

**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, 2015**

**Comprehensive Annual  
Financial Report**

**of the**

**Borough of Madison School District**

**Madison, New Jersey**

**For the Fiscal Year Ended June 30, 2015**

**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

Dr. Michael A. Rossi  
Superintendent

Gary S. Lane  
Business Administrator/  
Board Secretary

November 16, 2015

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and the New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, is 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 2014-2015 fiscal year with an average daily enrollment of 2,528 students, which is an increase of 19 students from the previous fiscal year's average daily enrollment. This increase was preceded by a 92 student increase in the average daily enrollment in the 2013-2014 fiscal year.

The Honorable President and Members of  
the Board of Education  
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2) ECONOMIC CONDITION AND OUTLOOK: The District continues to feel the impact of the loss of 100% of state aid in 2010-11 of approximately \$1.6 million. From 2010-11 to 2015-16, the Madison School District has lost almost \$5.0 million dollars in State Aid, had the aid stayed at the 2009-2010 aid level. The District continues to work within the budget guidelines and struggles to stay within the state's 2% cap and has used banked CAP to help the district move forward over the past few years. The concern is that this banked CAP is coming to an end. There is real concern that the district will need to make substantial adjustments to maintain and, if possible improve under these rules. It is the District's goal, to strive every day, as best as it is able, to provide the very best educational program, learning environment, support and care to the children of Madison.

3) MAJOR INITIATIVES: Given the aforementioned restrictions, the District continues to build upon the programs currently in place and is moving forward as best we are able. With the assistance of Banked CAP, we moved forward with a Chromebook Initiative with the goal of having every student being provided and/or having access to a Chromebook. We add staff as necessary to provide advantageous class size, worked over the years to put monies into the both the Capital and Maintenance Reserve Accounts and have moved to complete needed projects along the lines of security, windows, roofing and boilers. The district has implemented several ROD grants and is looking to implement several more next year. The District is hopeful to someday see the reimbursement of certain costs approved in the grants. We also continue our staff training and implementation of State Mandates such as PARCC; new curriculum being implemented (mathematics) and, training on the Chromebook. The District's kindergarten wrap around program which was launched in 2012-13 has been continued into the 2015-16 school year and will be continued in 2015-16. The District is on the cusp of closing the long sought after quest of selling the Green Village Road School and anticipates closure on the property during the 2015-16 school year. This will allow the district to max out their Maintenance Reserve Account and provide for a major lump sum deposit into the Capital Reserve Account.

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, 2015.

The Honorable President and Members of  
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November 16, 2015

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

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

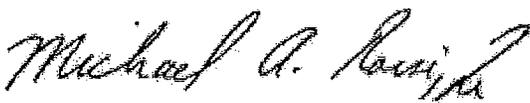
8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. Insurance coverage was carried in the amounts 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 the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and the New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

10) 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,



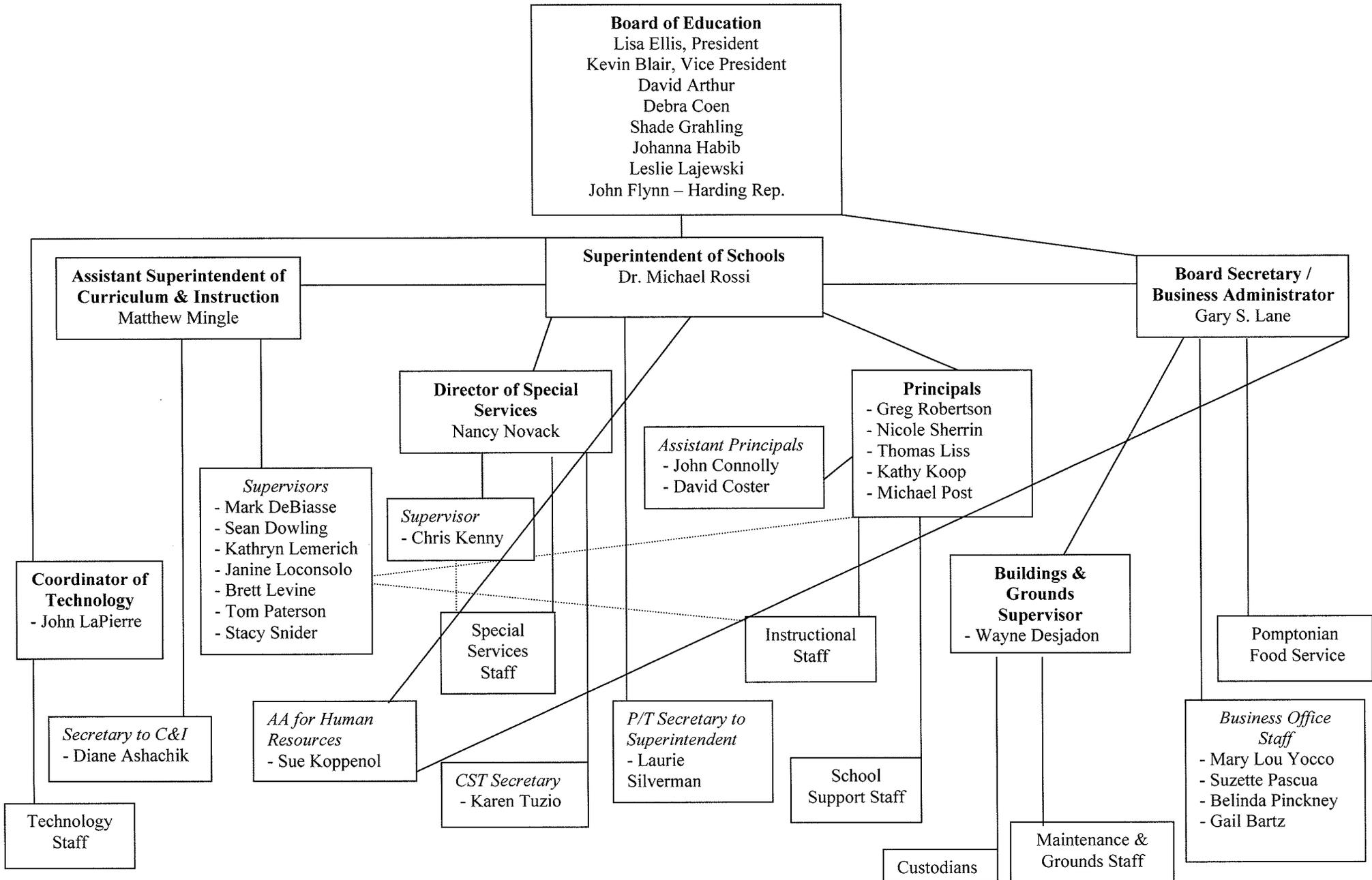
Dr. Michael A. Rossi, Jr.  
Superintendent of Schools



Gary S. Lane, RSEA  
School Business Administrator/Board Secretary

# Madison Public School District

## Organizational Chart Overview 2015-2016



**BOROUGH OF MADISON SCHOOL DISTRICT  
 ROSTER OF OFFICIALS  
 JUNE 30, 2015**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Lisa Ellis, President	2015
Kevin Blair, Vice President	2015
David Arthur	2017
Debra Coen	2017
Shade Grahling	2017
Johanna Habib	2016
Leslie Lajewski	2016
John Flynn, Harding Township Representative	

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

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

**Attorneys**

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

**Audit Firm**

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

**Official Depository**

The Provident Bank  
98 Main Street  
Madison, NJ 07940

**FINANCIAL SECTION**



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

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

## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Madison School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

The Honorable President and Members  
of the Board of Education  
Borough of Madison School District  
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### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Madison School District, in the County of Morris, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 9 to the basic financial statements, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the fiscal year ended June 30, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balances on the Statement of Net Position and the ending balance for Net Position for the Governmental Activities as of June 30, 2014 as detailed in Note 16 to the basic financial statements.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mount Arlington, New Jersey  
November 16, 2015

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, 2015  
(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, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

### **Financial Highlights**

- The District's governmental activities net position increased by \$1,986,657 and the District's General Fund fund balance increased by \$1,889,039 from \$3,463,253 to \$5,352,292 at June 30, 2015.
- Overall revenue was \$54.79 million.
- The District's outstanding bonded long-term debt decreased with the pay down of \$1,510,000 of outstanding bonds.

### **Overview of the Financial Statements**

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

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

**BOROUGH OF MADISON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(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**

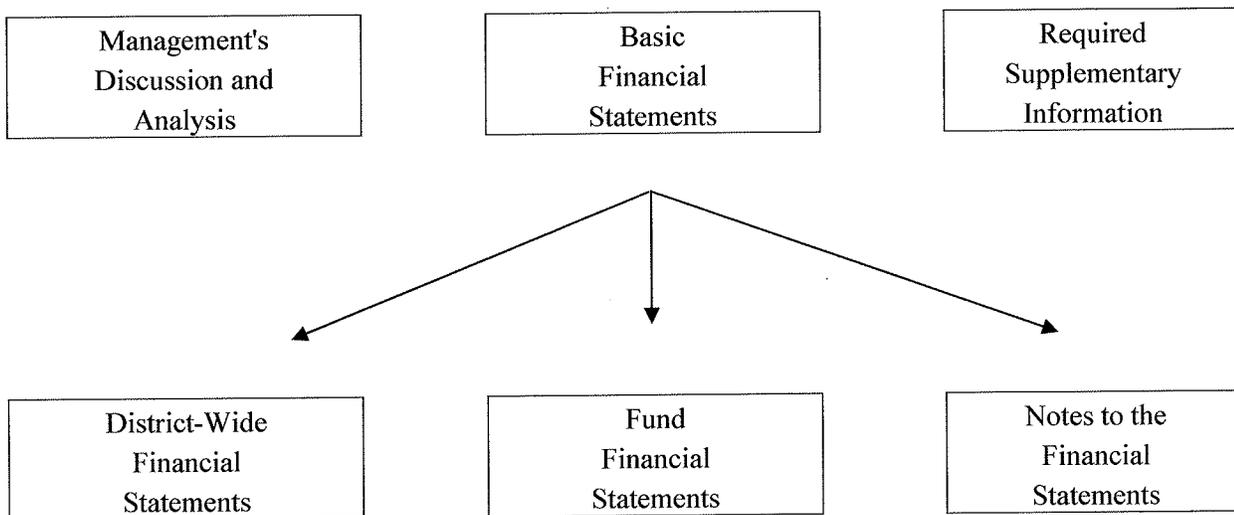


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**BOROUGH OF MADISON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

Figure A-2

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

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services, integrated preschool and kindergarten wrap-around programs	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	<ul style="list-style-type: none"> <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, 2015  
(UNAUDITED)**

### **District-wide Statements**

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

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

**BOROUGH OF MADISON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Fund Financial Statements**

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

**Notes to the Basic Financial Statements**

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

**Financial Analysis of the District as a Whole**

*Net Position.* The District's combined net position increased by 25.01%. Net position from governmental activities increased \$1,986,657 and net position from business-type activities increased by \$137,491. Net investment in capital assets increased by \$974,885, restricted net position increased by \$2,510,815, and unrestricted net position (deficit) decreased by \$1,361,552.

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

	Governmental Activities		Business-Type Activities		Total School District		Total
	2014/15	2013/14 (Restated)	2014/15	2013/14	2014/15	2013/14 (Restated)	Percentage Change 2014/15
Current and Other Assets	\$ 5,846,061	\$ 4,318,066	\$ 458,691	\$ 299,671	\$ 6,304,752	\$ 4,617,737	36.53%
Capital Assets, Net	52,305,880	52,859,509	74,143	81,297	52,380,023	52,940,806	-1.06%
Total Assets	58,151,941	57,177,575	532,834	380,968	58,684,775	57,558,543	1.96%
Deferred Outflows of Resources	3,890,952	3,524,516			3,890,952	3,524,516	10.40%
Long-Term Debt Outstanding	49,471,479	50,899,678			49,471,479	50,899,678	-2.81%
Other Liabilities	1,819,196	1,562,744	141,847	127,472	1,961,043	1,690,216	16.02%
Total Liabilities	51,290,675	52,462,422	141,847	127,472	51,432,522	52,589,894	-2.20%
Deferred Inflows of Resources	525,892				525,892		100.00%
Net Position:							
Net Investment in Capital Assets	12,314,505	11,332,466	74,143	81,297	12,388,648	11,413,763	8.54%
Restricted	3,012,878	502,063			3,012,878	502,063	500.10%
Unrestricted (Deficit)	(5,101,057)	(3,594,860)	316,844	172,199	(4,784,213)	(3,422,661)	39.78%
Total Net Position	\$ 10,226,326	\$ 8,239,669	\$ 390,987	\$ 253,496	\$ 10,617,313	\$ 8,493,165	25.01%

*Changes in Net Position.* The District's combined net position was \$10,617,313 on June 30, 2015, \$2,124,148 or 25.01% more than it was last fiscal year (See Figure A-3). Net investment in capital assets increased \$974,885 due to \$1,039,336 of capital additions, the pay down of \$1,510,000 of outstanding bonds, and the pay down of \$25,668 capital lease principal offset by \$1,594,563 in depreciation and \$5,556 of net capital assets disposals. Restricted net position increased \$2,510,815 due to net increases in the capital and maintenance reserves totaling \$2,513,875, offset by a decrease in debt service fund balance of \$3,060 (See Figure A-3).

**BOROUGH OF MADISON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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*Changes in Net Position.* Unrestricted net position (deficit) decreased by \$1,361,552 due to prior fiscal year encumbrances appropriated of \$2,040,244, \$190,842 surplus used to support the 2014/2015 budget, deposits to the capital and maintenance reserves totaling \$2,513,875, capital projects expenditures of \$713,996, the net amount of bond premiums and deferred bond interest amortized of \$109,680, an increase in June state aid payments not recognized until the subsequent fiscal year of \$10,178, the change in net pension liability of \$140,908 and investment gains in pensions of \$525,892, offset by excess local and state revenues of \$2,267,665, unexpended appropriations of \$1,862,638, a decrease in accrued interest of \$24,182, a net decrease in compensated absences payable of \$33,439, an increase in the operations of the business-type activities of \$144,645, changes in pension assumptions of \$277,490 and changes in proportion in pensions of \$274,004 (See Figure A-3).

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Charges for Services	\$ 1,907,076	\$ 1,903,867	\$ 904,057	\$ 923,316	\$ 2,811,133	\$ 2,827,183	-0.57%
Grants and Contributions:							
Operating	10,865,042	5,866,662	119,290	127,258	10,984,332	5,993,920	83.26%
<b>General Revenue:</b>							
Property Taxes	38,514,868	36,404,773			38,514,868	36,404,773	5.80%
Federal and State Aid							
Not Restricted	81,021	38,056			81,021	38,056	112.90%
Other	2,395,977	299,290			2,395,977	299,290	700.55%
<b>Total Revenue</b>	<b>53,763,984</b>	<b>44,512,648</b>	<b>1,023,347</b>	<b>1,050,574</b>	<b>54,787,331</b>	<b>45,563,222</b>	<b>20.24%</b>
<b>Expenses:</b>							
Instruction	28,441,066	23,050,837			28,441,066	23,050,837	23.38%
Pupil and Instruction Services	10,124,066	8,488,926			10,124,066	8,488,926	19.26%
Administrative and Business	4,623,935	3,923,366			4,623,935	3,923,366	17.86%
Maintenance and Operations	4,334,959	3,244,363			4,334,959	3,244,363	33.62%
Transportation	1,178,059	1,008,031			1,178,059	1,008,031	16.87%
Other	3,075,242	3,132,381	885,856	902,243	3,961,098	4,034,624	-1.82%
<b>Total Expenses</b>	<b>51,777,327</b>	<b>42,847,904</b>	<b>885,856</b>	<b>902,243</b>	<b>52,663,183</b>	<b>43,750,147</b>	<b>20.37%</b>
<b>Increase in Net Position</b>	<b>\$ 1,986,657</b>	<b>\$ 1,664,744</b>	<b>\$ 137,491</b>	<b>\$ 148,331</b>	<b>\$ 2,124,148</b>	<b>\$ 1,813,075</b>	<b>17.16%</b>

**BOROUGH OF MADISON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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*Revenue Sources.* The District's total revenue for the 2014/15 school year was \$54,787,331 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$38,514,868 of the total, or 70.3 percent (See Figure A-5). Another 19.92 percent came from state formula aid and state and federal aid for specific programs, 5.13 percent came from charges for services and 4.65% came from other miscellaneous sources. It is important to note that of the categorical grants amount of \$9,937,550, over \$6.857 million is included in funds that are not paid to the District, but are included in funding for TPAF post-retirement and pension contributions that the State of New Jersey is paying on behalf of the District. The Borough of Madison School District primarily conducts its operations from the revenue it receives from its local taxpayers.

**Figure A-5  
Sources of Revenue for Fiscal Year 2015 and 2014**

Sources of Income:	2015		2014	
	Amount	Percentage	Amount	Percentage
State Formula Aid	\$ 977,566	1.78%	\$ 946,024	2.08%
Property Taxes	38,514,868	70.30%	36,404,773	79.90%
Federal and State Categorical Grants	9,937,550	18.14%	5,002,421	10.98%
Charges for Services	2,811,133	5.13%	2,827,183	6.20%
Other	2,546,214	4.65%	382,821	0.84%
	<u>\$ 54,787,331</u>	<u>100.00%</u>	<u>\$ 45,563,222</u>	<u>100.00%</u>

The total cost of all programs and services was \$52,663,183. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (75.47 percent) (See Figure A-6). The District's administrative and business activities accounted for 8.78 percent of total costs. It is important to note that depreciation of \$1,594,563 (\$1,587,409 governmental activities and \$7,154 business-type activities) is included in expenses for the fiscal year.

