

**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, 2010**

**Comprehensive Annual  
Financial Report**

**of the**

**Borough of Madison School District**

**Madison, New Jersey**

**For the Fiscal Year Ended June 30, 2010**

**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. James Dwyer  
Interim Superintendent

Gary S. Lane  
Business Administrator/  
Board Secretary

October 26, 2010

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, 2010, 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 2009-10 fiscal year with an average daily enrollment of 2,276 students, which is an increase of 7 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.

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	
	<u>Student Enrollment</u>	<u>Percent Change</u>
2009-2010	2,276	0.31%
2008-2009	2,269	0.75%
2007-2008	2,252	-1.53%
2006-2007	2,287	2.56%
2005-2006	2,230	1.73%

2) ECONOMIC CONDITION AND OUTLOOK: With the loss of 100% of the District's state aid for 2010-11 and the new hard cap on the tax levy of 2% being imposed by the state, the District's economic outlook is bleak. After making the cuts required to get under cap and following the further cuts mandated by a budget defeat at the polls in 2010, the District faces an uphill battle to maintain the status quo.

3) MAJOR INITIATIVES: The District continues to build upon the program currently in place, including the Chinese language study implemented the prior year in the Junior and High Schools, technology offerings and staff training/growth.

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 reservations of fund balance at June 30, 2010.

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, 2010, the District had \$43,695,000 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.

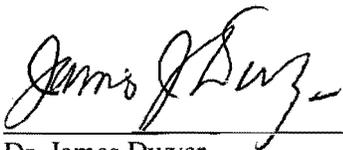
9) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. Insurance coverage was carried in the amounts 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.

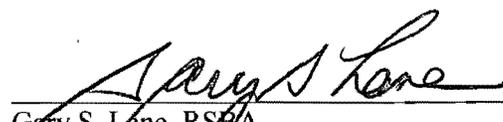
10) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia & Company LLP, CPAs, was selected by the Board of Education. In addition to meeting the requirements set 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,

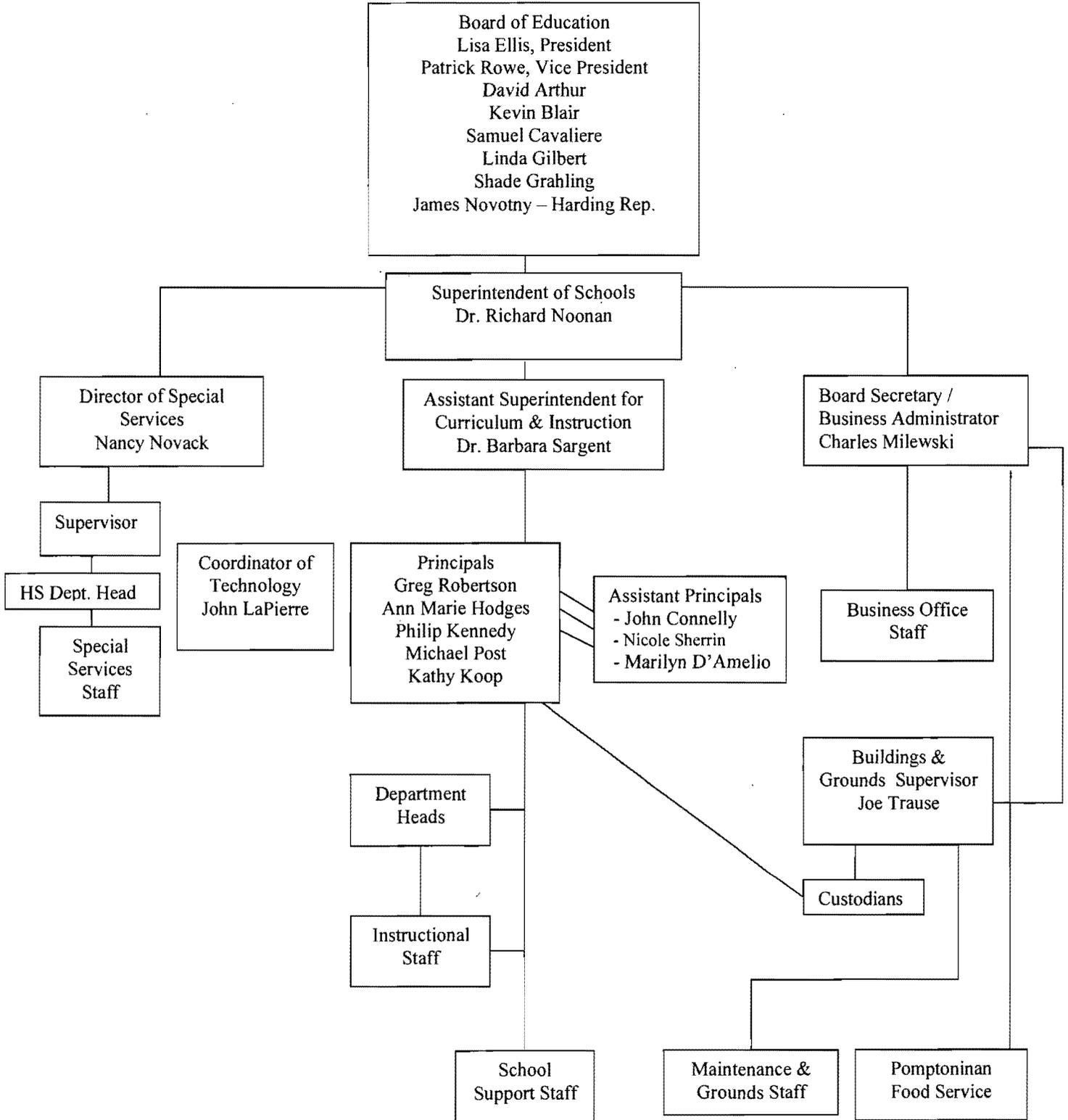


Dr. James Dwyer  
Interim Superintendent of Schools



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

# Madison Public School District Organizational Chart Overview



**BOROUGH OF MADISON SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2010**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Lisa Ellis, President	2012
Patrick Rowe, Vice President	2013
David Arthur	2011
Kevin Blair	2012
Samuel Cavaliere	2013
Linda Gilbert	2011
Shade Grahling	2011
James Novotny, Harding Township Representative	

Other Officials

Title

Dr. Richard B. Noonan	Superintendent of Schools
Dr. Barbara Sargent	Assistant Superintendent of Schools
Charles R. Milewski	School Business Administrator/Board Secretary
Abigail E. Kutz	Treasurer of School Monies

**Attorneys**

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100 Southgate Parkway  
P.O. Box 1997  
Morristown, NJ 07960

**Audit Firm**

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

**Official Depositories**

Wachovia Bank  
200 Main Street  
Madison, NJ 07940

JP Morgan Chase Bank  
695 Route 46 West  
Fairfield, NJ 07004

MBIA Asset Management Group  
1700 Broadway, Suite 2050  
Denver, CO 80290

**FINANCIAL SECTION**



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 Mount Arlington, NJ 07856-1320  
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 Fax: 973-328-0507

Lawrence Business Park  
 11 Lawrence Road  
 Newton, NJ 07860  
 Phone: 973-383-6699  
 Fax: 973-383-6555

### 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, 2010, 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, 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, 2010, 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 26, 2010 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 26, 2010

NISIVOCIA & COMPANY 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, 2010  
(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, 2010. 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 (2009-2010) and the prior year (2008-2009) is required to be presented in the MD&A.

### **Financial Highlights**

- The District's governmental activities net assets decreased by \$819,009, primarily attributable to increases in regular instruction, tuition and student and instruction related services, offset by bonded debt paid down. Direct state aid remained relatively flat and the District's General Fund fund balance decreased by \$277,073 from \$1,044,743 to \$767,670 at June 30, 2010.
- Overall revenue was \$41.32 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 \$1,075,000 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*.

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**

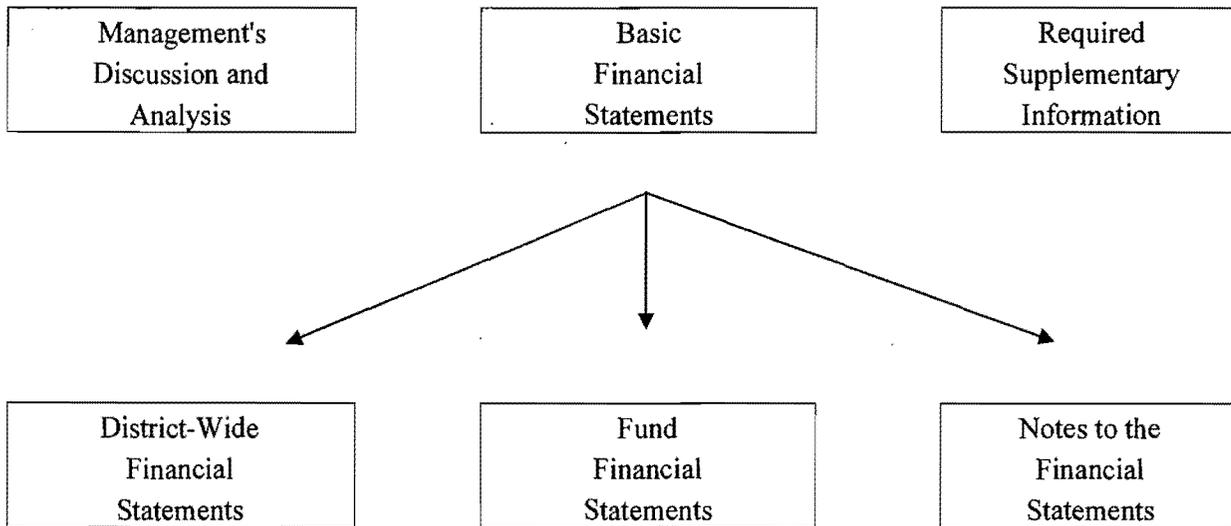


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenue, expenses, and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the 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

## 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 is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at 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.

## 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 decreased by 5.77%. Net assets from governmental activities decreased \$819,099 and net assets from business-type activities increased by \$13,902. Net assets invested in capital assets decreased by \$339,577 and restricted net assets decreased by \$727,410.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2009/10
	2009/10	2008/09 (Restated)	2009/10	2008/09 (Restated)	2009/10	2008/09 (Restated)	
Current and Other Assets	\$ 1,226,770	\$ 3,685,467	\$ 43,669	\$ 29,099	\$ 1,270,439	\$ 3,714,566	-65.80%
Capital Assets, Net	57,931,206	57,918,768	44,836	45,504	57,976,042	57,964,272	0.02%
Total Assets	59,157,976	61,604,235	88,505	74,603	59,246,481	61,678,838	-3.94%
Long-Term Debt Outstanding	45,008,582	45,968,616			45,008,582	45,968,616	-2.09%
Other Liabilities	1,093,397	1,760,523			1,093,397	1,760,523	-37.89%
Total Liabilities	46,101,979	47,729,139			46,101,979	47,729,139	-3.41%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	14,236,206	14,575,115	44,836	45,504	14,281,042	14,620,619	-2.32%
Restricted	268,850	996,260			268,850	996,260	-73.01%
Unrestricted/(Deficit)	(1,449,059)	(1,696,279)	43,669	29,099	(1,405,390)	(1,667,180)	15.70%
Total Net Assets	\$ 13,055,997	\$ 13,875,096	\$ 88,505	\$ 74,603	\$ 13,144,502	\$ 13,949,699	-5.77%

*Changes in Net Assets.* The District's combined net assets were \$13,144,502 on June 30, 2010, \$805,197 or 5.77% less than they were the year before (See Figure A-3). Net assets invested in capital assets decreased by \$339,577 due to \$1,560,696 in depreciation, and the shift of \$1,426,347 of debt related to capital expenditures from restricted net assets, offset by \$1,572,466 of capital expenditures and \$1,075,000 of bond principal paid down. Restricted net assets decreased by \$727,410 due to capital projects fund expenditures of \$1,397,169, an operating transfer of \$150,000 from the capital projects fund to the debt service fund for the payment of debt service, decreases in excess surplus of \$643,502, deferred interest of \$1,840, and unamortized bond issuance costs of \$18,116, offset by the shift of \$1,426,347 of debt related to capital expenditures to net assets invested in capital assets, an increase in encumbrances of \$51,200 and a decrease in unamortized bond premiums of \$5,670. Unrestricted net assets increased by \$261,790 (See Figure A-3).

