ 30,908,200	\$ 31,889,528	\$ 32,527,319	\$ 33,177,865	\$ 33,979,228	\$ 36,110,120	\$ 37,961,408	\$ 38,740,759	\$ 39,515,574
Taxes Levied for Debt Service	2,574,213	2,276,190	2,529,425	2,524,587	2,513,089	2,425,545	2,404,748	2,397,198	2,302,922	2,070,457
Unrestricted Grants and Contributions	76,908	165,058	17,205		32,856	38,056	81,021	100,346	592,828	658,667
Sale of Property							2,000,000	9,000,000		
Investment Earnings and Miscellaneous Income	404,029	123,893	274,820	206,896	359,240	299,290	395,977	353,245	433,653	285,564
Transfers					(10,665)			31,781		
Total Governmental Activities	\$ 32,774,573	\$ 33,473,341	\$ 34,710,978	\$ 35,258,802	\$ 36,072,385	\$ 36,742,119	\$ 40,991,866	\$ 49,843,978	\$ 42,070,162	\$ 42,530,262
Business-type Activities:										
Transfers					10,665					
Total Business-type Activities					10,665					
Total District-wide	\$ 32,774,573	\$ 33,473,341	\$ 34,710,978	\$ 35,258,802	\$ 36,083,050	\$ 36,742,119	\$ 40,991,866	\$ 49,843,978	\$ 42,070,162	\$ 42,530,262
Change in Net Position										
Governmental Activities	\$ 1,358,465	\$ (819,099)	\$ 522,691	\$ 1,762,100	\$ 471,664	\$ 1,664,744	\$ 1,986,657	\$ 9,314,502	\$ 222,122	\$ (1,514,796)
Business-type Activities	(3,687)	13,902	25,997	7,833	(17,170)	148,331	137,491	163,321	215,037	213,223
Total District	\$ 1,354,778	\$ (805,197)	\$ 548,688	\$ 1,769,933	\$ 454,494	\$ 1,813,075	\$ 2,124,148	\$ 9,477,823	\$ 437,159	\$ (1,301,573)

Source: School District Financial Reports

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

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved/Restricted	\$ 643,502	\$ 51,200	\$ 155,005	\$ 512,198	\$ 1,099,168	\$ 498,230	\$ 3,005,954	\$ 12,810,789	\$ 11,542,803	\$ 5,301,618
Assigned			435,485	1,566,141	882,145	2,231,086	1,504,758	1,401,219	1,888,758	1,848,979
Unassigned			832,498	1,242,425	799,811	733,937	841,580	809,169	883,318	995,383
Unreserved	401,241	716,470								
<b>Total General Fund</b>	<b>\$ 1,044,743</b>	<b>\$ 767,670</b>	<b>\$ 1,422,988</b>	<b>\$ 3,320,764</b>	<b>\$ 2,781,124</b>	<b>\$ 3,463,253</b>	<b>\$ 5,352,292</b>	<b>\$ 15,021,177</b>	<b>\$ 14,314,879</b>	<b>\$ 8,145,980</b>
All Other Governmental Funds										
Reserved/Restricted					\$ 3,833	\$ 773	\$ 24,854	\$ 24,854	\$ 24,854	\$ 1
Committed					834,864	120,868		57,143		1,500,533
Unreserved, Reported in:										
Capital Projects Fund	\$ 1,547,169									
<b>Total All Other Governmental Funds</b>	<b>\$ 1,547,169</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 838,697</b>	<b>\$ 121,641</b>	<b>\$ 81,997</b>	<b>\$ 24,854</b>	<b>\$ 1,500,534</b>
<b>Total Governmental Funds</b>	<b>\$ 2,591,912</b>	<b>\$ 767,670</b>	<b>\$ 1,422,988</b>	<b>\$ 3,320,764</b>	<b>\$ 2,781,124</b>	<b>\$ 4,301,950</b>	<b>\$ 5,473,933</b>	<b>\$ 15,103,174</b>	<b>\$ 14,339,733</b>	<b>\$ 9,646,514</b>

