

**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, 2011**

**Comprehensive Annual
Financial Report**

of the

Borough of Madison School District

Madison, New Jersey

For the Fiscal Year Ended June 30, 2011

Prepared by

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

BOROUGH OF MADISON SCHOOL DISTRICT
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INTRODUCTORY SECTION



BOARD OF EDUCATION OF THE BOROUGH OF MADISON

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

Dr. Michael A. Rossi
Superintendent

Gary S. Lane
Business Administrator/
Board Secretary

October 28, 2011

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, 2011, 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 Nonprofit Organizations*, and the New Jersey OMB Circular NJOMB 04-04, *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 Government 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 2010-11 fiscal year with an average daily enrollment of 2,372 students, which is an increase of 96 students from the previous year's enrollment. The following page details the changes in the average daily student enrollment of the District over the last five years.

Fiscal Year	Average Daily Enrollment	
	Student Enrollment	Percent Change
2010-2011	2,372	4.22%
2009-2010	2,276	0.31%
2008-2009	2,269	0.75%
2007-2008	2,252	-1.53%
2006-2007	2,287	2.56%

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. And, while 2011-12 brought the return of approximately 1/3 of that aid, half of it after the budget had already been struck and approved by the voters, the District is working to maintain and improve as it is able, given the continuance of the hard cap on the tax levy of 2% being imposed by the state.

3) MAJOR INITIATIVES: The District continues to build upon the programs currently in place and is moving forward with an elementary world language program, staff training and educational delivery review. The District is also investigating programs of potential savings in the area of energy and earnings in the area of a kindergarten wrap around program. The District also continues its quest of selling the Green Village Road School.

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 are 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 the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2011.

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) DEBT ADMINISTRATION: At June 30, 2011, the District had \$42,570,000 in outstanding statutory debt and had no debt authorized but not issued.

8) 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.

9) 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 10 to the Basic Financial Statements.

10) 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 Nonprofit Organizations*, and the New Jersey OMB Circular NJOMB 04-04, *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.

11) 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,

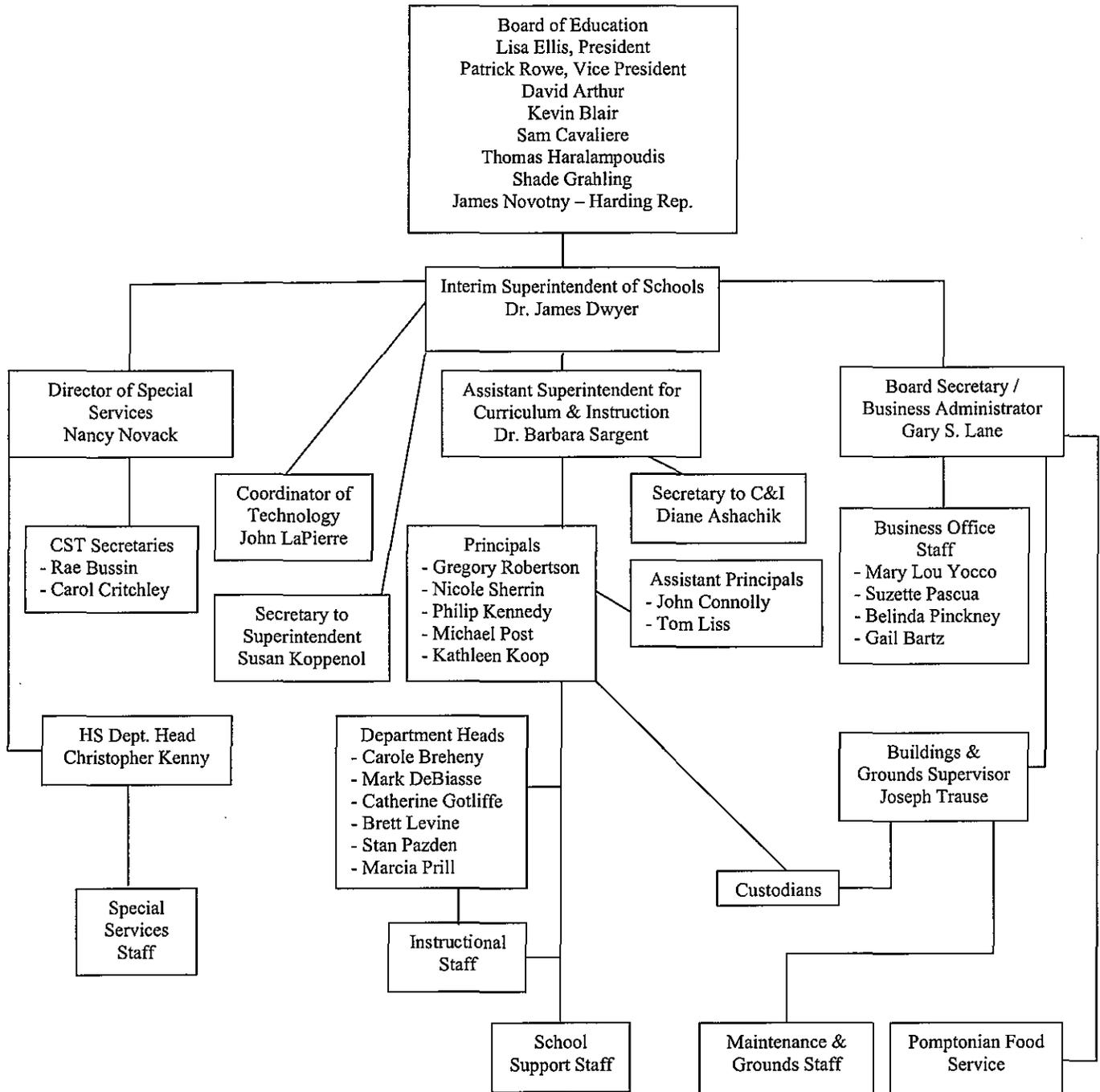


Dr. Michael A. Rossi, Jr.
Superintendent of Schools



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

Madison Public School District Organizational Chart Overview



**BOROUGH OF MADISON SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2011**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Lisa Ellis, President	2012
Patrick Rowe, Vice President	2013
David Arthur	2014
Kevin Blair	2012
Samuel Cavaliere	2013
Shade Grahling	2014
Thomas Haralampoudis	2014
James Novotny, Harding Township Representative	

Other Officials

Title

Dr. James Dwyer	Interim Superintendent of Schools
Dr. Barbara Sargent	Assistant Superintendent of Schools
Gary S. Lane	School Business Administrator/Board Secretary
Abigail E. Kutz	Treasurer of School Monies

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 Depositories

Wells Fargo Bank
200 Main Street
Madison, NJ 07940

Somerset Hills Bank
265 Main Street
Madison, NJ 07940

The Provident Bank
98 Main Street
Madison, NJ 07940

FINANCIAL SECTION

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Madison School District in the County of Morris, as of and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. 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 Division of Finance and Regulatory Compliance, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Madison School District in the County of Morris as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2011 on our consideration of the Board of Education of the Borough of Madison School 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis section and the Budgetary Comparison Information on Exhibits C-1 through C-3 and I-3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Borough of Madison School District's basic financial statements. The accompanying introductory section, other supplementary information such as the combining and individual fund financial statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey OMB's Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The supplementary combining and individual fund financial statements, supplementary schedules, and the schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mount Arlington, New Jersey
October 28, 2011

NISIVOCIA LLP



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

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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, 2011. 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.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* adopted in June, 1999. Certain comparative information between the current year (2010-2011) and the prior year (2009-2010) is required to be presented in the MD&A.

Financial Highlights

- The District's governmental activities net assets increased by \$522,691, primarily attributable to decreases in instruction, administrative and business, and maintenance and operations, and compensated absences and bonded debt paid down, offset by increases in pupil and instruction services and transportation. Direct state aid was cut 100% for 2010-11 and the District's General Fund fund balance increased by \$655,318 from \$767,670 to \$1,422,988 at June 30, 2011.
- Overall revenue was \$41.85 million.
- Enrollment in the District has fluctuated for the last several years but cost per pupil has remained relatively stable.
- The District's outstanding bonded long-term debt decreased with the pay down of \$1,125,000 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 program.
- *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, 2011
(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 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**

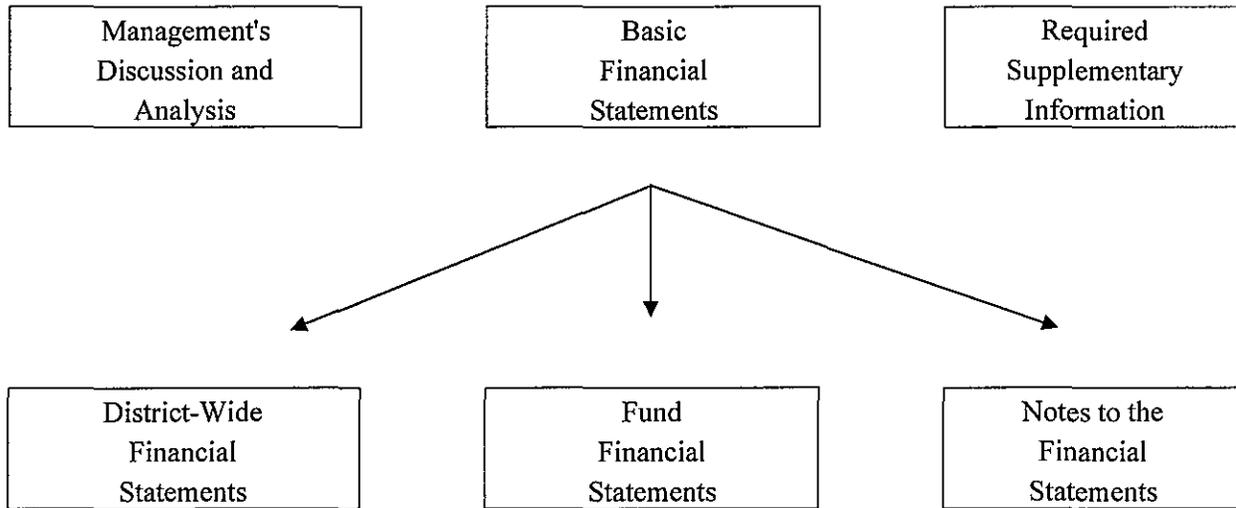


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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 assets includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net assets 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 program is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Fund Financial Statements

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

Notes to Financial Statements

The notes to 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 Assets. The District's combined net assets increased by 4.17%. Net assets from governmental activities increased \$522,691 and net assets from business-type activities increased by \$25,997. Net assets invested in capital assets decreased by \$397,610, restricted net assets increased by \$321,640, and unrestricted net assets increased by \$624,658.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
Current and							
Other Assets	\$ 1,839,892	\$ 1,226,770	\$ 105,220	\$ 43,669	\$ 1,945,112	\$ 1,270,439	53.11%
Capital Assets, Net	56,388,168	57,931,206	54,224	44,836	56,442,392	57,976,042	-2.65%
Total Assets	58,228,060	59,157,976	159,444	88,505	58,387,504	59,246,481	-1.45%
Long-Term Debt							
Outstanding	43,605,287	45,008,582			43,605,287	45,008,582	-3.12%
Other Liabilities	1,044,085	1,093,397	44,942		1,089,027	1,093,397	-0.40%
Total Liabilities	44,649,372	46,101,979	44,942		44,694,314	46,101,979	-3.05%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	13,829,208	14,236,206	54,224	44,836	13,883,432	14,281,042	-2.78%
Restricted	590,490	268,850			590,490	268,850	119.64%
Unrestricted/(Deficit)	(841,010)	(1,449,059)	60,278	43,669	(780,732)	(1,405,390)	44.45%
Total Net Assets	\$ 13,578,688	\$ 13,055,997	\$ 114,502	\$ 88,505	\$ 13,693,190	\$ 13,144,502	4.17%

Changes in Net Assets. The District's combined net assets were \$13,693,190 on June 30, 2011, \$548,688 or 4.17% more than they were last year (See Figure A-3). Net assets invested in capital assets decreased \$397,610 due to \$1,555,894 in depreciation, offset by the shift from restricted net assets of \$11,040 deferred interest related to refunding bonds, \$22,244 of capital expenditures and \$1,125,000 of bond principal paid down. Restricted net assets increased \$321,640 due to increases in capital reserve of \$155,005 and encumbrances of \$384,285, a decrease in unamortized bond premiums of \$5,670, and the shift to unrestricted net assets of \$107,910 unamortized bond premiums, offset by the shift of \$11,040 deferred interest related to refunding bonds and \$300,234 unamortized bond issuance costs to net assets invested in capital assets and unrestricted net assets, respectively, and decreases in deferred interest of \$1,840 and unamortized bond issuance costs of \$18,116. Unrestricted net assets increased by \$624,658 (See Figure A-3).