**Figure A-6  
Expenses for Fiscal Year 2015 and 2014**

Expense Category:	2015		2014	
	Amount	Percentage	Amount	Percentage
Instruction	\$ 28,441,066	54.01%	\$ 23,050,837	52.69%
Pupil and Instruction Services	10,124,066	19.22%	8,488,926	19.40%
Administrative and Business	4,623,935	8.78%	3,923,366	8.97%
Maintenance and Operations	4,334,959	8.23%	3,244,363	7.42%
Transportation	1,178,059	2.24%	1,008,031	2.30%
Other	3,961,098	7.52%	4,034,624	9.22%
	<u>\$ 52,663,183</u>	<u>100.00%</u>	<u>\$ 43,750,147</u>	<u>100.00%</u>

**BOROUGH OF MADISON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Governmental Activities**

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

State aid increased modestly in 2014-15 and although a portion of state aid was restored in 2012-13, it was cut 100% in 2010-11 and had remained relatively flat over the previous few fiscal years. As a result, the burden of funding education in the District has fallen on property taxes. Therefore, it is crucial that the District examine its expenses carefully, since any proposed increase to the School District budget will be funded almost entirely through property taxes.

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

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

	Total Cost of Services		Net Cost of Services	
	2014/2015	2013/2014	2014/2015	2013/2014
Instruction	\$ 28,441,066	\$ 23,050,837	\$ 19,203,329	\$ 17,463,345
Pupil and Instruction Services	10,124,066	8,488,926	7,749,179	7,162,858
Administrative and Business	4,623,935	3,923,366	4,095,537	3,699,352
Maintenance and Operations	4,334,959	3,244,363	4,334,959	3,244,363
Transportation	1,178,059	1,008,031	1,093,251	921,164
Other	3,075,242	3,132,381	2,528,954	2,586,293
	<u>\$ 51,777,327</u>	<u>\$ 42,847,904</u>	<u>\$ 39,005,209</u>	<u>\$ 35,077,375</u>

- The cost of all governmental activities this fiscal year was \$51.78 million.
- The federal and state governments subsidized certain programs with grants and contributions (\$10.946 million).
- Most of the District's costs, however, were financed by District taxpayers (\$38.51 million).
- A portion of governmental activities was financed with state aid based on the SFRA formula (\$.98 million).
- The remainder of governmental activities funding came from charges for services (tuition, subscription busing and student activities fees), investment earnings and miscellaneous revenue (\$4.3 million).

**Business-Type Activities**

Net position from the District's business-type activities increased by \$137,491, comprised of a net excess of revenue over expenses related to the food service and kindergarten wrap-around programs (Refer to Figure A-4).

**BOROUGH OF MADISON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

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

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

**General Fund Budgetary Highlights**

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

**Capital Asset and Debt Administration**

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
Land	\$ 9,072,600	\$ 9,072,600			\$ 9,072,600	\$ 9,072,600	0.00%
Land Improvements	1,221,581	1,318,575			1,221,581	1,318,575	-7.36%
Buildings and Building Improvements	40,266,979	41,138,997			40,266,979	41,138,997	-2.12%
Machinery and Equipment	1,601,745	1,329,337	\$74,143	\$81,297	1,675,888	1,410,634	18.80%
Total Capital Assets (Net of Depreciation)	<u>\$52,305,880</u>	<u>\$52,859,509</u>	<u>\$74,143</u>	<u>\$81,297</u>	<u>\$52,380,023</u>	<u>\$52,940,806</u>	<u>-1.06%</u>

The District's overall capital assets, net of depreciation, decreased by \$560,783 from the prior fiscal year as depreciation and capital assets disposals exceeded capital additions. (More detailed information about the District's capital assets is presented in Note 7 to the basic financial statements.)

**BOROUGH OF MADISON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

**Long-term Debt**

At fiscal year-end, the District had \$39,965,000 in general obligation bonds – a decrease of \$1,510,000 from last fiscal year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 8 to the basic financial statements.)

**Figure A-9**

**Outstanding Long-Term Debt**

	Total School District		Total Percentage Change 2014/15
	2014/15	2013/14 (Restated)	
General Obligation Bonds (Financed with Property Taxes)	\$ 39,965,000	\$ 41,475,000	-3.64%
Net Pension Liability	8,824,504	8,683,596	1.62%
Other Long-Term Liabilities	681,975	741,082	-7.98%
	<u>\$ 49,471,479</u>	<u>\$ 50,899,678</u>	<u>-2.81%</u>

- The District continued to pay down its debt, retiring \$1,510,000 of outstanding bonds.
- The District's net pension liability increased by \$140,908.
- The District's other long-term liabilities at June 30, 2015 are comprised of \$655,600 of compensated absences payable and \$26,375 of capital leases payable.

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

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

- The inability to anticipate any increase in state aid, along with the realization that the state will not likely every fully fund the District.
- Special need student requirements continue to escalate, creating a very disparate student cost chasm between special and regular need students, with no legislative nor enhanced state aid assistance on the horizon. Although, with the retirement of the Director of Special Education, we are hopeful that the replacement will be able to provide more efficiencies and bring creative solutions to the department.
- 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.
- The impending sale of the Green Village Road School (GVR) should enable the District to move ahead in addressing some of the District's capital projects.

**BOROUGH OF MADISON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
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**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**

Exhibit A-1

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

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,475,075	\$ 445,517	\$ 2,920,592
Receivables from State Government	276,803	456	277,259
Receivables from Federal Government	69,389	6,223	75,612
Other Receivables	12,689	205	12,894
Inventory		6,290	6,290
Restricted Assets:			
Cash and Cash Equivalents:			
Capital Reserve Account	1,480,279		1,480,279
Maintenance Reserve Account	1,531,826		1,531,826
Capital Assets, Net:			
Sites (Land) and Construction in Progress	9,215,575		9,215,575
Depreciable Land Improvements, Buildings and Building Improvements and Machinery and Equipment	43,090,305	74,143	43,164,448
Total Assets	<u>58,151,941</u>	<u>532,834</u>	<u>58,684,775</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amount on Refunding	3,339,458		3,339,458
Changes in Assumptions - Pensions	277,490		277,490
Changes in Proportion - Pensions	274,004		274,004
Total Deferred Outflows of Resources	<u>3,890,952</u>		<u>3,890,952</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	349,769	46,928	396,697
Accrued Interest Payable	171,342		171,342
Payable to State Government	14,105		14,105
Unamortized Bond Premiums, Net	1,275,726		1,275,726
Unearned Revenue	8,254	94,919	103,173
Noncurrent Liabilities:			
Due Within One Year	1,617,907		1,617,907
Due Beyond one Year	47,853,572		47,853,572
Total Liabilities	<u>51,290,675</u>	<u>141,847</u>	<u>51,432,522</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Investment Gains - Pensions	525,892		525,892
Total Deferred Inflows of Resources	<u>525,892</u>		<u>525,892</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	12,314,505	74,143	12,388,648
Restricted for:			
Capital Projects	1,480,279		1,480,279
Debt Service	773		773
Other Purposes	1,531,826		1,531,826
Unrestricted (Deficit)	(5,101,057)	316,844	(4,784,213)
Total Net Position	<u>\$ 10,226,326</u>	<u>\$ 390,987</u>	<u>\$ 10,617,313</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, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 20,709,510	\$ 1,806,176	\$ 4,575,896	\$ (14,327,438)		\$ (14,327,438)
Special Education	4,766,540		2,161,334	(2,605,206)		(2,605,206)
Other Special Instruction	1,139,843		256,193	(883,650)		(883,650)
Other Instruction	1,825,173	92,775	345,363	(1,387,035)		(1,387,035)
Support Services:						
Tuition	1,618,438		431,506	(1,186,932)		(1,186,932)
Student & Instruction Related Services	8,505,628		1,943,381	(6,562,247)		(6,562,247)
General Administrative Services	1,348,501			(1,348,501)		(1,348,501)
School Administrative Services	2,426,228		528,398	(1,897,830)		(1,897,830)
Central Services	666,171			(666,171)		(666,171)
Administration Information Technology	183,035			(183,035)		(183,035)
Plant Operations and Maintenance	4,334,959			(4,334,959)		(4,334,959)
Pupil Transportation	1,178,059	8,125	76,683	(1,093,251)		(1,093,251)
Transfer of Funds to Charter Schools	8,606			(8,606)		(8,606)
Interest on Long-Term Debt	1,529,594		546,288	(983,306)		(983,306)
Unallocated Depreciation	1,537,042			(1,537,042)		(1,537,042)
Total Governmental Activities	51,777,327	1,907,076	10,865,042	(39,005,209)		(39,005,209)

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

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
Business-Type Activities:						
Food Service	\$ 686,979	\$ 570,857	\$ 119,290		\$ 3,168	\$ 3,168
Integrated Preschool Program	16,250	16,250				
Kindergarten Wrap-Around Program	182,627	316,950			134,323	134,323
Total Business-Type Activities	885,856	904,057	119,290		137,491	137,491
Total Primary Government	\$ 52,663,183	\$ 2,811,133	\$ 10,984,332	\$ (39,005,209)	137,491	(38,867,718)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				36,110,120		36,110,120
Taxes Levied for Debt Service				2,404,748		2,404,748
Federal and State Aid not Restricted				81,021		81,021
Interest and Miscellaneous Income				2,395,977		2,395,977
Total General Revenues				40,991,866		40,991,866
Change in Net Position				1,986,657	137,491	2,124,148
Net Position - Beginning (Restated)				8,239,669	253,496	8,493,165
Net Position - Ending				\$ 10,226,326	\$ 390,987	\$ 10,617,313

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

**FUND FINANCIAL STATEMENTS**

Exhibit B-1

BOROUGH OF MADISON SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,353,434		\$ 120,868	\$ 773	\$ 2,475,075
Interfund Receivable	47,048				47,048
Receivables from State Government	276,803				276,803
Receivables from Federal Government		\$ 69,389			69,389
Other Receivables		12,689			12,689
Restricted Cash and Cash Equivalents	3,012,105				3,012,105
<b>Total Assets</b>	<b>\$ 5,689,390</b>	<b>\$ 82,078</b>	<b>\$ 120,868</b>	<b>\$ 773</b>	<b>\$ 5,893,109</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Interfund Payable		\$ 47,048			\$ 47,048
Accounts Payable	\$ 333,258	16,511			349,769
Payable to State Government		14,105			14,105
Unearned Revenue	3,840	4,414			8,254
<b>Total Liabilities</b>	<b>337,098</b>	<b>82,078</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>419,176</b>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Capital Reserve	1,480,279				1,480,279
Maintenance Reserve	1,531,826				1,531,826
Debt Service				773	773
Committed			120,868		120,868
<b>Assigned:</b>					
Year-End Encumbrances	1,348,607				1,348,607
Designated for Subsequent Year's Expenditures	150,000				150,000
Unassigned	841,580				841,580
<b>Total Fund Balances</b>	<b>5,352,292</b>	<b>-0-</b>	<b>120,868</b>	<b>773</b>	<b>5,473,933</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,689,390</b>	<b>\$ 82,078</b>	<b>\$ 120,868</b>	<b>\$ 773</b>	

Amounts reported for *Governmental Activities* in the Statement of Net Position (A-1) are different because:

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$71,634,131 and the accumulated depreciation is \$19,328,251.	52,305,880
Deferred Interest costs are not reported as expenditures in the Governmental Funds in the year of the expenditure. The Deferred Interest is \$3,907,518 and the accumulated amortization is \$568,060.	3,339,458
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(8,824,504)
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	277,490
Investment Gains - Pensions	(525,892)
Changes in Proportion - Pensions	274,004
Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(171,342)
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as Liabilities in the Funds (see Note 8)	(40,646,975)
Bond Premiums are reported as revenue in the Funds. These premiums total \$1,541,451 and the accumulated amortization is \$265,725.	(1,275,726)
<b>Net Position of Governmental Activities</b>	<b>\$ 10,226,326</b>

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

Exhibit B-2

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$ 36,110,120			\$ 2,404,748	\$ 38,514,868
Tuition	1,806,176				1,806,176
Miscellaneous	2,496,877	\$ 150,237			2,647,114
Total - Local Sources	40,413,173	150,237		2,404,748	42,968,158
State Sources	5,083,752	162,844		546,288	5,792,884
Federal Sources		708,250			708,250
Total Revenues	45,496,925	1,021,331	\$ -0-	2,951,036	49,469,292
<b>EXPENDITURES</b>					
Current:					
Regular Instruction	12,976,221	223,504			13,199,725
Special Education Instruction	2,796,364	177,951			2,974,315
Other Special Instruction	691,851				691,851
Other Instruction	1,268,741				1,268,741
Support Services and Undistributed Costs:					
Tuition	1,186,932	431,506			1,618,438
Student & Instruction Related Services	5,229,593	188,370			5,417,963
General Administrative Services	1,218,958				1,218,958
School Administrative Services	1,491,094				1,491,094
Central Services	533,683				533,683
Administration Information Technology	148,000				148,000
Plant Operations and Maintenance	3,871,096				3,871,096
Pupil Transportation	1,156,477				1,156,477
Unallocated Benefits	10,768,388				10,768,388
Debt Service:					
Principal				1,510,000	1,510,000
Interest and Other Charges				1,444,096	1,444,096
Capital Outlay	261,882		713,996		975,878
Transfer of Funds to Charter Schools	8,606				8,606
Total Expenditures	43,607,886	1,021,331	713,996	2,954,096	48,297,309
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	1,889,039		(713,996)	(3,060)	1,171,983
Net Change in Fund Balances	1,889,039		(713,996)	(3,060)	1,171,983
Fund Balance—July 1	3,463,253	-0-	834,864	3,833	4,301,950
Fund Balance—June 30	\$ 5,352,292	\$ -0-	\$ 120,868	\$ 773	\$ 5,473,933

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

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

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ 1,171,983
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 and the donated asset differ from depreciation of capital assets in the period.		
	Depreciation expense	\$ (1,587,409)
	Donated asset	21,819
	Capital outlays	1,017,517
	Disposal of capital assets, net of depreciation	<u>(5,556)</u> (553,629)
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		25,668
Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		1,510,000
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		24,182
The governmental funds report the effect of bond premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (+)		75,378
The governmental funds report the effect of deferred bond interest when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (-)		(185,058)
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		(140,908)
Deferred Outflows:		
Changes in Assumptions		277,490
Changes in Proportion		274,004
Deferred Inflows:		
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		(525,892)
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		<u>33,439</u>
Change in Net Position of Governmental Activities (Exhibit A-2)		<u>\$ 1,986,657</u>

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

Exhibit B-4

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

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Major Funds</u>		<u>Non-Major</u>	<u>Totals</u>
	<u>Food</u>	<u>Kindergarten</u>	<u>Fund</u>	
	<u>Service</u>	<u>Wrap-Around</u>	<u>Integrated</u>	
			<u>Preschool</u>	
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 71,758	\$ 371,159	\$ 2,600	\$ 445,517
Receivables from Other Governments:				
State	456			456
Federal	6,223			6,223
Receivables - Other	205			205
Inventories	6,290			6,290
Total Current Assets	<u>84,932</u>	<u>371,159</u>	<u>2,600</u>	<u>458,691</u>
Non-Current Assets:				
Capital Assets	336,295			336,295
Less: Accumulated Depreciation	<u>(262,152)</u>			<u>(262,152)</u>
Total Non-Current Assets	<u>74,143</u>			<u>74,143</u>
Total Assets	<u>159,075</u>	<u>371,159</u>	<u>2,600</u>	<u>532,834</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable - Vendors	41,868	5,060		46,928
Unearned Revenue	<u>17,719</u>	<u>74,600</u>	<u>2,600</u>	<u>94,919</u>
Total Current Liabilities	<u>59,587</u>	<u>79,660</u>	<u>2,600</u>	<u>141,847</u>
Total Liabilities	<u>59,587</u>	<u>79,660</u>	<u>2,600</u>	<u>141,847</u>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	74,143			74,143
Unrestricted	<u>25,345</u>	<u>291,499</u>		<u>316,844</u>
Total Net Position	<u>\$ 99,488</u>	<u>\$ 291,499</u>	<u>\$ -0-</u>	<u>\$ 390,987</u>

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

Exhibit B-5

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

	Business-type Activities - Enterprise Funds			Totals
	Major Funds		Non-Major Fund	
	Food Service	Kindergarten Wrap-Around	Integrated Preschool	
Operating Revenue:				
Charges for Services:				
Daily Sales	\$ 563,827			\$ 563,827
Special Events	7,030			7,030
Charges and Fees		\$ 316,950	\$ 16,250	333,200
Total Operating Revenue	<u>570,857</u>	<u>316,950</u>	<u>16,250</u>	<u>904,057</u>
Operating Expenses:				
Cost of Sales	315,358			315,358
Salaries	201,134	148,950	16,250	366,334
Payroll Taxes	31,606	3,825		35,431
Employee Benefits	49,182	23,123		72,305
Purchased Property Services	49,548			49,548
Supplies and Materials	32,997	6,729		39,726
Depreciation Expense	7,154			7,154
Total Operating Expenses	<u>686,979</u>	<u>182,627</u>	<u>16,250</u>	<u>885,856</u>
Operating Income	<u>(116,122)</u>	<u>134,323</u>		<u>18,201</u>
Non-Operating Revenue:				
State Sources:				
School Lunch Program	4,321			4,321
School Lunch Program - Supplemental	131			131
Federal Sources:				
Special Milk Program	510			510
National School Lunch Program	82,629			82,629
Food Distribution Program	31,699			31,699
Total Non-Operating Revenue	<u>119,290</u>			<u>119,290</u>
Change in Net Position	3,168	134,323		137,491
Net Position - Beginning of Year	<u>96,320</u>	<u>157,176</u>	<u>-0-</u>	<u>253,496</u>
Net Position - End of Year	<u>\$ 99,488</u>	<u>\$ 291,499</u>	<u>\$ -0-</u>	<u>\$ 390,987</u>

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

Exhibit B-6

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

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Major Funds</u>		<u>Non-Major Fund</u>	<u>Totals</u>
	<u>Food Service</u>	<u>Kindergarten Wrap-Around</u>	<u>Integrated Preschool</u>	
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 572,180	\$ 335,050	\$ 15,600	\$ 922,830
Payments to Food Service Vendor	(649,570)			(649,570)
Payments to Employees		(175,898)	(16,250)	(192,148)
Payments to Suppliers	(6,194)	(1,669)		(7,863)
Net Cash Provided by/(Used for) Operating Activities	<u>(83,584)</u>	<u>157,483</u>	<u>(650)</u>	<u>73,249</u>
Cash Flows from Noncapital Financing Activities:				
State Sources	5,257			5,257
Federal Sources	94,685			94,685
Net Cash Provided by Noncapital Financing Activities	<u>99,942</u>			<u>99,942</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	16,358	157,483	(650)	173,191
Cash and Cash Equivalents, July 1	<u>55,400</u>	<u>213,676</u>	<u>3,250</u>	<u>272,326</u>
Cash and Cash Equivalents, June 30	<u>\$ 71,758</u>	<u>\$ 371,159</u>	<u>\$ 2,600</u>	<u>\$ 445,517</u>
Reconciliation of Operating Income to				
Net Cash Provided by Operating Activities:				
Operating Income	\$ (116,122)	\$ 134,323	\$ -0-	\$ 18,201
Adjustment to Reconcile Operating Income to				
Net Cash Provided by/(Used for) Operating Activities:				
Depreciation	7,154			7,154
Federal Food Distribution Program	31,699			31,699
Changes in Assets and Liabilities:				
(Increase) in Other Receivables	(205)			(205)
Decrease in Inventories	2,025			2,025
Increase/(Decrease) in Accounts Payable	(9,663)	5,060		(4,603)
Increase/(Decrease) in Unearned Revenue	1,528	18,100	(650)	18,978
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (83,584)</u>	<u>\$ 157,483</u>	<u>\$ (650)</u>	<u>\$ 73,249</u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$31,699 for the fiscal year ended June 30, 2015.