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Charges for Services	\$ 1,530,100	\$ 1,472,300	\$ 573,195	\$ 555,610	\$ 2,103,295	\$ 2,027,910	3.72%
Grants and Contributions:							
Operating	5,612,621	7,027,444	130,878	113,039	5,743,499	7,140,483	-19.56%
<b>General Revenue:</b>							
Property Taxes	33,184,390	32,293,636			33,184,390	32,293,636	2.76%
Federal and State Aid							
Not Restricted	165,058	76,908			165,058	76,908	114.62%
Other	127,456	404,029			127,456	404,029	-68.45%
<b>Total Revenue</b>	<b>40,619,625</b>	<b>41,274,317</b>	<b>704,073</b>	<b>668,649</b>	<b>41,323,698</b>	<b>41,942,966</b>	<b>-1.48%</b>
<b>Expenses:</b>							
Instruction	21,980,739	21,722,578			21,980,739	21,722,578	1.19%
Pupil and Instruction Services	7,326,470	6,909,538			7,326,470	6,909,538	6.03%
Administrative and Business	3,787,555	4,001,448			3,787,555	4,001,448	-5.35%
Maintenance and Operations	3,776,335	3,827,313			3,776,335	3,827,313	-1.33%
Transportation	1,092,823	1,208,373			1,092,823	1,208,373	-9.56%
Other	3,474,802	2,246,602	690,171	672,336	4,164,973	2,918,938	42.69%
<b>Total Expenses</b>	<b>41,438,724</b>	<b>39,915,852</b>	<b>690,171</b>	<b>672,336</b>	<b>42,128,895</b>	<b>40,588,188</b>	<b>3.80%</b>
Increase/(Decrease) in Net Assets	\$ (819,099)	\$ 1,358,465	\$ 13,902	\$ (3,687)	\$ (805,197)	\$ 1,354,778	159.43%

*Revenue Sources.* The District's total revenue for the 2009/10 school year was \$41,323,698 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$33,184,390 of the total, or 80.3 percent (See Figure A-5). Another 14.21 percent came from state and federal aid for specific programs, 5.09 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 \$4,302,771, over \$1.15 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 2010**

Sources of Income:	Amount	Percentage
State Formula Aid	\$ 1,568,924	3.80%
Property Taxes	33,184,390	80.30%
Federal and State Categorical Grants	4,302,771	10.41%
Charges for Services	2,103,295	5.09%
Other	164,318	0.40%
	<b>\$ 41,323,698</b>	<b>100.00%</b>

The total cost of all programs and services was \$42,128,895. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (72.16 percent) (See Figure A-6). The District's administrative and business activities accounted for 8.99 percent of total costs. It is important to note that depreciation of \$1,560,696 (\$1,551,549 governmental activities and \$9,147 business-type activities) is included in expenses for the year.

**Figure A-6**  
**Expenses for Fiscal Year 2010**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 21,980,739	52.18%
Pupil and Instruction Services	7,326,470	17.39%
Administrative and Business	3,787,555	8.99%
Maintenance and Operations	3,776,335	8.96%
Transportation	1,092,823	2.59%
Other	4,164,973	9.89%
	<u>\$ 42,128,895</u>	<u>100.00%</u>

#### **Governmental Activities**

As discussed elsewhere in this commentary, the financial position of the District declined slightly. Maintaining existing programs with increased enrollment, the provision of a multitude of special programs/services for disabled pupils, and increases in District health 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 has remained relatively flat over the past 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.

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	
	2009/2010	2008/2009	2009/2010	2008/2009
Instruction	\$ 21,980,739	\$ 21,722,578	\$ 17,036,306	\$ 16,413,161
Pupil and Instruction Services	7,326,470	6,909,538	6,243,464	6,231,132
Administrative and Business	3,787,555	4,001,448	3,623,035	3,827,614
Maintenance and Operations	3,776,335	3,827,313	3,776,335	3,827,313
Transportation	1,092,823	1,208,373	809,364	991,873
Other	3,474,802	2,246,602	2,807,499	125,015
	<u>\$ 41,438,724</u>	<u>\$ 39,915,852</u>	<u>\$ 34,296,003</u>	<u>\$ 31,416,108</u>

- The cost of all governmental activities this year was \$41.44 million.
- The federal and state governments subsidized certain programs with grants and contributions (\$5.74 million).
- Most of the District's costs, however, were financed by District taxpayers (\$33.18 million).
- A portion of governmental activities was financed with state aid based on the CEIFA formula (\$1.57 million).
- The remainder of governmental activities funding came from charges for services (tuition), investment earnings and miscellaneous revenue (\$1.69 million).

### **Business-Type Activities**

Net assets from the District's business-type activities increased by \$13,902, 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 declined slightly as difficult economic times have had a direct impact upon the District's revenue sources and increases in regular instruction, tuition, student and instruction related services and health benefits costs continue to be a concern. To maintain a stable financial position, the District must continue to practice sound fiscal management.

## 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	
	2009/10	2008/09 (Restated)	2009/10	2008/09 (Restated)	2009/10	2008/09 (Restated)
Land	\$ 9,072,600	\$ 9,072,600			\$ 9,072,600	\$ 9,072,600
Construction in Progress		46,940,966				46,940,966
Land Improvements	1,579,547	1,687,057			1,579,547	1,687,057
Buildings and Building Improvements	45,879,306	69,193			45,879,306	69,193
Machinery and Equipment	1,399,753	148,952	\$ 44,836	\$ 45,504	1,444,589	194,456
<b>Total Capital Assets (Net of Depreciation)</b>	<b>\$ 57,931,206</b>	<b>\$ 57,918,768</b>	<b>\$ 44,836</b>	<b>\$ 45,504</b>	<b>\$ 57,976,042</b>	<b>\$ 57,964,272</b>

The District's overall capital assets, net of depreciation, increased by \$11,770 from the prior year due to capital outlay expenditures, primarily associated with the District's approved capital projects, exceeding depreciation. (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 \$43,682,120 in general obligation bonds, net – a decrease of \$1,073,160 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 2009/10
	2009/10	2008/09	
General Obligation Bonds (Financed with Property Taxes), Net	\$ 43,682,120	\$ 44,755,280	-2.40%
Other Long Term Liabilities	1,326,462	1,213,336	9.32%
	<b>\$ 45,008,582</b>	<b>\$ 45,968,616</b>	<b>-2.09%</b>

- The District continued to pay down its debt, retiring \$1,075,000 of outstanding bonds.
- The District's other liabilities at June 30, 2010 are comprised entirely of compensated absences payable.

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

- The loss of 100% of state aid for 2010-11 and the anticipation of zero state aid for 2011-12 and beyond.
- The District has experienced an unanticipated increase in the special needs student population in 2010-11 and expects to see this trend continue in 2011-12. This includes both tuition and transportation costs.
- Health care costs, although outside the cap, will likely be incorporated with the cap as passing these costs on to the public is untenable.

**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, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 550,117	\$ 2,864	\$ 552,981
Receivables from Other Governments	345,525	6,702	352,227
Other Receivables	12,778	19,290	32,068
Unamortized Bond Issuance Costs, Net	318,350		318,350
Inventory		14,813	14,813
Capital Assets, Net:			
Sites (Land) and Construction in Progress	9,072,600		9,072,600
Depreciable Land Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment	48,858,606	44,836	48,903,442
Total Assets	<u>59,157,976</u>	<u>88,505</u>	<u>59,246,481</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable - Vendors	84,494		84,494
Accrued Interest Payable	839,067		839,067
Payable to State Government	29,026		29,026
Unamortized Bond Premiums, Net	113,580		113,580
Deferred Revenue	27,230		27,230
<b>Noncurrent Liabilities:</b>			
Due Within One Year	1,337,612		1,337,612
Due Beyond one Year	43,670,970		43,670,970
Total Liabilities	<u>46,101,979</u>		<u>46,101,979</u>
<b>NET ASSETS/(DEFICIT)</b>			
Invested in Capital Assets, Net of Related Debt	14,236,206	44,836	14,281,042
Restricted for:			
Capital Projects	217,650		217,650
Other Purposes	51,200		51,200
Unrestricted	(1,449,059)	43,669	(1,405,390)
Total Net Assets	<u>\$ 13,055,997</u>	<u>\$ 88,505</u>	<u>\$ 13,144,502</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, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 16,493,978	\$ 1,530,100	\$ 1,479,176		\$ (13,484,702)		\$ (13,484,702)
Special Education	3,310,439		1,757,995		(1,552,444)		(1,552,444)
Other Special Instruction	769,639		69,944		(699,695)		(699,695)
Other Instruction	1,406,683		107,218		(1,299,465)		(1,299,465)
Support Services:							
Tuition	1,636,198		326,270		(1,309,928)		(1,309,928)
Student & Instruction Related Services	5,690,272		756,736		(4,933,536)		(4,933,536)
General Administrative Services	1,113,395				(1,113,395)		(1,113,395)
School Administrative Services	1,934,285		164,520		(1,769,765)		(1,769,765)
Central Services	593,624				(593,624)		(593,624)
Administration Information Technology	146,251				(146,251)		(146,251)
Plant Operations and Maintenance	3,776,335				(3,776,335)		(3,776,335)
Pupil Transportation	1,092,823		283,459		(809,364)		(809,364)
Transfer of Funds to Charter Schools	6,795				(6,795)		(6,795)
Interest on Long-Term Debt	1,987,662		667,303		(1,320,359)		(1,320,359)
Unallocated Depreciation	1,480,345				(1,480,345)		(1,480,345)
Total Governmental Activities	41,438,724	1,530,100	5,612,621		(34,296,003)		(34,296,003)

BOROUGH OF MADISON SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 690,171	\$ 573,195	\$ 130,878			\$ 13,902	\$ 13,902
Total Business-Type Activities	690,171	573,195	130,878			13,902	13,902
Total Primary Government	<u>\$ 42,128,895</u>	<u>\$ 2,103,295</u>	<u>\$ 5,743,499</u>	<u>\$ -0-</u>	<u>\$ (34,296,003)</u>	<u>13,902</u>	<u>(34,282,101)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					30,908,200		30,908,200
Taxes Levied for Debt Service					2,276,190		2,276,190
Federal and State Aid not Restricted					165,058		165,058
Interest and Miscellaneous Income					127,456		127,456
Total General Revenues, Special Items, Extraordinary Items and Transfers					<u>33,476,904</u>		<u>33,476,904</u>
Change in Net Assets					(819,099)	13,902	(805,197)
Net Assets - Beginning (Restated)					<u>13,875,096</u>	<u>74,603</u>	<u>13,949,699</u>
Net Assets - Ending					<u>\$ 13,055,997</u>	<u>\$ 88,505</u>	<u>\$ 13,144,502</u>

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, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 550,117		\$ 550,117
Interfund Receivable	113,378		113,378
Receivables from Other Governments	188,691	\$ 156,834	345,525
Other Receivables	9,875	2,903	12,778
<b>Total Assets</b>	<b>\$ 862,061</b>	<b>\$ 159,737</b>	<b>\$ 1,021,798</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Interfund Payable		\$ 113,378	\$ 113,378
Accounts Payable - Vendors	\$ 67,961	16,533	84,494
Payable to State Government		29,026	29,026
Deferred Revenue	26,430	800	27,230
<b>Total Liabilities</b>	<b>94,391</b>	<b>159,737</b>	<b>254,128</b>
Fund Balances:			
Reserved for:			
Encumbrances	51,200		51,200
Unreserved, Reported in:			
General Fund	228,970		228,970
Designated for Subsequent Year's Expenditures	487,500		487,500
<b>Total Fund Balances</b>	<b>767,670</b>	<b>-0-</b>	<b>767,670</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 862,061</b>	<b>\$ 159,737</b>	