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,729,317	\$ 1,530,100	\$ 616,362	\$ 573,195	\$ 2,345,679	\$ 2,103,295	11.52%
Grants and Contributions:							
Operating	4,668,640	5,612,621	124,906	130,878	4,793,546	5,743,499	-16.54%
General Revenue:							
Property Taxes	34,418,953	33,184,390			34,418,953	33,184,390	3.72%
Federal and State Aid							
Not Restricted	17,205	165,058			17,205	165,058	-89.58%
Other	274,820	127,456			274,820	127,456	115.62%
Total Revenue	41,108,935	40,619,625	741,268	704,073	41,850,203	41,323,698	1.27%
Expenses:							
Instruction	21,321,629	21,980,739			21,321,629	21,980,739	-3.00%
Pupil and Instruction Services	7,466,938	7,326,470			7,466,938	7,326,470	1.92%
Administrative and Business	3,685,547	3,787,555			3,685,547	3,787,555	-2.69%
Maintenance and Operations	3,380,072	3,776,335			3,380,072	3,776,335	-10.49%
Transportation	1,274,856	1,092,823			1,274,856	1,092,823	16.66%
Other	3,457,202	3,474,802	715,271	690,171	4,172,473	4,164,973	0.18%
Total Expenses	40,586,244	41,438,724	715,271	690,171	41,301,515	42,128,895	-1.96%
Increase/(Decrease) in Net Assets	\$ 522,691	\$ (819,099)	\$ 25,997	\$ 13,902	\$ 548,688	\$ (805,197)	168.14%

Revenue Sources. The District's total revenue for the 2010/11 school year was \$41,850,203 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$34,418,953 of the total, or 82.24 percent (See Figure A-5). Another 11.3 percent came from state formula aid and state and federal aid for specific programs, 5.61 percent came from charges for services and the remainder from other miscellaneous sources. It is important to note that of the categorical grants amount of \$4,572,951, over \$1.24 million is included in funds that are not paid to the District, but are included in funding for TPAF post-retirement and non-contributory insurance 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 2011**

Sources of Income:	Amount	Percentage
State Formula Aid	\$ 155,625	0.37%
Property Taxes	34,418,953	82.24%
Federal and State Categorical Grants	4,572,951	10.93%
Charges for Services	2,345,679	5.61%
Other	356,995	0.85%
	\$ 41,850,203	100.00%

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The total cost of all programs and services was \$41,301,515. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (72.8 percent) (See Figure A-6). The District's administrative and business activities accounted for 8.92 percent of total costs. It is important to note that depreciation of \$1,555,894 (\$1,550,657 governmental activities and \$5,237 business-type activities) is included in expenses for the year.

**Figure A-6
Expenses for Fiscal Year 2011**

Expense Category:	Amount	Percentage
Instruction	\$ 21,321,629	51.63%
Pupil and Instruction Services	7,466,938	18.08%
Administrative and Business	3,685,547	8.92%
Maintenance and Operations	3,380,072	8.18%
Transportation	1,274,856	3.09%
Other	4,172,473	10.10%
	<u>\$ 41,301,515</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District improved. 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 places 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.

Because State aid was cut 100% in 2010-11 and had remained relatively flat over the previous few years, 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.

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. 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	
	2010/2011	2009/2010	2010/2011	2009/2010
Instruction	\$ 21,321,629	\$ 21,980,739	\$ 16,943,647	\$ 17,036,306
Pupil and Instruction Services	7,466,938	7,326,470	6,243,647	6,243,464
Administrative and Business	3,685,547	3,787,555	3,518,373	3,623,035
Maintenance and Operations	3,380,072	3,776,335	3,380,072	3,776,335
Transportation	1,274,856	1,092,823	1,212,898	809,364
Other	3,457,202	3,474,802	2,889,650	2,807,499
	<u>\$ 40,586,244</u>	<u>\$ 41,438,724</u>	<u>\$ 34,188,287</u>	<u>\$ 34,296,003</u>

- The cost of all governmental activities this year was \$40.59 million.
- The federal and state governments subsidized certain programs with grants and contributions (\$4.79 million).
- Most of the District's costs, however, were financed by District taxpayers (\$34.42 million).
- A portion of governmental activities was financed with state aid based on the CEIFA formula (\$.16 million).
- The remainder of governmental activities funding came from charges for services (tuition, subscription busing and student activities fees), investment earnings and miscellaneous revenue (\$2.09 million).

Business-Type Activities

Net assets from the District's business-type activities increased by \$25,997, comprised of an excess of revenue over expenses related to the food service program (Refer to Figure A-4).

Financial Analysis of the District's Funds

The District's financial position improved; difficult economic times have had a direct impact upon the District's revenue sources and increasing costs, especially those related to benefits, continue to be a concern. To maintain a stable financial position, the District must continue to practice sound fiscal management.

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

General Fund Budgetary Highlights

Over the course of the 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		Percentage Change
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	
Land	\$ 9,072,600	\$ 9,072,600			\$ 9,072,600	\$ 9,072,600	0.00%
Land Improvements	1,480,934	1,579,547			1,480,934	1,579,547	-6.24%
Buildings and Building Improvements	44,660,219	45,879,306			44,660,219	45,879,306	-2.66%
Machinery and Equipment	1,174,415	1,399,753	\$ 54,224	\$ 44,836	1,228,639	1,444,589	-14.95%
Total Capital Assets (Net of Depreciation)	\$56,388,168	\$57,931,206	\$ 54,224	\$ 44,836	\$56,442,392	\$57,976,042	-2.65%

The District's overall capital assets, net of depreciation, decreased by \$1,533,650 from the prior year as depreciation exceeded capital outlay expenditures due to the completion of the District's approved capital projects in the prior fiscal year. (More detailed information about the District's capital assets is presented in Note 6 to the basic financial statements.)

Long-term Debt

At year-end, the District had \$42,558,960 in general obligation bonds, net – a decrease of \$1,123,160 from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the basic financial statements.)

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

	Total School District		Total Percentage Change 2010/11
	2010/11	2009/10	
General Obligation Bonds (Financed with Property Taxes), Net	\$ 42,558,960	\$ 43,682,120	-2.57%
Other Long Term Liabilities	1,046,327	1,326,462	-21.12%
	\$ 43,605,287	\$ 45,008,582	-3.12%

- The District continued to pay down its debt, retiring \$1,125,000 of outstanding bonds.
- The District's other liabilities at June 30, 2011 are comprised entirely of compensated absences payable.

**BOROUGH OF MADISON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

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 four existing circumstances that could significantly affect its financial health in the future:

- The loss of \$1.0 million of state aid for 2011-12 and the anticipation of stagnant state aid for 2012-13 and beyond.
- Special needs student requirements continue to escalate with no legislative nor enhanced state aid assistance on the horizon.
- 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 sale of GVR (Green Village Road) School should enable the District to address some of the District's capital projects and address certain one-time needs.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 359 Woodland Road, Madison, New Jersey 07940.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF MADISON SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 982,970	\$ 87,024	\$ 1,069,994
Receivables from Other Governments	395,133	6,223	401,356
Other Receivables	6,550		6,550
Restricted Assets:			
Capital Reserve Account - Cash	155,005		155,005
Unamortized Bond Issuance Costs, Net	300,234		300,234
Inventory		11,973	11,973
Capital Assets, Net:			
Sites (Land)	9,072,600		9,072,600
Depreciable Land Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment	<u>47,315,568</u>	<u>54,224</u>	<u>47,369,792</u>
Total Assets	<u>58,228,060</u>	<u>159,444</u>	<u>58,387,504</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable - Vendors	45,726	31,173	76,899
Accrued Interest Payable	819,505		819,505
Payable to State Government	32,942		32,942
Unamortized Bond Premiums, Net	107,910		107,910
Deferred Revenue	38,002	13,769	51,771
Noncurrent Liabilities:			
Due Within One Year	1,253,617		1,253,617
Due Beyond one Year	<u>42,351,670</u>		<u>42,351,670</u>
Total Liabilities	<u>44,649,372</u>	<u>44,942</u>	<u>44,694,314</u>
NET ASSETS/(DEFICIT)			
Invested in Capital Assets, Net of Related Debt	13,829,208	54,224	13,883,432
Restricted for:			
Capital Projects	155,005		155,005
Other Purposes	435,485		435,485
Unrestricted/(Deficit)	<u>(841,010)</u>	<u>60,278</u>	<u>(780,732)</u>
Total Net Assets	<u>\$ 13,578,688</u>	<u>\$ 114,502</u>	<u>\$ 13,693,190</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, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 15,913,709	\$ 1,660,699	\$ 1,601,972	\$ (12,651,038)		\$ (12,651,038)
Special Education	3,310,478		933,805	(2,376,673)		(2,376,673)
Other Special Instruction	849,652		80,007	(769,645)		(769,645)
Other Instruction	1,247,790		101,499	(1,146,291)		(1,146,291)
Support Services:						
Tuition	1,630,089		355,492	(1,274,597)		(1,274,597)
Student & Instruction Related Services	5,836,849	61,018	806,781	(4,969,050)		(4,969,050)
General Administrative Services	1,119,726			(1,119,726)		(1,119,726)
School Administrative Services	1,815,938		167,174	(1,648,764)		(1,648,764)
Central Services	618,872			(618,872)		(618,872)
Administration Information Technology	131,011			(131,011)		(131,011)
Plant Operations and Maintenance	3,380,072			(3,380,072)		(3,380,072)
Pupil Transportation	1,274,856	7,600	54,358	(1,212,898)		(1,212,898)
Interest on Long-Term Debt	1,966,701		567,552	(1,399,149)		(1,399,149)
Unallocated Depreciation	1,490,501			(1,490,501)		(1,490,501)
Total Governmental Activities	40,586,244	1,729,317	4,668,640	(34,188,287)		(34,188,287)

BOROUGH OF MADISON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:						
Food Service	\$ 715,271	\$ 616,362	\$ 124,906		\$ 25,997	\$ 25,997
Total Business-Type Activities	715,271	616,362	124,906		25,997	25,997
Total Primary Government	\$ 41,301,515	\$ 2,345,679	\$ 4,793,546	\$ (34,188,287)	25,997	(34,162,290)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				31,889,528		31,889,528
Taxes Levied for Debt Service				2,529,425		2,529,425
Federal and State Aid not Restricted				17,205		17,205
Interest and Miscellaneous Income				274,820		274,820
Total General Revenues				34,710,978		34,710,978
Change in Net Assets				522,691	25,997	548,688
Net Assets - Beginning				13,055,997	88,505	13,144,502
Net Assets - Ending				\$ 13,578,688	\$ 114,502	\$ 13,693,190

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

FUND FINANCIAL STATEMENTS

BOROUGH OF MADISON SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 982,970		\$ 982,970
Interfund Receivable	29,015		29,015
Receivables from Other Governments	279,048	\$ 116,085	395,133
Other Receivables	6,000	550	6,550
Restricted Cash and Cash Equivalents	155,005		155,005
Total Assets	\$ 1,452,038	\$ 116,635	\$ 1,568,673
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund Payable		\$ 29,015	\$ 29,015
Accounts Payable - Vendors	\$ 170	45,556	45,726
Payable to State Government		32,942	32,942
Deferred Revenue	28,880	9,122	38,002
Total Liabilities	29,050	116,635	145,685
Fund Balances:			
Restricted - Capital Reserve Account	155,005		155,005
Assigned - Year-End Encumbrances	435,485		435,485
Unassigned	832,498		832,498
Total Fund Balances	1,422,988	-0-	1,422,988
Total Liabilities and Fund Balances	\$ 1,452,038	\$ 116,635	

Amounts reported for *Governmental Activities* in the Statement of Net Assets (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 \$69,752,802 and the accumulated depreciation is \$13,364,634. 56,388,168

Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due. (819,505)

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 7) (43,605,287)

Bond Issuance costs are reported as expenditures in the Funds. These costs total \$400,553 and the accumulated amortization is \$100,319. 300,234

Bond Premiums are reported as revenue in the Funds. These premiums total \$141,843 and the accumulated amortization is \$33,933. (107,910)

Net Assets of Governmental Activities \$ 13,578,688

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

BOROUGH OF MADISON SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Local Sources:				
Local Tax Levy	\$ 31,889,528		\$ 2,529,425	\$ 34,418,953
Tuition	1,660,699			1,660,699
Miscellaneous	343,438	\$ 82,175		425,613
Total - Local Sources	33,893,665	82,175	2,529,425	36,505,265
State Sources	2,882,364	90,604	567,552	3,540,520
Federal Sources	52,637	1,010,513		1,063,150
Total Revenues	36,828,666	1,183,292	3,096,977	41,108,935
EXPENDITURES				
Current:				
Regular Instruction	11,636,272	84,513		11,720,785
Special Education Instruction	2,075,415	418,843		2,494,258
Other Special Instruction	608,270			608,270
Other Instruction	941,569			941,569
Support Services and Undistributed Costs:				
Tuition	1,274,597	355,492		1,630,089
Student & Instruction Related Services	4,023,768	282,593		4,306,361
General Administrative Services	1,024,063			1,024,063
School Administrative Services	1,317,037			1,317,037
Central Services	509,461			509,461
Administration Information Technology	104,548			104,548
Plant Operations and Maintenance	2,959,982			2,959,982
Pupil Transportation	1,234,916			1,234,916
Unallocated Benefits	8,455,831			8,455,831
Debt Service:				
Principal			1,125,000	1,125,000
Interest and Other Charges			1,971,977	1,971,977
Capital Outlay	7,619	41,851		49,470
Total Expenditures	36,173,348	1,183,292	3,096,977	40,453,617
Excess/(Deficiency) of Revenues				
Over/(Under) Expenditures	655,318			655,318
Net Change in Fund Balances	655,318			655,318
Fund Balance—July 1	767,670	-0-	-0-	767,670
Fund Balance—June 30	\$ 1,422,988	\$ -0-	\$ -0-	\$ 1,422,988

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, 2011

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ 655,318
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 were exceeded by depreciation in the period.		
	Depreciation expense	\$ (1,550,657)
	Capital outlays	<u>7,619</u>
		(1,543,038)
Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		1,125,000
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 (+).		19,562
The governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (-)		(18,116)
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 (+)		5,670
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 (-)		(1,840)
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>280,135</u>
Change in Net Assets of Governmental Activities		<u>\$ 522,691</u>

BOROUGH OF MADISON SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF JUNE 30, 2011

	Business-type Activities - Enterprise Funds <u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 87,024
Receivables from Other Governments	6,223
Inventories	<u>11,973</u>
Total Current Assets	<u>105,220</u>
Non-Current Assets:	
Capital Assets	310,590
Less: Accumulated Depreciation	<u>(256,366)</u>
Total Non-Current Assets	<u>54,224</u>
Total Assets	<u>159,444</u>
 LIABILITIES:	
Current Liabilities:	
Accounts Payable - Vendors	31,173
Deferred Revenue - Prepaid Sales	<u>13,769</u>
Total Current Liabilities	<u>44,942</u>
Total Liabilities	<u>44,942</u>
 NET ASSETS:	
Investment in Capital Assets, Net of Related Debt	54,224
Unrestricted	<u>60,278</u>
Total Net Assets	<u>\$ 114,502</u>