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

Exhibit B-7

BOROUGH OF MADISON SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2015

ASSETS:	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
Cash and Cash Equivalents	\$ 341,515	\$ 178,001	\$ 61,829	\$ 126,124
Investments				26,463
Total Assets	<u>341,515</u>	<u>178,001</u>	<u>61,829</u>	<u>152,587</u>
 LIABILITIES:				
Payroll Deductions and Withholdings	187			
Due to Student Groups	<u>341,328</u>			
Total Liabilities	<u>341,515</u>			
 NET POSITION:				
Held in Trust for:				
Unemployment Claims		178,001		
Flexible Spending Trust Claims			61,829	
Restricted for Scholarships				<u>152,587</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 178,001</u>	<u>\$ 61,829</u>	<u>\$ 152,587</u>

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

Exhibit B-8

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

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
ADDITIONS:			
Contributions:			
Plan member	\$ 45,164	\$ 44,597	
Other			\$ 5,119
Total Contributions	<u>45,164</u>	<u>44,597</u>	<u>5,119</u>
Investment Earnings:			
Interest	<u>212</u>	<u>69</u>	<u>424</u>
Net Investment Earnings	<u>212</u>	<u>69</u>	<u>424</u>
Total Additions	<u>45,376</u>	<u>44,666</u>	<u>5,543</u>
DEDUCTIONS:			
Quarterly Contribution Reports and Unemployment Claims	68,986		
Flexible Spending Trust Claims		46,215	
Scholarships Awarded			11,429
Total Deductions	<u>68,986</u>	<u>46,215</u>	<u>11,429</u>
Change in Net Position	(23,610)	(1,549)	(5,886)
Net Position - Beginning of the Year	<u>201,611</u>	<u>63,378</u>	<u>158,473</u>
Net Position - End of the Year	<u>\$ 178,001</u>	<u>\$ 61,829</u>	<u>\$ 152,587</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, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

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

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

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

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2015 was submitted to the County 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.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 45,507,103	\$ 952,804
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.		68,527
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	79,650	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(89,828)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 45,496,925</u>	<u>\$ 1,021,331</u>

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

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 43,607,886	\$ 952,804
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.		68,527
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 43,607,886	\$ 1,021,331

E. Cash and Cash Equivalents and Investments:

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

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

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

F. Interfund Transactions:

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

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

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

F. Interfund Transactions: (Cont'd)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

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

K. Capital Assets:

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

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

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

K. Capital Assets: (Cont'd)

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

	<u>Estimated Useful Life</u>
Buildings	50 years
Building Improvements	10 to 40 years
Land Improvements	20 years
Machinery and Equipment	10 to 20 years
Computer and Related Technology	5 years
Vehicles	8 years

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

L. Long-Term Liabilities:

In the District-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise funds. Bond premiums and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, 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, 2015.

N. Compensated Absences:

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

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

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

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

N. Compensated Absences: (Cont'd)

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$5,352,292 General Fund fund balance at June 30, 2015, \$1,348,607 is assigned for encumbrances; \$1,480,279 is restricted in the capital reserve account; \$1,531,826 is restricted in the maintenance reserve account; \$150,000 is assigned and included as anticipated revenue for the fiscal year ending June 30, 2016; and \$841,580 is unassigned which is \$89,828 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, 2016.

Capital Projects Fund: The Capital Projects Fund balance at June 30, 2015 of \$120,868 is committed for capital projects which is \$556,576 less on the GAAP basis due to SDA grants which have not been recognized.

Debt Service Fund: The Debt Service Fund balance at June 30, 2015 of \$773 is restricted.

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

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$89,828 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event one or more state school aid payment(s) are not made until the following school budget year, districts must record the June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school district cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

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

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

Q. Fund Balance Restrictions, Commitments and Assignments:

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

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

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

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

R. Deficit Net Position:

The District has a \$5,101,057 deficit in unrestricted net position from governmental activities, primarily due to the accrual of \$655,600 in compensated absences payable, \$171,342 in accrued interest payable, \$1,275,726 of unamortized bond premiums, investment gains in pensions of \$525,892, and net pension liability of \$8,824,504, offset by deferred interest of \$3,339,458, changes in pension assumptions of \$277,490, changes in proportion in pensions of \$274,004 and Governmental Funds committed and assigned fund balances. This deficit does not indicate that the District is having financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. The District had a deferred outflow of resources at June 30, 2015 for the deferred amount on refunding of debt related to the District's 2005 and 2012 refunding bonds, changes in assumptions in pensions and changes in proportion in pension.

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

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

S. Net Position: (Cont'd)

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred inflows of resources at June 30, 2015 for the net difference between projected and actual investment earnings on pension plan investments.

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

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

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

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

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

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

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

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

V. Management Estimates:

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

W. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

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, 2015  
(Continued)

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

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

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

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

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

Investments:

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

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

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

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

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

	<u>Unrestricted</u>		<u>Restricted</u>		<u>Total</u>
	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Capital Reserve Account</u>	<u>Maintenance Reserve Account</u>	
Checking and Savings Accounts	\$ 3,628,061		\$ 1,480,279	\$ 1,531,826	\$ 6,640,166
Certificates of Deposit		\$ 26,463			26,463
	<u>\$ 3,628,061</u>	<u>\$ 26,463</u>	<u>\$ 1,480,279</u>	<u>\$ 1,531,826</u>	<u>\$ 6,666,629</u>

During the period ended June 30, 2015, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2015, was \$6,666,629 and the bank balance was \$7,045,509.

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, 2014 to June 30, 2015 fiscal year is as follows:

Beginning Balance, July 1, 2014	\$ 223,341
Increase by Board Resolution - June 24, 2015	<u>1,256,938</u>
Ending Balance, June 30, 2015	<u>\$1,480,279</u>

The balance in the capital reserve account at June 30, 2015 does not exceed the balance of local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP").

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.

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

NOTE 5. MAINTENANCE RESERVE ACCOUNT (Cont'd)

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

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

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

Beginning Balance, July 1, 2014	\$ 274,889
Increase by Board Resolution - June 24, 2015	<u>1,256,937</u>
Ending Balance, June 30, 2015	<u>\$1,531,826</u>

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2015, the District transferred \$85,300 to the capital outlay accounts for equipment for which County Superintendent approval was not required.

NOTE 7. CAPITAL ASSETS

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

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 9,072,600			\$ 9,072,600
Construction in Progress		\$ 713,996	\$ (571,021)	142,975
Total Capital Assets Not Being Depreciated	<u>9,072,600</u>	<u>713,996</u>	<u>(571,021)</u>	<u>9,215,575</u>
Capital Assets Being Depreciated:				
Land Improvements	3,014,408			3,014,408
Buildings and Building Improvements	54,365,731		350,700	54,716,431
Machinery and Equipment	4,193,815	325,340	168,562	4,687,717
Total Capital Assets Being Depreciated	<u>61,573,954</u>	<u>325,340</u>	<u>519,262</u>	<u>62,418,556</u>
Governmental Activities Capital Assets	<u>70,646,554</u>	<u>1,039,336</u>	<u>(51,759)</u>	<u>71,634,131</u>
Less Accumulated Depreciation for:				
Land Improvements	(1,695,833)	(96,994)		(1,792,827)
Buildings and Building Improvements	(13,226,734)	(1,222,718)		(14,449,452)
Machinery and Equipment	(2,864,478)	(267,697)	46,203	(3,085,972)
	<u>(17,787,045)</u>	<u>(1,587,409)</u>	<u>46,203</u>	<u>(19,328,251)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 52,859,509</u>	<u>\$ (548,073)</u>	<u>\$ (5,556)</u>	<u>\$ 52,305,880</u>

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

NOTE 7. CAPITAL ASSETS (Cont'd)

Capital asset balances and activity for the fiscal year ended June 30, 2015 were as follows: (Cont'd)

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 344,755		\$ (8,460)	\$ 336,295
Less Accumulated Depreciation	(263,458)	\$ (7,154)	8,460	(262,152)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 81,297</u>	<u>\$ (7,154)</u>	<u>\$ -0-</u>	<u>\$ 74,143</u>

Depreciation expense was charged to governmental functions as follows:

Student and Instruction Related Services	\$ 18,765
Plant Operations and Maintenance	24,922
Pupil Transportation	6,680
Unallocated	<u>1,537,042</u>
	<u>\$ 1,587,409</u>

NOTE 8. LONG-TERM LIABILITIES

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

	Balance 6/30/2014 (Restated)	Issued/ Accrued	Retired	Balance 6/30/2015
Serial Bonds Payable	\$ 41,475,000		\$ 1,510,000	\$ 39,965,000
Capital Lease Payable	52,043		25,668	26,375
Net Pension Liability	8,683,596	\$ 140,908		8,824,504
Compensated Absences Payable	689,039	141,168	174,607	655,600
	<u>\$ 50,899,678</u>	<u>\$ 282,076</u>	<u>\$ 200,275</u>	<u>\$ 49,471,479</u>

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

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

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, 2015 is \$1,560,000 and the long-term portion is \$38,405,000. The Debt Service Fund will be used to liquidate bonds payable.

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

<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
02/15/2017	4.00%	\$ 520,000
07/15/2015	4.50%	825,000
09/15/2035	4.375%-4.50%	8,045,000
12/15/2035	2.00%-4.00%	9,805,000
12/15/2031	1.00%-4.00%	20,770,000
		<u>\$ 39,965,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,560,000	\$ 1,383,444	\$ 2,943,444
2017	1,595,000	1,330,803	2,925,803
2018	1,380,000	1,280,922	2,660,922
2019	1,420,000	1,234,737	2,654,737
2020	1,465,000	1,187,475	2,652,475
Thereafter:			
2021-2025	8,115,000	5,149,488	13,264,488
2026-2030	9,835,000	3,430,769	13,265,769
2031-2035	11,920,000	1,538,092	13,458,092
2036	2,675,000	47,528	2,722,528
	<u>\$39,965,000</u>	<u>\$ 16,583,258</u>	<u>\$ 56,548,258</u>

B. Bonds Authorized But Not Issued:

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

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

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

C. Capital Leases Payable:

In fiscal year 2012, the District entered into a \$125,000 five year capital lease agreement for the Madison High School turf field. The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2015.

<u>Year</u>	<u>Amount</u>
2016	\$ 27,100
Less: Amount representing interest	<u>(725)</u>
Present value of net minimum lease payments	<u>\$ 26,375</u>

The current portion of capital lease payable at June 30, 2015 is \$26,375 and the long-term portion is \$-0-. Capital leases payable will be liquidated by the General Fund.

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current liability portion of compensated absences at June 30, 2015 is \$31,532 and the long-term liability balance of compensated absences is \$624,068.

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, 2015, no liability existed for compensated absences in the Enterprise Funds.

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

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, 2015 is \$-0- and the long-term portion is \$8,824,504. See Note 9 for further information on the PERS.

NOTE 9. PENSION PLANS

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

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

NOTE 9. PENSION PLANS (Cont'd)

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

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

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 \$384,844 for fiscal year 2015.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 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, 2015  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

At June 30, 2015, the District reported a liability of \$8,824,504 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the District's proportion was 0.0471%, which was an increase of 0.0017% from its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$504,058. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 277,490	
Changes in Proportion	274,004	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		\$ 525,892
	<u>\$ 551,494</u>	<u>\$ 525,892</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2015	\$ (80,464)
2016	(80,464)
2017	(80,464)
2018	(80,464)
2019	51,009
Thereafter	22,445
	<u>\$ (248,402)</u>

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

NOTE 9. PENSION PLANS (Cont'd)

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

Actuarial Assumptions

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

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

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

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2014 are summarized in the table below:

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

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

NOTE 9. PENSION PLANS (Cont'd)

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

Discount Rate

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

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

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

	Fiscal Year Ended June 30, 2014		
	1%	Current	1%
	Decrease (4.39%)	Discount Rate (5.39%)	Increase (6.39%)
District's proportionate share of the Net Pension Liability	\$ 11,101,526	\$ 8,824,504	\$ 6,912,384

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

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

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

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided

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

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

Contributions

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

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2015, the State of New Jersey contributed \$990,430 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$5,285,122.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 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, 2015  
(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, 2015, the State's proportionate share of the net pension liability associated with the District was \$98,219,321. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the District's proportion was 0.18377%, which was a decrease of 0.00148% from its proportion measured as of June 30, 2013.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District	\$	<u>98,219,321</u>
Total	\$	<u><u>98,219,321</u></u>

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the District in the amount of \$5,285,122 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

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

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

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

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(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)

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

Actuarial Assumptions

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

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

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

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 is summarized in the table on the following page:

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

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

Discount Rate – TPAF

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

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

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

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

Pension Plan Fiduciary Net Position

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 \$211 for the fiscal year ended June 30, 2015. Employee contributions to DCRP amounted to \$387 for the fiscal year ended June 30, 2015.

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

NOTE 10. POST-RETIREMENT BENEFITS

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

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

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$1,572,309, \$1,274,684 and \$1,353,498 for 2015, 2014 and 2013, respectively.

NOTE 11. RISK MANAGEMENT

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

Property and Liability Insurance

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

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

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

NOTE 11. RISK MANAGEMENT (Cont'd)

The June 30, 2015 audit for the Group and the Fund was not available as of the date of this report. Selected, summarized financial information for the Group and the Fund as of June 30, 2014 is as follows:

	<u>Group</u>	<u>Fund</u>
Total Assets	\$ 8,623,310	\$ 33,508,569
Net Position	\$ 5,409,944	\$ 5,114,269
Total Revenue	\$ 3,086,254	\$ 34,091,773
Total Expenses	\$ 1,290,579	\$ 37,253,827
Member Dividends	\$ 733,820	\$ -0-
Change in Net Position for the Year Ended June 30	\$ 1,061,855	\$ (3,162,054)

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
P.O. Box 270	Suite B-40
Westwood, NJ 07675	West Windsor, NJ 08550
(201) 664-0310	(609) 275-1155

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2014-2015	\$ -0-	\$ 212	\$ 45,164	\$ 68,986	\$ 178,001
2013-2014	65,000	289	42,349	138,816	201,611
2012-2013	-0-	123	33,164	14,164	232,789

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, 2015  
(Continued)

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2015:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 47,048	
Special Revenue Fund		\$ 47,048
	<u>\$ 47,048</u>	<u>\$ 47,048</u>

The General Fund interfund receivable due from the Special Revenue Fund represents an interfund loan at June 30, 2015 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, 2015  
(Continued)

NOTE 16. PRIOR PERIOD ADJUSTMENTS

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

	Balance 6/30/2014 as Previously Reported	Retroactive Adjustments	Balance 6/30/2014 Restated
<u>Statement of Net Position - Governmental Activities:</u>			
Liabilities:			
Noncurrent Liabilities:			
Due Beyond One Year	\$40,636,414	\$ 8,683,596	\$49,320,010
Total Liabilities	43,778,826	8,683,596	52,462,422
Net Position - Unrestricted (Deficit)	5,088,736	(8,683,596)	(3,594,860)
Total Net Position	16,923,265	(8,683,596)	8,239,669

NOTE 17. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2015:

	Governmental Activities			Business-Type Activities
	General Fund	Special Revenue Fund	Total Governmental Funds	Proprietary Funds
Vendors	\$ 227,810	\$ 1,844	\$ 229,654	\$ 46,928
Due to Other Governmental Units	105,448	14,667	120,115	
	<u>\$ 333,258</u>	<u>\$ 16,511</u>	<u>\$ 349,769</u>	<u>\$ 46,928</u>

NOTE 18. 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.

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

NOTE 18. COMMITMENTS AND CONTINGENCIES (Cont'd)

Encumbrances

At June 30, 2015, 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>Capital Projects</u>	<u>Total</u>
<u>\$ 1,348,607</u>	<u>\$ 57,725</u>	<u>\$ 1,406,332</u>

The \$57,725 of fiscal year-end encumbrances in the Capital Projects Fund on a budgetary basis are included in the \$120,868 committed fund balance on a GAAP basis at June 30, 2015.