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Local Tax Levy	\$ 32,293,636	\$ 33,184,390	\$ 34,418,953	\$ 35,051,906	\$ 35,690,954	\$ 36,404,773	\$ 38,514,868	\$ 40,358,606	\$ 41,043,681	\$ 41,586,031
Tuition from Individuals							161,000	192,000	114,200	119,000
Tuition from Other LEAs	1,472,300	1,530,100	1,660,699	1,704,388	1,695,519	1,805,518	1,645,176	1,623,704	1,640,397	1,636,262
Sale of Property							2,000,000	9,000,000		
Interest Earned on Maintenance Reserve Funds									12,098	6,143
Interest Earned on Capital Reserve Funds									49,700	52,969
Miscellaneous	439,302	164,318	425,613	365,292	568,278	481,170	647,114	527,833	552,156	459,355
State Sources	6,424,699	4,979,755	3,540,520	4,593,298	5,680,194	5,146,078	5,792,884	6,520,667	7,507,355	8,162,427
Federal Sources	644,380	761,062	1,063,150	680,350	708,258	675,109	708,250	718,526	646,596	755,318
<b>Total Revenue</b>	<b>41,274,317</b>	<b>40,619,625</b>	<b>41,108,935</b>	<b>42,395,234</b>	<b>44,343,203</b>	<b>44,512,648</b>	<b>49,469,292</b>	<b>58,941,336</b>	<b>51,566,183</b>	<b>52,777,505</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	11,818,686	12,280,830	11,720,785	12,331,433	13,374,158	12,429,568	13,199,725	13,143,131	13,888,476	14,197,956
Special Education Instruction	2,656,073	2,501,596	2,494,258	2,380,027	2,384,273	2,572,376	2,974,315	3,164,512	3,008,557	3,201,559
Other Special Instruction	604,001	565,503	608,270	485,549	471,887	575,907	691,851	642,121	578,439	511,710
School-Sponsored/Other Instruction	1,154,983	1,093,759	941,569	1,030,880	1,103,105	1,131,269	1,268,741	1,240,510	1,256,684	1,200,133
<b>Support Services:</b>										
Tuition	1,538,856	1,636,198	1,630,089	1,361,518	1,381,361	1,284,815	1,618,438	1,510,444	1,707,515	1,975,166
Student & Other Instruction Related Services	4,094,123	4,312,316	4,306,361	4,406,787	5,097,451	5,196,987	5,417,963	5,553,692	5,405,491	5,815,654
General Administrative Services	1,094,438	985,504	1,024,063	937,234	1,152,942	996,607	1,218,958	1,174,552	1,078,846	1,082,549
School Administrative Services	1,404,507	1,388,661	1,317,037	1,389,057	1,398,272	1,431,167	1,491,094	1,462,833	1,481,899	1,461,313
Central Services	513,479	510,260	509,461	524,260	514,190	519,845	533,683	541,470	584,620	557,217
Administrative Information Technology	200,196	119,583	104,548	95,103	139,961	139,044	148,000	230,474	236,322	243,705
Plant Operations and Maintenance	3,350,216	3,324,280	2,959,982	3,015,056	3,226,395	3,033,566	3,871,096	4,276,237	5,244,997	4,390,148
Student Transportation	1,173,316	1,060,479	1,234,916	1,172,290	1,255,080	981,635	1,156,477	1,152,415	1,238,534	1,257,488
Unallocated Benefits	7,842,969	8,000,623	8,455,831	8,220,581	9,841,747	9,657,039	10,768,388	11,956,911	12,548,561	14,121,028
Transfer of Funds to Charter School		6,795			34,250		8,606	24,192	24,261	35,227
Capital Outlay	9,806,005	1,563,987	49,470	179,469	413,830	74,197	975,878	351,020	1,145,019	4,783,850
<b>Debt Service:</b>										
Principal	2,495,000	1,075,000	1,125,000	1,170,000	1,250,000	1,465,000	1,510,000	1,560,000	1,620,000	1,405,000
Interest and Other Charges	2,200,800	2,018,493	1,971,977	1,923,214	1,833,276	1,502,800	1,444,096	1,359,362	1,281,403	1,231,021
<b>Total Expenditures</b>	<b>51,947,648</b>	<b>42,443,867</b>	<b>40,453,617</b>	<b>40,622,458</b>	<b>44,872,178</b>	<b>42,991,822</b>	<b>48,297,309</b>	<b>49,343,876</b>	<b>52,329,624</b>	<b>57,470,724</b>
<b>Excess/(Deficit) of Revenues</b>	<b>(10,673,331)</b>	<b>(1,824,242)</b>	<b>655,318</b>	<b>1,772,776</b>	<b>(528,975)</b>	<b>1,520,826</b>	<b>1,171,983</b>	<b>9,597,460</b>	<b>(763,441)</b>	<b>(4,693,219)</b>
<b>Over/(Under) Expenditures</b>										

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other Financing Sources/(Uses)				\$ 125,000						
Capital Leases (Non-Budgeted)								\$ 7,060,000		
Long Term Debt Issued								626,844		
Bond Premium								(6,945,000)		
Serial Bonds Defeased								(51,174)		
Bond Issuance Costs								(690,670)		
Deferred Amount on Refunding								31,781		
Transfers				125,000	(10,665)			31,781		
Total Other Financing Sources/(Uses)										
Net Change in Fund Balances	\$ (10,673,331)	\$ (1,824,242)	\$ 655,318	\$ 1,897,776	\$ (539,640)	\$ 1,520,826	\$ 1,171,983	\$ 9,629,241	\$ (763,441)	\$ (4,693,219)
Debt Service as a Percentage of Noncapital Expenditures	11.14%	7.57%	7.66%	7.65%	6.94%	6.92%	6.24%	5.92%	5.54%	4.96%