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 \$69,753,643 and the accumulated depreciation is \$11,822,437.	57,931,206
Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(839,067)
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)	(45,008,582)
Bond Issuance costs are reported as expenditures in the Funds. These costs total \$400,553 and the accumulated amortization is \$82,203.	318,350
Bond Premiums are reported as revenue in the Funds. These premiums total \$141,843 and the accumulated amortization is \$28,263.	(113,580)
<b>Net Assets of Governmental Activities</b>	<b>\$ 13,055,997</b>

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, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$ 30,908,200			\$ 2,276,190	\$ 33,184,390
Tuition	1,530,100				1,530,100
Miscellaneous	127,456	\$ 36,862			164,318
<b>Total - Local Sources</b>	<b>32,565,756</b>	<b>36,862</b>		<b>2,276,190</b>	<b>34,878,808</b>
State Sources	4,203,674	108,778		667,303	4,979,755
Federal Sources		761,062			761,062
<b>Total Revenues</b>	<b>36,769,430</b>	<b>906,702</b>		<b>2,943,493</b>	<b>40,619,625</b>
<b>EXPENDITURES</b>					
Current:					
Regular Instruction	12,237,215	43,615			12,280,830
Special Education Instruction	2,261,689	239,907			2,501,596
Other Special Instruction	565,503				565,503
Other Instruction	1,093,759				1,093,759
Support Services and Undistributed Costs:					
Tuition	1,309,928	326,270			1,636,198
Student & Instruction Related Services	4,015,406	296,910			4,312,316
General Administrative Services	985,504				985,504
School Administrative Services	1,388,661				1,388,661
Central Services	510,260				510,260
Administration Information Technology	119,583				119,583
Plant Operations and Maintenance	3,324,280				3,324,280
Pupil Transportation	1,060,479				1,060,479
Unallocated Benefits	8,000,623				8,000,623

BOROUGH OF MADISON SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>EXPENDITURES</b>					
Debt Service:					
Principal				\$ 1,075,000	\$ 1,075,000
Interest and Other Charges				2,018,493	2,018,493
Capital Outlay	\$ 166,818		\$ 1,397,169		1,563,987
Transfer of Funds to Charter Schools	6,795				6,795
<b>Total Expenditures</b>	<b>37,046,503</b>	<b>\$ 906,702</b>	<b>1,397,169</b>	<b>3,093,493</b>	<b>42,443,867</b>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	<b>(277,073)</b>		<b>(1,397,169)</b>	<b>(150,000)</b>	<b>(1,824,242)</b>
<b>OTHER FINANCING SOURCES/(USES)</b>					
Transfers In				150,000	150,000
Transfers Out			(150,000)		(150,000)
<b>Total Other Financing Sources/(Uses)</b>			<b>(150,000)</b>	<b>150,000</b>	
<b>Net Change in Fund Balances</b>	<b>(277,073)</b>		<b>(1,547,169)</b>		<b>(1,824,242)</b>
Fund Balance—July 1	1,044,743	-0-	1,547,169	-0-	2,591,912
Fund Balance—June 30	\$ 767,670	\$ -0-	\$ -0-	\$ -0-	\$ 767,670

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, 2010

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ (1,824,242)
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 exceeded depreciation in the period.		
	Depreciation expense	\$ (1,551,549)
	Capital outlays	<u>1,563,987</u> 12,438
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.		1,075,000
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when 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 (+).		45,117
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>(113,126)</u>
Change in Net Assets of Governmental Activities		<u><u>\$ (819,099)</u></u>

BOROUGH OF MADISON SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AS OF JUNE 30, 2010

	<u>Business-type Activities - Enterprise Funds Food Service</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 2,864
Receivables from Other Governments	6,702
Receivables - Other	19,290
Inventories	14,813
	43,669
Total Current Assets	43,669
Non-Current Assets:	
Capital Assets	287,505
Less: Accumulated Depreciation	(242,669)
	44,836
Total Non-Current Assets	44,836
Total Assets	88,505
 <b>NET ASSETS:</b>	
Investment in Capital Assets, Net of Related Debt	44,836
Unrestricted	43,669
	88,505
Total Net Assets	\$ 88,505

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, 2010

	Business-type Activities - Enterprise Funds
	Food Service
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 232,786
Daily Sales - Non-Reimbursable Programs	331,947
Special Events	8,462
Total Operating Revenue	573,195
Operating Expenses:	
Cost of Sales	322,559
Salaries	189,460
Payroll Taxes	27,680
Employee Benefits	44,489
Purchased Property Services	67,791
Supplies and Materials	29,045
Depreciation Expense	9,147
Total Operating Expenses	690,171
Operating Loss	(116,976)
Non-Operating Revenue:	
State Sources:	
School Lunch Program	6,693
Federal Sources:	
Special Milk Program	562
National School Lunch Program	88,692
Food Distribution Program	34,931
Total Non-Operating Revenue	130,878
Change in Net Assets	13,902
Net Assets - Beginning of Year (Restated)	74,603
Net Assets - End of Year	\$ 88,505

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

BOROUGH OF MADISON SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 559,160
Payments to Food Service Vendor	(647,489)
Payments to Suppliers	(8,032)
	(96,361)
Net Cash Used for Operating Activities	(96,361)
Cash Flows from Noncapital Financing Activities:	
State Sources	6,694
Federal Sources	88,834
	95,528
Net Cash Provided by Noncapital Financing Activities	95,528
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(8,479)
	(8,479)
Net Cash Used for Capital and Related Financing Activities	(8,479)
Net Decrease in Cash and Cash Equivalents	(9,312)
Cash and Cash Equivalents, July 1	12,176
Cash and Cash Equivalents, June 30	\$ 2,864
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (116,976)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	9,147
Federal Food Distribution Program	34,931
Changes in Assets and Liabilities:	
(Increase) in Other Receivables	(14,035)
(Increase) in Inventories	(9,428)
	(9,428)
Net Cash Used for Operating Activities	\$ (96,361)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$34,931 for the fiscal year ended June 30, 2010.

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, 2010

ASSETS:	Agency	Unemployment Compensation Trust	Private Purpose Scholarship Trust
Cash and Cash Equivalents	\$ 238,399	\$ 346,093	\$ 130,635
Investments			26,215
Total Assets	<u>238,399</u>	<u>346,093</u>	<u>156,850</u>
 LIABILITIES:			
Payroll Deductions and Withholdings	2,978		
Due to Student Groups	<u>235,421</u>		
Total Liabilities	<u>238,399</u>		
 NET ASSETS:			
Held in Trust for Unemployment Claims		346,093	
Reserved for Scholarships			<u>156,850</u>
Total Net Assets	<u>\$ -0-</u>	<u>\$ 346,093</u>	<u>\$ 156,850</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, 2010

	Unemployment Compensation Trust	Private Purpose Scholarship Fund
ADDITIONS:		
Contributions:		
Plan member	\$ 36,601	
Other		\$ 13,982
Total Contributions	36,601	13,982
Investment Earnings:		
Interest	1,538	1,070
Net Investment Earnings	1,538	1,070
Total Additions	38,139	15,052
DEDUCTIONS:		
Quarterly Contribution Reports	77,090	
Scholarships Awarded		16,094
Total Deductions	77,090	16,094
Change in Net Assets	(38,951)	(1,042)
Net Assets - Beginning of the Year	385,044	157,892
Net Assets - End of the Year	\$ 346,093	\$ 156,850

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 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, 2010  
(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 all expendable financial resources except those required to be accounted for 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.

Special Revenue Fund: 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 to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (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.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(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.

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.

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.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The 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 current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 36,788,796	\$ 914,858
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.		(8,156)
State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	136,259	
State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(155,625)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 36,769,430	\$ 906,702

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(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	\$ 37,046,503	\$ 914,858
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.		(8,156)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 37,046,503	\$ 906,702

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, 2010

(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 reservations of 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, 2010.

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, 2010  
(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, 2010.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(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 \$767,670 General Fund fund balance at June 30, 2010, \$51,200 is reserved for encumbrances; \$487,500 is unreserved and designated for subsequent year's expenditures; and \$228,970 is unreserved and undesignated which is \$155,625 less on the GAAP basis than the calculated maximum unreserved fund balance due to the June State Aid payments that are not recognized until the fiscal year ending June 30, 2011.

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 Reserved 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 reserve 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 unreserved/undesignated fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$155,625 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event one or more state school aid payment(s) are not made until the following school budget year, districts must record the June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school district cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

Q. Fund Balance Reserves:

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditures. Unreserved fund balance indicates that portion which is available for appropriation in future periods.

R. Deficit Fund Balances/Net Assets

The District has no deficit fund balances as of June 30, 2010. However, there is a \$1,449,059 deficit in unrestricted net assets in Governmental Activities due to the accrual of \$839,067 of accrued interest payable and \$1,326,462 of compensated absences payable. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

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.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

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.

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.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

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;
- (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

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

Investments: (Cont'd)

- (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, 2010, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash Equivalents	Investments	Total
Checking and Savings Accounts	\$ 1,268,108		\$ 1,268,108
Certificates of Deposit		\$ 26,215	26,215
	\$ 1,268,108	\$ 26,215	\$ 1,294,323

During the period ended June 30, 2010, 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, 2010, was \$1,294,323 and the bank balance was \$1,778,734. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2009, was \$3,465,610 and the bank balance was \$4,111,255.

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.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2009 to June 30, 2010 fiscal year is as follows:

Beginning Balance, July 1, 2009	\$ -0-
Ending Balance, June 30, 2010	\$ -0-

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2010, 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, 2010 were as follows:

	<u>Beginning Balance (Restated)</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Capital Assets not Being Depreciated:</b>				
Sites (Land)	\$ 9,072,600			\$ 9,072,600
Construction in Progress	46,940,966	\$ 1,397,169	\$(48,338,135)	
Total Capital Assets Not Being Depreciated	56,013,566	1,397,169	(48,338,135)	9,072,600
<b>Capital Assets Being Depreciated:</b>				
Land Improvements	2,884,408			2,884,408
Buildings and Building Improvements	7,191,410		47,029,200	54,220,610
Machinery and Equipment	2,100,272	166,818	1,308,935	3,576,025
Total Capital Assets Being Depreciated	12,176,090	166,818	48,338,135	60,681,043
<b>Governmental Activities Capital Assets</b>	<b>68,189,656</b>	<b>1,563,987</b>		<b>69,753,643</b>
<b>Less Accumulated Depreciation for:</b>				
Land Improvements	(1,197,351)	(107,510)		(1,304,861)
Buildings and Building Improvements	(7,122,217)	(1,219,087)		(8,341,304)
Machinery and Equipment	(1,951,320)	(224,952)		(2,176,272)
	(10,270,888)	(1,551,549)		(11,822,437)
<b>Governmental Activities Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 57,918,768</b>	<b>\$ 12,438</b>	<b>\$ -0-</b>	<b>\$ 57,931,206</b>
	<u>Beginning Balance (Restated)</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
<b>Capital Assets Being Depreciated:</b>				
Machinery and Equipment	\$ 279,026	\$ 8,479		\$ 287,505
Less Accumulated Depreciation	(233,522)	(9,147)		(242,669)
<b>Business-Type Activities Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 45,504</b>	<b>\$ (668)</b>	<b>\$ -0-</b>	<b>\$ 44,836</b>

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

The District revalued capital assets during the year resulting in the restated beginning balances as of June 30, 2009 as noted on the previous page. Additional information on the restated beginning capital assets balances is included in Note 16 to the Basic Financial Statements.