SCHEDULES OF REQUIRED  
SUPPLEMENTARY INFORMATION

L-1

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

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
District's proportion of the net pension liability	0.0454353391%	0.0471325568%
District's proportionate share of the net pension liability	\$ 8,683,596	\$ 8,824,504
District's covered employee payroll	\$ 3,398,214	\$ 3,592,692
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	255.53%	245.62%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%

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

L-2

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

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 342,346	\$ 388,554
Contributions in relation to the contractually required contribution	<u>(342,346)</u>	<u>(388,554)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 3,398,214	\$ 3,592,692
Contributions as a percentage of covered employee payroll	10.07%	10.82%

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

L-3

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

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
State's proportion of the net pension liability attributable to the District	0.1852485150%	0.1837704429%
State's proportionate share of the net pension liability attributable to the District	\$ 93,623,142	\$ 98,219,321
District's covered employee payroll	\$ 18,471,890	\$ 19,192,534
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	506.84%	511.76%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%

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

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

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

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

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

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

**BUDGETARY COMPARISON SCHEDULES  
(UNAUDITED)**

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 36,110,120		\$ 36,110,120	\$ 36,110,120	
Tuition	159,500		159,500	161,000	\$ 1,500
Tuition from Other LEAs Within the State	1,647,890		1,647,890	1,645,176	(2,714)
Miscellaneous	366,600		366,600	2,496,877	2,130,277
<b>Total - Local Sources</b>	<b>38,284,110</b>		<b>38,284,110</b>	<b>40,413,173</b>	<b>2,129,063</b>
State Sources:					
Transportation Aid	52,188		52,188	52,188	
Special Education Categorical Aid	849,970		849,970	849,970	
Security Aid	37,986		37,986	37,986	
Per Pupil Growth Aid	23,800		23,800	23,800	
PARCC Readiness Aid	23,800		23,800	23,800	
Extraordinary Special Education Costs Aid				113,783	113,783
Nonpublic School Transportation Costs				24,819	24,819
On-Behalf TPAF Contributions:					
Post-Retirement Medical (Non-Budgeted)				1,572,309	1,572,309
Pension (Non-Budgeted)				990,430	990,430
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				1,404,845	1,404,845
<b>Total State Sources</b>	<b>987,744</b>		<b>987,744</b>	<b>5,093,930</b>	<b>4,106,186</b>
<b>TOTAL REVENUES</b>	<b>39,271,854</b>		<b>39,271,854</b>	<b>45,507,103</b>	<b>6,235,249</b>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 262,743	\$ 31,010	\$ 293,753	\$ 293,710	\$ 43
Grades 1-5 - Salaries of Teachers	4,913,891	(596,736)	4,317,155	4,317,153	2
Grades 6-8 - Salaries of Teachers	2,568,991	(75,815)	2,493,176	2,493,073	103
Grades 9-12 - Salaries of Teachers	4,574,711	50,092	4,624,803	4,624,181	622
Regular Programs - Home Instruction:					
Salaries of Teachers	35,250	(9,718)	25,532	25,531	1
Purchased Professional - Educational Services	47,384	(17,169)	30,215	30,214	1
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	6,000		6,000	5,935	65
Other Purchased Services (400-500 series)	87,210	87,953	175,163	168,325	6,838
General Supplies	988,004	(22,139)	965,865	760,811	205,054
Textbooks	292,282	(81,665)	210,617	210,085	532
Other Objects	37,971	10,264	48,235	47,203	1,032
Total Regular Programs - Instruction	<u>13,814,437</u>	<u>(623,923)</u>	<u>13,190,514</u>	<u>12,976,221</u>	<u>214,293</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
General Supplies	7,500	(1,609)	5,891	5,891	
Total Learning and/or Language Disabilities	<u>7,500</u>	<u>(1,609)</u>	<u>5,891</u>	<u>5,891</u>	
Resource Room/Resource Center:					
Salaries of Teachers	2,321,670	232,485	2,554,155	2,554,155	
General Supplies	9,000	(2,170)	6,830	6,630	200
Textbooks	1,000	(1,000)			
Total Resource Room/Resource Center	<u>2,331,670</u>	<u>229,315</u>	<u>2,560,985</u>	<u>2,560,785</u>	<u>200</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction:					
Autism:					
Purchased Professional - Educational Services	\$ 2,000	\$ (880)	\$ 1,120	\$ 1,060	\$ 60
General Supplies	1,000		1,000	683	317
Total Autism	<u>3,000</u>	<u>(880)</u>	<u>2,120</u>	<u>1,743</u>	<u>377</u>
Preschool Disabilities - Part-time:					
Salaries of Teachers	144,155		144,155	144,155	
Other Salaries for Instruction	148,697	(79,210)	69,487	69,487	
Purchased Professional - Educational Services	15,000	(3,000)	12,000	12,000	
General Supplies	1,000	1,462	2,462	2,303	159
Total Preschool Disabilities - Part-time	<u>308,852</u>	<u>(80,748)</u>	<u>228,104</u>	<u>227,945</u>	<u>159</u>
Total Special Education Instruction	<u>2,651,022</u>	<u>146,078</u>	<u>2,797,100</u>	<u>2,796,364</u>	<u>736</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	381,627	152,231	533,858	533,857	1
Total Basic Skills/Remedial - Instruction	<u>381,627</u>	<u>152,231</u>	<u>533,858</u>	<u>533,857</u>	<u>1</u>
Bilingual Education - Instruction:					
Salaries of Teachers	139,137	18,857	157,994	157,994	
Total Bilingual Education - Instruction	<u>139,137</u>	<u>18,857</u>	<u>157,994</u>	<u>157,994</u>	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	205,413	19,833	225,246	224,904	342
Purchased Services (300-500 series)	23,260	3,917	27,177	26,406	771
Supplies and Materials	46,462	(20,752)	25,710	15,399	10,311
Total School-Sponsored Cocurricular Activities - Instruction	<u>275,135</u>	<u>2,998</u>	<u>278,133</u>	<u>266,709</u>	<u>11,424</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 710,850	\$ (16,134)	\$ 694,716	\$ 694,272	\$ 444
Purchased Services (300-500 series)	121,905	18,801	140,706	140,593	113
Supplies and Materials	116,598	(798)	115,800	115,790	10
Other Objects	39,399	(1,500)	37,899	37,899	
<b>Total School-Sponsored Cocurricular Athletics - Instruction</b>	<b>988,752</b>	<b>369</b>	<b>989,121</b>	<b>988,554</b>	<b>567</b>
Before/After School Programs:					
Salaries of Teacher Tutors		13,478	13,478	13,478	
<b>Total Before/After School Programs</b>		<b>13,478</b>	<b>13,478</b>	<b>13,478</b>	
<b>Total Instruction</b>	<b>18,250,110</b>	<b>(289,912)</b>	<b>17,960,198</b>	<b>17,733,177</b>	<b>227,021</b>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	78,956	30,901	109,857	109,857	
Tuition to County Vocational Schools - Regular	56,908	2,138	59,046	59,045	1
Tuition to County Vocational Schools - Special	10,228	5,114	15,342	15,342	
Tuition to CSSD & Regional Day Schools		45,325	45,325	45,325	
Tuition to Private Schools for the Disabled - Within the State	936,897	(183,852)	753,045	752,764	281
Tuition to Private Schools for the Disabled and Other LEAs - Special - Outside the State	130,885	83,899	214,784	200,099	14,685
Tuition - State Facilities	4,500		4,500	4,500	
<b>Total Undistributed Expenditures - Instruction</b>	<b>1,218,374</b>	<b>(16,475)</b>	<b>1,201,899</b>	<b>1,186,932</b>	<b>14,967</b>
Health Services:					
Salaries	343,143	11,733	354,876	354,875	1
Purchased Professional and Technical Services	11,500	(81)	11,419	11,351	68
Other Purchased Services (400-500 series)	1,085	81	1,166	1,166	
Supplies and Materials	10,640	1,466	12,106	11,721	385
<b>Total Health Services</b>	<b>366,368</b>	<b>13,199</b>	<b>379,567</b>	<b>379,113</b>	<b>454</b>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	\$ 496,469	\$ (7,562)	\$ 488,907	\$ 488,786	\$ 121
Purchased Professional - Educational Services	165,772	(59,267)	106,505	106,055	450
Supplies and Materials	3,080	199	3,279	3,130	149
<b>Total Other Support Services - Speech, OT, PT and Related Services</b>	<b>665,321</b>	<b>(66,630)</b>	<b>598,691</b>	<b>597,971</b>	<b>720</b>
Other Support Services - Students - Extraordinary Services:					
Salaries	959,062	(65,887)	893,175	893,175	
Purchased Professional - Educational Services	65,014	67,415	132,429	124,451	7,978
<b>Total Other Support Services - Students - Extraordinary Services</b>	<b>1,024,076</b>	<b>1,528</b>	<b>1,025,604</b>	<b>1,017,626</b>	<b>7,978</b>
Other Support Services - Guidance:					
Salaries of Other Professional Staff	693,386	(40,288)	653,098	653,096	2
Salaries of Secretarial and Clerical Assistants	76,040	(1,116)	74,924	74,923	1
Purchased Professional - Educational Services	4,195	(1,000)	3,195	3,195	
Other Purchased Services (400-500 series)	2,940	(2,147)	793	793	
Supplies and Materials	5,464	(1,455)	4,009	4,009	
Other Objects	5,951	(1,381)	4,570	4,555	15
<b>Total Other Support Services - Guidance</b>	<b>787,976</b>	<b>(47,387)</b>	<b>740,589</b>	<b>740,571</b>	<b>18</b>
Other Support Services - Child Study Teams:					
Salaries of Other Professional Staff	970,565	(45,041)	925,524	925,523	1
Salaries of Secretarial and Clerical Assistants	57,193		57,193	57,193	
Other Purchased Professional and Technical Services	55,850	(8,038)	47,812	45,054	2,758
Miscellaneous Purchased Services (400-500 series)	3,408	(2,086)	1,322	1,322	
Supplies and Materials	24,333	(500)	23,833	20,116	3,717
Other Objects	2,658		2,658	2,120	538
<b>Total Other Support Services - Child Study Teams</b>	<b>1,114,007</b>	<b>(55,665)</b>	<b>1,058,342</b>	<b>1,051,328</b>	<b>7,014</b>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Improvement of Instructional Services:					
Salaries of Other Professional Staff	\$ 62,720	\$ 7,325	\$ 70,045	\$ 70,044	\$ 1
Purchased Professional - Educational Services	2,200		2,200	2,200	
Other Purchased Services (400-500 series)	1,500	2,892	4,392	4,392	
Supplies and Materials	56,254	(39)	56,215	55,330	885
Other Objects	39,600	(36,373)	3,227	2,579	648
<b>Total Improvement of Instructional Services</b>	<b>162,274</b>	<b>(26,195)</b>	<b>136,079</b>	<b>134,545</b>	<b>1,534</b>
Educational Media Services/School Library:					
Salaries	461,656	(30,839)	430,817	430,817	
Salaries of Technology Coordinators	111,865		111,865	111,865	
Other Purchased Services (400-500 series)	3,000		3,000	249	2,751
Supplies and Materials	97,169	(21,933)	75,236	74,363	873
<b>Total Educational Media Services/School Library</b>	<b>673,690</b>	<b>(52,772)</b>	<b>620,918</b>	<b>617,294</b>	<b>3,624</b>
Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	661,639	17,476	679,115	679,115	
Other Purchased Services (400-500 series)	30,000	(17,000)	13,000	12,030	970
<b>Total Instructional Staff Training Services</b>	<b>691,639</b>	<b>476</b>	<b>692,115</b>	<b>691,145</b>	<b>970</b>
Support Services - General Administration:					
Salaries	501,684	(18,122)	483,562	480,293	3,269
Legal Services	132,000	(40,400)	91,600	76,459	15,141
Audit Fees	40,391	9	40,400	40,400	
Architectural/Engineering Services	104,900	(23,900)	81,000	67,115	13,885
Other Purchased Professional Services	17,900	71,132	89,032	76,766	12,266
Purchased Technical Services	45,000	(28,645)	16,355	15,731	624
Communications/Telephone	185,431	11,679	197,110	193,250	3,860

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Support Services - General Administration (Cont'd):					
BOE Other Purchased Services	\$ 12,530	\$ 3,301	\$ 15,831	\$ 11,586	\$ 4,245
Miscellaneous Purchased Services (400-500 series)	10,462	(1,235)	9,227	9,227	
General Supplies	8,319	6,732	15,051	6,891	8,160
Judgments Against the School District		50,000	50,000	50,000	
Miscellaneous Expenditures	191,290	(11,003)	180,287	173,875	6,412
BOE Membership Dues and Fees	17,400		17,400	17,365	35
<b>Total Support Services - General Administration</b>	<u>1,267,307</u>	<u>19,548</u>	<u>1,286,855</u>	<u>1,218,958</u>	<u>67,897</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	960,631		960,631	960,631	
Salaries of Secretarial and Clerical Assistants	464,071	4,122	468,193	466,308	1,885
Other Purchased Services (400-500 series)	8,711	(1,000)	7,711	5,634	2,077
Supplies and Materials	61,067	5,001	66,068	58,521	7,547
<b>Total Support Services - School Administration</b>	<u>1,494,480</u>	<u>8,123</u>	<u>1,502,603</u>	<u>1,491,094</u>	<u>11,509</u>
Central Services:					
Salaries	464,659	14,000	478,659	477,907	752
Miscellaneous Purchased Services (400-500 series)	80,000	(16,700)	63,300	46,909	16,391
Supplies and Materials	15,400	451	15,851	7,227	8,624
Miscellaneous Expenditures	13,500	(8,839)	4,661	1,640	3,021
<b>Total Central Services</b>	<u>573,559</u>	<u>(11,088)</u>	<u>562,471</u>	<u>533,683</u>	<u>28,788</u>
Administration Information Technology:					
Salaries	126,481		126,481	126,378	103
Purchased Technical Services	15,000		15,000	14,422	578
Other Purchased Services (400-500 series)	10,700		10,700	7,200	3,500
<b>Total Administration Information Technology</b>	<u>152,181</u>		<u>152,181</u>	<u>148,000</u>	<u>4,181</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Required Maintenance for School Facilities:					
Salaries	\$ 116,743	\$ (46,043)	\$ 70,700	\$ 70,697	\$ 3
Cleaning, Repair and Maintenance Services	1,304,411	1,000,391	2,304,802	1,190,473	1,114,329
General Supplies	60,510	(1,691)	58,819	58,818	1
Other Objects	4,580	2,300	6,880	6,867	13
<b>Total Required Maintenance for School Facilities</b>	<u>1,486,244</u>	<u>954,957</u>	<u>2,441,201</u>	<u>1,326,855</u>	<u>1,114,346</u>
Custodial Services:					
Salaries	1,170,963	(40,733)	1,130,230	1,130,229	1
Purchased Professional and Technical Services	11,326	(8,541)	2,785	2,785	
Other Purchased Property Services	84,589	(26,097)	58,492	58,491	1
Insurance	185,000	(1,412)	183,588	183,588	
Miscellaneous Purchased Services	15,682	(6,374)	9,308	9,307	1
General Supplies	101,303	(6,815)	94,488	79,593	14,895
Energy (Natural Gas)	197,557	(8,267)	189,290	189,290	
Energy (Electricity)	512,577	(60,872)	451,705	451,705	
Other Objects	24,452	(10,281)	14,171	11,565	2,606
<b>Total Custodial Services</b>	<u>2,303,449</u>	<u>(169,392)</u>	<u>2,134,057</u>	<u>2,116,553</u>	<u>17,504</u>
Care & Upkeep of Grounds:					
Salaries	232,348	81,052	313,400	313,386	14
Cleaning, Repair and Maintenance Services	127,579	(22,696)	104,883	104,398	485
General Supplies	11,650	(1,745)	9,905	9,904	1
<b>Total Care &amp; Upkeep of Grounds</b>	<u>371,577</u>	<u>56,611</u>	<u>428,188</u>	<u>427,688</u>	<u>500</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Student Transportation Services:					
Salaries for Pupil Transportation:					
Other Than Between Home and School	\$ 60,236	\$ (5,210)	\$ 55,026	\$ 36,348	\$ 18,678
Cleaning, Repair and Maintenance Services	45,000		45,000	28,568	16,432
Contracted Services:					
Between Home and School - Vendors	341,969	(45,000)	296,969	287,346	9,623
Other Than Between Home and School - Vendors	80,819	5,210	86,029	86,029	
Special Education Students - Vendors	792,168	(91,104)	701,064	571,576	129,488
Aid in Lieu - Nonpublic Students	115,804		115,804	114,308	1,496
Supplies and Materials	45,039	(12,000)	33,039	32,302	737
Total Student Transportation Services	<u>1,481,035</u>	<u>(148,104)</u>	<u>1,332,931</u>	<u>1,156,477</u>	<u>176,454</u>
Unallocated Benefits:					
Social Security Contributions	434,500	36,534	471,034	471,034	
Other Retirement Contributions - PERS	410,000	(25,156)	384,844	384,844	
Other Retirement Contributions - DCRP		212	212	211	1
Workmen's Compensation	200,000	(4,800)	195,200	195,200	
Health Benefits	5,737,328	(339,894)	5,397,434	5,397,434	
Tuition Reimbursement	201,489	(1,204)	200,285	180,001	20,284
Other Employee Benefits	102,500	69,580	172,080	172,080	
Total Unallocated Benefits	<u>7,085,817</u>	<u>(264,728)</u>	<u>6,821,089</u>	<u>6,800,804</u>	<u>20,285</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
On-Behalf TPAF Contributions:					
Post-Retirement Medical (non-budgeted)				\$ 1,572,309	\$ (1,572,309)
Pension (non-budgeted)				990,430	(990,430)
Reimbursed TPAF Social Security Contributions (non-budgeted)				1,404,845	(1,404,845)
Total On-Behalf and Reimbursed Contributions				<u>3,967,584</u>	<u>(3,967,584)</u>
Total Personal Services - Employee Benefits	<u>\$ 7,085,817</u>	<u>\$ (264,728)</u>	<u>\$ 6,821,089</u>	<u>10,768,388</u>	<u>(3,947,299)</u>
Total Undistributed Expenses	<u>22,919,374</u>	<u>196,006</u>	<u>23,115,380</u>	<u>25,604,221</u>	<u>(2,488,841)</u>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<u>41,169,484</u>	<u>(93,906)</u>	<u>41,075,578</u>	<u>43,337,398</u>	<u>(2,261,820)</u>
<b>CAPITAL OUTLAY</b>					
Equipment:					
School-Sponsored and Other Instructional Programs	13,907	3,446	17,353		17,353
Undistributed Expenditures:					
Other Support Services - Students - Extraordinary Services	7,475	(7,450)	25		25
Administration Information Technology	50,000	(1,350)	48,650	33,097	15,553
Required Maintenance for School Facilities	93,488	12,721	106,209	76,764	29,445
Custodial Services	30,919	(7,367)	23,552	14,354	9,198
School Buses - Special		85,300	85,300		85,300
Total Equipment	<u>195,789</u>	<u>85,300</u>	<u>281,089</u>	<u>124,215</u>	<u>156,874</u>
Facilities Acquisition and Construction Services:					
Construction Services	134,078		134,078	134,078	
Other Objects - Debt Service Assessment	3,589		3,589	3,589	
Total Facilities Acquisition and Construction Services	<u>137,667</u>		<u>137,667</u>	<u>137,667</u>	
<b>TOTAL CAPITAL OUTLAY</b>	<u>333,456</u>	<u>85,300</u>	<u>418,756</u>	<u>261,882</u>	<u>156,874</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Transfer of Funds to Charter Schools	\$ -0-	\$ 8,606	\$ 8,606	8,606	
TOTAL EXPENDITURES	<u>41,502,940</u>		<u>41,502,940</u>	<u>\$ 43,607,886</u>	<u>\$ (2,104,946)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(2,231,086)		(2,231,086)	1,899,217	4,130,303
Fund Balance, July 1	<u>3,542,903</u>		<u>3,542,903</u>	<u>3,542,903</u>	
Fund Balance, June 30	<u>\$ 1,311,817</u>	<u>\$ -0-</u>	<u>\$ 1,311,817</u>	<u>\$ 5,442,120</u>	<u>\$ 4,130,303</u>
Recapitulation:					
Restricted:					
Capital Reserve				\$ 1,480,279	
Maintenance Reserve				1,531,826	
Assigned:					
Year-End Encumbrances				1,348,607	
Designated for Subsequent Year's Expenditures				150,000	
Unassigned				<u>931,408</u>	
				5,442,120	
Reconciliation to Governmental Funds Statement (GAAP):					
June State Aid Payments not Recognized on GAAP Basis				<u>(89,828)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 5,352,292</u>	