BOROUGH OF MADISON SCHOOL DISTRICT  
GENERAL FUND - OTHER LOCAL REVENUE 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	Use of Facilities	Sale of Property**	Miscellaneous	Total
2009	\$ 1,472,300				\$ 241,551	\$ 142,726		\$ 162,478	\$ 2,019,055
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	317,576	4,303,053
2016	1,815,704	95,825	9,750	\$ 22,641	60,765	82,503	9,000,000	187,336	11,274,524
2017	1,754,597	87,300	12,480	27,947	102,519	73,140		150,725	2,208,708
2018	1,755,262	97,180	12,870	26,133	95,291	60,503		103,637	2,150,876

\*\* Proceeds from sale of Green Village Road School.

Source: Borough of Madison School District records.

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 <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
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
2016	25,010,100	2,850,881,700	516,116,100	4,072,500	86,176,700	3,482,257,100	- 0 -	3,482,257,100	541,464,300	1.169	3,882,843,683
2017	33,059,700	2,869,521,100	513,866,300	4,072,500	91,676,700	3,512,196,300	- 0 -	3,512,196,300	532,430,100	1.178	4,061,499,410

\* - 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.



**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 <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Borough of Madison	Morris County	
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
2016	1.0996	0.0694	1.169	0.367	0.284	1.820
2017	1.1194	0.0586	1.178	0.429	0.300	1.907

\* - 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

Taxpayer	2017		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Giralda Farms LLC	\$ 76,237,500	1	2.17%
175 Park Ave LLC	66,150,000	2	1.88%
7 Giralda Realty LLC	32,800,000	3	0.93%
ARC, LLC	29,400,000	4	0.84%
1 Giralda Realty LLC	21,984,000	5	0.63%
3 Giralda Realty LLC	21,600,000	6	0.61%
HCP SUN1 Madison	17,600,000	7	0.50%
HS Investors LLC c/o Heller Group	17,428,300	8	0.50%
Rose City Associates	12,772,900	9	0.36%
Town Gardens LLC	10,500,000	10	0.30%
<b>Total</b>	<b>\$ 306,472,700</b>		<b>8.73%</b>

Taxpayer	2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Route 24 Holdings, Ind.	\$ 64,000,000	1	3.01%
NJ Bell Co.	25,036,300	2	1.18%
Rex 7 Giralda Farms LLC	23,322,000	3	1.10%
Rex 1 Giralda Farms LLC	23,264,100	4	1.09%
Maersk	18,000,000	5	0.85%
3 Giralda Farms LLC	16,183,300	6	0.76%
Giralda Farms Phase 1 LLC	13,042,400	7	0.61%
HS Investors c/o Heller Group	11,366,400	8	0.53%
Verizon	9,384,123	9	0.44%
Rose City Associates LP of NJ	8,380,000	10	0.39%
	<b>\$ 211,978,623</b>		<b>9.97%</b>

Source: Municipal Tax Assessor

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 <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2017	41,043,681	41,043,681	100.00%	-0-
2018	41,586,031	41,586,031	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 <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)			
2009	\$ 44,770,000		\$ -0-	\$ 44,770,000	4.01%	\$ 2,859.06
2010	43,695,000		-0-	43,695,000	3.70%	2,755.57
2011	42,570,000		-0-	42,570,000	3.45%	2,665.79
2012	44,190,000	\$ 125,000	-0-	44,315,000	3.45%	2,760.54
2013	42,940,000	77,025	-0-	43,017,025	3.29%	2,657.34
2014	41,475,000	52,043	-0-	41,527,043	3.09%	2,584.30
2015	39,965,000	26,375	-0-	39,991,375	2.83%	2,485.63
2016	38,520,000	-0-	-0-	38,520,000	2.69%	2,395.08
2017	36,900,000	-0-	-0-	36,900,000	2.58%	2,301.50
2018	35,495,000	-0-	-0-	35,495,000	2.49%	2,213.87

**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.

Source: School District Financial Reports.