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

BOROUGH OF MADISON SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds
	Food Service
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 261,917
Daily Sales - Non-Reimbursable Programs	349,283
Special Events	5,162
Total Operating Revenue	616,362
Operating Expenses:	
Cost of Sales	339,702
Salaries	197,256
Payroll Taxes	30,573
Employee Benefits	44,242
Purchased Property Services	64,739
Supplies and Materials	33,522
Depreciation Expense	5,237
Total Operating Expenses	715,271
Operating Loss	(98,909)
Non-Operating Revenue:	
State Sources:	
School Lunch Program	5,928
School Lunch Program - Supplemental	329
Federal Sources:	
Special Milk Program	824
National School Lunch Program	92,829
Food Distribution Program	24,996
Total Non-Operating Revenue	124,906
Change in Net Assets	25,997
Net Assets - Beginning of Year	88,505
Net Assets - End of Year	\$ 114,502

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, 2011

	<u>Business-type Activities - Enterprise Funds Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 649,421
Payments to Food Service Vendor	(630,352)
Payments to Suppliers	(20,673)
Net Cash Used for Operating Activities	<u>(1,604)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	6,006
Federal Sources	94,383
Net Cash Provided by Noncapital Financing Activities	<u>100,389</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(14,625)
Net Cash Used for Capital and Related Financing Activities	<u>(14,625)</u>
Net Increase in Cash and Cash Equivalents	84,160
Cash and Cash Equivalents, July 1	<u>2,864</u>
Cash and Cash Equivalents, June 30	<u>\$ 87,024</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (98,909)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	5,237
Federal Food Distribution Program	24,996
Changes in Assets and Liabilities:	
Decrease in Other Receivables	19,290
Decrease in Inventories	2,840
Increase in Accounts Payable	31,173
Increase in Deferred Revenue - Prepaid Sales	13,769
Net Cash Used for Operating Activities	<u>\$ (1,604)</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 \$24,996 for the fiscal year ended June 30, 2011.

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

BOROUGH OF MADISON SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

ASSETS:	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
Cash and Cash Equivalents	\$ 306,212	\$ 288,042	\$ 137,528
Investments			26,322
Total Assets	<u>306,212</u>	<u>288,042</u>	<u>163,850</u>
 LIABILITIES:			
Payroll Deductions and Withholdings	2,703		
Due to Student Groups	<u>303,509</u>		
Total Liabilities	<u>306,212</u>		
 NET ASSETS:			
Held in Trust for Unemployment Claims		288,042	
Reserved for Scholarships			<u>163,850</u>
Total Net Assets	<u>\$ -0-</u>	<u>\$ 288,042</u>	<u>\$ 163,850</u>

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

BOROUGH OF MADISON SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>
ADDITIONS:		
Contributions:		
Plan member	\$ 43,814	
Other		\$ 21,451
Total Contributions	<u>43,814</u>	<u>21,451</u>
Investment Earnings:		
Interest	893	344
Net Investment Earnings	<u>893</u>	<u>344</u>
Total Additions	<u>44,707</u>	<u>21,795</u>
DEDUCTIONS:		
Quarterly Contribution Reports	102,758	
Scholarships Awarded		14,795
Total Deductions	<u>102,758</u>	<u>14,795</u>
Change in Net Assets	(58,051)	7,000
Net Assets - Beginning of the Year	<u>346,093</u>	<u>156,850</u>
Net Assets - End of the Year	<u>\$ 288,042</u>	<u>\$ 163,850</u>

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

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, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The 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 middle school, and a high school located within 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 assets 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, 2011
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for 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 fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current 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, 2011
(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 Program) Fund: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's cafeteria program operations. The food service program fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund, Payroll Agency 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 resource 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 assets 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, 2011
(Continued)

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

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

Reports for the District's Food Service Fund are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

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 budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.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 prior.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 36,673,041	\$ 1,226,720
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.		(43,428)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	155,625	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 36,828,666	\$ 1,183,292

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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	\$ 36,173,348	\$ 1,226,720
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.		(43,428)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 36,173,348	\$ 1,183,292

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, 2011
(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 assets, 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 deferred 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, 2011.

K. Capital Assets:

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Fixed 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 assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2011.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

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 years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

In the district-wide *Statement of Net Assets*, 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. Deferred Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$1,422,988 General Fund fund balance at June 30, 2011, \$435,485 is assigned for encumbrances; \$155,005 is restricted in the capital reserve account; and \$832,498 is unassigned.

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 year's budget. The District did not have excess surplus as defined above.

The District's unassigned fund balance in the General Fund is the same on a GAAP basis as it is on the budgetary basis as reported in the fund statements (modified accrual basis) since the District received no state aid for 2010-11 was subject to P.L. 2003, C.97 which 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.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

Q. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the current fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions (as detailed in Note 1B). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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.

A fund balance restriction has been established for a capital reserve.

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 no committed resources at June 30, 2011.

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 year-end encumbrances in the General Fund at June 30, 2011.

R. Deficit Fund Balances/Net Assets

The District has no deficit fund balances as of June 30, 2011. However, there is a \$841,010 deficit in unrestricted net assets in Governmental Activities due to the accrual of \$819,505 of accrued interest payable and \$1,046,327 of compensated absences payable, offset by General Fund unassigned fund balance of \$832,498. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

S. Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

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.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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 below and 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.

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;

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

Investments: (Cont'd)

New Jersey statutes permit the Board to purchase the following types of securities: (Cont'd)

- (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.

As of June 30, 2011, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash Equivalents	Investments	Total
Checking and Savings Accounts	\$ 1,956,781		\$ 1,956,781
Certificates of Deposit		\$ 26,322	26,322
	\$ 1,956,781	\$ 26,322	\$ 1,983,103

During the period ended June 30, 2011, 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, 2011, was \$1,983,103 and the bank balance was \$2,567,774.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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 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, 2010 to June 30, 2011 fiscal year is as follows:

Beginning Balance, July 1, 2010	\$ -0-
Increase by Board Resolution - June 14, 2011	155,005
Ending Balance, June 30, 2011	\$ 155,005

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2011, District transfers to capital outlay were only for equipment. Therefore, no approval from the County Superintendent as per N.J.A.C. 6A:23A-13.3(h.) was required.

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 9,072,600			\$ 9,072,600
Total Capital Assets Not Being Depreciated	9,072,600			9,072,600
Capital Assets Being Depreciated:				
Land Improvements	2,884,408			2,884,408
Buildings and Building Improvements	54,220,610			54,220,610
Machinery and Equipment	3,576,025	\$ 7,619	\$ (8,460)	3,575,184
Total Capital Assets Being Depreciated	60,681,043	7,619	(8,460)	60,680,202
Governmental Activities Capital Assets	69,753,643	7,619	(8,460)	69,752,802
Less Accumulated Depreciation for:				
Land Improvements	(1,304,861)	(98,613)		(1,403,474)
Buildings and Building Improvements	(8,341,304)	(1,219,087)		(9,560,391)
Machinery and Equipment	(2,176,272)	(232,957)	8,460	(2,400,769)
	(11,822,437)	(1,550,657)	8,460	(13,364,634)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 57,931,206	\$ (1,543,038)	\$ -0-	\$ 56,388,168

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Capital asset balances and activity for the year ended June 30, 2011 were as follows: (Cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 287,505	\$ 14,625	\$ 8,460	\$ 310,590
Less Accumulated Depreciation	(242,669)	(5,237)	(8,460)	(256,366)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 44,836</u>	<u>\$ 9,388</u>	<u>\$ -0-</u>	<u>\$ 54,224</u>

The amounts in the adjustments/decreases column above and on the previous page represent fully depreciated Business-Type Activities assets inadvertently included in the Governmental Activities assets as of June 30, 2010.

Depreciation expense was charged to governmental functions as follows:

Student and Instruction Related Services	\$ 33,429
Plant Operations and Maintenance	12,285
Pupil Transportation	14,442
Unallocated	1,490,501
	<u>\$ 1,550,657</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2011, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance 6/30/2010</u>	<u>Added</u>	<u>Retired</u>	<u>Balance 6/30/2011</u>
Serial Bonds Payable	\$ 43,695,000		\$ 1,125,000	\$ 42,570,000
Less: Deferred Amount on Refunding	(12,880)		(1,840)	(11,040)
Net Serial Bonds Payable	43,682,120		1,123,160	42,558,960
Compensated Absences Payable	1,326,462	\$ 42,803	322,938	1,046,327
	<u>\$ 45,008,582</u>	<u>\$ 42,803</u>	<u>\$ 1,446,098</u>	<u>\$ 43,605,287</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds. The current portion of bonds at June 30, 2011 is \$1,170,000 and the long-term portion is \$41,400,000. The Debt Service Fund will be used to liquidate bonds payable.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable: (Cont'd)

The District had bonds outstanding as of June 30, 2011 as follows:

<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
02/15/2017	3.50%-4.00%	\$ 1,560,000
07/15/2035	4.50%-4.75%	32,005,000
09/15/2035	4.375%-4.50%	9,005,000
		<u>\$ 42,570,000</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>
2012	\$ 1,170,000	\$ 1,923,215	\$ 3,093,215
2013	1,210,000	1,872,443	3,082,443
2014	1,260,000	1,818,671	3,078,671
2015	1,300,000	1,762,593	3,062,593
2016	1,350,000	1,704,590	3,054,590
Thereafter:			
2017-2021	6,475,000	7,637,269	14,112,269
2022-2026	7,750,000	6,065,791	13,815,791
2027-2031	9,750,000	4,067,171	13,817,171
2032-2036	12,305,000	1,499,682	13,804,682
	<u>\$42,570,000</u>	<u>\$ 28,351,425</u>	<u>\$ 70,921,425</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2011, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

As of June 30, 2011, the Board had no capital leases payable.

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current liability portion of compensated absences at June 30, 2011 is \$83,617 and the long-term liability balance of compensated absences is \$962,710.

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, 2011, no liability existed for compensated absences in the Enterprise Funds.

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 8. 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. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at or after age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Vesting occurs after 8 to 10 years of service.

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 each of the above systems. 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.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

District contributions to PERS amounted to \$355,571, \$276,367 and \$227,265 for 2011, 2010 and 2009, respectively.

The State of New Jersey made no contributions to the TPAF for normal pension benefits on behalf of the District for the fiscal years ending June 30, 2011, 2010 and 2009, respectively.

NOTE 9. 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, 2010, there were 87,288 retirees receiving post-retirement medical benefits. 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 \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members for Fiscal Year 2010.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$1,184,589, \$1,095,040 and \$1,145,010 for 2011, 2010 and 2009, respectively.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 10. 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. Effective March 1, 2011, the District has health benefits coverage for its employees under the State Employees' Health Benefit Plan. Prior to this, the District had health benefits coverage for its employees under a traditionally funded nonparticipating plan with Oxford Health Plans.

Property and Liability Insurance

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

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

The June 30, 2011 audits were not available as of the date of this report. Selected, summarized financial information for the Group and the Fund as of June 30, 2010 is as follows:

	<u>Group</u>	<u>Fund</u>
Total Assets	\$ 6,704,867	\$ 34,204,943
Net Assets	\$ 2,481,257	\$ 12,737,759
Total Revenue	\$ 2,839,218	\$ 29,467,938
Total Expenses	\$ 2,151,940	\$ 29,997,505
Net Assets Distribution to Participating Members	\$ 607,096	\$ 1,150,000
Change in Net Assets for the Year Ended June 30	\$ 80,182	\$ (1,679,567)

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

<u>Group</u> Burton Agency 44 Bergen Street P.O. Box 270 Westwood, NJ 07675 (201) 664-0310	<u>Fund</u> Public Entity Group Administrative Services 51 Everett Drive Suite B-40 West Windsor, NJ 08550 (609) 275-1155
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BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of 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 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>
2010-2011	\$ -0-	\$ 893	\$ 43,814	\$ 102,758	\$ 288,042
2009-2010	-0-	1,538	36,601	77,090	346,093
2008-2009	-0-	6,544	42,323	47,162	385,044

NOTE 11. ECONOMIC DEPENDENCY

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

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 29,015	
Special Revenue Fund		\$ 29,015
	<u>\$ 29,015</u>	<u>\$ 29,015</u>

The General Fund interfund receivable due from the Special Revenue Fund represents an interfund loan at June 30, 2011.

NOTE 13. DEFERRED COMPENSATION

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

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

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 14. 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.

NOTE 15. OTHER RECEIVABLES

The following other receivables balances existed as of June 30, 2011:

	Governmental Activities		
	General Fund	Special Revenue Fund	Total Governmental Funds
Tuition	\$ 6,000		\$ 6,000
Refunds/Reimbursements		\$ 65	65
Local Grants		485	485
	\$ 6,000	\$ 550	\$ 6,550

NOTE 16. 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.

Arbitrage

The District may have a liability for arbitrage payable to the federal government relative to its School Bonds. The amount of liability at June 30, 2011, if any, is unknown.