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 113,768	\$ 53,900	\$ 167,668	\$ 153,563	\$ (14,105)
Federal Sources	537,864	248,738	786,602	654,751	(131,851)
Local Sources	65,000	79,390	144,390	144,490	100
Total Revenues	<u>716,632</u>	<u>382,028</u>	<u>1,098,660</u>	<u>952,804</u>	<u>(145,856)</u>
EXPENDITURES:					
Instruction:					
Tuition	443,312	(275)	443,037	431,506	11,531
Instruction Purchased Services	101,911	48,442	150,353	136,248	14,105
Other Purchased Services	74	(74)			
General Supplies	114,080	99,397	213,477	207,152	6,325
Textbooks	20,002	3,413	23,415	23,415	
Total Instruction	<u>679,379</u>	<u>150,903</u>	<u>830,282</u>	<u>798,321</u>	<u>31,961</u>
Support Services:					
Personal Services - Salaries		7,898	7,898	7,218	680
Personal Services - Employee Benefits		1,135	1,135	1,135	
Purchased Professional and Technical Services	17,027	119,613	136,640	45,230	91,410
Other Purchased Services	13,685	42,710	56,395	42,031	14,364
Supplies and Materials	6,541	56,835	63,376	58,659	4,717
Other Objects		2,934	2,934	210	2,724
Total Support Services	<u>37,253</u>	<u>231,125</u>	<u>268,378</u>	<u>154,483</u>	<u>113,895</u>
Total Expenditures	<u>716,632</u>	<u>382,028</u>	<u>1,098,660</u>	<u>952,804</u>	<u>145,856</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTES TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
 (Unaudited)

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

	General Fund	Special Revenue Fund
<b>Sources/Inflows of Resources</b>		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 45,507,103	\$ 952,804
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.		68,527
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	79,650	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(89,828)	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 \$ 45,496,925	 \$ 1,021,331
 <b>Uses/Outflows of Resources:</b>		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 43,607,886	\$ 952,804
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.		68,527
 Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 \$ 43,607,886	 \$ 1,021,331

BOROUGH OF MADISON SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTES TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)

Budgets/Budgetary Control:

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

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

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

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

**SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)**

**SPECIAL REVENUE FUND**

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

	No Child Left Behind			
	Title I	Title II	Title III	Title III Immigrant
<b>REVENUE:</b>				
State Sources				
Federal Sources	\$ 75,461	\$ 36,039	\$ 7,290	\$ 10,763
Local Sources				
<b>Total Revenue</b>	<b>\$ 75,461</b>	<b>\$ 36,039</b>	<b>\$ 7,290</b>	<b>\$ 10,763</b>
<b>EXPENDITURES:</b>				
Instruction:				
Tuition				\$ 2,000
Instruction Purchased Services				296
General Supplies	\$ 44,722		\$ 7,263	
Textbooks				
<b>Total Instruction</b>	<b>44,722</b>		<b>7,263</b>	<b>2,296</b>
Support Services:				
Personal Services - Salaries	2,898			4,320
Personal Services - Employee Benefits	753			382
Purchased Professional and Technical Services	12,287	\$ 17,552		2,675
Other Purchased Services	14,000	16,987	27	
Supplies and Materials	801	1,500		880
Other Objects				210
<b>Total Support Services</b>	<b>30,739</b>	<b>36,039</b>	<b>27</b>	<b>8,467</b>
<b>Total Expenditures</b>	<b>\$ 75,461</b>	<b>\$ 36,039</b>	<b>\$ 7,290</b>	<b>\$ 10,763</b>

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

	Investing in Innovation	IDEA Part B Basic		NJ Nonpublic Textbooks
		Regular	Preschool	
REVENUE:				
State Sources				\$ 23,415
Federal Sources	\$ 1,458	\$ 505,135	\$ 18,605	
Local Sources				
Total Revenue	<u>\$ 1,458</u>	<u>\$ 505,135</u>	<u>\$ 18,605</u>	<u>\$ 23,415</u>
EXPENDITURES:				
Instruction:				
Tuition		\$ 412,901	\$ 18,605	
Instruction Purchased Services		4,100		
General Supplies		10,381		
Textbooks				\$ 23,415
Total Instruction		<u>427,382</u>	<u>18,605</u>	<u>23,415</u>
Support Services:				
Personal Services - Salaries				
Personal Services - Employee Benefits				
Purchased Professional and Technical Services		12,716		
Other Purchased Services	\$ 1,458	9,559		
Supplies and Materials		55,478		
Other Objects				
Total Support Services	<u>1,458</u>	<u>77,753</u>		
Total Expenditures	<u>\$ 1,458</u>	<u>\$ 505,135</u>	<u>\$ 18,605</u>	<u>\$ 23,415</u>

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

	Nonpublic Services			
	Auxiliary (Chapter 192) Compensatory Education	Handicapped (Chapter 193)		
		Supplementary Instruction	Examination and Classification	Corrective Speech
REVENUE:				
State Sources	\$ 8,868	\$ 16,950	\$ 35,659	\$ 18,819
Federal Sources				
Local Sources				
Total Revenue	<u>\$ 8,868</u>	<u>\$ 16,950</u>	<u>\$ 35,659</u>	<u>\$ 18,819</u>
EXPENDITURES:				
Instruction:				
Tuition				
Instruction Purchased Services	\$ 8,868	\$ 16,950	\$ 35,659	\$ 18,819
General Supplies				
Textbooks				
Total Instruction	<u>8,868</u>	<u>16,950</u>	<u>35,659</u>	<u>18,819</u>
Support Services:				
Personal Services - Salaries				
Personal Services - Employee Benefits				
Purchased Professional and Technical Services				
Other Purchased Services				
Supplies and Materials				
Other Objects				
Total Support Services				
Total Expenditures	<u>\$ 8,868</u>	<u>\$ 16,950</u>	<u>\$ 35,659</u>	<u>\$ 18,819</u>

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

	<u>NJ Nonpublic</u>		<u>Local Programs</u>	<u>Totals June 30, 2015</u>
	<u>Nursing</u>	<u>Technology Initiative</u>		
REVENUE:				
State Sources	\$ 37,276	\$ 12,576		\$ 153,563
Federal Sources				654,751
Local Sources			\$ 144,490	144,490
Total Revenue	<u>\$ 37,276</u>	<u>\$ 12,576</u>	<u>\$ 144,490</u>	<u>\$ 952,804</u>
EXPENDITURES:				
Instruction:				
Tuition				\$ 431,506
Instruction Purchased Services	\$ 37,276	\$ 12,576		136,248
General Supplies			\$ 144,490	207,152
Textbooks				23,415
Total Instruction	<u>37,276</u>	<u>12,576</u>	<u>144,490</u>	<u>798,321</u>
Support Services:				
Personal Services - Salaries				7,218
Personal Services - Employee Benefits				1,135
Purchased Professional and Technical Services				45,230
Other Purchased Services				42,031
Supplies and Materials				58,659
Other Objects				210
Total Support Services				<u>154,483</u>
Total Expenditures	<u>\$ 37,276</u>	<u>\$ 12,576</u>	<u>\$ 144,490</u>	<u>\$ 952,804</u>

**CAPITAL PROJECTS FUND**

Exhibit F-1

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

Total Revenue	<u>\$ -0-</u>
Expenditures:	
Construction Services	<u>713,996</u>
Total Expenditures	<u>713,996</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	(713,996)
Fund Balance - Beginning	<u>1,391,440</u>
Fund Balance - Ending	<u><u>\$ 677,444</u></u>
Recapitulation of Fund Balance:	
Committed - Year-End Encumbrances	\$ 57,725
Committed	<u>619,719</u>
Fund Balance per Governmental Funds (Budgetary Basis)	677,444
Reconciliation to Governmental Funds Statement (GAAP):	
SDA Grants not Recognized on the GAAP Basis	<u>(556,576)</u>
Fund Balance per Governmental Funds (GAAP)	<u><u>\$ 120,868</u></u>

Exhibit F-1a

BOROUGH OF MADISON SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
MADISON HIGH SCHOOL  
PARTIAL WINDOW REPLACEMENT PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Prior Periods	Current Year	Totals	Project Authorization
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 160,960		\$ 160,960	\$ 160,960
Transfer from Capital Outlay	241,440		241,440	241,440
Total Revenue and Other Financing Sources	402,400	\$ -0-	402,400	402,400
Expenditures:				
Purchased Professional and Technical Services				80,480
Construction Services		142,975	142,975	321,920
Total Expenditures	-0-	142,975	142,975	402,400
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	\$ 402,400	\$ (142,975)	\$ 259,425	\$ -0-
Additional Project Information:				
Project Number	2870-050-14-1001			
Grant Date	June 27, 2014			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 402,400			
Change Orders	\$ -0-			
Revised Authorized Cost	\$ 402,400			
Change Order Percentage	0.00%			
Percentage Completion	35.53%			
Original Target Completion Date	Spring 2015			
Revised Target Completion Date	Spring 2015			

Exhibit F-1b

BOROUGH OF MADISON SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
TOREY J. SABATINI ELEMENTARY SCHOOL  
PARTIAL ROOF REPLACEMENT PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

## Additional Project Information:

Project Number	2870-110-14-1002
Grant Date	June 27, 2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 503,440
Change Orders	\$ -0-
Revised Authorized Cost	\$ 503,440
Change Order Percentage	0.00%
Percentage Completion	69.66%
Original Target Completion Date	December 2014
Revised Target Completion Date	December 2014

Exhibit F-1c

BOROUGH OF MADISON SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
KINGS ROAD ELEMENTARY SCHOOL  
BOILER REPLACEMENT PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

## Additional Project Information:

Project Number	2870-080-14-1006
Grant Date	June 27, 2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 485,600
Change Orders	\$ -0-
Revised Authorized Cost	\$ 485,600
Change Order Percentage	0.00%
Percentage Completion	45.37%
Original Target Completion Date	October 15, 2014
Revised Target Completion Date	October 15, 2014

**PROPRIETARY FUNDS**

Exhibit G-1

BOROUGH OF MADISON SCHOOL DISTRICT  
ENTERPRISE FUND  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2015

	<u>Major Funds</u>		<u>Non-Major Fund</u>	<u>Total</u>
	<u>Food Service</u>	<u>Kindergarten Wrap-Around</u>	<u>Integrated Preschool</u>	
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 71,758	\$ 371,159	\$ 2,600	\$ 445,517
Receivables from Other Governments:				
State	456			456
Federal	6,223			6,223
Receivables - Other	205			205
Inventories	6,290			6,290
Total Current Assets	<u>84,932</u>	<u>371,159</u>	<u>2,600</u>	<u>458,691</u>
Non-Current Assets:				
Capital Assets	336,295			336,295
Less: Accumulated Depreciation	<u>(262,152)</u>			<u>(262,152)</u>
Total Non-Current Assets	<u>74,143</u>			<u>74,143</u>
Total Assets	<u>159,075</u>	<u>371,159</u>	<u>2,600</u>	<u>532,834</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable - Vendors	41,868	5,060		46,928
Unearned Revenue	<u>17,719</u>	<u>74,600</u>	<u>2,600</u>	<u>94,919</u>
Total Current Liabilities	<u>59,587</u>	<u>79,660</u>	<u>2,600</u>	<u>141,847</u>
Total Liabilities	<u>59,587</u>	<u>79,660</u>	<u>2,600</u>	<u>141,847</u>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	74,143			74,143
Unrestricted	<u>25,345</u>	<u>291,499</u>		<u>316,844</u>
Total Net Position	<u>\$ 99,488</u>	<u>\$ 291,499</u>	<u>\$ -0-</u>	<u>\$ 390,987</u>

Exhibit G-2

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

	<u>Major Funds</u>		<u>Non-Major Fund</u>	<u>Totals</u>
	<u>Food Service</u>	<u>Kindergarten Wrap-Around</u>	<u>Integrated Preschool</u>	
Operating Revenue:				
Charges for Services:				
Daily Sales	\$ 563,827			\$ 563,827
Special Events	7,030			7,030
Charges and Fees		\$ 316,950	\$ 16,250	333,200
Total Operating Revenue	<u>570,857</u>	<u>316,950</u>	<u>16,250</u>	<u>904,057</u>
Operating Expenses:				
Cost of Sales	315,358			315,358
Salaries	201,134	148,950	16,250	366,334
Payroll Taxes	31,606	3,825		35,431
Employee Benefits	49,182	23,123		72,305
Purchased Property Services	49,548			49,548
Supplies and Materials	32,997	6,729		39,726
Depreciation Expense	7,154			7,154
Total Operating Expenses	<u>686,979</u>	<u>182,627</u>	<u>16,250</u>	<u>885,856</u>
Operating Income/(Loss)	<u>(116,122)</u>	<u>134,323</u>		<u>18,201</u>
Non-Operating Revenue:				
State Sources:				
School Lunch Program	4,321			4,321
School Lunch Program - Supplemental	131			131
Federal Sources:				
Special Milk Program	510			510
National School Lunch Program	82,629			82,629
Food Distribution Program	31,699			31,699
Total Non-Operating Revenue	<u>119,290</u>			<u>119,290</u>
Change in Net Position	3,168	134,323		137,491
Net Position - Beginning of Year	<u>96,320</u>	<u>157,176</u>	<u>-0-</u>	<u>253,496</u>
Net Position - End of Year	<u>\$ 99,488</u>	<u>\$ 291,499</u>	<u>\$ -0-</u>	<u>\$ 390,987</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
ENTERPRISE FUND  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Major Funds		Non-Major Fund	Totals
	Food Service	Kindergarten Wrap-Around	Integrated Preschool	
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 572,180	\$ 335,050	\$ 15,600	\$ 922,830
Payments to Food Service Vendor	(649,570)			(649,570)
Payments to Employees		(175,898)	(16,250)	(192,148)
Payments to Suppliers	(6,194)	(1,669)		(7,863)
Net Cash Provided by/(Used for) Operating Activities	(83,584)	157,483	(650)	73,249
Cash Flows from Noncapital Financing Activities:				
State Sources	5,257			5,257
Federal Sources	94,685			94,685
Net Cash Provided by Noncapital Financing Activities	99,942			99,942
Net Increase/(Decrease) in Cash and Cash Equivalents	16,358	157,483	(650)	173,191
Cash and Cash Equivalents, July 1	55,400	213,676	3,250	272,326
Cash and Cash Equivalents, June 30	\$ 71,758	\$ 371,159	\$ 2,600	\$ 445,517
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:				
Operating Income/(Loss)	\$ (116,122)	\$ 134,323	\$ -0-	\$ 18,201
Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:				
Depreciation	7,154			7,154
Federal Food Distribution Program	31,699			31,699
Changes in Assets and Liabilities:				
(Increase) in Other Receivables	(205)			(205)
Decrease in Inventories	2,025			2,025
Increase/(Decrease) in Accounts Payable	(9,663)	5,060		(4,603)
Increase/(Decrease) in Unearned Revenue	1,528	18,100	(650)	18,978
Net Cash Provided by/(Used for) Operating Activities	\$ (83,584)	\$ 157,483	\$ (650)	\$ 73,249

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$31,699 for the fiscal year ended June 30, 2015.