Depreciation expense was charged to governmental functions as follows:

Student and Instruction Related Services	\$ 35,918
Plant Operations and Maintenance	17,807
Pupil Transportation	17,479
Unallocated	<u>1,480,345</u>
	<u>\$ 1,551,549</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2010, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2009	Added	Retired	Balance 6/30/2010
Serial Bonds Payable	\$ 44,770,000		\$ 1,075,000	\$ 43,695,000
Less: Deferred Amount on Refunding	(14,720)		(1,840)	(12,880)
Net Serial Bonds Payable	44,755,280		1,073,160	43,682,120
Compensated Absences Payable	1,213,336	\$ 207,633	94,507	1,326,462
	<u>\$ 45,968,616</u>	<u>\$ 207,633</u>	<u>\$ 1,167,667</u>	<u>\$ 45,008,582</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, 2010 is \$1,125,000 and the long-term portion is \$42,570,000. The Debt Service Fund will be used to liquidate bonds payable.

The District had bonds outstanding as of June 30, 2010 as follows:

Final Maturity	Interest Rate	Amount
02/15/2017	3.50%-4.00%	\$ 1,820,000
07/15/2036	4.50%-4.75%	32,655,000
09/15/2035	4.375%	<u>9,220,000</u>
		<u>\$ 43,695,000</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

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

A. Bonds Payable: (Cont'd)

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>
2011	\$ 1,125,000	\$ 1,971,977	\$ 3,096,977
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
Thereafter:			
2016-2020	6,470,000	7,930,009	14,400,009
2021-2025	7,410,000	6,408,719	13,818,719
2026-2030	9,310,000	4,508,166	13,818,166
2031-2035	11,740,000	2,064,188	13,804,188
2036	2,700,000	63,419	2,763,419
	<u>\$43,695,000</u>	<u>\$ 30,323,400</u>	<u>\$ 74,018,400</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2010, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

As of June 30, 2010, 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, 2010 is \$212,612 and the long-term liability balance of compensated absences is \$1,113,850.

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, 2010, 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, 2010  
(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.

Three-Year Trend for TPAF (Paid on-behalf of District)			
Year Funding June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ -0-	100.00%	\$ -0-
2009	-0-	100.00%	-0-
2008	1,310,562	100.00%	1,310,562

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PERS for local employers for State fiscal years 2005-2008. The local employer PERS normal and accrued liability contributions required for State fiscal years 2005-2008 are as follows:

- 20% for payments due in State fiscal year 2005
- Not more than 40% for payments due in State fiscal year 2006
- Not more than 60% for payments due in State fiscal year 2007
- Not more than 80% for payments due in State fiscal year 2008

Three-Year Trend for PERS			
Year Funding June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 276,367	100.00%	\$ 276,367
2009	227,265	100.00%	227,265
2008	197,226	80.00%	157,781

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, 2009, there were 84,590 retirees eligible for 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 the 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 \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members for Fiscal Year 2009.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$1,095,040, \$1,145,010 and \$1,301,156 for 2010, 2009 and 2008, respectively.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(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. The District has 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 an insured and self-administered group 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.

Selected, summarized financial information for the Group and the Fund as of June 30, 2009 is as follows:

	<u>Group</u>	<u>Fund</u>
Total Assets	\$ 6,627,738	\$ 33,656,794
Net Assets	\$ 2,401,075	\$ 14,417,326
Total Revenue	\$ 2,808,265	\$ 28,042,089
Total Expenses	\$ 2,229,493	\$ 25,015,943
Net Assets Distribution to Participating Members	\$ 630,209	\$ 3,005,614
Change in Net Assets for the Year Ended June 30	\$ (51,437)	\$ 20,532

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

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

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(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>
2009-2010	\$ -0-	\$ 1,538	\$ 36,601	\$ 77,090	\$ 346,093
2008-2009	-0-	6,544	42,323	47,162	385,044
2007-2008	-0-	13,055	48,117	33,906	383,339

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, 2010:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 113,378	
Special Revenue Fund		\$ 113,378
	<u>\$ 113,378</u>	<u>\$ 113,378</u>

The General Fund interfund receivable due from the Special Revenue Fund represents an interfund loan at June 30, 2010. Interfund transfers during the fiscal year ended June 30, 2010 were comprised of an operating transfer of \$150,000 from the Capital Projects Fund to the Debt Service Fund for the payment of debt service.

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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, permits 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

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, 2010:

	<u>Governmental Activities</u>			<u>Business-Type</u> <u>Activities</u>
	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>	<u>Proprietary</u> <u>Funds</u>
Tuition	\$ 6,500		\$ 6,500	
Refunds/Reimbursements		\$ 2,903	2,903	\$ 19,290
Charges for Services	3,375		3,375	
	<u>\$ 9,875</u>	<u>\$ 2,903</u>	<u>\$ 12,778</u>	<u>\$ 19,290</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

NOTE 16. PRIOR PERIOD ADJUSTMENTS

The District adjusted the capital assets in its governmental activities and business-type activities as of June 30, 2009, as an updated appraisal of the District's capital assets was performed during the year. Adjustments were made as of June 30, 2009 in the District's governmental activities and business-type activities Assets: Capital Assets, Net and Net Assets: Invested in Capital Assets, Net of Related Debt. As a result, the District's financial statements as of June 30, 2009 have been restated as follows:

	Balance 6/30/2009 as Previously Reported	Retroactive Adjustments	Balance 6/30/2009 Restated
<u>Statement of Net Assets - Governmental Activities:</u>			
Assets:			
Capital Assets, Net:			
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	\$ 5,925,632	\$ (4,020,430)	\$ 1,905,202
Net Assets:			
Invested in Capital Assets, Net of Related Debt	18,595,545	(4,020,430)	14,575,115
 <u>Statement of Net Assets - Business-Type Activities:</u>			
Assets:			
Capital Assets, Net:			
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	33,401	12,103	45,504
Net Assets:			
Invested in Capital Assets, Net of Related Debt	33,401	12,103	45,504

NOTE 17. COMMITMENTS AND CONTINGENCIES

Litigation

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

Grant Programs

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

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, 2010, if any, is unknown.

**BUDGETARY COMPARISON SCHEDULES**

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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	\$ 30,908,200		\$ 30,908,200	\$ 30,908,200	
Tuition	1,480,000		1,480,000	1,530,100	\$ 50,100
Miscellaneous	270,000		270,000	127,456	(142,544)
Total - Local Sources	<u>32,658,200</u>		<u>32,658,200</u>	<u>32,565,756</u>	<u>(92,444)</u>
State Sources:					
Transportation Aid	271,228		271,228	271,228	
Special Education Categorical Aid	1,141,469		1,141,469	1,141,469	
Security Aid	175,593		175,593	175,593	
Extraordinary Special Education Costs Aid	44,650		44,650	100,109	55,459
Nonpublic School Transportation Costs				20,436	20,436
On-Behalf TPAF Contributions:					
Post Retirement Medical (Non-Budgeted)				1,095,040	1,095,040
Non-Contributory Insurance (Non-Budgeted)				58,304	58,304
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				1,360,861	1,360,861
Total State Sources	<u>1,632,940</u>		<u>1,632,940</u>	<u>4,223,040</u>	<u>2,590,100</u>
TOTAL REVENUES	<u>34,291,140</u>		<u>34,291,140</u>	<u>36,788,796</u>	<u>2,497,656</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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	\$ 292,895	\$ 10,125	\$ 303,020	\$ 288,311	\$ 14,709
Grades 1-5 - Salaries of Teachers	4,330,483	(30,986)	4,299,497	4,286,210	13,287
Grades 6-8 - Salaries of Teachers	2,399,875	(73,686)	2,326,189	2,310,765	15,424
Grades 9-12 - Salaries of Teachers	4,702,310	(4,003)	4,698,307	4,697,143	1,164
Regular Programs - Home Instruction:					
Salaries of Teachers	30,000	(5,730)	24,270	24,270	
Purchased Professional - Educational Services	74,469	9,704	84,173	84,173	
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	6,064		6,064	5,665	399
Other Purchased Services (400-500 series)	80,818	(1,195)	79,623	62,247	17,376
General Supplies	386,545	10,003	396,548	362,075	34,473
Textbooks	107,880	5,899	113,779	103,198	10,581
Other Objects	23,033	(5,025)	18,008	13,158	4,850
Total Regular Programs - Instruction	<u>12,434,372</u>	<u>(84,894)</u>	<u>12,349,478</u>	<u>12,237,215</u>	<u>112,263</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
General Supplies	7,500	(4,764)	2,736	2,453	283
Textbooks	1,000	(674)	326	326	
Total Learning and/or Language Disabilities	<u>8,500</u>	<u>(5,438)</u>	<u>3,062</u>	<u>2,779</u>	<u>283</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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	\$ 2,004,671	\$ 89,642	\$ 2,094,313	\$ 2,094,313	
General Supplies	9,000	4,811	13,811	13,811	
Textbooks	1,000	1,097	2,097	2,097	
	<u>2,014,671</u>	<u>95,550</u>	<u>2,110,221</u>	<u>2,110,221</u>	
Total Resource Room/Resource Center					
Preschool Disabilities - Part-time:					
Salaries of Teachers	101,290	1,461	102,751	102,751	
Other Salaries for Instruction	44,176	(559)	43,617	43,617	
General Supplies	4,000	(1,215)	2,785	2,321	\$ 464
	<u>149,466</u>	<u>(313)</u>	<u>149,153</u>	<u>148,689</u>	<u>464</u>
Total Preschool Disabilities - Part-time					
Total Special Education Instruction	<u>2,172,637</u>	<u>89,799</u>	<u>2,262,436</u>	<u>2,261,689</u>	<u>747</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	<u>373,830</u>	<u>(26,377)</u>	<u>347,453</u>	<u>347,453</u>	
Total Basic Skills/Remedial - Instruction	<u>373,830</u>	<u>(26,377)</u>	<u>347,453</u>	<u>347,453</u>	
Bilingual Education - Instruction:					
Salaries of Teachers	<u>249,170</u>	<u>(31,120)</u>	<u>218,050</u>	<u>218,050</u>	
Total Bilingual Education - Instruction	<u>249,170</u>	<u>(31,120)</u>	<u>218,050</u>	<u>218,050</u>	