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 16. COMMITMENTS AND CONTINGENCIES (Cont'd)

Encumbrances

At June 30, 2011, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

<u>Governmental Funds</u>		
<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
<u>\$ 435,485</u>	<u>\$ 51,584</u>	<u>\$ 487,069</u>

On the District's Governmental Funds Balance Sheet as of June 30, 2011, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$51,584 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in deferred revenue in the Special Revenue Fund.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<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	\$ 31,889,528		\$ 31,889,528	\$ 31,889,528	
Tuition	1,527,125		1,527,125	1,660,699	\$ 133,574
Miscellaneous	7,270,000		7,270,000	343,438	(6,926,562)
Total - Local Sources	<u>40,686,653</u>		<u>40,686,653</u>	<u>33,893,665</u>	<u>(6,792,988)</u>
State Sources:					
Extraordinary Special Education Costs Aid				132,577	132,577
Nonpublic School Transportation Costs				27,782	27,782
On-Behalf TPAF Contributions:					
Post Retirement Medical (Non-Budgeted)				1,184,589	1,184,589
Non-Contributory Insurance (Non-Budgeted)				55,772	55,772
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				1,326,019	1,326,019
Total State Sources				<u>2,726,739</u>	<u>2,726,739</u>
Federal Sources:					
Education Jobs Fund		\$ 52,637	52,637	52,637	
Total Federal Sources		<u>52,637</u>	<u>52,637</u>	<u>52,637</u>	
TOTAL REVENUES	<u>40,686,653</u>	<u>52,637</u>	<u>40,739,290</u>	<u>36,673,041</u>	<u>(4,066,249)</u>

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 296,154	\$ (99,865)	\$ 196,289	\$ 190,697	\$ 5,592
Grades 1-5 - Salaries of Teachers	4,304,768	(200,847)	4,103,921	4,103,921	
Grades 6-8 - Salaries of Teachers	2,365,951	(56,970)	2,308,981	2,300,718	8,263
Grades 9-12 - Salaries of Teachers	4,412,528	121,037	4,533,565	4,520,690	12,875
Regular Programs - Home Instruction:					
Salaries of Teachers	25,000		25,000	20,538	4,462
Purchased Professional - Educational Services	80,000	(73,182)	6,818	6,726	92
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	5,711	(2,500)	3,211	3,033	178
Other Purchased Services (400-500 series)	87,446	76,319	163,765	93,578	70,187
General Supplies	733,484	2,437	735,921	307,446	428,475
Textbooks	83,214	(5,486)	77,728	77,539	189
Other Objects	20,651	(6,257)	14,394	11,386	3,008
Total Regular Programs - Instruction	<u>12,414,907</u>	<u>(245,314)</u>	<u>12,169,593</u>	<u>11,636,272</u>	<u>533,321</u>
Special Education - Instruction:					
Cognitive Mild:					
General Supplies		2,865	2,865	2,865	
Total Cognitive Mild		<u>2,865</u>	<u>2,865</u>	<u>2,865</u>	
Learning and/or Language Disabilities:					
General Supplies	4,000	(4,000)			
Textbooks	500	(500)			
Total Learning and/or Language Disabilities	<u>4,500</u>	<u>(4,500)</u>			

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Resource Room/Resource Center:					
Salaries of Teachers	\$ 1,818,623	\$ 50,247	\$ 1,868,870	\$ 1,868,870	
General Supplies	7,957	(1,023)	6,934	6,934	
Textbooks	1,000	(855)	145		\$ 145
Total Resource Room/Resource Center	<u>1,827,580</u>	<u>48,369</u>	<u>1,875,949</u>	<u>1,875,804</u>	<u>145</u>
Autism:					
Purchased Services (300-500 series)		800	800	800	
General Supplies		7,669	7,669	6,937	732
Total Autism		<u>8,469</u>	<u>8,469</u>	<u>7,737</u>	<u>732</u>
Preschool Disabilities - Part-time:					
Salaries of Teachers	112,610	30,831	143,441	142,612	829
Other Salaries for Instruction	45,502	(149)	45,353	45,353	
General Supplies	2,800	(877)	1,923	1,044	879
Total Preschool Disabilities - Part-time	<u>160,912</u>	<u>29,805</u>	<u>190,717</u>	<u>189,009</u>	<u>1,708</u>
Total Special Education Instruction	<u>1,992,992</u>	<u>85,008</u>	<u>2,078,000</u>	<u>2,075,415</u>	<u>2,585</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	325,380	61,765	387,145	386,945	200
Total Basic Skills/Remedial - Instruction	<u>325,380</u>	<u>61,765</u>	<u>387,145</u>	<u>386,945</u>	<u>200</u>
Bilingual Education - Instruction:					
Salaries of Teachers	220,231	1,095	221,326	221,325	1
Total Bilingual Education - Instruction	<u>220,231</u>	<u>1,095</u>	<u>221,326</u>	<u>221,325</u>	<u>1</u>

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 180,847	\$ 23,506	\$ 204,353	\$ 203,223	\$ 1,130
Purchased Services (300-500 series)	7,657	2,404	10,061	9,727	334
Supplies and Materials	29,711	(25,625)	4,086	2,061	2,025
Total School-Sponsored Cocurricular Activities - Instruction	218,215	285	218,500	215,011	3,489
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	561,542	6,898	568,440	568,440	
Purchased Services (300-500 series)	100,742	(5,445)	95,297	91,693	3,604
Supplies and Materials	81,445	(12,000)	69,445	58,428	11,017
Other Objects	14,550	(4,644)	9,906	7,997	1,909
Total School-Sponsored Cocurricular Athletics - Instruction	758,279	(15,191)	743,088	726,558	16,530
Community Services Programs/Operations:					
Salaries	8,000	(8,000)			
Total Community Services Programs/Operations	8,000	(8,000)			
Total Instruction	15,938,004	(120,352)	15,817,652	15,261,526	556,126
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	25,000	21,062	46,062	46,062	
Tuition to Other LEAs Within the State - Special	369,579	(212)	369,367	369,336	31
Tuition to County Vocational Schools - Regular	40,224	13,410	53,634	51,846	1,788
Tuition to County Vocational Schools - Special	24,100	(3,887)	20,213	16,870	3,343
Tuition to Private Schools for the Disabled - Within the State	727,204	68,432	795,636	781,663	13,973
Tuition to Private Schools for the Disabled and Other LEAs - Special - Outside the State	43,200	(34,380)	8,820	8,820	
Total Undistributed Expenditures - Instruction	1,229,307	64,425	1,293,732	1,274,597	19,135

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Health Services:					
Salaries	\$ 289,196	\$ 2,043	\$ 291,239	\$ 291,159	\$ 80
Purchased Professional and Technical Services	12,000	250	12,250	12,250	
Other Purchased Services (400-500 series)	1,300	(1,300)			
Supplies and Materials	11,965	(1,464)	10,501	10,337	164
Total Health Services	314,461	(471)	313,990	313,746	244
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	434,656	(19,647)	415,009	414,999	10
Purchased Professional - Educational Services	15,651	122,262	137,913	130,121	7,792
Supplies and Materials	3,000	(500)	2,500	2,376	124
Total Other Support Services - Speech, OT, PT and Related Services	453,307	102,115	555,422	547,496	7,926
Other Support Services - Students - Extraordinary Services:					
Salaries	555,638	74,230	629,868	628,794	1,074
Purchased Professional - Educational Services	58,500	10,440	68,940	64,907	4,033
Total Other Support Services - Students - Extraordinary Services	614,138	84,670	698,808	693,701	5,107
Other Support Services - Guidance:					
Salaries of Other Professional Staff	665,540	7,002	672,542	672,463	79
Salaries of Secretarial and Clerical Assistants	99,495	(5,705)	93,790	93,790	
Purchased Professional - Educational Services	4,281	(3,600)	681	441	240
Other Purchased Services (400-500 series)	3,000	(2,900)	100	36	64
Supplies and Materials	5,576	(3,784)	1,792	1,593	199
Other Objects	4,339	(947)	3,392	2,474	918
Total Other Support Services - Guidance	782,231	(9,934)	772,297	770,797	1,500

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Support Services - Child Study Teams:					
Salaries of Other Professional Staff	\$ 887,949	\$ 6,225	\$ 894,174	\$ 893,423	\$ 751
Salaries of Secretarial and Clerical Assistants	91,600	(810)	90,790	90,790	
Other Purchased Professional and Technical Services	10,976	(5,910)	5,066	4,740	326
Miscellaneous Purchased Services (400-500 series)	3,000	(1,914)	1,086	1,086	
Supplies and Materials	16,000	(1,383)	14,617	10,550	4,067
Other Objects	2,500	(500)	2,000	1,356	644
Total Other Support Services - Child Study Teams	1,012,025	(4,292)	1,007,733	1,001,945	5,788
Improvement of Instructional Services:					
Salaries of Other Professional Staff	5,000	7,745	12,745	11,863	882
Other Purchased Services (400-500 series)	3,200	(1,051)	2,149	2,149	
Supplies and Materials	2,750	(89)	2,661	2,661	
Other Objects	15,500		15,500	15,500	
Total Improvement of Instructional Services	26,450	6,605	33,055	32,173	882
Educational Media Services/School Library:					
Salaries	486,992	(1,586)	485,406	485,081	325
Salaries of Technology Coordinators	83,440	1,252	84,692	84,692	
Other Purchased Services (400-500 series)	9,790	(2,236)	7,554	7,554	
Supplies and Materials	94,713	(12,147)	82,566	78,899	3,667
Total Educational Media Services/School Library	674,935	(14,717)	660,218	656,226	3,992
Instructional Staff Training Services:					
Purchased Professional - Educational Services	3,680	(3,680)			
Other Purchased Services (400-500 series)	10,652	(1,635)	9,017	7,684	1,333
Total Instructional Staff Training Services	14,332	(5,315)	9,017	7,684	1,333

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administration:					
Salaries	\$ 503,795	\$ 5,400	\$ 509,195	\$ 492,243	\$ 16,952
Legal Services	120,000	10,000	130,000	105,626	24,374
Audit Fees	38,800	(1,485)	37,315	37,315	
Architectural/Engineering Services	17,270	(2,270)	15,000	1,500	13,500
Other Purchased Professional Services	5,500	(5,500)			
Purchased Technical Services	19,000	12,438	31,438	25,958	5,480
Communications/Telephone	85,000	58,636	143,636	140,016	3,620
BOE Other Purchased Services	6,800	(2,400)	4,400	765	3,635
Miscellaneous Purchased Services (400-500 series)	23,500	(1,810)	21,690	21,213	477
General Supplies	8,800	(3,338)	5,462	4,701	761
Judgments Against the School District	10,000	66,500	76,500	76,500	
Miscellaneous Expenditures	94,000	(944)	93,056	92,723	333
BOE Membership Dues and Fees	30,177	(4,427)	25,750	25,503	247
Total Support Services - General Administration	962,642	130,800	1,093,442	1,024,063	69,379
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	891,486	(21,351)	870,135	869,495	640
Salaries of Secretarial and Clerical Assistants	406,957	(5,484)	401,473	401,473	
Other Purchased Services (400-500 series)	8,889	(1,299)	7,590	5,801	1,789
Supplies and Materials	46,929	(6,657)	40,272	36,703	3,569
Other Objects		3,565	3,565	3,565	
Total Support Services - School Administration	1,354,261	(31,226)	1,323,035	1,317,037	5,998
Central Services:					
Salaries	411,373	1,033	412,406	412,406	
Miscellaneous Purchased Services (400-500 series)	67,950	11,910	79,860	67,281	12,579
Supplies and Materials	17,800	165	17,965	17,852	113
Miscellaneous Expenditures	24,000	(5,474)	18,526	11,922	6,604
Total Central Services	521,123	7,634	528,757	509,461	19,296

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Administration Information Technology:					
Salaries	\$ 110,651	\$ (10,903)	\$ 99,748	\$ 99,748	
Other Purchased Services (400-500 series)	7,300	(2,500)	4,800	4,800	
Total Administration Information Technology	117,951	(13,403)	104,548	104,548	
Required Maintenance for School Facilities:					
Salaries	388,620	(26,327)	362,293	358,851	\$ 3,442
Cleaning, Repair and Maintenance Services	571,032	(141,003)	430,029	404,139	25,890
General Supplies	50,100	(21,000)	29,100	28,801	299
Other Objects	3,628	325	3,953	3,496	457
Total Required Maintenance for School Facilities	1,013,380	(188,005)	825,375	795,287	30,088
Custodial Services:					
Salaries	965,881	105,864	1,071,745	1,071,614	131
Purchased Professional and Technical Services	7,000	(2,800)	4,200	3,800	400
Cleaning, Repair and Maintenance Services	3,000	(3,000)			
Other Purchased Property Services	74,000	(4,200)	69,800	58,667	11,133
Insurance	123,419	(1,705)	121,714	121,714	
Miscellaneous Purchased Services	20,000	(6,967)	13,033	11,733	1,300
General Supplies	80,000	(15,100)	64,900	52,408	12,492
Energy (Electricity)	791,894	(111,092)	680,802	651,237	29,565
Other Objects	8,875	(4,100)	4,775	4,672	103
Total Custodial Services	2,074,069	(43,100)	2,030,969	1,975,845	55,124

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Care & Upkeep of Grounds:					
Salaries	\$ 175,102	\$ (18,236)	\$ 156,866	\$ 156,866	
Cleaning, Repair and Maintenance Services	30,000	(10,900)	19,100	19,095	\$ 5
General Supplies	15,000	(1,000)	14,000	12,889	1,111
Total Care & Upkeep of Grounds	220,102	(30,136)	189,966	188,850	1,116
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	50,000	51,105	101,105	96,108	4,997
Cleaning, Repair and Maintenance Services	4,564	(2,802)	1,762	1,022	740
Contracted Services:					
Between Home and School - Vendors	213,000	32,118	245,118	227,856	17,262
Other Than Between Home and School - Vendors	72,083	(21,627)	50,456	30,329	20,127
Special Education Students - Vendors	665,000	109,550	774,550	748,108	26,442
Aid in Lieu - Nonpublic Students	120,000	(7,525)	112,475	112,033	442
Supplies and Materials	44,500	(12,210)	32,290	19,460	12,830
Total Student Transportation Services	1,169,147	148,609	1,317,756	1,234,916	82,840
Unallocated Benefits:					
Social Security Contributions	412,000	(13,640)	398,360	387,076	11,284
Other Retirement Contributions - PERS	292,000	63,571	355,571	355,571	
Workmen's Compensation	197,183		197,183	192,931	4,252
Health Benefits	4,656,592	(153,577)	4,503,015	4,446,829	56,186
Tuition Reimbursement	85,000		85,000	71,365	13,635
Other Employee Benefits	435,680		435,680	435,679	1
Total Unallocated Benefits	6,078,455	(103,646)	5,974,809	5,889,451	85,358