**FIDUCIARY FUNDS**

BOROUGH OF MADISON SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Agency</u>		<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>			
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 341,328	\$ 187	\$ 341,515	\$ 178,001	\$ 126,124
Investments					26,463
Total Assets	<u>341,328</u>	<u>187</u>	<u>341,515</u>	<u>178,001</u>	<u>152,587</u>
<b>LIABILITIES:</b>					
Payroll Deductions and Withholdings		187	187		
Due to Student Groups	341,328		341,328		
Total Liabilities	<u>341,328</u>	<u>187</u>	<u>341,515</u>		
<b>NET POSITION:</b>					
Held in Trust for:					
Unemployment Claims			178,001		
Flexible Spending Trust Claims				61,829	
Restricted for Scholarships					152,587
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 178,001</u>	<u>\$ 152,587</u>

Exhibit H-2

BOROUGH OF MADISON SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ADDITIONS:			
Contributions:			
Plan member	\$ 45,164	\$ 44,597	
Other			\$ 5,119
Total Contributions	45,164	44,597	5,119
Investment Earnings:			
Interest	212	69	424
Net Investment Earnings	212	69	424
Total Additions	45,376	44,666	5,543
DEDUCTIONS:			
Quarterly Contribution Reports and Unemployment Claims	68,986		
Flexible Spending Trust Claims		46,215	
Scholarships Awarded			11,429
Total Deductions	68,986	46,215	11,429
Change in Net Position	(23,610)	(1,549)	(5,886)
Net Position - Beginning of the Year	201,611	63,378	158,473
Net Position - End of the Year	\$ 178,001	\$ 61,829	\$ 152,587

Exhibit H-3

BOROUGH OF MADISON SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
ASSETS:				
Cash and Cash Equivalents	\$ 355,088	\$ 571,281	\$ 585,041	\$ 341,328
Total Assets	<u>\$ 355,088</u>	<u>\$ 571,281</u>	<u>\$ 585,041</u>	<u>\$ 341,328</u>
LIABILITIES:				
Due to Student Groups	\$ 355,088	\$ 571,281	\$ 585,041	\$ 341,328
Total Liabilities	<u>\$ 355,088</u>	<u>\$ 571,281</u>	<u>\$ 585,041</u>	<u>\$ 341,328</u>

Exhibit H-4

BOROUGH OF MADISON SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2015</u>
Elementary Schools:				
Central Avenue	\$ 8,024	\$ 8,907	\$ 11,529	\$ 5,402
Kings Road	6,777	12,313	14,004	5,086
Torey J. Sabatini	4,096	11,436	13,933	1,599
Total Elementary Schools	<u>18,897</u>	<u>32,656</u>	<u>39,466</u>	<u>12,087</u>
Middle Schools:				
Junior School	<u>61,057</u>	<u>63,065</u>	<u>61,584</u>	<u>62,538</u>
High School	<u>275,134</u>	<u>376,826</u>	<u>385,257</u>	<u>266,703</u>
Athletic Fund		<u>98,734</u>	<u>98,734</u>	
Total All Schools/Funds	<u>\$ 355,088</u>	<u>\$ 571,281</u>	<u>\$ 585,041</u>	<u>\$ 341,328</u>

Exhibit H-5

BOROUGH OF MADISON SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 7,167	\$ 34,718,670	\$ 34,725,650	\$ 187
Total Assets	<u>\$ 7,167</u>	<u>\$ 34,718,670</u>	<u>\$ 34,725,650</u>	<u>\$ 187</u>
 <b>LIABILITIES:</b>				
Payroll Deductions and Withholdings	\$ 7,167	\$ 34,718,670	\$ 34,725,650	\$ 187
Total Liabilities	<u>\$ 7,167</u>	<u>\$ 34,718,670</u>	<u>\$ 34,725,650</u>	<u>\$ 187</u>

**LONG-TERM DEBT**

Exhibit I-1

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance July 1, 2014	Retired/ Matured	Balance June 30, 2015
			Outstanding					
			Date	Amount				
School Refunding Bonds	08/15/05	\$ 2,695,000	02/15/16-17	\$ 260,000	4.00%	\$ 780,000	\$ 260,000	\$ 520,000
Various School Improvements	11/15/05	34,835,000	07/15/15	825,000	4.500%	1,615,000	790,000	825,000
Various School Improvements	12/27/07	11,085,000	09/15/15	265,000	4.375%			
			09/15/16	270,000	4.375%			
			09/15/17	280,000	4.375%			
			09/15/18	285,000	4.375%			
			09/15/19	295,000	4.375%			
			09/15/20	310,000	4.375%			
			09/15/21	315,000	4.375%			
			09/15/22	320,000	4.375%			
			09/15/23	340,000	4.375%			
			09/15/24	355,000	4.375%			
			09/15/25	370,000	4.375%			
			09/15/26	380,000	4.375%			
			09/15/27	395,000	4.375%			
			09/15/28	415,000	4.375%			
			09/15/29	430,000	4.375%			
			09/15/30	450,000	4.375%			
			09/15/32	495,000	4.500%			
			09/15/33	505,000	4.500%			
			09/15/34	535,000	4.500%			
			09/15/35	565,000	4.500%			
School Refunding Bonds	05/30/12	9,955,000	12/15/15-16	55,000	2.000%	9,860,000	55,000	9,805,000
			12/15/17	60,000	4.000%			
			12/15/18-19	60,000	3.000%			
			12/15/20	65,000	3.000%			
			12/15/21	65,000	2.000%			
			12/15/22	65,000	2.250%			
			12/15/23	70,000	2.375%			
			12/15/24	70,000	2.500%			
			12/15/25	70,000	2.750%			
			12/15/26-27	75,000	4.000%			
			12/15/28	80,000	4.000%			
			12/15/29	85,000	3.000%			
			12/15/30	85,000	3.125%			
			12/15/31	660,000	3.000%			
			12/15/32	1,915,000	3.100%			
			12/15/33	1,980,000	3.150%			
			12/15/34	2,045,000	3.250%			
			12/15/35	2,110,000	3.300%			
School Refunding Bonds	09/26/12	\$ 21,075,000	12/15/15	155,000	1.000%	20,925,000	155,000	20,770,000
			12/15/16	1,010,000	2.000%			
			12/15/17	1,040,000	3.000%			
			12/15/18	1,075,000	3.000%			
			12/15/19	1,110,000	3.000%			
			12/15/20	1,145,000	3.000%			
			12/15/21	1,185,000	3.000%			
			12/15/22	1,225,000	3.000%			
			12/15/23	1,265,000	4.000%			
			12/15/24	1,320,000	4.000%			
			12/15/25	1,375,000	4.000%			
			12/15/26	1,440,000	4.000%			
			12/15/27	1,495,000	4.000%			
			12/15/28	1,550,000	3.000%			
			12/15/29	1,600,000	3.125%			
			12/15/30	1,650,000	3.125%			
			12/15/31	1,130,000	3.250%			
						<u>20,925,000</u>	<u>155,000</u>	<u>20,770,000</u>
						<u>\$ 41,475,000</u>	<u>\$ 1,510,000</u>	<u>\$ 39,965,000</u>

Exhibit I-2

BOROUGH OF MADISON SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2014</u>	<u>Matured</u>	<u>Balance June 30, 2015</u>
High School Turf Field	2.75%	\$ 125,000	<u>\$ 52,043</u>	<u>\$ 25,668</u>	<u>\$ 26,375</u>

Exhibit I-3

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,404,748		\$ 2,404,748	\$ 2,404,748	
State Sources:					
Debt Service Aid Type II	546,288		546,288	546,288	
Total Revenues	<u>2,951,036</u>		<u>2,951,036</u>	<u>2,951,036</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	1,510,000	\$ (65,904)	1,444,096	1,444,096	
Redemption of Principal	1,441,036	68,964	1,510,000	1,510,000	
Total Regular Debt Service	<u>2,951,036</u>	<u>3,060</u>	<u>2,954,096</u>	<u>2,954,096</u>	
Total Expenditures	<u>2,951,036</u>	<u>3,060</u>	<u>2,954,096</u>	<u>2,954,096</u>	
Excess/(Deficit) of Revenues Over/(Under) Expenditures	-0-	(3,060)	(3,060)	(3,060)	
Fund Balance, July 1	<u>3,833</u>		<u>3,833</u>	<u>3,833</u>	
Fund Balance, June 30	<u>\$ 3,833</u>	<u>\$ (3,060)</u>	<u>\$ 773</u>	<u>\$ 773</u>	<u>\$ -0-</u>
Recapitulation:					
Restricted				<u>\$ 773</u>	

**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>
<p><b>Financial Trends</b></p> <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p><b>Revenue Capacity</b></p> <p>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p>	J-6 thru J-9
<p><b>Debt Capacity</b></p> <p>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.</p>	J-10 thru J-13
<p><b>Demographic and Economic Information</b></p> <p>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.</p>	J-14 thru J-15
<p><b>Operating Information</b></p> <p>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.</p>	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  
*(accrual basis of accounting)*  
UNAUDITED

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014 (Restated)	2015
<b>Governmental Activities:</b>										
Net Investment In Capital Assets	\$ 13,930,905	\$ 14,279,111	\$ 15,643,124	\$ 14,575,115	\$ 14,236,206	\$ 13,818,168	\$ 10,551,893	\$ 11,187,229	\$ 11,332,466	\$ 12,314,505
Restricted	2,744,287	3,902,193	2,440,309	996,260	268,850	155,005	512,198	1,099,168	502,063	3,012,878
Unrestricted (Deficit)	(2,065,303)	(1,363,819)	(1,546,372)	(1,696,279)	(1,449,059)	(394,485)	4,276,697	2,972,124	(3,594,860)	(5,101,057)
<b>Total Governmental Activities Net Position</b>	<b>\$ 14,609,889</b>	<b>\$ 16,817,485</b>	<b>\$ 16,537,061</b>	<b>\$ 13,875,096</b>	<b>\$ 13,055,997</b>	<b>\$ 13,578,688</b>	<b>\$ 15,340,788</b>	<b>\$ 15,258,521</b>	<b>\$ 8,239,669</b>	<b>\$ 10,226,326</b>
<b>Business-type Activities:</b>										
Net Investment In Capital Assets	\$ 39,764	\$ 34,999	\$ 39,157	\$ 45,504	\$ 44,836	\$ 54,224	\$ 75,030	\$ 88,203	\$ 81,297	\$ 74,143
Unrestricted	16,493	32,736	27,030	29,099	43,669	60,278	47,305	16,962	172,199	316,844
<b>Total Business-Type Activities Net Position</b>	<b>\$ 56,257</b>	<b>\$ 67,735</b>	<b>\$ 66,187</b>	<b>\$ 74,603</b>	<b>\$ 88,505</b>	<b>\$ 114,502</b>	<b>\$ 122,335</b>	<b>\$ 105,165</b>	<b>\$ 253,496</b>	<b>\$ 390,987</b>
<b>District-wide:</b>										
Net Investment In Capital Assets	\$ 13,970,669	\$ 14,314,110	\$ 15,682,281	\$ 14,620,619	\$ 14,281,042	\$ 13,872,392	\$ 10,626,923	\$ 11,275,432	\$ 11,413,763	\$ 12,388,648
Restricted	2,744,287	3,902,193	2,440,309	996,260	268,850	155,005	512,198	1,099,168	502,063	3,012,878
Unrestricted (Deficit)	(2,048,810)	(1,331,083)	(1,519,342)	(1,667,180)	(1,405,390)	(334,207)	4,324,002	2,989,086	(3,422,661)	(4,784,213)
<b>Total District Net Position</b>	<b>\$ 14,666,146</b>	<b>\$ 16,885,220</b>	<b>\$ 16,603,248</b>	<b>\$ 13,949,699</b>	<b>\$ 13,144,502</b>	<b>\$ 13,693,190</b>	<b>\$ 15,463,123</b>	<b>\$ 15,363,686</b>	<b>\$ 8,493,165</b>	<b>\$ 10,617,313</b>

Source: School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Governmental Activities:										
Instruction:										
Regular	\$ 15,151,273	\$ 15,915,075	\$ 16,337,830	\$ 15,963,354	\$ 16,493,978	\$ 15,913,709	\$ 16,691,709	\$ 17,960,322	\$ 17,173,580	\$ 20,709,510
Special Education	2,968,368	3,374,487	3,625,190	3,438,514	3,310,439	3,310,478	3,240,215	3,376,254	3,571,209	4,766,540
Other Special Instruction	773,395	775,027	692,677	824,753	769,639	849,652	673,459	686,980	819,199	1,139,843
Other Instruction	1,138,082	1,353,977	1,433,761	1,495,957	1,406,683	1,247,790	1,332,498	1,422,637	1,486,849	1,825,173
Support Services:										
Tuition	1,108,483	1,255,617	1,241,158	1,538,856	1,636,198	1,630,089	1,361,518	1,381,361	1,284,815	1,618,438
Student & Instruction Related Services	4,515,057	4,746,237	5,088,102	5,370,682	5,690,272	5,836,849	5,868,557	6,913,818	7,204,111	8,505,628
General Administrative Services	1,055,465	1,218,967	1,299,149	1,209,793	1,113,395	1,119,726	1,029,536	1,285,368	1,115,311	1,348,501
School Administrative Services	1,612,386	1,781,703	1,959,671	1,902,007	1,934,285	1,815,938	1,899,136	2,056,418	1,995,306	2,426,228
Central Services	659,696	609,557	648,309	639,410	593,624	618,872	563,464	632,739	641,578	666,171
Administration Information Technology	166,777	185,289	191,386	250,238	146,251	131,011	137,543	171,337	171,171	183,035
Plant Operations and Maintenance	3,235,062	3,384,943	3,785,714	3,827,313	3,776,335	3,380,072	3,391,041	3,621,643	3,244,363	4,334,959
Pupil Transportation	1,197,769	1,007,130	1,156,206	1,208,373	1,092,823	1,274,856	1,200,452	1,285,599	1,008,031	1,178,059
Charter Schools	33,013	4,060		6,795				34,250		8,606
Interest on Long-term Debt	1,055,859	1,702,266	2,595,959	2,098,749	1,987,662	1,966,701	1,760,634	1,548,776	1,591,920	1,529,594
Unallocated Depreciation	71,670	71,670	71,670	147,853	1,480,345	1,490,501	1,483,372	1,483,372	1,540,461	1,537,042
<b>Total Governmental Activities Expenses</b>	<b>34,742,355</b>	<b>37,386,005</b>	<b>40,126,782</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>
Business-type Activities:										
Food Service	625,240	655,104	607,283	672,336	690,171	715,271	761,673	750,099	728,307	686,979
Integrated Preschool Program									13,600	16,250
Kindergarten Wrap-Around Program								137,938	160,336	182,627
<b>Total Business-type Activities Expenses</b>	<b>625,240</b>	<b>655,104</b>	<b>607,283</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>Total District Expenses</b>	<b>35,367,595</b>	<b>38,041,109</b>	<b>40,734,065</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>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
Instruction - (Tuition)	1,288,468	1,347,200	1,423,300	1,472,300	1,530,100	1,660,699	1,704,388	1,695,519	1,805,518	1,806,176
Other Instruction - (Student Activities Fees)						61,018	87,275	89,400	93,135	92,775
Pupil Transportation - (Subscription Busing)					3,563	7,600	4,250	6,000	5,214	8,125
Operating Grants and Contributions	4,547,709	5,927,755	6,053,987	7,027,444	5,612,621	4,668,640	5,340,519	6,469,234	5,866,662	10,865,042
Capital Grants and Contributions		61,667								
<b>Total Governmental Activities Program Revenues</b>	<b>5,836,177</b>	<b>7,336,622</b>	<b>7,477,287</b>	<b>8,499,744</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>

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type Activities:										
Charges for Services:										
Food Service	\$ 521,400	\$ 560,605	\$ 508,275	\$ 555,610	\$ 573,195	\$ 616,362	\$ 644,443	\$ 590,535	\$ 609,166	\$ 570,857
Integrated Preschool Program									13,600	16,250
Kindergarten Wrap-Around Program								154,900	300,550	316,950
Operating Grants and Contributions	105,255	105,977	97,460	113,039	130,878	124,906	125,063	114,767	127,258	119,290
Total Business-type Activities Revenues	626,655	666,582	605,735	668,649	704,073	741,268	769,506	860,202	1,050,574	1,023,347
Total District Program Revenues	6,462,832	8,003,204	8,083,022	9,168,393	7,850,357	7,139,225	7,905,938	9,120,355	8,821,103	13,795,465
<b>Net (Expense)/Revenue</b>										
Governmental Activities	(28,906,178)	(30,049,383)	(32,649,495)	(31,416,108)	(34,292,440)	(34,188,287)	(33,496,702)	(35,600,721)	(35,077,375)	(39,005,209)
Business-type Activities	1,415	11,478	(1,548)	(3,687)	13,902	25,997	7,833	(27,835)	148,331	137,491
Total District-wide Net (Expense)/Revenue	(28,904,763)	(30,037,905)	(32,651,043)	(31,419,795)	(34,278,538)	(34,162,290)	(33,488,869)	(35,628,556)	(34,929,044)	(38,867,718)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	25,800,000	27,114,621	28,199,206	29,719,423	30,908,200	31,889,528	32,527,319	33,177,865	33,979,228	36,110,120
Taxes Levied for Debt Service	328,491	2,503,861	2,251,993	2,574,213	2,276,190	2,529,425	2,524,587	2,513,089	2,425,545	2,404,748
Unrestricted Grants and Contributions	173,741	175,572	221,759	76,908	165,058	17,205		32,856	38,056	81,021
Investment and Miscellaneous Income	1,294,871	2,462,925	1,477,387	404,029	123,893	274,820	206,896	359,240	299,290	2,395,977
Transfers								(10,665)		
Total Governmental Activities	27,597,103	32,256,979	32,150,345	32,774,573	33,473,341	34,710,978	35,258,802	36,072,385	36,742,119	40,991,866
Business-type Activities:										
Transfers								10,665		
Total Business-type Activities								10,665		
Total District-Wide	27,597,103	32,256,979	32,150,345	32,774,573	33,473,341	34,710,978	35,258,802	36,083,050	36,742,119	40,991,866
<b>Change in Net Position</b>										
Governmental Activities	(1,309,075)	2,207,596	(499,150)	1,358,465	(819,099)	522,691	1,762,100	471,664	1,664,744	1,986,657
Business-Type Activities	1,415	11,478	(1,548)	(3,687)	13,902	25,997	7,833	(17,170)	148,331	137,491
Total District	\$ (1,307,660)	\$ 2,219,074	\$ (500,698)	\$ 1,354,778	\$ (805,197)	\$ 548,688	\$ 1,769,933	\$ 454,494	\$ 1,813,075	\$ 2,124,148

Source: School District Financial Reports.