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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	\$ 195,200	\$ 6,519	\$ 201,719	\$ 201,719	
Purchased Services (300-500 series)	8,657	(95)	8,562	8,562	
Supplies and Materials	37,192	(21,424)	15,768	15,768	
<b>Total School-Sponsored Cocurricular Activities - Instruction</b>	<b>241,049</b>	<b>(15,000)</b>	<b>226,049</b>	<b>226,049</b>	
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	608,994	49,316	658,310	658,310	
Purchased Services (300-500 series)	100,742	13,326	114,068	114,068	
Supplies and Materials	81,445	2,070	83,515	82,512	\$ 1,003
Other Objects	14,550	(8,572)	5,978	5,978	
<b>Total School-Sponsored Cocurricular Athletics - Instruction</b>	<b>805,731</b>	<b>56,140</b>	<b>861,871</b>	<b>860,868</b>	<b>1,003</b>
Community Services Programs/Operations:					
Salaries		13,317	13,317	6,842	6,475
<b>Total Community Services Programs/Operations</b>		<b>13,317</b>	<b>13,317</b>	<b>6,842</b>	<b>6,475</b>
<b>Total Instruction</b>	<b>16,276,789</b>	<b>1,865</b>	<b>16,278,654</b>	<b>16,158,166</b>	<b>120,488</b>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	346,908	(89,444)	257,464	257,464	
Tuition to County Vocational Schools - Regular	24,000	(24,000)			
Tuition to County Vocational Schools - Special	24,000	(19,274)	4,726	4,726	
Tuition to Private Schools for the Disabled - Within the State	947,564	6,429	953,993	953,993	
Tuition to Private Schools for the Disabled and Other LEAs - Special - Outside the State	75,000	18,856	93,856	93,745	111
<b>Total Undistributed Expenditures - Instruction</b>	<b>1,417,472</b>	<b>(107,433)</b>	<b>1,310,039</b>	<b>1,309,928</b>	<b>111</b>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Health Services:</b>					
Salaries	\$ 290,165	\$ 3,000	\$ 293,165	\$ 290,355	\$ 2,810
Purchased Professional and Technical Services	12,500	106	12,606	8,100	4,506
Other Purchased Services (400-500 series)	1,000	440	1,440	1,440	
Supplies and Materials	12,065	(1,046)	11,019	11,019	
<b>Total Health Services</b>	<b>315,730</b>	<b>2,500</b>	<b>318,230</b>	<b>310,914</b>	<b>7,316</b>
<b>Other Support Services - Speech, OT, PT and Related Services:</b>					
Salaries	439,810	(27,559)	412,251	412,251	
Purchased Professional - Educational Services	29,027	7,933	36,960	36,960	
Supplies and Materials	3,000	76	3,076	3,076	
<b>Total Other Support Services - Speech, OT, PT and Related Services</b>	<b>471,837</b>	<b>(19,550)</b>	<b>452,287</b>	<b>452,287</b>	
<b>Other Support Services - Students - Extraordinary Services:</b>					
Salaries	622,255	(11,000)	611,255	606,089	5,166
Purchased Professional - Educational Services	109,968	(47,750)	62,218	59,781	2,437
<b>Total Other Support Services - Students - Extraordinary Services</b>	<b>732,223</b>	<b>(58,750)</b>	<b>673,473</b>	<b>665,870</b>	<b>7,603</b>
<b>Other Support Services - Guidance:</b>					
Salaries of Other Professional Staff	675,394		675,394	672,783	2,611
Salaries of Secretarial and Clerical Assistants	98,509		98,509	97,193	1,316
Purchased Professional - Educational Services	4,281	(2,241)	2,040	2,040	
Other Purchased Services (400-500 series)	4,000	(1,681)	2,319	2,319	
Supplies and Materials	7,376	4,332	11,708	3,191	8,517
Other Objects	7,439	(1,510)	5,929	5,929	
<b>Total Other Support Services - Guidance</b>	<b>796,999</b>	<b>(1,100)</b>	<b>795,899</b>	<b>783,455</b>	<b>12,444</b>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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	\$ 1,029,689	\$ (81,914)	\$ 947,775	\$ 946,496	\$ 1,279
Salaries of Secretarial and Clerical Assistants	92,045		92,045	92,037	8
Other Purchased Professional and Technical Services	85,930	(52,809)	33,121	19,507	13,614
Miscellaneous Purchased Services (400-500 series)	3,000		3,000	2,041	959
Supplies and Materials	18,000	(1,110)	16,890	14,175	2,715
Other Objects	2,500	1	2,501	2,316	185
<b>Total Other Support Services - Child Study Teams</b>	<b>1,231,164</b>	<b>(135,832)</b>	<b>1,095,332</b>	<b>1,076,572</b>	<b>18,760</b>
Improvement of Instructional Services:					
Salaries of Other Professional Staff	9,154	10,901	20,055	20,055	
Other Purchased Services (400-500 series)	4,200	(1,250)	2,950	2,950	
Supplies and Materials	7,585	(3,928)	3,657	3,317	340
Other Objects	14,592	2	14,594	14,594	
<b>Total Improvement of Instructional Services</b>	<b>35,531</b>	<b>5,725</b>	<b>41,256</b>	<b>40,916</b>	<b>340</b>
Educational Media Services/School Library:					
Salaries	495,705	1,351	497,056	497,056	
Salaries of Technology Coordinators	83,440		83,440	83,440	
Other Purchased Services (400-500 series)	12,070	(2,500)	9,570	9,570	
Supplies and Materials	98,213	(5,351)	92,862	78,927	13,935
<b>Total Educational Media Services/School Library</b>	<b>689,428</b>	<b>(6,500)</b>	<b>682,928</b>	<b>668,993</b>	<b>13,935</b>
Instructional Staff Training Services:					
Purchased Professional - Educational Services	8,680	(1,115)	7,565	7,565	
Other Purchased Services (400-500 series)	17,437	(6,680)	10,757	8,834	1,923
<b>Total Instructional Staff Training Services</b>	<b>26,117</b>	<b>(7,795)</b>	<b>18,322</b>	<b>16,399</b>	<b>1,923</b>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Support Services - General Administration:</b>					
Salaries	\$ 495,448	\$ 1,359	\$ 496,807	\$ 496,807	
Legal Services	70,000	90,035	160,035	120,035	\$ 40,000
Audit Fees	37,336	(21)	37,315	37,315	
Other Purchased Professional Services	30,400	(3,985)	26,415	26,415	
Communications/Telephone	80,000	47,181	127,181	127,181	
BOE Other Purchased Services	7,000	(4,513)	2,487	2,487	
Other Purchased Services (400-500 series)	26,000	(3,582)	22,418	22,418	
General Supplies	10,100	(6,140)	3,960	3,960	
Judgments Against the School District	10,000	1,863	11,863	11,863	
Miscellaneous Expenditures	110,500	(3,019)	107,481	107,481	
BOE Membership Dues and Fees	29,400	142	29,542	29,542	
<b>Total Support Services - General Administration</b>	<b>906,184</b>	<b>119,320</b>	<b>1,025,504</b>	<b>985,504</b>	<b>40,000</b>
<b>Support Services - School Administration:</b>					
Salaries of Principals/Assistant Principals	900,565	4,561	905,126	905,126	
Salaries of Secretarial and Clerical Assistants	438,450	(13,413)	425,037	425,037	
Other Purchased Services (400-500 series)	8,889	(4,425)	4,464	4,464	
Supplies and Materials	44,629	7,515	52,144	38,830	13,314
Other Objects	7,750	7,454	15,204	15,204	
<b>Total Support Services - School Administration</b>	<b>1,400,283</b>	<b>1,692</b>	<b>1,401,975</b>	<b>1,388,661</b>	<b>13,314</b>
<b>Central Services:</b>					
Salaries	399,134	8,653	407,787	407,787	
Miscellaneous Purchased Services (400-500 series)	67,000	5,673	72,673	72,673	
Supplies and Materials	15,200	2,394	17,594	17,594	
Miscellaneous Expenditures	29,600	(13,410)	16,190	12,206	3,984
<b>Total Central Services</b>	<b>510,934</b>	<b>3,310</b>	<b>514,244</b>	<b>510,260</b>	<b>3,984</b>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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	\$ 109,515	\$ 3,000	\$ 112,515	\$ 112,383	\$ 132
Other Purchased Services (400-500 series)	4,800	2,500	7,300	7,200	100
<b>Total Administration Information Technology</b>	<u>114,315</u>	<u>5,500</u>	<u>119,815</u>	<u>119,583</u>	<u>232</u>
Required Maintenance of School Facilities:					
Salaries	392,014	33,540	425,554	425,554	
Cleaning, Repair and Maintenance Services	439,988	202,801	642,789	596,854	45,935
General Supplies	50,100	2,718	52,818	52,818	
Other Objects	7,000	(4,190)	2,810	2,810	
<b>Total Required Maintenance of School Facilities</b>	<u>889,102</u>	<u>234,869</u>	<u>1,123,971</u>	<u>1,078,036</u>	<u>45,935</u>
Custodial Services:					
Salaries	1,061,139	68,036	1,129,175	1,129,175	
Purchased Professional and Technical Services	12,000	(7,645)	4,355	4,355	
Cleaning, Repair and Maintenance Services	6,000	(3,500)	2,500	1,400	1,100
Other Purchased Property Services	62,000	(18,000)	44,000	37,959	6,041
Insurance	104,300	13,242	117,542	117,542	
Miscellaneous Purchased Services	35,500	(16,368)	19,132	18,232	900
General Supplies	96,000	(7,233)	88,767	84,184	4,583
Energy (Electricity)	282,000	(9,241)	272,759	272,759	
Energy (Natural Gas)	482,000	(97,939)	384,061	373,074	10,987
Other Objects	8,875	4,432	13,307	13,307	
<b>Total Custodial Services</b>	<u>2,149,814</u>	<u>(74,216)</u>	<u>2,075,598</u>	<u>2,051,987</u>	<u>23,611</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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	\$ 156,002	\$ 2,460	\$ 158,462	\$ 158,462	
Cleaning, Repair and Maintenance Services	30,000	511	30,511	28,790	\$ 1,721
General Supplies	15,000	(6,971)	8,029	7,005	1,024
Total Care & Upkeep of Grounds	<u>201,002</u>	<u>(4,000)</u>	<u>197,002</u>	<u>194,257</u>	<u>2,745</u>
Student Transportation Services:					
Salaries for Pupil Transportation:					
Other Than Between Home and School - Regular	64,000	(1,005)	62,995	62,644	351
Cleaning, Repair and Maintenance Services	4,564	51	4,615	4,615	
Contracted Services:					
Between Home and School - Vendors	272,000	(72,316)	199,684	199,684	
Other Than Between Home and School - Vendors	57,530	(1,351)	56,179	31,957	24,222
Special Education Students - Vendors	570,000	81,672	651,672	622,154	29,518
Aid in Lieu - Nonpublic Students	112,000	7,859	119,859	119,859	
Supplies and Materials	44,500	(4,051)	40,449	19,566	20,883
Total Student Transportation Services	<u>1,124,594</u>	<u>10,859</u>	<u>1,135,453</u>	<u>1,060,479</u>	<u>74,974</u>
Unallocated Benefits:					
Social Security Contributions	410,000	(7,201)	402,799	402,799	
Other Retirement Contributions - Regular	227,233	49,134	276,367	276,367	
Workmen's Compensation	145,600	40,663	186,263	186,263	
Health Benefits	4,222,556	(125,781)	4,096,775	4,096,775	
Tuition Reimbursement	85,000	2,302	87,302	87,302	
Other Employee Benefits	437,564	(652)	436,912	436,912	
Total Unallocated Benefits	<u>5,527,953</u>	<u>(41,535)</u>	<u>5,486,418</u>	<u>5,486,418</u>	

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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)				\$ 1,095,040	\$ (1,095,040)
Non-Contributory Insurance (non-budgeted)				58,304	(58,304)
Reimbursed TPAF Social Security Contributions (non-budgeted)				1,360,861	(1,360,861)
Total On-Behalf and Reimbursed Contributions				2,514,205	(2,514,205)
Total Personal Services - Employee Benefits	\$ 5,527,953	\$ (41,535)	\$ 5,486,418	8,000,623	(2,514,205)
Total Undistributed Expenses	18,540,682	(72,936)	18,467,746	20,714,724	(2,246,978)
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>34,817,471</b>	<b>(71,071)</b>	<b>34,746,400</b>	<b>36,872,890</b>	<b>(2,126,490)</b>
<b>CAPITAL OUTLAY</b>					
Regular Programs - Instruction:					
Grades 1-5	12,000	(500)	11,500	10,179	1,321
Grades 9-12		12,339	12,339	11,040	1,299
Undistributed Expenditures:					
Other Support Services - Students - Extraordinary Services		4,142	4,142	3,471	671
Required Maintenance of School Facilities	65,000	(65,000)			
Custodial Services	7,500	(7,500)			
Care & Upkeep of Grounds	10,000	108,615	118,615	108,397	10,218
School Administration		12,339	12,339	11,219	1,120
Administration Information Technology		22,512	22,512	22,512	
Total Equipment	94,500	86,947	181,447	166,818	14,629
<b>TOTAL CAPITAL OUTLAY</b>	<b>94,500</b>	<b>86,947</b>	<b>181,447</b>	<b>166,818</b>	<b>14,629</b>
Transfer of Funds to Charter Schools	22,671	(15,876)	6,795	6,795	
<b>TOTAL EXPENDITURES</b>	<b>34,934,642</b>		<b>34,934,642</b>	<b>37,046,503</b>	<b>(2,111,861)</b>