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
On-Behalf TPAF Contributions:					
Post Retirement Medical (non-budgeted)				\$ 1,184,589	\$ (1,184,589)
Non-Contributory Insurance (non-budgeted)				55,772	(55,772)
Reimbursed TPAF Social Security Contributions (non-budgeted)				1,326,019	(1,326,019)
Total On-Behalf and Reimbursed Contributions				<u>2,566,380</u>	<u>(2,566,380)</u>
Total Personal Services - Employee Benefits	<u>\$ 6,078,455</u>	<u>\$ (103,646)</u>	<u>\$ 5,974,809</u>	<u>8,455,831</u>	<u>(2,481,022)</u>
Total Undistributed Expenses	<u>18,632,316</u>	<u>100,613</u>	<u>18,732,929</u>	<u>20,904,203</u>	<u>(2,171,274)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>34,570,320</u>	<u>(19,739)</u>	<u>34,550,581</u>	<u>36,165,729</u>	<u>(1,615,148)</u>
CAPITAL OUTLAY					
Undistributed Expenditures:					
Instruction	255,033		255,033		255,033
Administration Information Technology		72,376	72,376	7,619	64,757
Total Equipment	<u>255,033</u>	<u>72,376</u>	<u>327,409</u>	<u>7,619</u>	<u>319,790</u>
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	540,000		540,000		540,000
Construction Services	4,860,000		4,860,000		4,860,000
Land and Improvements	1,000,000		1,000,000		1,000,000
Total Facilities Acquisition and Construction Services	<u>6,400,000</u>		<u>6,400,000</u>		<u>6,400,000</u>
TOTAL CAPITAL OUTLAY	<u>6,655,033</u>	<u>72,376</u>	<u>6,727,409</u>	<u>7,619</u>	<u>6,719,790</u>
TOTAL EXPENDITURES	<u>41,225,353</u>	<u>52,637</u>	<u>41,277,990</u>	<u>36,173,348</u>	<u>5,104,642</u>

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ (538,700)	\$ -0-	\$ (538,700)	\$ 499,693	\$ 1,038,393
Fund Balance, July 1	<u>923,295</u>		<u>923,295</u>	<u>923,295</u>	
Fund Balance, June 30	<u>\$ 384,595</u>	<u>\$ -0-</u>	<u>\$ 384,595</u>	<u>\$ 1,422,988</u>	<u>\$ 1,038,393</u>
Recapitulation:					
Restricted - Capital Reserve				\$ 155,005	
Assigned - Year-End Encumbrances				435,485	
Unassigned				<u>832,498</u>	
				1,422,988	
Reconciliation to Governmental Funds Statement (GAAP):					
June State Aid Payments not Recognized on GAAP Basis				<u>-0-</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 1,422,988</u>	

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
State Sources	\$ 133,965	\$ (3,269)	\$ 130,696	\$ 97,754	\$ (32,942)
Federal Sources	904,716	197,505	1,102,221	1,044,712	(57,509)
Local Sources		111,161	111,161	84,254	(26,907)
Total Revenues	<u>1,038,681</u>	<u>305,397</u>	<u>1,344,078</u>	<u>1,226,720</u>	<u>(117,358)</u>
EXPENDITURES:					
Instruction					
Personal Services - Salaries	254,891	56,282	311,173	311,173	
Purchased Professional and Technical Services	110,594	4,880	115,474	77,917	37,557
Tuition	421,444	(65,460)	355,984	355,492	492
Other Purchased Services		1,000	1,000		1,000
General Supplies	39,458	78,752	118,210	103,759	14,451
Textbooks	23,371	(3,534)	19,837	19,837	
Total Instruction	<u>849,758</u>	<u>71,920</u>	<u>921,678</u>	<u>868,178</u>	<u>53,500</u>
Support Services					
Personal Services - Salaries	34,174	(34,174)			
Personal Services - Employee Benefits	71,919	(9,685)	62,234	62,234	
Purchased Professional and Technical Services	44,374	207,288	251,662	202,140	49,522
Other Purchased Services	36,890	16,846	53,736	50,303	3,433
Supplies and Materials	1,566	448	2,014	2,014	
Total Support Services	<u>188,923</u>	<u>180,723</u>	<u>369,646</u>	<u>316,691</u>	<u>52,955</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment		52,754	52,754	41,851	10,903
Total Facilities Acquisition and Construction Services		<u>52,754</u>	<u>52,754</u>	<u>41,851</u>	<u>10,903</u>
Total Expenditures	<u>1,038,681</u>	<u>305,397</u>	<u>1,344,078</u>	<u>1,226,720</u>	<u>117,358</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, 2011

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 36,673,041	\$ 1,226,720
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.		(43,428)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	<u>155,625</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 36,828,666</u>	<u>\$ 1,183,292</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 36,173,348	\$ 1,226,720
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.		<u>(43,428)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 36,173,348</u>	<u>\$ 1,183,292</u>

BOROUGH OF MADISON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.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 prior year.

**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, 2011

	No Child Left Behind					
	Title I	Title II		Title III		Title IV
	2010-11	2010-11	2009-10	2010-11	2009-10	2010-11
REVENUE:						
State Sources						
Federal Sources	\$ 82,408	\$ 52,194	\$ 1,579	\$ 18,321	\$ 55	\$ 585
Local Sources						
Total Revenue	\$ 82,408	\$ 52,194	\$ 1,579	\$ 18,321	\$ 55	\$ 585
EXPENDITURES:						
Instruction:						
Personal Services - Salaries	\$ 60,000					
Purchased Professional and Technical Services						
Tuition						
General Supplies	10,408	\$ 11,326		\$ 8,050	\$ 55	
Textbooks						
Total Instruction	70,408	11,326		8,050	55	
Support Services:						
Personal Services - Employee Benefits	12,000					
Purchased Professional and Technical Services		5,000				
Other Purchased Services		35,868	\$ 1,579	10,271		\$ 585
Supplies and Materials						
Total Support Services	12,000	40,868	1,579	10,271		585
Facilities Acquisition:						
Instructional Equipment						
Total Facilities Acquisition						
Total Expenditures	\$ 82,408	\$ 52,194	\$ 1,579	\$ 18,321	\$ 55	\$ 585

BOROUGH OF MADISON SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	IDEA Part B Basic Regular			IDEA Part B Basic Preschool	
	ARRA			ARRA	
	2009-11			2010-11	
REVENUE:					
State Sources					
Federal Sources	\$ 395,150	\$ 460,496	\$ 2,321	\$ 13,723	\$ 17,880
Local Sources					
Total Revenue	\$ 395,150	\$ 460,496	\$ 2,321	\$ 13,723	\$ 17,880
EXPENDITURES:					
Instruction:					
Personal Services - Salaries	\$ 251,173				
Purchased Professional and Technical Services					
Tuition		\$ 337,135	\$ 1,839		\$ 16,518
General Supplies	20,937	22	482	\$ 9,214	1,362
Textbooks					
Total Instruction	272,110	337,157	2,321	9,214	17,880
Support Services:					
Personal Services - Employee Benefits	50,234				
Purchased Professional and Technical Services	72,806	121,339		2,995	
Other Purchased Services		2,000			
Supplies and Materials				1,514	
Total Support Services	123,040	123,339		4,509	
Facilities Acquisition:					
Instructional Equipment					
Total Facilities Acquisition					
Total Expenditures	\$ 395,150	\$ 460,496	\$ 2,321	\$ 13,723	\$ 17,880

BOROUGH OF MADISON SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	NJ Nonpublic		Nonpublic Auxiliary Services (Chapter 192) Compensatory Education	Nonpublic Handicapped Services (Chapter 193)		
	Textbooks	Nursing		Supplementary Instruction	Examination and Classification	Corrective Speech
REVENUE:						
State Sources	\$ 19,837	\$ 24,852	\$ 5,693	\$ 12,506	\$ 19,299	\$ 15,567
Federal Sources						
Local Sources						
Total Revenue	<u>\$ 19,837</u>	<u>\$ 24,852</u>	<u>\$ 5,693</u>	<u>\$ 12,506</u>	<u>\$ 19,299</u>	<u>\$ 15,567</u>
EXPENDITURES:						
Instruction:						
Personal Services - Salaries						
Purchased Professional and Technical Services		\$ 24,852	\$ 5,693	\$ 12,506	\$ 19,299	\$ 15,567
Tuition						
General Supplies						
Textbooks	\$ 19,837					
Total Instruction	<u>19,837</u>	<u>24,852</u>	<u>5,693</u>	<u>12,506</u>	<u>19,299</u>	<u>15,567</u>
Support Services:						
Personal Services - Employee Benefits						
Purchased Professional and Technical Services						
Other Purchased Services						
Supplies and Materials						
Total Support Services						
Facilities Acquisition:						
Instructional Equipment						
Total Facilities Acquisition						
Total Expenditures	<u>\$ 19,837</u>	<u>\$ 24,852</u>	<u>\$ 5,693</u>	<u>\$ 12,506</u>	<u>\$ 19,299</u>	<u>\$ 15,567</u>

BOROUGH OF MADISON SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Local Programs</u>	<u>Totals June 30, 2011</u>
REVENUE:		
State Sources		\$ 97,754
Federal Sources		1,044,712
Local Sources	\$ 84,254	84,254
Total Revenue	<u>\$ 84,254</u>	<u>\$ 1,226,720</u>
EXPENDITURES:		
Instruction:		
Personal Services - Salaries		\$ 311,173
Purchased Professional and Technical Services		77,917
Tuition		355,492
General Supplies	\$ 41,903	103,759
Textbooks		19,837
Total Instruction	<u>41,903</u>	<u>868,178</u>
Support Services:		
Personal Services - Employee Benefits		62,234
Purchased Professional and Technical Services		202,140
Other Purchased Services		50,303
Supplies and Materials	500	2,014
Total Support Services	<u>500</u>	<u>316,691</u>
Facilities Acquisition:		
Instructional Equipment	41,851	41,851
Total Facilities Acquisition	<u>41,851</u>	<u>41,851</u>
Total Expenditures	<u>\$ 84,254</u>	<u>\$ 1,226,720</u>

**CAPITAL PROJECTS FUND
(NOT APPLICABLE)**

PROPRIETARY FUNDS

BOROUGH OF MADISON SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 87,024
Receivables from Other Governments	6,223
Inventories	11,973
	<hr/>

Total Current Assets

105,220

Non-Current Assets:

Capital Assets	310,590
Less: Accumulated Depreciation	(256,366)
	<hr/>

Total Non-Current Assets

54,224

Total Assets

159,444

LIABILITIES:

Current Liabilities:

Accounts Payable - Vendors	31,173
Deferred Revenue - Prepaid Sales	13,769
	<hr/>

Total Current Liabilities

44,942

Total Liabilities

44,942

NET ASSETS:

Investment in Capital Assets, Net of Related Debt	54,224
Unrestricted	60,278
	<hr/>

Total Net Assets

\$ 114,502

BOROUGH OF MADISON SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs:	
School Lunch Program	\$ 260,303
Special Milk Program	1,614
Total Daily Sales - Reimbursable Programs	<u>261,917</u>
Daily Sales - Non-Reimbursable Programs	349,283
Special Events	<u>5,162</u>
Total Operating Revenue	<u>616,362</u>
Operating Expenses:	
Cost of Sales	339,702
Salaries	197,256
Payroll Taxes	30,573
Employee Benefits	44,242
Purchased Property Services	64,739
Supplies and Materials	33,522
Depreciation Expense	<u>5,237</u>
Total Operating Expenses	<u>715,271</u>
Operating Loss	<u>(98,909)</u>
Non-Operating Revenue:	
State Sources:	
School Lunch Program	5,928
School Lunch Program - Supplemental	329
Federal Sources:	
Special Milk Program	824
National School Lunch Program	92,829
Food Distribution Program	<u>24,996</u>
Total Non-Operating Revenue	<u>124,906</u>
Change in Net Assets	25,997
Net Assets - Beginning of Year	<u>88,505</u>
Net Assets - End of Year	<u>\$ 114,502</u>

BOROUGH OF MADISON SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 649,421
Payments to Food Service Vendor	(630,352)
Payments to Suppliers	<u>(20,673)</u>
Net Cash Used for Operating Activities	<u>(1,604)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	6,006
Federal Sources	<u>94,383</u>
Net Cash Provided by Noncapital Financing Activities	<u>100,389</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	<u>(14,625)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(14,625)</u>
Net Increase in Cash and Cash Equivalents	84,160
Cash and Cash Equivalents, July 1	<u>2,864</u>
Cash and Cash Equivalents, June 30	<u>\$ 87,024</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (98,909)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	5,237
Federal Food Distribution Program	24,996
Changes in Assets and Liabilities:	
Decrease in Other Receivables	19,290
Decrease in Inventories	2,840
Increase in Accounts Payable	31,173
Increase in Deferred Revenue - Prepaid Sales	<u>13,769</u>
Net Cash Used for Operating Activities	<u>\$ (1,604)</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 \$24,996 for the fiscal year ended June 30, 2011.