Exhibit J-3

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

	June 30,				
	2006	2007	2008	2009	2010
General Fund:					
Reserved	\$ 1,656,692	\$ 1,932,506	\$ 1,445,460	\$ 643,502	\$ 51,200
Unreserved	589,698	599,521	603,931	401,241	716,470
Total General Fund	<u>\$ 2,246,390</u>	<u>\$ 2,532,027</u>	<u>\$ 2,049,391</u>	<u>\$ 1,044,743</u>	<u>\$ 767,670</u>
All Other Governmental Funds:					
Unreserved, Reported in:					
Capital Projects Fund	\$ 34,049,018	\$ 30,226,202	\$ 11,215,852	\$ 1,547,169	
Debt Service Fund	37,663	712,787			
Total All Other Governmental Funds	<u>\$ 34,086,681</u>	<u>\$ 30,938,989</u>	<u>\$ 11,215,852</u>	<u>\$ 1,547,169</u>	<u>\$ -0-</u>
	June 30,				
	2011	2012	2013	2014	2015
General Fund:					
Restricted	\$ 155,005	\$ 512,198	\$ 1,099,168	\$ 498,230	\$ 3,005,954
Assigned	435,485	1,566,141	882,145	2,231,086	1,504,758
Unassigned	832,498	1,242,425	799,811	733,937	841,580
Total General Fund	<u>\$ 1,422,988</u>	<u>\$ 3,320,764</u>	<u>\$ 2,781,124</u>	<u>\$ 3,463,253</u>	<u>\$ 5,352,292</u>
All Other Governmental Funds:					
Restricted				\$ 3,833	\$ 773
Committed				834,864	120,868
Total All Other Governmental Funds	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 838,697</u>	<u>\$ 121,641</u>

Source: School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Tax Levy	\$ 26,128,491	\$ 29,618,482	\$ 30,451,199	\$ 32,293,636	\$ 33,184,390	\$ 34,418,953	\$ 35,051,906	\$ 35,690,954	\$ 36,404,773	\$ 38,514,868
Tuition Charges	1,288,468	1,347,200	1,423,300	1,472,300	1,530,100	1,660,699	1,704,388	1,695,519	1,805,518	1,806,176
Interest Earned on Capital Reserve	89,310	28,304								
Miscellaneous	1,166,120	2,377,353	1,460,568	439,302	164,318	425,613	365,292	568,278	481,170	2,647,114
State Sources	4,209,391	5,475,359	5,572,569	6,424,699	4,979,755	3,540,520	4,593,298	5,680,194	5,146,078	5,792,884
Federal Sources	511,546	687,291	701,763	644,380	761,062	1,063,150	680,350	708,258	675,109	708,250
<b>Total Revenues</b>	<b>33,393,326</b>	<b>39,533,989</b>	<b>39,609,399</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>Expenditures</b>										
<b>Instruction:</b>										
Regular Instruction	11,381,051	11,796,218	11,745,213	11,818,686	12,280,830	11,720,785	12,331,433	13,374,158	12,429,568	13,199,725
Special Education Instruction	2,314,286	2,583,936	2,736,260	2,656,073	2,501,596	2,494,258	2,380,027	2,384,273	2,572,376	2,974,315
Other Special Instruction	571,605	555,311	490,899	604,001	565,503	608,270	485,549	471,887	575,907	691,851
Other Instruction	901,500	1,004,348	1,081,609	1,154,983	1,093,759	941,569	1,030,880	1,103,105	1,131,269	1,268,741
<b>Support Services:</b>										
Tuition	1,108,483	1,255,617	1,241,158	1,538,856	1,636,198	1,630,089	1,361,518	1,381,361	1,284,815	1,618,438
Student & Instruction Related Services	3,584,693	3,564,537	3,783,372	4,094,123	4,312,316	4,306,361	4,406,787	5,097,451	5,196,987	5,417,963
General Administrative Services	902,382	1,004,955	1,072,558	1,094,438	985,504	1,024,063	937,234	1,152,942	996,607	1,218,958
School Administrative Services	1,198,200	1,268,365	1,381,158	1,404,507	1,388,661	1,317,037	1,389,057	1,398,272	1,431,167	1,491,094
Central Services	521,752	481,150	534,371	513,479	510,260	509,461	524,260	514,190	519,845	533,683
Administration Information Technology	123,333	134,084	133,533	200,196	119,583	104,548	95,103	139,961	139,044	148,000
Plant Operations and Maintenance	2,693,157	2,688,796	3,043,680	3,350,216	3,324,280	2,959,982	3,015,056	3,226,395	3,033,566	3,871,096
Pupil Transportation	1,182,297	991,658	1,134,713	1,173,316	1,060,479	1,234,916	1,172,290	1,255,080	981,635	1,156,477
Unallocated Benefits	6,957,564	8,360,695	8,836,871	7,842,969	8,000,623	8,455,831	8,220,581	9,841,747	9,657,039	10,768,388
Charter Schools	33,013	4,060			6,795			34,250		8,606
Capital Outlay	3,060,748	4,256,238	30,443,888	9,806,005	1,563,987	49,470	179,469	413,830	74,197	975,878
<b>Debt Service:</b>										
Principal	205,000	535,000	795,000	2,495,000	1,075,000	1,125,000	1,170,000	1,250,000	1,465,000	1,510,000
Interest and Other Charges	125,785	1,970,688	2,464,122	2,200,800	2,018,493	1,971,977	1,923,214	1,833,276	1,502,800	1,444,096
<b>Total Expenditures</b>	<b>36,864,849</b>	<b>42,455,656</b>	<b>70,918,405</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>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(3,471,523)</b>	<b>(2,921,667)</b>	<b>(31,309,006)</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>

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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Other Financing Sources (Uses)</b>										
Bond Proceeds	\$ 34,835,000		\$ 11,085,000							
Capital Leases (Non-Budgeted)							\$ 125,000			
Accrued Interest on Bond Proceeds	39,954									
Premium on Temporary Note		\$ 59,612	18,233							
Transfers In	2,896,622	2,382,343	811,572	\$ 89,971	\$ 150,000		\$ 833	\$ 834,864		
Transfers Out	(2,896,622)	(2,382,343)	(811,572)	(89,971)	(150,000)		(11,498)	(834,864)		
<b>Total Other Financing Sources (Uses)</b>	<b>34,874,954</b>	<b>59,612</b>	<b>11,103,233</b>	<b>-0-</b>	<b>-0-</b>	<b>\$ -0-</b>	<b>125,000</b>	<b>(10,665)</b>	<b>-0-</b>	<b>\$ -0-</b>
<b>Net Change in Fund Balances</b>	<b>\$ 31,403,431</b>	<b>\$ (2,862,055)</b>	<b>\$ (20,205,773)</b>	<b>\$ (10,673,331)</b>	<b>\$ (1,824,242)</b>	<b>\$ 655,318</b>	<b>\$ 1,897,776</b>	<b>\$ (539,640)</b>	<b>\$ 1,520,826</b>	<b>\$ 1,171,983</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>1.0%</b>	<b>7.0%</b>	<b>8.8%</b>	<b>12.5%</b>	<b>8.2%</b>	<b>8.3%</b>	<b>8.3%</b>	<b>7.5%</b>	<b>7.4%</b>	<b>6.7%</b>

Exhibit J-5

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

Fiscal Year Ending June 30,	Tuition	Student Activities Fees	Subscription Busing	Interest on Investments	Rentals - Use of Facilities	Other	Total
2006	\$ 1,288,468			\$ 198,682	\$ 94,386	\$ 175,877	\$ 1,757,413
2007	1,347,200			240,723	108,277	43,249	1,739,449
2008	1,423,300			400,634	106,183	21,574	1,951,691
2009	1,472,300			98,825	142,726	162,478	1,876,329
2010	1,530,100		\$ 3,563	3,223	65,519	55,151	1,657,556
2011	1,660,699	\$ 61,018	7,600	749	88,350	185,721	2,004,137
2012	1,704,388	87,275	4,250		97,911	108,985	2,002,809
2013	1,695,519	89,400	6,000	3,940	69,423	285,877	2,150,159
2014	1,805,518	93,135	5,214	5,885	80,742	212,663	2,203,157
2015	1,806,176	92,775	8,125	8,433	69,968	2,317,576 <b>a</b>	4,303,053

**a** - Includes partial proceeds from the sale of Green Village Road School in the amount of \$2 million.

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)
2005	\$ 19,401,800	\$ 1,664,970,400	\$ 351,608,500	\$ 3,422,000	\$ 50,184,900	\$ 2,089,587,600	\$ 12,793,315	\$ 2,102,380,915	\$ 328,923,900	\$ 1.240	\$ 2,853,220,040
2006	17,130,300	1,678,880,900	357,409,400	3,422,000	48,634,900	2,105,477,500	11,367,289	2,116,844,789	328,867,200	1.330	3,218,440,097
2007	16,966,900	1,692,930,600	359,968,900	3,422,000	48,634,900	2,121,923,300	9,384,123	2,131,307,423	328,641,600	1.400	3,534,781,760
2008	15,215,000	1,706,375,600	343,862,800	3,422,000	48,634,900	2,117,510,300	8,884,041	2,126,394,341	336,112,700	1.501	3,672,969,970
2009	14,741,400	1,717,949,500	312,466,300	3,422,000	49,503,000	2,098,082,200	8,427,766	2,106,509,966	336,503,900	1.533	3,768,811,860
2010	16,326,700	1,724,579,800	298,234,900	2,497,000	49,503,000	2,091,141,400	8,700,625	2,099,842,025	320,361,900	1.616	3,646,078,060
2011	14,830,500	1,724,066,900	298,115,100	2,497,000	49,651,900	2,089,161,400	8,919,553	2,098,080,953	341,668,600	1.656	3,599,840,895
2012	15,692,100	1,715,525,900	288,782,600	2,497,000	49,651,900	2,072,149,500	8,462,329	2,080,611,829	361,447,700	1.700	3,513,536,279
2013*	23,333,600	2,798,024,100	465,483,400	4,072,500	91,118,500	3,382,032,100	- 0 -	3,382,032,100	555,040,400	1.067	3,571,446,562
2014	15,176,600	2,814,994,500	508,259,600	4,072,500	87,621,200	3,430,124,400	- 0 -	3,430,124,400	557,518,000	1.093	3,624,640,053

\* - 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	
2005	\$ 1.2245	\$ 0.0155	\$ 1.240	\$ 0.460	\$ 0.360	\$ 2.060
2006	1.3133	0.0167	1.330	0.490	0.380	2.200
2007	1.2816	0.1184	1.400	0.550	0.400	2.350
2008	1.3900	0.1110	1.501	0.576	0.401	2.478
2009	1.4108	0.1222	1.533	0.594	0.406	2.533
2010	1.5052	0.1108	1.616	0.626	0.397	2.639
2011	1.5343	0.1217	1.656	0.647	0.406	2.709
2012	1.5776	0.1224	1.700	0.666	0.413	2.779
2013*	0.9919	0.0751	1.067	0.420	0.267	1.754
2014	1.0202	0.0728	1.093	0.415	0.270	1.778

\* - Property revaluation became effective in this year.

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

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

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

Source: Municipal Tax Collector and School Business Administrator.

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

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Ryan LLC	\$ 75,000,000	1	2.19%	\$ 103,000,000	1	4.90%
Giralda Farms RE	62,000,000	2	1.81%			
Rex 7 Giralda Farms LLC	32,500,000	3	0.95%			
3 Giralda Farms LLC	21,600,000	4	0.63%			
Maersk, Inc.	20,900,000	5	0.61%	23,000,000	6	1.09%
Rex 1 Giralda Farms LLC	20,000,000	6	0.58%			
HCP SUN1 Madison	17,600,000	7	0.51%			
HS Investors LLC c/o Heller Group	17,178,300	8	0.50%	11,366,400	9	0.54%
Rose City Associates LP of NJ	12,772,900	9	0.37%			
Town Gardens LLC	10,500,000	10	0.31%	7,500,000	10	0.36%
Atlantic Mutual				35,132,400	2	1.67%
Schering Plough				33,509,800	3	1.59%
Gale & Wentworth				30,923,000	4	1.47%
NJ Bell Co.				25,036,300	5	1.19%
Verizon				15,220,720	7	0.72%
Reckson Operating Associates				13,042,400	8	0.62%
Total	<u>\$ 290,051,200</u>		<u>8.46%</u>	<u>\$ 297,731,020</u>		<u>14.15%</u>

NOTE - Property revaluation became effective in 2013.

## Exhibit J-9

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	\$ 26,128,491	\$ 26,128,491	100.00%	\$ -0-
2007	29,618,482	29,618,482	100.00%	-0-
2008	30,451,199	30,451,199	100.00%	-0-
2009	32,293,636	32,293,636	100.00%	-0-
2010	33,184,390	33,184,390	100.00%	-0-
2011	34,418,953	34,418,953	100.00%	-0-
2012	35,051,906	35,051,906	100.00%	-0-
2013	35,690,954	35,690,954	100.00%	-0-
2014	36,404,773	36,404,773	100.00%	-0-
2015	38,514,868	38,514,868	100.00%	-0-

**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

<u>Governmental Activities</u>						
Fiscal Year Ended June 30,	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)	Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
2006	\$ 37,510,000		\$ -0-	\$ 37,510,000	3.84%	\$ 2,387.04
2007	36,975,000		11,000,000	47,975,000	4.57%	3,053.01
2008	47,265,000		-0-	47,265,000	4.26%	2,972.45
2009	44,770,000		-0-	44,770,000	3.96%	2,851.77
2010	43,695,000		-0-	43,695,000	4.12%	2,790.41
2011	42,570,000		-0-	42,570,000	3.92%	2,689.37
2012	44,190,000	\$ 125,000	-0-	44,315,000	3.86%	2,775.59
2013	42,940,000	77,025	-0-	43,017,025	3.57%	2,673.19
2014	41,475,000	52,043	-0-	41,527,043	3.40%	2,555.04
2015	39,965,000	26,375	-0-	39,991,375	3.31%	2,480.55

**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		
2006	\$ 37,510,000	-0-	\$ 37,510,000	1.784%	\$ 2,387.04
2007	36,975,000	-0-	36,975,000	1.747%	2,353.00
2008	47,265,000	-0-	47,265,000	2.218%	2,972.45
2009	44,770,000	-0-	44,770,000	2.105%	2,851.77
2010	43,695,000	-0-	43,695,000	2.074%	2,790.41
2011	42,570,000	-0-	42,570,000	2.027%	2,689.37
2012	44,190,000	-0-	44,190,000	2.106%	2,767.76
2013	42,940,000	-0-	42,940,000	2.064%	2,668.41
2014	41,475,000	-0-	41,475,000	1.226%	2,551.84
2015	39,965,000	-0-	39,965,000	1.165%	2,478.91

**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.

Exhibit J-12

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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Madison	\$ 31,563,630	100.00%	\$ 31,563,630
Morris County General Obligation Debt	235,116,781	4.06%	<u>9,535,908</u>
Subtotal, Overlapping Debt			41,099,538
Borough of Madison School District Direct Debt			<u>40,225,000</u>
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 81,324,538</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 2015

Year Ended December 31,	Equalized Valuation Basis
2012	\$ 3,536,091,297
2013	3,563,785,142
2014	3,807,019,312
	<u>\$ 10,906,895,751</u>
Average Equalized Valuation of Taxable Property	<u>\$ 3,635,631,917</u>
Debt Limit (4% of Average Equalization Value)	\$ 145,425,277 <sup>a</sup>
Net Bonded School Debt	<u>39,965,000</u>
Legal Debt Margin	<u>\$ 105,460,277</u>

	Fiscal Year				
	2006	2007	2008	2009	2010
Debt Limit	\$ 117,917,165	\$ 127,659,991	\$ 137,573,684	\$ 145,726,836	\$ 147,739,965
Total Net Debt Applicable to Limit	<u>37,510,000</u>	<u>36,975,000</u>	<u>47,265,000</u>	<u>44,770,000</u>	<u>43,695,000</u>
Legal Debt Margin	<u>\$ 80,407,165</u>	<u>\$ 90,684,991</u>	<u>\$ 90,308,684</u>	<u>\$ 100,956,836</u>	<u>\$ 104,044,965</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	31.81%	28.96%	34.36%	30.72%	29.58%

	Fiscal Year				
	2011	2012	2013	2014	2015
Debt Limit	\$ 146,718,970	\$ 143,248,872	\$ 141,897,398	\$ 141,638,856	\$ 145,425,277
Total Net Debt Applicable to Limit	<u>42,570,000</u>	<u>44,190,000</u>	<u>42,940,000</u>	<u>41,475,000</u>	<u>39,965,000</u>
Legal Debt Margin	<u>\$ 104,148,970</u>	<u>\$ 99,058,872</u>	<u>\$ 98,957,398</u>	<u>\$ 100,163,856</u>	<u>\$ 105,460,277</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	29.01%	30.85%	30.26%	29.28%	27.48%

<sup>a</sup> - 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>Personal Income <sup>b</sup></u>	<u>Morris County Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2005	15,714	\$ 976,986,522	\$ 62,173	2.30%
2006	15,714	1,049,113,782	66,763	2.40%
2007	15,901	1,110,573,543	69,843	2.10%
2008	15,699	1,129,338,963	71,937	2.80%
2009	15,659	1,060,082,982	67,698	4.90%
2010	15,829	1,086,755,824	68,656	5.00%
2011	15,966	1,148,178,924	71,914	4.80%
2012	16,092	1,204,099,992	74,826	5.00%
2013	16,253	1,219,852,662	75,054	6.60%
2014	16,122	1,210,020,588 *	75,054 *	4.80%

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

Source:

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

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

Employer	2015		Employer	2006	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
U.S. Army Armament Research and Development	6,090	2.28%	Atlantic Health System	5,900	N/A
Atlantic Health System	4,844	1.81%	Novartis	5,000	N/A
Novartis	4,749	1.77%	U.S. Army Armament Research and Development	3,412	N/A
Bayer Healthcare, LLC	2,665	1.00%	Lucent Technologies	2,300	N/A
Saint Clare's Health Services	1,756	0.66%	Saint Clare's Health Services	2,250	N/A
County of Morris	1,667	0.62%	County of Morris	2,228	N/A
Accenture	1,621	0.61%	United Parcel Service	2,131	N/A
Wyndham Worldwide	1,546	0.58%	Automated Data Processing	1,986	N/A
BASF Corporation	1,500	0.56%	AT&T	1,500	N/A
Greystone Psychiatric	1,244	0.46%	Greystone Psychiatric	1,300	N/A
	<u>27,682</u>	<u>10.34%</u>		<u>28,007</u>	
Total Employment *	<u>267,632</u>			<u>N/A</u>	

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

N/A - Not Available.

Source: Morris County Treasurer's Office.

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

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Instruction:										
Regular	208	208	210	179	179	171	140	142	152	152
Special Education	20	20	21	42	41	44	44	44	45	53
Other Special Instruction	11	11	22	28	32	32	30	29	30	30
Support Services:										
Student & Instruction Related Services	27	27	27	30	30	27	35	38	43	41
General Administrative Services	3	3	3	3	3	3	3	3	3	3
School Administrative Services	9	9	9	10	9	8	13	16	19	16
Central Services	6	6	6	5	5	5	17	18	17	20
Administration Information Technology	2	2	2	3	3	2	3	3	3	3
Plant Operations and Maintenance	28	27	27	31	30	33	22	24	22	25
<b>Total</b>	<b>314</b>	<b>313</b>	<b>327</b>	<b>331</b>	<b>332</b>	<b>325</b>	<b>307</b>	<b>317</b>	<b>334</b>	<b>343</b>

Source: District Personnel Records.