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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	\$ (643,502)	\$ -0-	\$ (643,502)	\$ (257,707)	\$ 385,795
Fund Balance, July 1	<u>1,181,002</u>		<u>1,181,002</u>	<u>1,181,002</u>	
Fund Balance, June 30	<u>\$ 537,500</u>	<u>\$ -0-</u>	<u>\$ 537,500</u>	<u>\$ 923,295</u>	<u>\$ 385,795</u>
Recapitulation:					
Reserve for Encumbrances				\$ 51,200	
Unreserved - Designated for Subsequent Year's Expenditures				487,500	
Unreserved - Undesignated				<u>384,595</u>	
				923,295	
Reconciliation to Governmental Funds Statement (GAAP):					
June State Aid Payments not Recognized on GAAP Basis				<u>(155,625)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 767,670</u>	

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 105,818	\$ 31,986	\$ 137,804	\$ 108,778	\$ (29,026)
Federal Sources	1,171,784	36,101	1,207,885	769,218	(438,667)
Local Sources		36,862	36,862	36,862	
Total Revenues	<u>1,277,602</u>	<u>104,949</u>	<u>1,382,551</u>	<u>914,858</u>	<u>(467,693)</u>
EXPENDITURES:					
Instruction					
Personal Services - Salaries	219,595	54,000	273,595	54,000	219,595
Purchased Professional and Technical Services	82,447	31,986	114,433	95,781	18,652
Tuition	492,805	(164,696)	328,109	326,270	1,839
General Supplies	241,834	(97,392)	144,442	122,188	22,254
Textbooks	23,371		23,371	12,997	10,374
Total Instruction	<u>1,060,052</u>	<u>(176,102)</u>	<u>883,950</u>	<u>611,236</u>	<u>272,714</u>
Support Services					
Personal Services - Salaries	80,000		80,000		80,000
Personal Services - Employee Benefits	59,919	10,800	70,719	10,800	59,919
Purchased Professional and Technical Services	63,631	153,839	217,470	166,682	50,788
Other Purchased Services		103,180	103,180	101,017	2,163
Supplies and Materials	14,000	13,232	27,232	25,123	2,109
Total Support Services	<u>217,550</u>	<u>281,051</u>	<u>498,601</u>	<u>303,622</u>	<u>194,979</u>
Total Expenditures	<u>1,277,602</u>	<u>104,949</u>	<u>1,382,551</u>	<u>914,858</u>	<u>467,693</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, 2010

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 36,788,796	\$ 914,858
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.		(8,156)
State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	136,259	
State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(155,625)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 36,769,430	\$ 906,702
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 37,046,503	\$ 914,858
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.		(8,156)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 37,046,503	\$ 906,702

BOROUGH OF MADISON SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTES TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

**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, 2010

	No Child Left Behind				
	Title I		Title II		Title III
	2009-10	2008-09	2009-10	2008-09	2009-10
<b>REVENUE:</b>					
State Sources					
Federal Sources	\$ 68,515	\$ 148	\$ 52,961	\$ 3,526	\$ 18,004
Local Sources					
<b>Total Revenue</b>	<b>\$ 68,515</b>	<b>\$ 148</b>	<b>\$ 52,961</b>	<b>\$ 3,526</b>	<b>\$ 18,004</b>
<b>EXPENDITURES:</b>					
Instruction:					
Personal Services - Salaries	\$ 54,000				
Purchased Professional and Technical Services					
Tuition					
General Supplies	215		\$ 8,610	\$ 2,949	\$ 7,569
Textbooks					
<b>Total Instruction</b>	<b>54,215</b>		<b>8,610</b>	<b>2,949</b>	<b>7,569</b>
Support Services:					
Personal Services - Employee Benefits	10,800				
Purchased Professional and Technical Services		\$ 148			
Other Purchased Services			44,351	577	5,787
Supplies and Materials	3,500				4,648
<b>Total Support Services</b>	<b>14,300</b>	<b>148</b>	<b>44,351</b>	<b>577</b>	<b>10,435</b>
<b>Total Expenditures</b>	<b>\$ 68,515</b>	<b>\$ 148</b>	<b>\$ 52,961</b>	<b>\$ 3,526</b>	<b>\$ 18,004</b>

BOROUGH OF MADISON SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	No Child Left Behind			IDEA Part B Basic Regular		
	Title III	Title IV		ARRA	2009-10	2008-09
	2008-09	2009-10	Prior Years	2009-10		
<b>REVENUE:</b>						
State Sources						
Federal Sources	\$ 4,695	\$ 3,792	\$ 51	\$ 131,621	\$ 458,660	\$ 7,045
Local Sources						
<b>Total Revenue</b>	<b>\$ 4,695</b>	<b>\$ 3,792</b>	<b>\$ 51</b>	<b>\$ 131,621</b>	<b>\$ 458,660</b>	<b>\$ 7,045</b>
<b>EXPENDITURES:</b>						
Instruction:						
Personal Services - Salaries						
Purchased Professional and Technical Services						
Tuition					\$ 326,270	
General Supplies	\$ 3,685		\$ 36	\$ 92,166	4,055	
Textbooks						
<b>Total Instruction</b>	<b>3,685</b>		<b>36</b>	<b>92,166</b>	<b>330,325</b>	
Support Services:						
Personal Services - Employee Benefits						
Purchased Professional and Technical Services		\$ 3,792		22,495	123,528	\$ 7,045
Other Purchased Services	1,010				4,807	
Supplies and Materials			15	16,960		
<b>Total Support Services</b>	<b>1,010</b>	<b>3,792</b>	<b>15</b>	<b>39,455</b>	<b>128,335</b>	<b>7,045</b>
<b>Total Expenditures</b>	<b>\$ 4,695</b>	<b>\$ 3,792</b>	<b>\$ 51</b>	<b>\$ 131,621</b>	<b>\$ 458,660</b>	<b>\$ 7,045</b>

BOROUGH OF MADISON SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>IDEA Part B Basic Preschool</u>		<u>NJ Nonpublic</u>		<u>Nonpublic Auxiliary Services (Chapter 192)</u>	
	<u>ARRA</u>					<u>English as a</u>
	<u>2009-10</u>	<u>2009-10</u>	<u>Textbooks</u>	<u>Nursing</u>	<u>Compensatory Education</u>	<u>Second Language</u>
REVENUE:						
State Sources			\$ 12,997	\$ 27,715	\$ 20,825	\$ 979
Federal Sources	\$ 2,300	\$ 17,900				
Local Sources						
Total Revenue	<u>\$ 2,300</u>	<u>\$ 17,900</u>	<u>\$ 12,997</u>	<u>\$ 27,715</u>	<u>\$ 20,825</u>	<u>\$ 979</u>
EXPENDITURES:						
Instruction:						
Personal Services - Salaries						
Purchased Professional and Technical Services				\$ 27,715	\$ 20,825	\$ 979
Tuition						
General Supplies						
Textbooks			\$ 12,997			
Total Instruction			<u>12,997</u>	<u>27,715</u>	<u>20,825</u>	<u>979</u>
Support Services:						
Personal Services - Employee Benefits						
Purchased Professional and Technical Services	\$ 2,300	\$ 7,374				
Other Purchased Services		10,526				
Supplies and Materials						
Total Support Services	<u>2,300</u>	<u>17,900</u>				
Total Expenditures	<u>\$ 2,300</u>	<u>\$ 17,900</u>	<u>\$ 12,997</u>	<u>\$ 27,715</u>	<u>\$ 20,825</u>	<u>\$ 979</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Nonpublic Handicapped Services (Chapter 193)</u>				Totals June 30, 2010
	<u>Supplementary Instruction</u>	<u>Examination and Classification</u>	<u>Corrective Speech</u>	<u>Local Programs</u>	
REVENUE:					
State Sources	\$ 10,911	\$ 20,287	\$ 15,064		\$ 108,778
Federal Sources					769,218
Local Sources				\$ 36,862	36,862
<b>Total Revenue</b>	<b>\$ 10,911</b>	<b>\$ 20,287</b>	<b>\$ 15,064</b>	<b>\$ 36,862</b>	<b>\$ 914,858</b>
EXPENDITURES:					
Instruction:					
Personal Services - Salaries					\$ 54,000
Purchased Professional and Technical Services	\$ 10,911	\$ 20,287	\$ 15,064		95,781
Tuition					326,270
General Supplies				\$ 2,903	122,188
Textbooks					12,997
<b>Total Instruction</b>	<b>10,911</b>	<b>20,287</b>	<b>15,064</b>	<b>2,903</b>	<b>611,236</b>
Support Services:					
Personal Services - Employee Benefits					10,800
Purchased Professional and Technical Services					166,682
Other Purchased Services				33,959	101,017
Supplies and Materials					25,123
<b>Total Support Services</b>				<b>33,959</b>	<b>303,622</b>
<b>Total Expenditures</b>	<b>\$ 10,911</b>	<b>\$ 20,287</b>	<b>\$ 15,064</b>	<b>\$ 36,862</b>	<b>\$ 914,858</b>

**CAPITAL PROJECTS FUND**

BOROUGH OF MADISON SCHOOL DISTRICT  
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS  
CAPITAL PROJECTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Total Revenue and Other Financing Sources	<u>\$ -0-</u>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	72,637
Construction Services	1,324,331
Equipment Purchases	201
Operating Transfer Out:	
Debt Service Fund	<u>150,000</u>
Total Expenditures and Other Financing Uses	<u>1,547,169</u>
Excess/(Deficiency) of Revenue and Other Financing Sources	
Over/(Under) Expenditures and Other Financing Uses	(1,547,169)
Fund Balance - Beginning	<u>1,547,169</u>
Fund Balance - Ending	<u><u>\$ -0-</u></u>

BOROUGH OF MADISON SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
EDUCATIONAL AND PHYSICAL PLANT RENOVATIONS AND  
ADDITIONS AT ALL SCHOOL DISTRICT SCHOOL FACILITIES  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Bond Proceeds	\$ 45,920,275		\$ 45,920,275	\$ 45,920,275
Total Revenue and Other Financing Sources	45,920,275	\$ -0-	45,920,275	45,920,275
Expenditures and Other Financing Uses:				
Salaries	52,609		52,609	52,609
Purchased Professional and Technical Services		58,637	58,637	58,637
Construction Services	44,441,319	1,217,710	45,659,029	45,659,029
Operating Transfer Out:				
Debt Service Fund		150,000	150,000	150,000
Total Expenditures and Other Financing Uses	44,493,928	1,426,347	45,920,275	45,920,275
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	\$ 1,426,347	\$ (1,426,347)	\$ -0-	\$ -0-

## Additional Project Information:

Project Number(s)	2870-050-05-1000; 2870-060-05-1000; 2870-080-05-1000; 2870-100-05-1000; & 2870-110-05-1000
Grant Date	August 25, 2005
Bond Authorization Date	September 27, 2005
Bonds Authorized	\$ 34,835,567
Bonds Issued	\$ 34,835,000
Original Authorized Cost	\$ 45,920,275
Change Orders	\$ -0-
Revised Authorized Cost	\$ 45,920,275
Change Order Percentage	0.00%
Percentage Completion	100.00%
Original Target Completion Date	9/1/2008
Revised Target Completion Date	12/1/2008

BOROUGH OF MADISON SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
WINDOW, ROOF AND FIRE ALARM REPLACEMENT PROJECTS AND  
DISTRICT-WIDE NETWORK INFRASTRUCTURE  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 61,667		\$ 61,667	\$ 61,667
Transfer from Capital Reserve	2,243,232		2,243,232	2,243,232
Total Revenue and Other Financing Sources	2,304,899	\$ -0-	2,304,899	2,304,899
Expenditures:				
Purchased Professional and Technical Services	251,475	14,000	265,475	265,475
Construction Services	1,928,385	106,621	2,035,006	2,035,006
Equipment Purchases	4,217	201	4,418	4,418
Total Expenditures	2,184,077	120,822	2,304,899	2,304,899
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	\$ 120,822	\$ (120,822)	\$ -0-	\$ -0-