FIDUCIARY FUNDS

BOROUGH OF MADISON SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Agency</u>		<u>Total</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>			
ASSETS:					
Cash and Cash Equivalents	\$ 303,509	\$ 2,703	\$ 306,212	\$ 288,042	\$ 137,528
Investments					26,322
Total Assets	<u>303,509</u>	<u>2,703</u>	<u>306,212</u>	<u>288,042</u>	<u>163,850</u>
LIABILITIES:					
Payroll Deductions and Withholdings Due to Student Groups	<u>303,509</u>	<u>2,703</u>	<u>2,703</u> <u>303,509</u>		
Total Liabilities	<u>303,509</u>	<u>2,703</u>	<u>306,212</u>		
NET ASSETS:					
Held in Trust for Unemployment Claims Reserved for Scholarships				<u>288,042</u>	<u>163,850</u>
Total Net Assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 288,042</u>	<u>\$ 163,850</u>

Exhibit H-2

BOROUGH OF MADISON SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
ADDITIONS:		
Contributions:		
Plan member	\$ 43,814	
Other		\$ 21,451
Total Contributions	<u>43,814</u>	<u>21,451</u>
Investment Earnings:		
Interest	893	344
Net Investment Earnings	<u>893</u>	<u>344</u>
Total Additions	<u>44,707</u>	<u>21,795</u>
DEDUCTIONS:		
Quarterly Contribution Reports	102,758	
Scholarships Awarded		14,795
Total Deductions	<u>102,758</u>	<u>14,795</u>
Change in Net Assets	(58,051)	7,000
Net Assets - Beginning of the Year	<u>346,093</u>	<u>156,850</u>
Net Assets - End of the Year	<u>\$ 288,042</u>	<u>\$ 163,850</u>

BOROUGH OF MADISON SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS:				
Cash and Cash Equivalents	\$ 235,421	\$ 472,148	\$ 404,060	\$ 303,509
Total Assets	<u>\$ 235,421</u>	<u>\$ 472,148</u>	<u>\$ 404,060</u>	<u>\$ 303,509</u>
LIABILITIES:				
Due to Student Groups	\$ 235,421	\$ 472,148	\$ 404,060	\$ 303,509
Total Liabilities	<u>\$ 235,421</u>	<u>\$ 472,148</u>	<u>\$ 404,060</u>	<u>\$ 303,509</u>

BOROUGH OF MADISON SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Elementary Schools:				
Central Avenue	\$ 3,198	\$ 10,653	\$ 10,595	\$ 3,256
Kings Road	1,284	9,674	6,944	4,014
Torey J. Sabatini	1,220	6,650	7,084	786
Total Elementary Schools	<u>5,702</u>	<u>26,977</u>	<u>24,623</u>	<u>8,056</u>
Middle Schools:				
Junior School	<u>57,796</u>	<u>56,153</u>	<u>55,432</u>	<u>58,517</u>
High School	<u>171,923</u>	<u>305,730</u>	<u>240,717</u>	<u>236,936</u>
Athletic Fund		<u>83,288</u>	<u>83,288</u>	
Total All Schools/Funds	<u>\$ 235,421</u>	<u>\$ 472,148</u>	<u>\$ 404,060</u>	<u>\$ 303,509</u>

BOROUGH OF MADISON SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS:				
Cash and Cash Equivalents	\$ 2,978	\$ 25,187,624	\$ 25,187,899	\$ 2,703
Total Assets	<u>\$ 2,978</u>	<u>\$ 25,187,624</u>	<u>\$ 25,187,899</u>	<u>\$ 2,703</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 2,978	\$ 25,187,624	\$ 25,187,899	\$ 2,703
Total Liabilities	<u>\$ 2,978</u>	<u>\$ 25,187,624</u>	<u>\$ 25,187,899</u>	<u>\$ 2,703</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance June 30, 2010	Retired/ Matured	Balance June 30, 2011
			Outstanding					
			Date	Amount				
School Refunding Bonds	08/15/05	\$ 2,695,000	02/15/12	\$ 260,000	3.50%	\$ 1,820,000	\$ 260,000	\$ 1,560,000
			02/15/13	255,000	4.00%			
			02/15/14	265,000	4.00%			
			02/15/15-17	260,000	4.00%			
Various School Improvements	11/15/05	34,835,000	07/15/11	685,000	4.500%	32,655,000	650,000	32,005,000
			07/15/12	715,000	4.500%			
			07/15/13	750,000	4.500%			
			07/15/14	790,000	4.500%			
			07/15/15	825,000	4.500%			
			07/15/16	865,000	4.500%			
			07/15/17	910,000	4.500%			
			07/15/18	955,000	4.500%			
			07/15/19	1,000,000	4.500%			
			07/15/20	1,045,000	4.500%			
			07/15/21	1,100,000	4.500%			
			07/15/22	1,155,000	4.500%			
			07/15/23	1,205,000	4.625%			
			07/15/24	1,265,000	4.625%			
			07/15/25	1,325,000	4.625%			
			07/15/26	1,395,000	4.625%			
			07/15/27	1,460,000	4.700%			
			07/15/28	1,530,000	4.700%			
			07/15/29	1,610,000	4.750%			
			07/15/30	1,685,000	4.750%			
			07/15/31	1,765,000	4.750%			
			07/15/32	1,850,000	4.750%			
			07/15/33	1,945,000	4.750%			
			07/15/34	2,040,000	4.750%			
			07/15/35	2,135,000	4.750%			
			Various School Improvements	12/27/07	11,085,000			
09/15/12	240,000	4.375%						
09/15/13	245,000	4.375%						
09/15/14	250,000	4.375%						
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%						
09/15/31	470,000	4.500%						
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%						
						9,220,000	215,000	9,005,000
						<u>\$ 43,695,000</u>	<u>\$ 1,125,000</u>	<u>\$ 42,570,000</u>

BOROUGH OF MADISON SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOT APPLICABLE

BOROUGH OF MADISON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<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	\$ 2,529,425		\$ 2,529,425	\$ 2,529,425	
State Sources:					
Debt Service Aid Type II	567,552		567,552	567,552	
Total Revenues	<u>3,096,977</u>		<u>3,096,977</u>	<u>3,096,977</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	1,971,977		1,971,977	1,971,977	
Redemption of Principal	1,125,000		1,125,000	1,125,000	
Total Regular Debt Service	<u>3,096,977</u>		<u>3,096,977</u>	<u>3,096,977</u>	
Total Expenditures	<u>3,096,977</u>		<u>3,096,977</u>	<u>3,096,977</u>	
Excess/(Deficit) of Revenues Over/(Under) Expenditures	-0-		-0-	-0-	
Fund Balance, July 1	<u>-0-</u>		<u>-0-</u>	<u>-0-</u>	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

STATISTICAL SECTION

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

	<u>Exhibit</u>
<p>Financial Trends</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>Revenue Capacity</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>Debt Capacity</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>Demographic and Economic Information</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>Operating Information</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. The District implemented Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2005.

BOROUGH OF MADISON SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:							
Invested in Capital Assets,							
Net of Related Debt	\$ 12,778,973	\$ 13,930,905	\$ 14,279,111	\$ 15,643,124	\$ 14,575,115	\$ 14,236,206	\$ 13,829,208
Restricted	4,026,956	2,744,287	3,902,193	2,440,309	996,260	268,850	590,490
Unrestricted/(Deficit)	(886,965)	(2,065,303)	(1,363,819)	(1,546,372)	(1,696,279)	(1,449,059)	(841,010)
Total governmental activities net assets	\$ 15,918,964	\$ 14,609,889	\$ 16,817,485	\$ 16,537,061	\$ 13,875,096	\$ 13,055,997	\$ 13,578,688
Business-type Activities:							
Invested in Capital Assets,							
Net of Related Debt	\$ 12,472	\$ 39,764	\$ 34,999	\$ 39,157	\$ 45,504	\$ 44,836	\$ 54,224
Unrestricted	42,370	16,493	32,736	27,030	29,099	43,669	60,278
Total business-type activities net assets	\$ 54,842	\$ 56,257	\$ 67,735	\$ 66,187	\$ 74,603	\$ 88,505	\$ 114,502
District-wide:							
Invested in Capital Assets,							
Net of Related Debt	\$ 12,791,445	\$ 13,970,669	\$ 14,314,110	\$ 15,682,281	\$ 14,620,619	\$ 14,281,042	\$ 13,883,432
Restricted	4,026,956	2,744,287	3,902,193	2,440,309	996,260	268,850	590,490
Unrestricted/(Deficit)	(844,595)	(2,048,810)	(1,331,083)	(1,519,342)	(1,667,180)	(1,405,390)	(780,732)
Total District Net Assets	\$ 15,973,806	\$ 14,666,146	\$ 16,885,220	\$ 16,603,248	\$ 13,949,699	\$ 13,144,502	\$ 13,693,190

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports.

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

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Expenses							
Governmental Activities:							
Instruction:							
Regular	\$ 14,141,784	\$ 15,151,273	\$ 15,915,075	\$ 16,337,830	\$ 15,963,354	\$ 16,493,978	\$ 15,913,709
Special Education	3,125,916	2,968,368	3,374,487	3,625,190	3,438,514	3,310,439	3,310,478
Other Special Instruction	757,573	773,395	775,027	692,677	824,753	769,639	849,652
Other Instruction	843,309	1,138,082	1,353,977	1,433,761	1,495,957	1,406,683	1,247,790
Support Services:							
Tuition	1,196,578	1,108,483	1,255,617	1,241,158	1,538,856	1,636,198	1,630,089
Student & Instruction Related Services	4,077,172	4,515,057	4,746,237	5,088,102	5,370,682	5,690,272	5,836,849
General Administrative Services	1,076,772	1,055,465	1,218,967	1,299,149	1,209,793	1,113,395	1,119,726
School Administrative Services	1,568,951	1,612,386	1,781,703	1,959,671	1,902,007	1,934,285	1,815,938
Central Services	699,615	659,696	609,557	648,309	639,410	593,624	618,872
Administration Information Technology	111,805	166,777	185,289	191,386	250,238	146,251	131,011
Plant Operations and Maintenance	3,250,053	3,235,062	3,384,943	3,785,714	3,827,313	3,776,335	3,380,072
Pupil Transportation	1,158,010	1,197,769	1,007,130	1,156,206	1,208,373	1,092,823	1,274,856
Charter Schools	32,194	33,013	4,060			6,795	
Interest on Long-term Debt	148,963	1,055,859	1,702,266	2,595,959	2,098,749	1,987,662	1,966,701
Unallocated Depreciation	69,126	71,670	71,670	71,670	147,853	1,480,345	1,490,501
Total Governmental Activities Expenses	32,257,821	34,742,355	37,386,005	40,126,782	39,915,852	41,438,724	40,586,244
Business-type Activities:							
Food Service	569,609	625,240	655,104	607,283	672,336	690,171	715,271
Total Business-type Activities Expenses	569,609	625,240	655,104	607,283	672,336	690,171	715,271
Total District Expenses	32,827,430	35,367,595	38,041,109	40,734,065	40,588,188	42,128,895	41,301,515
Program Revenues							
Governmental Activities:							
Charges for Services:							
Instruction - (Tuition)	1,285,448	1,288,468	1,347,200	1,423,300	1,472,300	1,530,100	1,660,699
Student & Instruction Related Services - (Student Activities Fees)							61,018
Pupil Transportation - (Subscription Busing)						3,563	7,600
Operating Grants and Contributions	4,460,801	4,547,709	5,927,755	6,053,987	7,027,444	5,612,621	4,668,640
Capital Grants and Contributions	210,816		61,667				
Total Governmental Activities Program Revenues	5,957,065	5,836,177	7,336,622	7,477,287	8,499,744	7,146,284	6,397,957
Business-type Activities:							
Charges for Services:							
Food Service	485,045	521,400	560,605	508,275	555,610	573,195	616,362
Operating Grants and Contributions	98,836	105,255	105,977	97,460	113,039	130,878	124,906
Total Business-type Activities Revenues	583,881	626,655	666,582	605,735	668,649	704,073	741,268
Total District Program Revenues	6,540,946	6,462,832	8,003,204	8,083,022	9,168,393	7,850,357	7,139,225
Net (Expense)/Revenue							
Governmental Activities	(26,300,756)	(28,906,178)	(30,049,383)	(32,649,495)	(31,416,108)	(34,292,440)	(34,188,287)
Business-type Activities	14,272	1,415	11,478	(1,548)	(3,687)	13,902	25,997
Total District-wide Net (Expense)/Revenue	(26,286,484)	(28,904,763)	(30,037,905)	(32,651,043)	(31,419,795)	(34,278,538)	(34,162,290)

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

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
Property Taxes Levied for General Purposes, Net	\$ 25,800,000	\$ 25,800,000	\$ 27,114,621	\$ 28,199,206	\$ 29,719,423	\$ 30,908,200	\$ 31,889,528
Taxes Levied for Debt Service	327,244	328,491	2,503,861	2,251,993	2,574,213	2,276,190	2,529,425
Unrestricted Grants and Contributions	174,186	173,741	175,572	221,759	76,908	165,058	17,205
Investment and Miscellaneous Income	422,359	1,294,871	2,462,925	1,477,387	404,029	123,893	274,820
Total Governmental Activities	26,723,789	27,597,103	32,256,979	32,150,345	32,774,573	33,473,341	34,710,978
Total District-wide	26,723,789	27,597,103	32,256,979	32,150,345	32,774,573	33,473,341	34,710,978
Change in Net Assets							
Governmental Activities	423,033	(1,309,075)	2,207,596	(499,150)	1,358,465	(819,099)	522,691
Business-type Activities	14,272	1,415	11,478	(1,548)	(3,687)	13,902	25,997
Total District	\$ 437,305	\$ (1,307,660)	\$ 2,219,074	\$ (500,698)	\$ 1,354,778	\$ (805,197)	\$ 548,688

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports.