**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 <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2009	\$ 44,770,000	\$ -0-	\$ 44,770,000	2.105%	\$ 2,859.06
2010	43,695,000	-0-	43,695,000	2.074%	2,755.57
2011	42,570,000	-0-	42,570,000	2.027%	2,665.79
2012	44,190,000	-0-	44,190,000	2.106%	2,752.76
2013	42,940,000	-0-	42,940,000	2.064%	2,652.58
2014	41,475,000	-0-	41,475,000	1.226%	2,581.06
2015	39,965,000	-0-	39,965,000	1.165%	2,484.00
2016	38,520,000	-0-	38,520,000	1.114%	2,395.08
2017	36,900,000	-0-	36,900,000	1.060%	2,301.50
2018	35,495,000	-0-	35,495,000	1.011%	2,213.87

**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.

Source: School District Financial Reports.

BOROUGH OF MADISON SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2017  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Madison	\$ 60,345,751	100.00%	\$ 60,345,751
Morris County General Obligation Debt	217,187,521	3.77%	<u>8,182,220</u>
Subtotal, Overlapping Debt			68,527,971
Borough of Madison School District Direct Debt			<u>35,495,000</u>
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 104,022,971</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 2018

<u>Year Ended December 31,</u>	<u>Equalized Valuation Basis</u>
2015	\$ 3,844,239,880
2016	4,016,907,486
2017	3,992,947,135
	<u>\$ 11,854,094,501</u>
Average Equalized Valuation of Taxable Property	<u>\$ 3,951,364,834</u>
Debt Limit (4% of Average Equalization Value) <b>a</b>	\$ 158,054,593
Net Bonded School Debt	<u>35,495,000</u>
Legal Debt Margin	<u>\$ 122,559,593</u>

	<u>Fiscal Year</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt Limit	\$ 145,726,836	\$ 147,739,965	\$ 146,718,970	\$ 143,248,872	\$ 141,897,398
Total Net Debt Applicable to Limit	<u>44,770,000</u>	<u>43,695,000</u>	<u>42,570,000</u>	<u>44,190,000</u>	<u>42,940,000</u>
Legal Debt Margin	<u>\$ 100,956,836</u>	<u>\$ 104,044,965</u>	<u>\$ 104,148,970</u>	<u>\$ 99,058,872</u>	<u>\$ 98,957,398</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	30.72%	29.58%	29.01%	30.85%	30.26%

	<u>Fiscal Year</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt Limit	\$ 141,638,856	\$ 145,425,277	\$ 149,533,924	\$ 155,575,556	\$ 158,054,593
Total Net Debt Applicable to Limit	<u>41,475,000</u>	<u>39,965,000</u>	<u>38,520,000</u>	<u>36,900,000</u>	<u>35,495,000</u>
Legal Debt Margin	<u>\$ 100,163,856</u>	<u>\$ 105,460,277</u>	<u>\$ 111,013,924</u>	<u>\$ 118,675,556</u>	<u>\$ 122,559,593</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	29.28%	27.48%	25.76%	23.72%	22.46%

**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

<u>Year</u>	<u>Population<sup>a</sup></u>	<u>Borough of Madison Income Personal Income<sup>b</sup></u>	<u>Morris County Per Capita Personal Income<sup>c</sup></u>	<u>Unemployment Rate<sup>d</sup></u>
2009	15,659	\$ 1,117,441,899	\$ 71,361	4.90%
2010	15,857	1,180,712,220	74,460	5.00%
2011	15,969	1,232,918,583	77,207	4.80%
2012	16,053	1,284,673,431	80,027	5.00%
2013	16,188	1,309,091,184	80,868	6.60%
2014	16,069	1,344,766,403	83,687	4.80%
2015	16,089	1,414,158,744	87,896	4.00%
2016	16,083	1,432,432,395	89,065	3.70%
2017	16,033	1,427,979,145	89,065 *	3.40%
2018	16,033 **	1,427,979,145 ***	89,065 *	N/A

\* - Latest Morris County per capita personal income available (2016) was used for calculation purposes.

\*\* - Latest population data available (2017) was used for calculation purposes.

\*\*\* - Latest available population data (2017) and latest available Morris County per capita personal income (2016) was used for calculation purposes.

N/A - Information not available

Sources:

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented

<sup>c</sup> Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development



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

Employer	2017	
	Employees	Percentage of Total Employment
N/A - Not Available		
	-0-	0.00%
Total Employment	250,447	
Employer	2008	
	Employees	Percentage of Total Employment
Novartis	5,386	2.04%
US Army Armament R&D - (Picatinny Arsenal)	4,300	1.63%
Atlantic Health System	4,045	1.53%
County of Morris	2,007	0.76%
Lucent Technologies	1,983	0.75%
United Parcel Service	1,941	0.74%
Wyndham Worldwide	1,371	0.52%
Greystone Psychiatric	1,296	0.49%
Tiffany & Company	1,200	0.46%
Accenture	1,200	0.46%
	24,729	9.38%
Total Employment	263,677	