## Additional Project Information:

Project Number	2870-080-05-4000
Grant Date	May 1, 2006
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 2,071,263
Change Orders	\$ 143,665
Revised Authorized Cost	\$ 2,214,928
Change Order Percentage	6.94%
Percentage Completion	100.00%
Original Target Completion Date	12/1/2005
Revised Target Completion Date	12/1/2008

**PROPRIETARY FUNDS**

BOROUGH OF MADISON SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2010

## ASSETS:

## Current Assets:

Cash and Cash Equivalents	\$ 2,864
Receivables from Other Governments	6,702
Receivables - Other	19,290
Inventories	14,813
	<hr/>

## Total Current Assets

43,669

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## Non-Current Assets:

Capital Assets	287,505
Less: Accumulated Depreciation	(242,669)
	<hr/>

## Total Non-Current Assets

44,836

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## Total Assets

88,505

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## NET ASSETS:

Investment in Capital Assets, Net of Related Debt	44,836
Unrestricted	43,669
	<hr/>

## Total Net Assets

\$ 88,505

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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, 2010

## Operating Revenue:

## Charges for Services:

## Daily Sales - Reimbursable Programs:

School Lunch Program	\$ 231,733
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Special Milk Program	1,053
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Total Daily Sales - Reimbursable Programs	232,786
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Daily Sales - Non-Reimbursable Programs	331,947
---	---------

Special Events	8,462
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Total Operating Revenue	573,195
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## Operating Expenses:

Cost of Sales	322,559
---------------	---------

Salaries	189,460
----------	---------

Payroll Taxes	27,680
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Employee Benefits	44,489
-------------------	--------

Purchased Property Services	67,791
-----------------------------	--------

Supplies and Materials	29,045
------------------------	--------

Depreciation Expense	9,147
----------------------	-------

Total Operating Expenses	690,171
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Operating Loss	(116,976)
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## Non-Operating Revenue:

## State Sources:

School Lunch Program	6,693
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## Federal Sources:

Special Milk Program	562
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National School Lunch Program	88,692
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Food Distribution Program	34,931
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Total Non-Operating Revenue	130,878
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Change in Net Assets	13,902
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Net Assets - Beginning of Year (Restated)	74,603
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Net Assets - End of Year	\$ 88,505
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BOROUGH OF MADISON SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 559,160
Payments to Food Service Vendor	(647,489)
Payments to Suppliers	(8,032)
	<hr/>
Net Cash Used for Operating Activities	(96,361)
	<hr/>
Cash Flows from Noncapital Financing Activities:	
State Sources	6,694
Federal Sources	88,834
	<hr/>
Net Cash Provided by Noncapital Financing Activities	95,528
	<hr/>
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(8,479)
	<hr/>
Net Cash Used for Capital and Related Financing Activities	(8,479)
	<hr/>
Net Decrease in Cash and Cash Equivalents	(9,312)
	<hr/>
Cash and Cash Equivalents, July 1	12,176
	<hr/>
Cash and Cash Equivalents, June 30	\$ 2,864
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (116,976)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	9,147
Federal Food Distribution Program	34,931
Changes in Assets and Liabilities:	
(Increase) in Other Receivables	(14,035)
(Increase) in Inventories	(9,428)
	<hr/>
Net Cash Used for Operating Activities	\$ (96,361)
	<hr/> <hr/>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$34,931 for the fiscal year ended June 30, 2010.

**FIDUCIARY FUNDS**

BOROUGH OF MADISON SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<u>Agency</u>		<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>		
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 235,421	\$ 2,978	\$ 238,399	\$ 346,093
Investments				\$ 130,635
				26,215
Total Assets	<u>235,421</u>	<u>2,978</u>	<u>238,399</u>	<u>346,093</u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings Due to Student Groups	<u>235,421</u>	<u>2,978</u>	<u>2,978</u>	<u>235,421</u>
Total Liabilities	<u>235,421</u>	<u>2,978</u>	<u>238,399</u>	
<b>NET ASSETS:</b>				
Held in Trust for Unemployment Claims Reserved for Scholarships			<u>346,093</u>	<u>156,850</u>
Total Net Assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 346,093</u>
				<u>\$ 156,850</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, 2010

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
ADDITIONS:		
Contributions:		
Plan member	\$ 36,601	
Other		\$ 13,982
Total Contributions	<u>36,601</u>	<u>13,982</u>
Investment Earnings:		
Interest	<u>1,538</u>	<u>1,070</u>
Net Investment Earnings	<u>1,538</u>	<u>1,070</u>
Total Additions	<u>38,139</u>	<u>15,052</u>
DEDUCTIONS:		
Quarterly Contribution Reports	77,090	
Scholarships Awarded		16,094
Total Deductions	<u>77,090</u>	<u>16,094</u>
Change in Net Assets	(38,951)	(1,042)
Net Assets - Beginning of the Year	<u>385,044</u>	<u>157,892</u>
Net Assets - End of the Year	<u>\$ 346,093</u>	<u>\$ 156,850</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 220,821	\$ 518,014	\$ 503,414	\$ 235,421
Total Assets	<u>\$ 220,821</u>	<u>\$ 518,014</u>	<u>\$ 503,414</u>	<u>\$ 235,421</u>
<b>LIABILITIES:</b>				
Due to Student Groups	\$ 220,821	\$ 518,014	\$ 503,414	\$ 235,421
Total Liabilities	<u>\$ 220,821</u>	<u>\$ 518,014</u>	<u>\$ 503,414</u>	<u>\$ 235,421</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
Elementary Schools:				
Central Avenue	\$ 1,699	\$ 6,795	\$ 5,296	\$ 3,198
Kings Road	1,231	5,071	5,018	1,284
Torey J. Sabatini	97	7,940	6,817	1,220
Total Elementary Schools	<u>3,027</u>	<u>19,806</u>	<u>17,131</u>	<u>5,702</u>
Middle Schools:				
Junior School	<u>38,913</u>	<u>117,911</u>	<u>99,028</u>	<u>57,796</u>
High School	<u>178,881</u>	<u>292,855</u>	<u>299,813</u>	<u>171,923</u>
Athletic Fund		<u>87,442</u>	<u>87,442</u>	
Total All Schools/Funds	<u>\$ 220,821</u>	<u>\$ 518,014</u>	<u>\$ 503,414</u>	<u>\$ 235,421</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 20,081	\$ 25,548,688	\$ 25,565,791	\$ 2,978
Total Assets	<u>\$ 20,081</u>	<u>\$ 25,548,688</u>	<u>\$ 25,565,791</u>	<u>\$ 2,978</u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings	\$ 20,081	\$ 25,548,688	\$ 25,565,791	\$ 2,978
Total Liabilities	<u>\$ 20,081</u>	<u>\$ 25,548,688</u>	<u>\$ 25,565,791</u>	<u>\$ 2,978</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, 2009	Retired/ Matured	Balance June 30, 2010
			Outstanding					
			Date	Amount				
School Refunding Bonds	08/15/05	\$ 2,695,000	02/15/11-12	\$ 260,000	3.50%	\$ 2,070,000	\$ 250,000	\$ 1,820,000
			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	07/15/10	650,000	4.500%	33,280,000	625,000	32,655,000
			07/15/11	685,000	4.500%			
			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	09/15/10	215,000	4.375%	9,420,000	200,000	9,220,000
			09/15/11	225,000	4.375%			
			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	4.375%						
09/15/32	495,000	4.375%						
09/15/33	505,000	4.375%						
09/15/34	535,000	4.375%						
09/15/35	565,000	4.375%						
						<u>9,420,000</u>	<u>200,000</u>	<u>9,220,000</u>
						<u>\$ 44,770,000</u>	<u>\$ 1,075,000</u>	<u>\$ 43,695,000</u>

BOROUGH OF MADISON SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOT APPLICABLE

BOROUGH OF MADISON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 2,276,190		\$ 2,276,190	\$ 2,276,190	
State Sources:					
Debt Service Aid Type II	667,303		667,303	667,303	
Total Revenues	<u>2,943,493</u>		<u>2,943,493</u>	<u>2,943,493</u>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	2,018,493		2,018,493	2,018,493	
Redemption of Principal	1,075,000		1,075,000	1,075,000	
Total Regular Debt Service	<u>3,093,493</u>		<u>3,093,493</u>	<u>3,093,493</u>	
Total Expenditures	<u>3,093,493</u>		<u>3,093,493</u>	<u>3,093,493</u>	
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(150,000)		(150,000)	(150,000)	
Other Financing Sources:					
Operating Transfer In:					
Capital Projects Fund	150,000		150,000	150,000	
Total Other Financing Sources	<u>150,000</u>		<u>150,000</u>	<u>150,000</u>	
Excess/(Deficit) of Revenues and Other Financing Sources 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**

**Exhibit**

**Financial Trends**

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

J-1 thru J-5

**Revenue Capacity**

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

J-6 thru J-9

**Debt Capacity**

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

J-10 thru J-13

**Demographic and Economic Information**

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

J-14 thru J-15

**Operating Information**

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

J-16 thru J-20

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. 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 SIX FISCAL YEARS  
*(accrual basis of accounting)*  
UNAUDITED

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008 (Restated)	2009 (Restated)	2010
<b>Governmental Activities:</b>						
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
Restricted	4,026,956	2,744,287	3,902,193	2,440,309	996,260	268,850
Unrestricted/(Deficit)	(886,965)	(2,065,303)	(1,363,819)	(1,546,372)	(1,696,279)	(1,449,059)
<b>Total governmental activities net assets</b>	<b>\$ 15,918,964</b>	<b>\$ 14,609,889</b>	<b>\$ 16,817,485</b>	<b>\$ 16,537,061</b>	<b>\$ 13,875,096</b>	<b>\$ 13,055,997</b>
<b>Business-type Activities:</b>						
Invested in Capital Assets, Net of Related Debt	\$ 12,472	\$ 39,764	\$ 34,999	\$ 39,157	\$ 45,504	\$ 44,836
Unrestricted/(Deficit)	42,370	16,493	32,736	27,030	29,099	43,669
<b>Total business-type activities net assets</b>	<b>\$ 54,842</b>	<b>\$ 56,257</b>	<b>\$ 67,735</b>	<b>\$ 66,187</b>	<b>\$ 74,603</b>	<b>\$ 88,505</b>
<b>District-wide:</b>						
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
Restricted	4,026,956	2,744,287	3,902,193	2,440,309	996,260	268,850
Unrestricted/(Deficit)	(844,595)	(2,048,810)	(1,331,083)	(1,519,342)	(1,667,180)	(1,405,390)
<b>Total District Net Assets</b>	<b>\$ 15,973,806</b>	<b>\$ 14,666,146</b>	<b>\$ 16,885,220</b>	<b>\$ 16,603,248</b>	<b>\$ 13,949,699</b>	<b>\$ 13,144,502</b>

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 SIX FISCAL YEARS**  
*(accrual basis of accounting)*  
**UNAUDITED**