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

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
General Fund:							
Reserved	\$ 4,026,953	\$ 1,656,692	\$ 1,932,506	\$ 1,445,460	\$ 643,502	\$ 51,200	
Unreserved	902,684	589,698	599,521	603,931	401,241	716,470	
Restricted							\$ 155,005
Assigned							435,485
Unassigned							832,498
Total General Fund	<u>\$ 4,929,637</u>	<u>\$ 2,246,390</u>	<u>\$ 2,532,027</u>	<u>\$ 2,049,391</u>	<u>\$ 1,044,743</u>	<u>\$ 767,670</u>	<u>\$ 1,422,988</u>
All Other Governmental Funds:							
Unreserved, Reported in:							
Capital Projects Fund		\$34,049,018	\$30,226,202	\$11,215,852	\$ 1,547,169		
Debt Service Fund	\$ 3	37,663	712,787				
Total All Other Governmental Funds	<u>\$ 3</u>	<u>\$34,086,681</u>	<u>\$30,938,989</u>	<u>\$11,215,852</u>	<u>\$ 1,547,169</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports.

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

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Revenues							
Tax Levy	\$ 26,127,244	\$ 26,128,491	\$ 29,618,482	\$ 30,451,199	\$ 32,293,636	\$ 33,184,390	\$ 34,418,953
Tuition Charges	1,285,448	1,288,468	1,347,200	1,423,300	1,472,300	1,530,100	1,660,699
Interest Earned on Capital Reserve	45,196	89,310	28,304				
Miscellaneous	378,293	1,166,120	2,377,353	1,460,568	439,302	164,318	425,613
State Sources	4,251,632	4,209,391	5,475,359	5,572,569	6,424,699	4,979,755	3,540,520
Federal Sources	593,041	511,546	687,291	701,763	644,380	761,062	1,063,150
Total Revenues	32,680,854	33,393,326	39,533,989	39,609,399	41,274,317	40,619,625	41,108,935
Expenditures							
Instruction:							
Regular Instruction	10,733,515	11,381,051	11,796,218	11,745,213	11,818,686	12,280,830	11,720,785
Special Education Instruction	2,534,466	2,314,286	2,583,936	2,736,260	2,656,073	2,501,596	2,494,258
Other Special Instruction	564,730	571,605	555,311	490,899	604,001	565,503	608,270
Other Instruction	843,309	901,500	1,004,348	1,081,609	1,154,983	1,093,759	941,569
Support Services:							
Tuition	1,196,578	1,108,483	1,255,617	1,241,158	1,538,856	1,636,198	1,630,089
Student & Instruction Related Services	3,009,214	3,584,693	3,564,537	3,783,372	4,094,123	4,312,316	4,306,361
General Administrative Services	944,353	902,382	1,004,955	1,072,558	1,094,438	985,504	1,024,063
School Administrative Services	1,190,654	1,198,200	1,268,365	1,381,158	1,404,507	1,388,661	1,317,037
Central Services	514,449	521,752	481,150	534,371	513,479	510,260	509,461
Administration Information Technology	115,379	123,333	134,084	133,533	200,196	119,583	104,548
Plant Operations and Maintenance	2,751,522	2,693,157	2,688,796	3,043,680	3,350,216	3,324,280	2,959,982
Pupil Transportation	1,151,260	1,182,297	991,658	1,134,713	1,173,316	1,060,479	1,234,916
Unallocated Benefits	6,502,244	6,957,564	8,360,695	8,836,871	7,842,969	8,000,623	8,455,831
Charter Schools	32,194	33,013	4,060			6,795	
Capital Outlay	280,464	3,060,748	4,256,238	30,443,888	9,806,005	1,563,987	49,470
Debt Service:							
Principal	175,000	205,000	535,000	795,000	2,495,000	1,075,000	1,125,000
Interest and Other Charges	152,244	125,785	1,970,688	2,464,122	2,200,800	2,018,493	1,971,977
Total Expenditures	32,691,575	36,864,849	42,455,656	70,918,405	51,947,648	42,443,867	40,453,617
Excess (Deficiency) of Revenues							
Over (Under) Expenditures	(10,721)	(3,471,523)	(2,921,667)	(31,309,006)	(10,673,331)	(1,824,242)	655,318
Other Financing Sources (Uses)							
Bond Proceeds		34,835,000		11,085,000			
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	
Transfers Out		(2,896,622)	(2,382,343)	(811,572)	(89,971)	(150,000)	
Total Other Financing Sources (Uses)	-0-	34,874,954	59,612	11,103,233	-0-	-0-	-0-
Net Change in Fund Balances	\$ (10,721)	\$ 31,403,431	\$ (2,862,055)	\$ (20,205,773)	\$ (10,673,331)	\$ (1,824,242)	\$ 655,318
Debt Service as a Percentage of							
Noncapital Expenditures	1.0%	1.0%	7.0%	8.8%	12.5%	8.2%	8.3%

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports.

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

Fiscal Year Ending June 30,	Tuition	Student Activities Fees	Subscription Busing	Interest on Investments	Rentals - Use of Facilities	Other	Total
2002	\$ 1,088,456			\$ 116,873	\$ 93,459	\$ 120,251	\$ 1,419,039
2003	1,143,679			99,947	91,396	141,937	1,476,959
2004	1,335,412			80,613	89,002	208,103	1,713,130
2005	1,285,448			131,987	90,412	199,960	1,707,807
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

Source: Borough of Madison School District records.

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

Year Ended December 31,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2004	\$21,735,200	\$1,649,854,400	\$ 427,852,500	\$ 3,497,000	\$ 50,691,900	\$ 2,153,631,000	\$13,106,354	\$ 2,166,737,354	\$324,911,000	\$ 1.19	\$ 2,784,749,707
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	1.24	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	1.33	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	1.40	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	1.50	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	1.53	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	1.62	3,646,078,060

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.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

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 ^a	General Obligation Debt Service ^b	Total Direct	Borough of Madison	Morris County	
2001	\$ 1.0841	\$ 0.0159	\$ 1.100	\$ 0.390	\$ 0.310	\$ 1.800
2002	1.1448	0.0152	1.160	0.410	0.320	1.890
2003	1.1549	0.0151	1.170	0.410	0.340	1.920
2004	1.1747	0.0153	1.190	0.440	0.360	1.990
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

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	2010			2001		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Route 24 Holdings, Inc.	\$ 50,000,000	1	2.38%			
Rex 7 Giralda Farms LLC	20,516,900	2	0.98%			
Rex 1 Giralda Farms LLC	15,951,500	3	0.76%			
3 Giralda Farms LLC	14,232,500	4	0.68%			
Maersk, Inc.	13,000,000	5	0.62%	\$ 34,575,300	3	1.59%
HS Investors c/o Heller Group	11,366,400	6	0.54%			
Rose City Associates LP of NJ	10,572,200	7	0.50%			
175 Park Avenue, LLC	9,720,000	8	0.46%			
Verizon	8,919,553	9	0.42%	25,036,300	6	1.15%
HCP Sun1 Madison	7,800,000	10	0.37%			
American Home Products				113,747,600	1	5.23%
Atlantic Mutual				35,132,400	2	1.62%
Schering Plough				33,509,800	4	1.54%
Gale & Wentworth				25,235,400	5	1.16%
Reckson Operating Associates				16,042,400	7	0.74%
General Wayne Associates				7,954,800	8	0.37%
Town Gardens				6,740,500	9	0.31%
Pine Acres				3,749,100	10	0.17%
Total	\$ 162,079,053		7.71%	\$ 301,723,600		13.88%

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 24,837,970	\$ 24,837,970	100.00%	\$ -0-
2003	25,388,494	25,388,494	100.00%	-0-
2004	25,334,575	25,334,575	100.00%	-0-
2005	26,127,244	26,127,244	100.00%	-0-
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-

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 SEVEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		<u>Total District</u>	Percentage of Personal Income ^a	<u>Per Capita ^a</u>
	<u>General Obligation Bonds</u>	<u>Bond Anticipation Notes (BANs)</u>			
2005	\$ 2,787,000	\$ -0-	\$ 2,787,000	0.29%	\$ 176.20
2006	37,510,000	-0-	37,510,000	3.77%	2,387.04
2007	36,975,000	11,000,000	47,975,000	4.47%	3,053.01
2008	47,265,000	-0-	47,265,000	4.17%	2,972.45
2009	44,770,000	-0-	44,770,000	3.99%	2,851.77
2010	43,695,000	-0-	43,695,000	4.09%	2,790.41
2011	42,570,000	-0-	42,570,000	3.98%	2,718.56

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.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports.

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 2,787,000	\$ -0-	\$ 2,787,000	0.129%	\$ 176.20
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%	2,718.56

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.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports.

BOROUGH OF MADISON SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2010
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Madison	\$ 30,610,670	100.00%	\$ 30,610,670
Morris County General Obligation Debt	249,234,104	3.56%	<u>8,880,178</u>
Subtotal, Overlapping Debt			39,490,848
Borough of Madison School District Direct Debt			<u>42,830,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 82,320,848</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 2011

Year Ended December 31,	Equalized Valuation Basis
2008	\$ 3,783,295,158
2009	3,637,451,803
2010	3,583,175,805
	<u>\$ 11,003,922,766</u>
Average Equalized Valuation of Taxable Property	\$ 3,667,974,255
Debt Limit (4% of Average Equalization Value)	146,718,970 ^a
Net Bonded School Debt	<u>42,570,000</u>
Legal Debt Margin	<u>\$ 104,148,970</u>

	Fiscal Year				
	2002	2003	2004	2005	2006
Debt Limit	\$ 87,831,838	\$ 94,206,781	\$ 101,223,746	\$ 108,961,684	\$ 117,917,165
Total Net Debt Applicable to Limit	<u>3,287,000</u>	<u>3,127,000</u>	<u>2,962,000</u>	<u>2,787,000</u>	<u>37,510,000</u>
Legal Debt Margin	<u>\$ 84,544,838</u>	<u>\$ 91,079,781</u>	<u>\$ 98,261,746</u>	<u>\$ 106,174,684</u>	<u>\$ 80,407,165</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	3.74%	3.32%	2.93%	2.56%	31.81%

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

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

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

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

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Morris County Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2001	15,302	\$ 867,210,246	\$ 56,673	3.20%
2002	15,298	864,872,430	56,535	4.50%
2003	15,410	878,647,380	57,018	4.40%
2004	15,817	966,434,517	61,101	3.60%
2005	15,714	994,649,058	63,297	2.30%
2006	15,714	1,074,271,896	68,364	2.40%
2007	15,901	1,133,741,300	71,300	2.10%
2008	15,699	1,122,902,373	71,527	2.80%
2009	15,659	1,068,742,409	68,251	4.90%
2010	15,659 *	1,068,742,409 *	68,251 *	5.00%

* - Latest Morris County population data and per capita personal income available (2009) 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	2010		Employer	2001	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
Novartis	4,990	1.99%	Information is Not Available		
Atlantic Health	4,933	1.97%			
U.S. Army Armament Research and Development	4,442	1.77%			
United Parcel Service	2,332	0.93%			
County of Morris	1,959	0.78%			
Automatic Data Processing, Inc.	1,924	0.77%			
AT&T Corporation	1,550	0.62%			
Saint Clare's Health System	1,531	0.61%			
BASF Corporation	1,400	0.56%			
Avis Budget Group Inc.	1,378	0.55%			
	<u>26,439</u>	<u>10.55%</u>			
Total Employment *	<u>250,640</u>				

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

Source: Morris County Treasurer's Office.

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

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction:							
Regular	207	208	208	210	179	179	171
Special Education	18	20	20	21	42	41	44
Other Special Instruction	10.5	11	11	22	28	32	32
Support Services:							
Student & Instruction Related Services	25	27	27	27	30	30	27
General Administrative Services	3	3	3	3	3	3	3
School Administrative Services	8.5	9	9	9	10	9	8
Central Services	6	6	6	6	5	5	5
Administration Information Technology	2	2	2	2	3	3	2
Plant Operations and Maintenance	28	28	27	27	31	30	33
Total	<u>308</u>	<u>314</u>	<u>313</u>	<u>327</u>	<u>331</u>	<u>332</u>	<u>325</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: District Personnel Records.

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

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost per Pupil ^b	Percentage Change	Teaching Staff ^c	Pupil/Teacher Ratio					Average Daily Enrollment (ADE) ^d	Average Daily Attendance (ADA) ^d	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle	High School	Central Avenue	Kings Road				
2005	2,207	\$ 32,083,867	\$ 14,537	5.62%	190	13.4:1	10.6:1	11.9:1	10.9:1	10.6:1	2,192	2,097	-1.35%	95.67%
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%

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.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Borough of Madison School District records.

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

	2005	2006	2007	2008	2009	2010	2011
<u>District Building</u>							
Green Village Road School (1948)*							
Square Feet	26,159	26,159	26,159	26,159	26,159	26,159	26,159
Central Avenue School (1910)							
Square Feet	49,577	49,577	49,577	49,577	49,577	62,109	62,109
Capacity (students)	441	441	441	441	441	600	600
Enrollment	491	480	480	507	450	487	516
Kings Road School (1948)							
Square Feet	35,132	35,132	35,132	35,132	35,132	44,772	44,772
Capacity (students)	285	285	285	285	285	300	300
Enrollment	319	313	313	296	218	243	251
Torey J. Sabatini School (1969)							
Square Feet	41,373	41,373	41,373	41,373	41,373	53,964	53,964
Capacity (students)	303	303	303	303	303	350	350
Enrollment	317	329	329	310	261	262	275
Madison Junior School (1926)							
Square Feet	77,671	77,671	77,671	77,671	77,671	98,476	98,476
Capacity (students)	458	458	458	458	458	600	600
Enrollment	344	348	348	344	504	531	538
Madison High School (1958)							
Square Feet	133,959	133,959	133,959	133,959	133,959	151,810	151,810
Capacity (students)	725	725	725	725	725	950	950
Enrollment	721	760	760	772	745	752	783
Board Office							
Square Feet	2,700	2,700	2,700	2,700	2,700	2,700	2,700

Number of Schools at June 30, 2011

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

* - The Green Village Road School is partially leased to a private community Pre-K provider.

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Borough of Madison School District Board Office.