Source: County of Morris

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

UNAUDITED

<u>Function/Program</u>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction:										
Regular	179	179	171	140	142	152	152	161	167	168
Special Education	42	41	44	44	44	45	53	57	55	55
Other Special Instruction	28	32	32	30	29	30	30	26	40	58
Support Services:										
Student & Instruction Related Services	30	30	27	35	38	43	41	44	32	35
General Administrative Services	3	3	3	3	3	3	3	3	4	4
School Administrative Services	10	9	8	13	16	19	16	15	16	16
Central Services	5	5	5	17	18	17	20	20	19	6
Administration Information Technology	3	3	2	3	3	3	3	5	5	4
Plant Operations and Maintenance	31	30	33	22	24	22	25	27	28	31
<b>Total</b>	<b>331</b>	<b>332</b>	<b>325</b>	<b>307</b>	<b>317</b>	<b>334</b>	<b>343</b>	<b>358</b>	<b>366</b>	<b>377</b>

Source: District Personnel Records.

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

Fiscal Year	Pupil/Teacher Ratio										Average Daily Enrollment (ADE) <sup>d</sup>	Average Daily Attendance (ADA) <sup>d</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
	Elementary					Middle								
	Operating Expenditures <sup>a</sup>	Cost per Pupil <sup>b</sup>	Percentage Change	Teaching Staff <sup>c</sup>	Central Avenue	Kings Road	Torey J. Sabatini	Madison Junior School	Madison High School	Madison School				
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%
2017	2,600	48,283,202	18,570	3.39%	262	8.2:1	7.8:1	10.8:1	10.6:1	11.7:1	2,607	2,492	1.52%	95.59%
2018	2,603	50,050,853	19,228	3.54%	281	7.1:1	7.2:1	10.1:1	10.8:1	10.9:1	2,620	2,488	0.50%	94.96%

**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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b><u>District Building</u></b>											
Green Village Road School (1948)*	26,159	26,159	26,159	26,159	26,159	26,159	26,159	26,159	*		
Square Feet											
Central Avenue School (1910)	49,577	49,577	62,109	62,109	62,109	62,109	62,109	62,109	62,109	62,109	62,109
Square Feet											
Capacity (students)	441	441	600	600	600	600	600	600	600	600	600
Enrollment	507	450	487	516	485	501	505	480	488	502	499
Kings Road School (1948)	35,132	35,132	44,772	44,772	44,772	44,772	44,772	44,772	44,772	44,772	44,772
Square Feet											
Capacity (students)	285	285	300	300	300	300	300	300	300	300	300
Enrollment	296	218	243	251	277	290	281	286	286	311	310
Torey J. Sabatini School (1969)	41,373	41,373	53,964	53,964	53,964	53,964	53,964	53,964	53,964	53,964	53,964
Square Feet											
Capacity (students)	303	303	350	350	350	350	350	350	350	350	350
Enrollment	310	261	262	275	301	313	333	343	337	323	332
Madison Junior School (1926)	77,671	77,671	98,476	98,476	98,476	98,476	98,476	98,476	98,476	98,476	98,476
Square Feet											
Capacity (students)	458	458	600	600	600	600	600	600	600	600	600
Enrollment	344	504	531	538	547	536	548	589	610	635	624
Madison High School (1958)	133,959	133,959	151,810	151,810	151,810	151,810	151,810	151,810	151,810	151,810	151,810
Square Feet											
Capacity (students)	725	725	950	950	950	950	950	950	950	950	950
Enrollment	772	745	752	783	788	809	836	826	844	829	838
Board Office											
Square Feet	2,700	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, 2017  
 Elementary = 3  
 Middle School = 1  
 High School = 1  
 Other = 1

\* - 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,				
		2009	2010	2011	2012	2013
Central Avenue	N/A	\$ 190,538	\$ 171,947	\$ 107,515	\$ 147,287	\$ 135,480
Kings Road	N/A	134,765	112,964	109,838	113,441	97,887
Torey J. Sabatini	N/A	160,136	137,849	111,560	127,975	117,715
Junior School	N/A	307,020	255,381	187,384	233,629	214,884
High School	N/A	484,002	399,895	278,990	362,745	331,254
Total School Facilities		<u>1,276,461</u>	<u>1,078,036</u>	<u>795,287</u>	<u>985,077</u>	<u>897,220</u>
Grand Total		<u>\$ 1,276,461</u>	<u>\$ 1,078,036</u>	<u>\$ 795,287</u>	<u>\$ 985,077</u>	<u>\$ 897,220</u>

<u>School Facilities*</u>	Project # (s)	Fiscal Year Ended June 30,				
		2014	2015	2016	2017	2018
Central Avenue	N/A	\$ 109,524	\$ 200,355	\$ 279,273	\$ 452,058	\$ 272,277
Kings Road	N/A	79,133	144,760	201,779	326,619	236,574
Torey J. Sabatini	N/A	95,163	174,083	242,653	392,781	431,857
Junior School	N/A	173,716	317,782	442,952	717,005	196,725
High School	N/A	267,790	489,875	682,831	1,105,296	665,727
Total School Facilities		<u>725,326</u>	<u>1,326,855</u>	<u>1,849,488</u>	<u>2,993,759</u>	<u>1,803,160</u>
Grand Total		<u>\$ 725,326</u>	<u>\$ 1,326,855</u>	<u>\$ 1,849,488</u>	<u>\$ 2,993,759</u>	<u>\$ 1,803,160</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).