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

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost per Pupil <sup>b</sup>	Percentage Change	Teaching Staff <sup>c</sup>	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						
						Central Avenue	Kings Road	Torey J. Sabatini	Madison Junior School	Madison High School				
2006	2,194	\$ 33,473,316	\$ 15,257	4.95%	191	13.6:1	11.0:1	12.4:1	11.3:1	10.7:1	2,230	2,130	1.73%	95.52%
2007	2,266	35,693,730	15,752	3.25%	194	14.5:1	12.8:1	14.6:1	12.6:1	10.7:1	2,287	2,176	2.56%	95.15%
2008	2,254	37,215,395	16,511	4.82%	195	14.5:1	12.4:1	14.2:1	11.5:1	10.6:1	2,252	2,144	-1.53%	95.20%
2009	2,273	37,445,843	16,474	-0.22%	208	12.5:1	8.7:1	10.9:1	10.5:1	9.9:1	2,269	2,165	0.75%	95.42%
2010	2,275	37,786,387	16,609	0.82%	206	13.9:1	9.7:1	10.1:1	10.8:1	10.6:1	2,276	2,207	0.31%	96.97%
2011	2,363	37,307,170	15,788	-4.95%	226	11.2:1	10.5:1	10.6:1	10.5:1	9.9:1	2,372	2,300	4.22%	96.96%
2012	2,398	37,349,775	15,575	-1.35%	214	11.4:1	10.7:1	11.8:1	11.5:1	11.0:1	2,435	2,337	2.66%	95.98%
2013	2,458	41,375,072	16,833	8.07%	215	10.9:1	11.2:1	12.2:1	11.1:1	11.7:1	2,417	2,316	-0.74%	95.82%
2014	2,503	39,949,825	15,961	-5.18%	227	11.0:1	9.2:1	12.0:1	11.2:1	11.3:1	2,509	2,410	3.81%	96.05%
2015	2,524	44,367,335	17,578	10.13%	235	9.2:1	9.9:1	11.0:1	10.0:1	10.9:1	2,528	2,424	0.76%	95.89%

**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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b><u>District Building</u></b>										
Green Village Road School (1948)*										
Square Feet	26,159	26,159	26,159	26,159	26,159	26,159	26,159	26,159	26,159	26,159
Central Avenue School (1910)										
Square Feet	49,577	49,577	49,577	49,577	62,109	62,109	62,109	62,109	62,109	62,109
Capacity (students)	441	441	441	441	600	600	600	600	600	600
Enrollment	480	480	507	450	487	516	485	501	505	480
Kings Road School (1948)										
Square Feet	35,132	35,132	35,132	35,132	44,772	44,772	44,772	44,772	44,772	44,772
Capacity (students)	285	285	285	285	300	300	300	300	300	300
Enrollment	313	313	296	218	243	251	277	290	281	286
Torey J. Sabatini School (1969)										
Square Feet	41,373	41,373	41,373	41,373	53,964	53,964	53,964	53,964	53,964	53,964
Capacity (students)	303	303	303	303	350	350	350	350	350	350
Enrollment	329	329	310	261	262	275	301	313	333	343
Madison Junior School (1926)										
Square Feet	77,671	77,671	77,671	77,671	98,476	98,476	98,476	98,476	98,476	98,476
Capacity (students)	458	458	458	458	600	600	600	600	600	600
Enrollment	348	348	344	504	531	538	547	536	548	589
Madison High School (1958)										
Square Feet	133,959	133,959	133,959	133,959	151,810	151,810	151,810	151,810	151,810	151,810
Capacity (students)	725	725	725	725	950	950	950	950	950	950
Enrollment	760	760	772	745	752	783	788	809	836	826
Board Office										
Square Feet	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700

Number of Schools at June 30, 2014

Elementary = 4  
Middle School = 1  
High School = 1  
Other = 0

\* - The Green Village Road School had been partially leased to a private community Pre-K provider. In preparation for the sale of the school, that lease was not renewed.

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

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>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Central Avenue	N/A	\$ 116,831	\$ 153,659	\$ 184,611	\$ 190,538	\$ 171,947
Kings Road	N/A	95,023	118,163	122,156	134,765	112,964
Torey J. Sabatini	N/A	83,443	111,375	119,505	160,136	137,849
Junior School	N/A	168,128	175,873	216,637	307,020	255,381
High School	N/A	394,268	416,010	500,231	484,002	399,895
Total School Facilities		<u>857,693</u>	<u>975,080</u>	<u>1,143,140</u>	<u>1,276,461</u>	<u>1,078,036</u>
Grand Total		<u>\$ 857,693</u>	<u>\$ 975,080</u>	<u>\$ 1,143,140</u>	<u>\$ 1,276,461</u>	<u>\$ 1,078,036</u>

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Central Avenue	N/A	\$ 107,515	\$ 147,287	\$ 135,480	\$ 109,524	\$ 200,355
Kings Road	N/A	109,838	113,441	97,887	79,133	144,760
Torey J. Sabatini	N/A	111,560	127,975	117,715	95,163	174,083
Junior School	N/A	187,384	233,629	214,884	173,716	317,782
High School	N/A	278,990	362,745	331,254	267,790	489,875
Total School Facilities		<u>795,287</u>	<u>985,077</u>	<u>897,220</u>	<u>725,326</u>	<u>1,326,855</u>
Grand Total		<u>\$ 795,287</u>	<u>\$ 985,077</u>	<u>\$ 897,220</u>	<u>\$ 725,326</u>	<u>\$ 1,326,855</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.

Exhibit J-20

BOROUGH OF MADISON SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2015  
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	

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 "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Madison School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 2015.

**Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Mount Arlington, New Jersey  
November 16, 2015

NISIVOCCIA LLP



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

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

Independent Auditors' Report

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

**Report on Compliance for Each Major Federal and State Program**

We have audited the Borough of Madison School District's (the "District's") compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2015. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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, 2015.

### **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 OMB Circular A-133 and NJOMB's 04-04 and 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

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

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

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

Mount Arlington, New Jersey  
November 16, 2015

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, 2015

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2014			Prior Year Encum- brances Canceled	Balance at June 30, 2015		
			From	To		Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received		Budgetary Expenditures	(Accounts Receivable)	Unearned Revenue
U.S. Department of Agriculture -												
Passed-through State Department of Agriculture:												
Child Nutrition Cluster:												
National School Lunch Program	10.555	N/A	7/1/14	6/30/15	\$ 82,629			\$ 76,438	\$ (82,629)		\$ (6,191)	
National School Lunch Program	10.555	N/A	7/1/13	6/30/14	88,601	\$ (17,646)		17,646				
Special Milk Program	10.556	N/A	7/1/14	6/30/15	510			478	(510)		(32)	
Special Milk Program	10.556	N/A	7/1/13	6/30/14	597	(123)		123				
Federal Food Distribution Program	10.555	N/A	7/1/14	6/30/15	31,699			31,699	(31,699)			
Subtotal Child Nutrition Cluster						(17,769)		126,384	(114,838)		(6,223)	
Total Enterprise Fund						(17,769)		126,384	(114,838)		(6,223)	
Total U.S. Department of Agriculture						(17,769)		126,384	(114,838)		(6,223)	
U.S. Department of Education -												
Passed-through State Department of Education:												
Special Revenue Fund:												
Special Education Cluster:												
I.D.E.A. Part B, Basic Regular	84.027	IDEA-2870-15	7/1/14	6/30/15	605,282			468,430	(505,135)		(36,705)	
I.D.E.A. Part B, Basic Regular	84.027	IDEA-2870-14	7/1/13	6/30/14	517,091	(193,199)		181,377		\$ 11,822		
I.D.E.A. Part B, Preschool	84.173	IDEA-2870-15	7/1/14	6/30/15	20,842			4,922	(18,605)		(13,683)	
Subtotal Special Education Cluster						(193,199)		654,729	(523,740)	11,822	(50,388)	
No Child Left Behind:												
Title I - Part A	84.010A	NCLB-2870-14	7/1/13	6/30/14	75,471			71,801	(75,461)		(3,660)	
Title I - Part A	84.010A	NCLB-2870-14	7/1/13	6/30/14	42,448	(53,161)		39,730		13,431		
Title II	84.367A	NCLB-2870-14	7/1/13	6/30/14	42,805			24,112	(36,039)		(11,927)	
Title II	84.367A	NCLB-2870-14	7/1/13	6/30/14	48,519	(9,956)		8,819		1,137		
Title III	84.365A	NCLB-2870-14	7/1/13	6/30/14	16,550			4,959	(7,290)		(2,331)	
Title III	84.365A	NCLB-2870-14	7/1/13	6/30/14	12,840	(1,793)		1,793				
Title III - Immigrant	84.365A	NCLB-2870-15	7/1/14	6/30/15	22,490			9,680	(10,763)		(1,083)	
Title III - Immigrant	84.365A	NCLB-2870-14	7/1/13	6/30/14	4,468	(1,968)		1,968				
Investing in Innovation Fund (I3) - Reading Recovery	84.411C	N/A	8/30/13	7/31/15	3,162			3,162	(1,458)		\$ 1,704	
Total Special Revenue Fund						(260,077)		820,753	(654,751)	26,390	(69,389)	1,704
Total U.S. Department of Education						(260,077)		820,753	(654,751)	26,390	(69,389)	1,704
TOTAL FEDERAL AWARDS						\$ (277,846)	\$ -0-	\$ 947,137	\$ (769,589)	\$ 26,390	\$ (75,612)	\$ 1,704 \$ -0-

N/A - Not Available.

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

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

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2014			Repayment of Balances	Balance at June 30, 2015		MEMO		
		From	To		Budgetary Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received		Budgetary Expenditures	GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:													
General Fund:													
Special Education Categorical Aid	15-495-034-5120-089	7/1/14	6/30/15	\$ 849,970				\$ 772,671	\$ (849,970)		\$ 77,299	\$ 849,970	
Special Education Categorical Aid	14-495-034-5120-089	7/1/13	6/30/14	849,970	\$ (72,010)			72,010					
Security Aid	15-495-034-5120-084	7/1/14	6/30/15	37,986				34,531	(37,986)		3,455	37,986	
Security Aid	14-495-034-5120-084	7/1/13	6/30/14	37,986	(3,218)			3,218					
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14	6/30/15	23,800				21,636	(23,800)		2,164	23,800	
PARCC Readiness Aid	15-495-034-5120-098	7/1/14	6/30/15	23,800				21,636	(23,800)		2,164	23,800	
Transportation Aid	15-495-034-5120-014	7/1/14	6/30/15	52,188				47,442	(52,188)		4,746	52,188	
Transportation Aid	14-495-034-5120-014	7/1/13	6/30/14	52,188	(4,422)			4,422					
Extraordinary Special Education Costs Aid	15-100-034-5120-473	7/1/14	6/30/15	113,783					(113,783)		113,783	113,783	
Extraordinary Special Education Costs Aid	14-100-034-5120-473	7/1/13	6/30/14	53,724	(53,724)			53,724					
Nonpublic School Transportation Costs	15-495-034-5120-014	7/1/14	6/30/15	24,819					(24,819)		24,819	24,819	
Nonpublic School Transportation Costs	14-495-034-5120-014	7/1/13	6/30/14	29,277	(29,277)			29,277					
Reimbursed TPAF Social Security Aid	15-495-034-5095-002	7/1/14	6/30/15	1,404,845				1,266,644	(1,404,845)		138,201	1,404,845	
Reimbursed TPAF Social Security Aid	14-495-034-5095-002	7/1/13	6/30/14	1,393,109	(138,767)			138,767					
<b>Total General Fund State Aid</b>					<b>(301,418)</b>			<b>2,465,978</b>	<b>(2,531,191)</b>		<b>(276,803)</b>	<b>366,631</b>	<b>2,531,191</b>
Special Revenue Fund:													
NJ Nonpublic Aid:													
Textbook Aid (Chapter 194)	15-100-034-5120-064	7/1/14	6/30/15	23,415				23,415	(23,415)			23,415	
Nursing Services (Chapter 226)	15-100-034-5120-070	7/1/14	6/30/15	37,276				37,276	(37,276)			37,276	
Technology Initiative	15-100-034-5120-373	7/1/14	6/30/15	12,576				12,576	(12,576)			12,576	
Auxiliary Services (Chapter 192):													
Compensatory Education	15-100-034-5120-067	7/1/14	6/30/15	8,868				8,868	(8,868)			8,868	
Compensatory Education	14-100-034-5120-067	7/1/13	6/30/14	10,272		\$ 3,424				\$ (3,424)			
Home Instruction	14-100-034-5120-067	7/1/13	6/30/14	32	(32)			32					
Handicapped Services (Chapter 193):													
Supplementary Instruction	15-100-034-5120-066	7/1/14	6/30/15	17,577				17,577	(16,950)		\$ 627	16,950	
Supplementary Instruction	14-100-034-5120-066	7/1/13	6/30/14	13,739			902			(902)			
Examination and Classification	15-100-034-5120-066	7/1/14	6/30/15	43,218				43,218	(35,659)		7,559	35,659	
Examination and Classification	14-100-034-5120-066	7/1/13	6/30/14	30,104			1,114			(1,114)			
Corrective Speech	15-100-034-5120-066	7/1/14	6/30/15	24,738				24,738	(18,819)		5,919	18,819	
Corrective Speech	14-100-034-5120-066	7/1/13	6/30/14	21,326			234			(234)			
<b>Total Special Revenue Fund</b>					<b>(32)</b>	<b>5,674</b>	<b>167,700</b>	<b>(153,563)</b>	<b>(5,674)</b>		<b>14,105</b>	<b>153,563</b>	
Debt Service Fund:													
Debt Service Aid - State Support	15-495-034-5120-017	7/1/14	6/30/15	546,288				546,288	(546,288)			546,288	
<b>Total Debt Service Fund</b>								<b>546,288</b>	<b>(546,288)</b>			<b>546,288</b>	

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

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2014				Repayment of Balances	Balance at June 30, 2015		MEMO	
		From	To		Budgetary Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures		GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:													
Enterprise Fund:													
State School Lunch Program	15-100-010-3350-023	7/1/14	6/30/15	\$ 4,321				\$ 3,996	\$ (4,321)		\$ (325)	\$ 325	\$ 4,321
State School Lunch Program	14-100-010-3350-023	7/1/13	6/30/14	4,935	\$ (963)			963					
State School Lunch Program - Supplemental	15-100-010-3350-023	7/1/14	6/30/15	131					(131)		(131)	131	131
State School Lunch Program - Supplemental	14-100-010-3350-023	7/1/13	6/30/14	298	(298)			298					
Total Enterprise Fund					(1,261)			5,257	(4,452)		(456)	456	4,452
Total State Department of Education					(302,711)	\$ 5,674	3,185,223	(3,235,494)	\$ (5,674)	(277,259)	\$ 14,105	367,087	3,235,494
Schools Development Authority:													
Capital Projects Fund:													
Educational Facilities Construction & Financing Act:													
Madison High School	2870-050-14-1001	6/27/14	12/27/15	160,960	160,960							160,960	
Torey J. Sabatini Elementary School	2870-110-14-1002	6/27/14	12/27/15	201,376	201,376							201,376	
Kings Road Elementary School	2870-080-14-1006	6/27/14	12/27/15	194,240	194,240							194,240	
Total Capital Projects Fund					556,576							556,576	
Total Schools Development Authority					556,576							556,576	
TOTAL STATE AWARDS					\$ 253,865	\$ 5,674	\$ 3,185,223	\$ (3,235,494)	\$ (5,674)	\$ (277,259)	\$ 14,105	\$ 923,663	\$ 3,235,494

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

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

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent 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, 2015  
(Continued)

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(10,178) for the general fund and \$62,780 for the special revenue fund (which does not include net local grant encumbrances of \$5,747; \$(-0-) current year and \$5,747 prior year). See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Post-Retirement Medical Benefit and Pension Contributions revenue of \$1,572,309 and \$990,430, respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 5,083,752	\$ 5,083,752
Special Revenue Fund	\$ 708,250	162,844	871,094
Debt Service Fund		546,288	546,288
Proprietary Fund	114,838	4,452	119,290
Total Financial Assistance	<u>\$ 823,088</u>	<u>\$5,797,336</u>	<u>\$ 6,620,424</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2015. Revenue and expenditures reported under the Federal Food Distribution Program represent current fiscal year value received and current fiscal year distributions, respectively.

NOTE 6. NJ SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANTS

The District has active grants awarded in the amount of \$556,576 from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2015, \$-0- has been expended and drawn down and \$-0- has been received. The District realizes grant revenue in the Capital Projects Fund on the GAAP basis as it is expended and submitted for reimbursement.

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

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over 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 Required by OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08*.
- 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 Circulars 04-04 and 15-08 or Section 510(a) of Federal OMB Circular A-133.
- The District's federal and state programs tested as major for the current fiscal year were the following:

<u>State:</u>	State Grant Number/ C.F.D.A. Number	Grant Period	Award Amount	Budgetary Expenditures
Special Education Categorical Aid	15-495-034-5120-089	7/1/14-6/30/15	\$ 849,970	\$ 849,970
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	37,986	37,986
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	23,800	23,800
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	23,800	23,800

Federal:

Special Education Cluster:

I.D.E.A. Part B:

Basic Regular	84.027	7/1/14-6/30/15	605,282	505,135
Preschool	84.173	7/1/14-6/30/15	20,842	18,605

- The threshold used for distinguishing between both state and federal Type A and Type B programs was \$300,000.
- The single audit threshold identified in Federal OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08 was \$500,000.
- The District was determined to be a "low-risk" auditee for federal and state programs under the provisions of section 530 of the federal Circular.

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

(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 Federal OMB Circular A-133.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in Federal OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08.

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

Status of Prior Fiscal Year Findings:

The District had no prior fiscal year audit findings.