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

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

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>									
		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Central Avenue	N/A	\$ 99,488	\$ 150,060	\$ 115,491	\$ 120,551	\$ 116,831	\$ 153,659	\$ 184,611	\$ 190,538	\$ 171,947	\$ 107,515
Kings Road	N/A	60,690	89,137	122,470	101,145	95,023	118,163	122,156	134,765	112,964	109,838
Torey J. Sabatini	N/A	48,030	83,345	92,236	96,130	83,443	111,375	119,505	160,136	137,849	111,560
Junior School	N/A	207,403	164,634	191,783	191,194	168,128	175,873	216,637	307,020	255,381	187,384
High School	N/A	226,413	292,509	423,096	324,757	394,268	416,010	500,231	484,002	399,895	278,990
Total School Facilities		<u>642,024</u>	<u>779,685</u>	<u>945,076</u>	<u>833,777</u>	<u>857,693</u>	<u>975,080</u>	<u>1,143,140</u>	<u>1,276,461</u>	<u>1,078,036</u>	<u>795,287</u>
Grand Total		<u>\$ 642,024</u>	<u>\$ 779,685</u>	<u>\$ 945,076</u>	<u>\$ 833,777</u>	<u>\$ 857,693</u>	<u>\$ 975,080</u>	<u>\$ 1,143,140</u>	<u>\$ 1,276,461</u>	<u>\$ 1,078,036</u>	<u>\$ 795,287</u>

N/A - Not Applicable.

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

Source: Borough of Madison School District records.

BOROUGH OF MADISON SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2011
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Alliance Insurance Fund:		
<u>PROPERTY SECTION:</u>		
Blanket Building and Contents (fund limit)	\$ 250,000,000	\$ 1,000
Accounts Receivable	300,000	1,000
Automobile Physical Damage	In Blanket Limit	1,000
Builders Risk	25,000,000	1,000
Electronic Data Processing Equipment	In Blanket Limit	1,000
<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:		
Per Occurrence	100,000	1,000
Aggregate	400,000	
Forgery	50,000	1,000
Theft/Disappearance/Destruction:		
Inside	50,000	1,000
Outside	50,000	1,000
ACE American Insurance Company:		
<u>SCHOOL BOARD LEGAL LIABILITY</u>	5,000,000	10,000
<u>EXCESS SCHOOL BOARD LEGAL LIABILITY</u>	5,000,000	
<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 -		
Board Secretary	250,000	
Treasurer	265,000	

Source: Borough of Madison School District records.

SINGLE AUDIT SECTION

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*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Madison School District, in the County of Morris (the "Board") as of and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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 Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board'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*, and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. However, we have noted certain matters that we have reported to the Board in a separate report, the *Auditors' Management Report on Administrative Findings – Financial, Compliance and Performance*, dated October 28, 2011.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mount Arlington, New Jersey
October 28, 2011

NISIVOCIA LLP



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

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04

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

Compliance

We have audited the compliance of the Board of Education of the Borough of Madison School District in the County of Morris (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (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 its major federal and state programs for the fiscal year ended June 30, 2011. The Board's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; Federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*; and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, Federal OMB Circular A-133, and New Jersey OMB Circular NJOMB 04-04 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 Board'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. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/Grant Compliance Supplement*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board'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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mount Arlington, New Jersey
October 28, 2011

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, 2011**

Schedule A

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, 2010				Balance at June 30, 2011	
			From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	(Accounts Receivable)	Deferred Revenue
U.S. Department of Agriculture -											
Passed-through State Department of Education:											
Child Nutrition Cluster:											
National School Lunch Program	10.555	N/A	7/1/10	6/30/11	\$ 92,829			\$ 87,390	\$ (92,829)	\$ (5,439)	
National School Lunch Program	10.555	N/A	7/1/09	6/30/10	88,692	\$ (6,193)		6,193			
Special Milk Program	10.556	N/A	7/1/10	6/30/11	824			764	(824)	(60)	
Special Milk Program	10.556	N/A	7/1/09	6/30/10	562	(36)		36			
Federal Food Distribution Program	10.555	N/A	7/1/10	6/30/11	24,996			24,996	(24,996)		
Subtotal Child Nutrition Cluster						(6,229)		119,379	(118,649)	(5,499)	
Total Enterprise Fund						(6,229)		119,379	(118,649)	(5,499)	
Total U.S. Department of Agriculture						(6,229)		119,379	(118,649)	(5,499)	
U.S. Department of Education -											
Passed-through State Department of Education:											
General Fund:											
Education Jobs Fund	84.410	N/A	8/10/10	9/30/12	52,637				(52,637)	(52,637)	
Total General Fund									(52,637)	(52,637)	
Special Revenue Fund:											
Special Education Cluster:											
I.D.E.A. Part B, Basic Regular ARRA	84.391	ARRA-2870-10	7/1/09	8/31/11	531,777	329		329,953	(395,150)	(64,868)	
I.D.E.A. Part B, Basic Regular	84.027	IDEA-2870-11	9/1/10	8/31/11	501,965			403,688	(460,496)	(56,808)	
I.D.E.A. Part B, Basic Regular	84.027	IDEA-2870-10	9/1/09	8/31/10	460,981	(137,273)		139,594	(2,321)		
I.D.E.A. Part B, Preschool ARRA	84.392	ARRA-2870-10	7/1/09	8/31/11	19,230	(300)		8,754	(13,723)	(5,269)	
I.D.E.A. Part B, Preschool	84.173	IDEA-2870-11	9/1/10	8/31/11	18,718			17,703	(17,880)	(177)	
Subtotal Special Education Cluster						(137,244)		899,692	(889,570)	(127,122)	
No Child Left Behind:											
Title I - Part A	84.010A	NCLB-2870-11	9/1/10	8/31/11	82,942			65,300	(82,408)	(17,108)	
Title I - Part A	84.010A	NCLB-2870-10	9/1/09	8/31/10	68,515	(20)				(20)	
Title II	84.367A	NCLB-2870-11	9/1/10	8/31/11	53,796			42,610	(52,194)	(9,584)	
Title II	84.367A	NCLB-2870-10	9/1/09	8/31/10	54,540	(17,929)		19,508	(1,579)		
Title III	84.365A	NCLB-2870-11	9/1/10	8/31/11	23,174			13,715	(18,321)	(4,606)	
Title III	84.365A	NCLB-2870-10	9/1/09	8/31/10	18,059	(6,411)		6,466	(55)		
Title III	84.365A	NCLB-2870-09	9/1/08	8/31/09	15,961	(1,590)		1,590			
Title IV	84.186A	NCLB-2870-10	9/1/09	8/31/10	4,377	(1,431)		2,016	(585)		
Title IV	84.186A	NCLB-2870-09	9/1/08	8/31/09	4,613	(36)		36			
Total Special Revenue Fund						(164,661)		1,050,933	(1,044,712)	(158,440)	
Total U.S. Department of Education						(164,661)		1,050,933	(1,097,349)	(211,077)	
TOTAL FEDERAL AWARDS						\$ (170,890)	\$ -0-	\$ 1,170,312	\$ (1,215,998)	\$ (216,576)	\$ -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, 2011**

Schedule B

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2010			Repayment of Balances	Balance at June 30, 2011		MEMO		
		From	To		Budgetary Deferred 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	10-495-034-5120-089	7/1/09	6/30/10	\$ 1,141,469	\$ (111,844)		\$ 111,844						
Security Aid	10-495-034-5120-084	7/1/09	6/30/10	175,593	(17,205)		17,205						
Transportation Aid	10-495-034-5120-014	7/1/09	6/30/10	271,228	(26,576)		26,576						
Extraordinary Special Education Costs Aid	11-100-034-5120-473	7/1/10	6/30/11	132,577				\$ (132,577)	\$ (132,577)	\$ 132,577	\$ 132,577		
Extraordinary Special Education Costs Aid	10-100-034-5120-473	7/1/09	6/30/10	100,109	(100,109)		100,109						
Nonpublic School Transportation Costs	11-495-034-5120-014	7/1/10	6/30/11	27,782				(27,782)		27,782	27,782		
Nonpublic School Transportation Costs	10-495-034-5120-014	7/1/09	6/30/10	20,436	(20,436)		20,436						
Reimbursed TPAF Social Security Aid	11-495-034-5095-002	7/1/10	6/30/11	1,326,019			1,259,967	(1,326,019)	(66,052)	66,052	1,326,019		
Reimbursed TPAF Social Security Aid	10-495-034-5095-002	7/1/09	6/30/10	1,360,861	(68,146)		68,146						
Total General Fund State Aid					(344,316)		1,604,283	(1,486,378)		(226,411)	226,411	1,486,378	
Special Revenue Fund:													
NJ Nonpublic Aid:													
Textbook Aid (Chapter 194)	11-100-034-5120-064	7/1/10	6/30/11	19,837			19,837	(19,837)			19,837		
Textbook Aid (Chapter 194)	10-100-034-5120-064	7/1/09	6/30/10	23,371		\$ 10,374			\$ (10,374)				
Nursing Services (Chapter 226)	11-100-034-5120-070	7/1/10	6/30/11	24,852			24,852	(24,852)			24,852		
Auxiliary Services (Chapter 192):													
Compensatory Education	11-100-034-5120-067	7/1/10	6/30/11	22,606			22,606	(5,693)		\$ 16,913	5,693		
Compensatory Education	10-100-034-5120-067	7/1/09	6/30/10	21,114		289			(289)				
English as a Second Language	11-100-034-5120-067	7/1/10	6/30/11	1,708			1,708			1,708			
English as a Second Language	10-100-034-5120-067	7/1/09	6/30/10	4,893		3,914			(3,914)				
Handicapped Services (Chapter 193):													
Supplementary Instruction	11-100-034-5120-066	7/1/10	6/30/11	13,619			13,619	(12,506)		1,113	12,506		
Supplementary Instruction	10-100-034-5120-066	7/1/09	6/30/10	13,539		2,628			(2,628)				
Examination and Classification	11-100-034-5120-066	7/1/10	6/30/11	31,411			31,411	(19,299)		12,112	19,299		
Examination and Classification	10-100-034-5120-066	7/1/09	6/30/10	29,238		8,951			(8,951)				
Corrective Speech	11-100-034-5120-066	7/1/10	6/30/11	16,663			16,663	(15,567)		1,096	15,567		
Corrective Speech	10-100-034-5120-066	7/1/09	6/30/10	17,934		2,870			(2,870)				
Total Special Revenue Fund						29,026	130,696	(97,754)	(29,026)	32,942	97,754		
Debt Service Fund:													
Debt Service Aid - State Support	11-495-034-5120-017	7/1/10	6/30/11	567,552			567,552	(567,552)			567,552		
Total Debt Service Fund							567,552	(567,552)			567,552		
Enterprise Fund:													
State School Lunch Program	11-100-010-3350-023	7/1/10	6/30/11	5,928			5,533	(5,928)	(395)	395	5,928		
State School Lunch Program - Supplemental	11-100-010-3350-023	7/1/10	6/30/11	329				(329)	(329)	329	329		
State School Lunch Program	10-100-010-3350-023	7/1/09	6/30/10	6,693	(473)		473						
Total Enterprise Fund					(473)		6,006	(6,257)	(724)	724	6,257		
Total State Department of Education					(344,789)	29,026	2,308,537	(2,157,941)	(29,026)	(227,135)	32,942	227,135	2,157,941
TOTAL STATE AWARDS					\$ (344,789)	\$ 29,026	\$ 2,308,537	\$ (2,157,941)	\$ (29,026)	\$ (227,135)	\$ 32,942	\$ 227,135	\$ 2,157,941

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, 2011

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, Ogdensburg Borough School District under programs of the federal and state governments for the fiscal year ended June 30, 2011. 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 Circular NJOMB 04-04, *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 assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the prior year 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 prior year these payments are not recognized until the current budget year due to the state deferral and recording of the June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$155,625 for the general fund and \$(43,428) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Post Retirement Medical Benefit and Non-Contributory Insurance Contributions revenue of \$1,184,589 and \$55,772, respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund	\$ 52,637	\$ 2,882,364	\$ 2,935,001
Special Revenue Fund	1,010,513	90,604	1,101,117
Debt Service Fund		567,552	567,552
Proprietary Fund	118,649	6,257	124,906
Total Financial Assistance	<u>\$ 1,181,799</u>	<u>\$ 3,546,777</u>	<u>\$ 4,728,576</u>

BOROUGH OF MADISON SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2011. Revenue and expenditures reported under the Federal Food Distribution Program represent current year value received and current year distributions, respectively.

BOROUGH OF MADISON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major federal or state programs.
- An unqualified report was issued on the District's compliance for major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with Federal OMB Circular A-133 or New Jersey OMB Circular NJOMB 04-04.
- The District's major federal and state programs for the current fiscal year consisted of the following:

	<u>Grant Number/ C.F.D.A. Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
Reimbursed TPAF Social Security Aid	11-495-034-5095-002	7/1/10-6/30/11	\$ 1,326,019	\$ 1,326,019
Debt Service Aid - State Support	11-495-034-5120-017	7/1/10-6/30/11	567,552	567,552
<u>Federal:</u>				
Special Education Cluster:				
I.D.E.A. Part B:				
Basic Regular ARRA	84.391	7/1/09-8/31/11	531,777	395,150
Basic Regular	84.027	9/1/10-8/31/11	501,965	460,496
Basic Regular	84.027	9/1/09-8/31/10	460,981	2,321
Preschool ARRA	84.392	7/1/09-8/31/11	19,230	13,723
Preschool	84.173	9/1/10-8/31/11	18,718	17,880

- The threshold for distinguishing Type A and Type B programs was \$300,000.
- The single audit threshold identified in Federal OMB Circular A-133 and New Jersey OMB Circular NJOMB 04-04 was \$500,000.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the Circular.

BOROUGH OF MADISON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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 OMB Circular NJOMB 04-04.

BOROUGH OF MADISON SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Status of Prior Year Findings:

The District had no prior year audit findings.