Source: Borough of Madison School District records.

BOROUGH OF MADISON SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2018  
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

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

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

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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Madison School District as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2019.

**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.

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

### **Compliance and Other Matters**

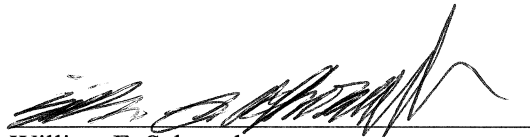
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey  
January 18, 2019

NISIVOCIA LLP



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



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 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
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 Lawrence Business Center  
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 Newton, NJ 07860  
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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 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, 2018. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major 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, 2018.

**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  
January 18, 2019

NISIVOCIA 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, 2018

Federal Grantor/Pass Through Grantor/ Program/Cluster Title	Federal CFDA Number	Grant or State Project No.	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expendi- tures	Adjustments	Balance at June 30, 2018		
					Budgetary Accounts Receivable	Budgetary Unearned Revenue				Budgetary Accounts Receivable	Due to Grantor	Amounts Provided to Subrecipients
<u>U.S. Department of Agriculture:</u>												
Passed-through State Department of Agriculture:												
Child Nutrition Cluster:												
Food Distribution Program	10.555	N/A	7/1/17-6/30/18	\$ 13,033	\$	13,033	\$	(13,033)				
National School Lunch Program	10.555	N/A	7/1/17-6/30/18	88,698		83,768	(88,698)			\$ (4,930)		
National School Lunch Program	10.555	N/A	7/1/16-6/30/17	79,106	\$ (4,885)			(263)		(4,885)		
Special Milk Program	10.553	N/A	7/1/17-6/30/18	263		244				(19)		
Special Milk Program	10.553	N/A	7/1/16-6/30/17	1,294	(81)					(81)		
Total Child Nutrition Cluster					(4,966)	97,045	(101,994)			(9,915)		
Total U.S. Department of Agriculture					(4,966)	97,045	(101,994)			(9,915)		
<u>U.S. Department of Education:</u>												
Special Revenue Fund:												
Passed-through State Department of Education:												
Elementary and Secondary Education Act:												
Title I												
Title I	84.010	ESEA287018	7/1/17-6/30/18	69,942		31,793	(37,309)			(5,516)		
Total Title I	84.010	ESEA287017	7/1/16-6/30/17	75,665	(28,313)	28,022		\$ 291				
Title IIA					(28,313)	59,815	(37,309)			(5,516)		
Title III	84.367	ESEA287018	7/1/17-6/30/18	70,468	(10,052)	22,922	(42,934)			(20,012)		
Total Title II	84.367	ESEA287017	7/1/16-6/30/17	56,619	(10,052)	32,727		247				
Title III	84.365	ESEA287018	7/1/17-6/30/18	20,275	(3,114)	10,226	(16,886)			(6,660)		
Total Title III	84.365	ESEA287017	7/1/16-6/30/17	21,723	(3,114)	15,601		2,356			\$ 4,617	
Title III - Immigrant					(2,792)	7,738	(7,927)			(189)		
Title III - Immigrant	84.365	ESEA287018	7/1/17-6/30/18	7,970		4,640		1,358			3,206	
Title III - Immigrant	84.365	ESEA287017	7/1/16-6/30/17	5,612				(2)				
Title III - Immigrant	84.365	ESEA287016	7/1/15-6/30/16	11,727	(2,792)	12,378	(7,927)			(189)		
Total Title III - Immigrant					(2,792)	2		1,356		(1,450)	3,206	
Title IV	84.424	ESEA287018	7/1/17-6/30/18	10,000			(1,450)			(1,450)		
Total Title IV							(1,450)					
<u>Special Education Cluster (IDEA):</u>												
I.D.E.A. Part B, Basic	84.027	IDEA287018	7/1/17-6/30/18	638,505		544,008	(612,825)			(68,817)		
I.D.E.A. Part B, Basic	84.027	IDEA287017	7/1/16-6/30/17	630,221	(105,889)	94,711		28,756			17,578	
I.D.E.A. Preschool	84.173	IDEA287018	7/1/17-6/30/18	19,293		19,293	(19,293)					
I.D.E.A. Preschool	84.173	IDEA287017	7/1/16-6/30/17	19,096	(3,847)	3,847						
Total Special Education Cluster (IDEA)					(109,736)	661,859	(632,118)	28,756		(68,817)	17,578	
Subtotal - Special Revenue Fund					(154,007)	782,380	(738,624)	33,006		(102,644)	25,401	
Total U.S. Department of Education					(154,007)	782,380	(738,624)	33,006		(102,644)	25,401	

BOROUGH OF MADISON SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass Through Grantor/ Program/Cluster Title	Federal CFDA Number	Grant or State Project No.	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expendi- tures	Adjustments	Balance at June 30, 2018	
					Budgetary Accounts Receivable	Budgetary Unearned Revenue				Budgetary Accounts Receivable	Due to Grantor
U.S. Department of Health and Human Services: Medicaid Cluster: Medicaid Assistance Program	93.778	N/A	7/1/17-6/30/18	\$ 2,664			\$ 2,664	\$ (2,664)			
Total U.S. Department of Health and Human Services/Total Medicaid Cluster							2,664	(2,664)			
Total Federal Awards							\$ 882,089	\$ (843,282)	\$ 33,006	\$ (112,559)	\$ 25,401
							\$ 2	\$ (158,973)	\$ 33,006	\$ (112,559)	\$ -0-

N/A - Not Applicable

SEE THE 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, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Adjustment	Repayment of Prior Years' Balances	Balance at June 30, 2018		MEMO Cumulative Total Expenditures
				Budgetary Accounts Receivable	Due to Grantor					GAAP Accounts Receivable	Due to Grantor	
<b>State Department of Education:</b>												
<b>General Fund State Aid:</b>												
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	\$ 60,229			\$ 54,632	\$ (60,229)				\$ (5,597)	\$ 60,229
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	956,746			867,832	(956,746)				(88,914)	956,746
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	43,615			39,562	(43,615)				(4,053)	43,615
PARCC Readiness	18-495-034-5120-098	7/1/17-6/30/18	23,800			21,588	(23,800)				(2,212)	23,800
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	23,800			21,588	(23,800)				(2,212)	23,800
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	24,240			21,987	(24,240)				(2,253)	24,240
Extraordinary Special Education Costs Aid	18-100-034-5120-473	7/1/17-6/30/18	71,328				(71,328)			\$ (71,328)	(71,328)	71,328
Excess Nonpublic Transportation Costs	18-495-034-5120-014	7/1/17-6/30/18	47,749				(47,749)			(47,749)	(47,749)	47,749
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	1,417,056			1,346,685	(1,417,056)				(70,371)	1,417,056
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17-6/30/18	1,871,578			1,871,578	(1,871,578)					1,871,578
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17-6/30/18	2,829,069			2,829,069	(2,829,069)					2,829,069
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	68,654			68,654	(68,654)					68,654
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	5,442			5,442	(5,442)					5,442
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	60,229	\$ (5,512)		5,512						60,229
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	841,423	(77,010)		77,010						841,423
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	43,615	(3,992)		3,992						43,615
PARCC Readiness	17-495-034-5120-098	7/1/16-6/30/17	23,800	(2,178)		2,178						23,800
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	23,800	(2,178)		2,178						23,800
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	24,240	(2,219)		2,219						24,240
Extraordinary Special Education Costs Aid	17-100-034-5120-473	7/1/16-6/30/17	80,783	(80,783)		80,783						80,783
Excess Nonpublic Transportation Costs	17-495-034-5120-014	7/1/16-6/30/17	31,915	(31,915)		31,915						31,915
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	1,424,296	(142,506)		142,506						1,424,296
Subtotal - General Fund				(348,293)		7,496,910	(7,443,306)			(189,448)	(294,689)	9,997,407
<b>Debt Service Fund:</b>												
Debt Service Aid - State Support	18-495-034-5120-075	7/1/17-6/30/18	540,711			540,711	(540,711)					540,711
Subtotal - Debt Service Fund						540,711	(540,711)					540,711
<b>State Department of Education:</b>												
<b>Food Service Fund:</b>												
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	5,372	(278)		5,074	(5,372)			(298)	(298)	5,372
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	4,302							(278)	(278)	4,302
Subtotal - Food Service Fund				(278)		5,074	(5,372)			(576)	(576)	9,674

**BOROUGH OF MADISON SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Due to Grantor	Cash Received	Budgetary Expenditures	Adjustment	Repayment of Prior Years' Balances	Balance at June 30, 2018		MEMO
				Budgetary Accounts Receivable	GAAP Accounts Receivable						Due to Grantor	Budgetary Receivable	
<b>Special Revenue Fund Aid:</b>													
Nonpublic Auxiliary Services:													
Compensatory Education	18-100-034-5120-067	7/1/17-6/30/18	\$ 10,630		\$ 684	\$ 10,630	\$ (7,441)			\$ (684)	\$ 3,189	\$ 7,441	
Compensatory Education	17-100-034-5120-067	7/1/16-6/30/17	8,958								6,767	8,274	
Home Instruction	17-100-034-5120-067	7/1/16-6/30/17				6,767							
Home Instruction	16-100-034-5120-067	7/1/15-6/30/16	138	(2)				\$ 2				138	
Nonpublic Handicapped Services:													
Supplementary Instruction	18-100-034-5120-066	7/1/17-6/30/18	24,582			24,582	(23,710)			(3,060)	872	23,710	
Supplementary Instruction	17-100-034-5120-066	7/1/16-6/30/17	20,480		3,060							17,420	
Corrective Speech	18-100-034-5120-066	7/1/17-6/30/18	22,410			22,410	(18,927)			(3,446)	3,483	18,927	
Corrective Speech	17-100-034-5120-066	7/1/16-6/30/17	20,586		3,446							17,140	
Corrective Speech	17-100-034-5120-066	7/1/16-6/30/17	32,579			32,579	(32,578)			(1,806)	1	32,578	
Examination and Classification	18-100-034-5120-066	7/1/17-6/30/18	36,919		1,806							35,113	
Examination and Classification	17-100-034-5120-066	7/1/16-6/30/17	22,569			22,569	(22,276)				293	22,276	
N.J. Nonpublic Textbook Aid	18-100-034-5120-064	7/1/17-6/30/18	39,964			39,964	(39,964)					39,964	
N.J. Nonpublic Nursing Aid	18-100-034-5120-070	7/1/17-6/30/18	14,985			14,985	(14,985)					14,985	
N.J. Nonpublic Technology Initiative	18-100-034-5120-373	7/1/17-6/30/18	30,900			30,900	(30,681)			(1,000)	219	30,681	
N.J. Nonpublic Security Aid	18-100-034-5120-509	7/1/17-6/30/18	20,850		1,000							19,850	
N.J. Nonpublic Security Aid	17-100-034-5120-509	7/1/16-6/30/17											
Subtotal - Special Revenue Fund			(2)	9,996		205,386	(190,562)		2	(9,996)	14,824	288,497	
Total State Department of Education			(348,573)	9,996		8,248,081	(8,179,951)		2	(9,996)	14,824	10,836,289	
Total State Awards			\$ (348,573)	\$ 9,996	\$ 8,248,081	\$ (8,179,951)	\$	\$	2	\$ (9,996)	\$ 14,824	\$ 10,836,289	

Less: State Awards Not Subject to Single Audit Major Program Determination

On-Behalf TPAF Pension System Contributions:

On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17-6/30/18	(1,871,578)
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17-6/30/18	(2,829,069)
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	(68,654)
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	(5,442)

Subtotal - On-Behalf TPAF Pension System Contributions

Total State Awards Subject to Single Audit Major Program Determination

\$ (3,405,208)

N/A - Not Applicable/Available

SEE THE 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, 2018

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, 2018. 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 not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent 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, 2018**

(Continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$12,152) for the general fund, \$14,030 for the special revenue fund (which does not include current year local grant encumbrances of \$6,687). 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. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal Sources</u>	<u>State Sources</u>	<u>Total</u>
General Fund	\$ 2,664	\$ 7,431,154	\$ 7,433,818
Special Revenue Fund	752,654	190,562	943,216
Debt Service Fund		540,711	540,711
Proprietary Fund	101,994	5,372	107,366
Total Awards	<u>\$ 857,312</u>	<u>\$ 8,167,799</u>	<u>\$ 9,025,111</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, 2018. Revenue and expenditures reported under the Federal Food Distribution Program represent current fiscal year value received and current fiscal year distributions, respectively.

BOROUGH OF MADISON SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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:

	State Grant Number/ C.F.D.A. Number	Grant Period	Award Amount	Budgetary Expenditures
<u>State:</u>				
Reimbursed TPAF Social Security Aid	18-495-034-5095-003	7/1/17-6/30/18	1,417,056	1,417,056
<u>Federal:</u>				
Special Education Cluster:				
I.D.E.A. Part B:				
Basic Regular	84.027	7/1/17-6/30/18	638,505	612,825
Preschool	84.173	7/1/17-6/30/18	19,293	19,293

- 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, 2018  
(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, 2018

Status of Prior Fiscal Year Findings:

The District had no prior fiscal year audit findings.