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
<b>Expenses</b>						
<b>Governmental Activities:</b>						
<b>Instruction:</b>						
Regular	\$ 14,141,784	\$ 15,151,273	\$ 15,915,075	\$ 16,337,830	\$ 15,963,354	\$ 16,493,978
Special Education	3,125,916	2,968,368	3,374,487	3,625,190	3,438,514	3,310,439
Other Special Instruction	757,573	773,395	775,027	692,677	824,753	769,639
Other Instruction	843,309	1,138,082	1,353,977	1,433,761	1,495,957	1,406,683
<b>Support Services:</b>						
Tuition	1,196,578	1,108,483	1,255,617	1,241,158	1,538,856	1,636,198
Student & Instruction Related Services	4,077,172	4,515,057	4,746,237	5,088,102	5,370,682	5,690,272
General Administrative Services	1,076,772	1,055,465	1,218,967	1,299,149	1,209,793	1,113,395
School Administrative Services	1,568,951	1,612,386	1,781,703	1,959,671	1,902,007	1,934,285
Central Services	699,615	659,696	609,557	648,309	639,410	593,624
Administration Information Technology	111,805	166,777	185,289	191,386	250,238	146,251
Plant Operations and Maintenance	3,250,053	3,235,062	3,384,943	3,785,714	3,827,313	3,776,335
Pupil Transportation	1,158,010	1,197,769	1,007,130	1,156,206	1,208,373	1,092,823
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
Unallocated Depreciation	69,126	71,670	71,670	71,670	147,853	1,480,345
<b>Total Governmental Activities Expenses</b>	<b>32,257,821</b>	<b>34,742,355</b>	<b>37,386,005</b>	<b>40,126,782</b>	<b>39,915,852</b>	<b>41,438,724</b>
<b>Business-type Activities:</b>						
Food Service	569,609	625,240	655,104	607,283	672,336	690,171
<b>Total Business-type Activities Expenses</b>	<b>569,609</b>	<b>625,240</b>	<b>655,104</b>	<b>607,283</b>	<b>672,336</b>	<b>690,171</b>
<b>Total District Expenses</b>	<b>32,827,430</b>	<b>35,367,595</b>	<b>38,041,109</b>	<b>40,734,065</b>	<b>40,588,188</b>	<b>42,128,895</b>
<b>Program Revenues</b>						
<b>Governmental Activities:</b>						
<b>Charges for Services:</b>						
Instruction (Tuition)	1,285,448	1,288,468	1,347,200	1,423,300	1,472,300	1,530,100
Operating Grants and Contributions	4,460,801	4,547,709	5,927,755	6,053,987	7,027,444	5,612,621
Capital Grants and Contributions	210,816		61,667			
<b>Total Governmental Activities Program Revenues</b>	<b>5,957,065</b>	<b>5,836,177</b>	<b>7,336,622</b>	<b>7,477,287</b>	<b>8,499,744</b>	<b>7,142,721</b>
<b>Business-type Activities:</b>						
<b>Charges for Services:</b>						
Food Service	485,045	521,400	560,605	508,275	555,610	573,195
Operating Grants and Contributions	98,836	105,255	105,977	97,460	113,039	130,878
<b>Total Business-type Activities Revenues</b>	<b>583,881</b>	<b>626,655</b>	<b>666,582</b>	<b>605,735</b>	<b>668,649</b>	<b>704,073</b>
<b>Total District Program Revenues</b>	<b>6,540,946</b>	<b>6,462,832</b>	<b>8,003,204</b>	<b>8,083,022</b>	<b>9,168,393</b>	<b>7,846,794</b>
<b>Net (Expense)/Revenue</b>						
<b>Governmental Activities</b>	(26,300,756)	(28,906,178)	(30,049,383)	(32,649,495)	(31,416,108)	(34,296,003)
<b>Business-type Activities</b>	14,272	1,415	11,478	(1,548)	(3,687)	13,902
<b>Total District-wide Net (Expense)/Revenue</b>	<b>(26,286,484)</b>	<b>(28,904,763)</b>	<b>(30,037,905)</b>	<b>(32,651,043)</b>	<b>(31,419,795)</b>	<b>(34,282,101)</b>

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
<b>General Revenues and Other Changes in Net Assets</b>						
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
Taxes Levied for Debt Service	327,244	328,491	2,503,861	2,251,993	2,574,213	2,276,190
Unrestricted Grants and Contributions	174,186	173,741	175,572	221,759	76,908	165,058
Investment and Miscellaneous Income	422,359	1,294,871	2,462,925	1,477,387	404,029	127,456
<b>Total Governmental Activities</b>	<b>26,723,789</b>	<b>27,597,103</b>	<b>32,256,979</b>	<b>32,150,345</b>	<b>32,774,573</b>	<b>33,476,904</b>
<b>Total District-wide</b>	<b>26,723,789</b>	<b>27,597,103</b>	<b>32,256,979</b>	<b>32,150,345</b>	<b>32,774,573</b>	<b>33,476,904</b>
<b>Change in Net Assets</b>						
Governmental Activities	423,033	(1,309,075)	2,207,596	(499,150)	1,358,465	(819,099)
Business-type Activities	14,272	1,415	11,478	(1,548)	(3,687)	13,902
<b>Total District</b>	<b>\$ 437,305</b>	<b>\$ (1,307,660)</b>	<b>\$ 2,219,074</b>	<b>\$ (500,698)</b>	<b>\$ 1,354,778</b>	<b>\$ (805,197)</b>

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 SIX FISCAL YEARS  
*(modified accrual basis of accounting)*  
UNAUDITED

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
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
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>
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>

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 SIX FISCAL YEARS**  
*(modified accrual basis of accounting)*  
**UNAUDITED**

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

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Tuition</u>	<u>Interest on</u> <u>Investments</u>	<u>Rentals - Use</u> <u>of Facilities</u>	<u>Other</u>	<u>Total</u>
2001	\$ 1,127,310	\$ 141,537	\$ 80,048	\$ 25,828	\$1,374,723
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	3,223	65,519	58,714	1,657,556

Source: Borough of Madison School District records.

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

Year Ended December 31,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
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

**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,	<u>Borough of Madison School District Direct Rate</u>			<u>Overlapping Rates</u>		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Borough of Madison	Morris County	
2000	\$ 0.9944	\$ 0.0156	\$ 1.010	\$ 0.390	\$ 0.300	\$ 1.700
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

**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	2009			2000		
	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	2.37%			
Rex 7 Giralda Farms LLC	23,322,000	2	1.11%			
3 Giralda Farms LLC	16,183,300	3	0.77%			
Rex 1 Giralda Farms LLC	15,951,500	4	0.76%			
175 Park Avenue, LLC	15,654,600	5	0.74%			
Verizon	15,063,246	6	0.72%			
Maersk, Inc.	13,000,000	7	0.62%	\$ 14,515,500	5	0.67%
HS Investors c/o Heller Group	11,366,400	8	0.54%			
Rose City Associates LP of NJ	10,572,200	9	0.50%			
HCP Sun1 Madison	7,800,000	10	0.37%			
American Home Products				60,528,900	1	2.79%
NJ Bell Co.				26,005,106	2	1.20%
Atlantic Mutual				18,406,500	3	0.85%
Schering Plough				18,470,300	4	0.85%
Prudential Insurance Company				5,672,000	6	0.26%
Madison Plaza Associates				3,390,700	7	0.16%
Town Gardens				3,320,700	8	0.15%
General Wayne Associates				3,155,600	9	0.15%
S.G. Associates				2,900,000	10	0.13%
Total	<u>\$ 178,913,246</u>		<u>8.50%</u>	<u>\$ 156,365,306</u>		<u>7.21%</u>

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2001	\$ 22,753,007	\$ 22,753,007	100.00%	\$ -0-
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-

<sup>a</sup> - 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 SIX FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Bond Anticipation Notes (BANs)			
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	3.97%	2,851.77
2010	43,695,000	-0-	43,695,000	3.89%	2,790.41

**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 SIX FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
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

**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, 2009  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Madison	\$ 32,422,500	100.00%	\$ 32,422,500
Morris County General Obligation Debt	255,031,540	3.64%	<u>9,271,448</u>
Subtotal, Overlapping Debt			41,693,948
Borough of Madison School District Direct Debt			<u>43,945,000</u>
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 85,638,948</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 2010

Year Ended December 31,	Equalized Valuation Basis
2007	\$ 3,659,750,431
2008	3,783,295,158
2009	3,637,451,803
	<u>\$ 11,080,497,392</u>
Average Equalized Valuation of Taxable Property	\$ 3,693,499,131
Debt Limit (4% of Average Equalization Value)	147,739,965 <sup>a</sup>
Net Bonded School Debt	<u>43,695,000</u>
Legal Debt Margin	<u>\$ 104,044,965</u>

	Fiscal Year				
	2001	2002	2003	2004	2005
Debt Limit	\$ 80,477,775	\$ 87,831,838	\$ 94,206,781	\$ 101,223,746	\$ 108,961,684
Total Net Debt Applicable to Limit	<u>3,437,000</u>	<u>3,287,000</u>	<u>3,127,000</u>	<u>2,962,000</u>	<u>2,787,000</u>
Legal Debt Margin	<u>\$ 77,040,775</u>	<u>\$ 84,544,838</u>	<u>\$ 91,079,781</u>	<u>\$ 98,261,746</u>	<u>\$ 106,174,684</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	4.27%	3.74%	3.32%	2.93%	2.56%

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

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

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

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

Year	Population <sup>a</sup>	Personal Income <sup>b</sup>	Morris County Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2000	15,449	\$ 866,797,043	\$ 56,107	2.30%
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	1,127,376,588	71,812	2.80%
2009	15,659	1,124,504,108	71,812 *	4.90%

\* - Latest Morris County per capita personal income available (2008) 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	2009		Employer	2000	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
Atlantic Health Systems (Morristown Memorial Hospital)	6,300	2.47%	Information is Not Available		
Picatinny Arsenal	3,575	1.40%			
Novartis Corporation	3,573	1.40%			
St. Clare's Hospital	2,342	0.92%			
Morris County	2,126	0.83%			
ADP	2,019	0.79%			
United Parcel Service	1,941	0.76%			
AT&T	1,500	0.59%			
Honeywell	1,500	0.59%			
Wyndham Worldwide	1,395	0.55%			
Avis Budget Group, Inc.	1,378	0.54%			
BASF Corporation	1,315	0.52%			
Greystone Psychiatric Hospital	1,265	0.50%			
Accenture	1,200	0.47%			
Tiffany & Company	1,200	0.47%			
	32,629	12.80%			
Total Employment *	254,678				

\* - 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 SIX 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>
<b>Instruction:</b>						
Regular	207	208	208	210	179	179
Special Education	18	20	20	21	42	41
Other Special Instruction	10.5	11	11	22	28	32
<b>Support Services:</b>						
Student & Instruction Related Services	25	27	27	27	30	30
General Administrative Services	3	3	3	3	3	3
School Administrative Services	8.5	9	9	9	10	9
Central Services	6	6	6	6	5	5
Administration Information Technology	2	2	2	2	3	3
Plant Operations and Maintenance	28	28	27	27	31	30
<b>Total</b>	<b>308</b>	<b>314</b>	<b>313</b>	<b>327</b>	<b>331</b>	<b>332</b>

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 SIX FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost per Pupil <sup>b</sup>	Percentage Change	Teaching Staff <sup>c</sup>	Pupil/Teacher Ratio					Average Daily Enrollment (ADE) <sup>d</sup>	Average Daily Attendance (ADA) <sup>d</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle	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%

**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 SIX FISCAL YEARS  
UNAUDITED

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

Number of Schools at June 30, 2010

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:

School Facilities*	Project # (s)	Fiscal Year Ended June 30,									
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Central Avenue	N/A	\$ 13,111	\$ 99,488	\$ 150,060	\$ 115,491	\$ 120,551	\$ 116,831	\$ 153,659	\$ 184,611	\$ 190,538	\$ 171,947
Kings Road	N/A	7,998	60,690	89,137	122,470	101,145	95,023	118,163	122,156	134,765	112,964
Torey J. Sabatini	N/A	6,329	48,030	83,345	92,236	96,130	83,443	111,375	119,505	160,136	137,849
Junior School	N/A	27,332	207,403	164,634	191,783	191,194	168,128	175,873	216,637	307,020	255,381
High School	N/A	29,837	226,413	292,509	423,096	324,757	394,268	416,010	500,231	484,002	399,895
Total School Facilities		<u>84,607</u>	<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>
Grand Total		<u>\$ 84,607</u>	<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>

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, 2010  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Alliance Insurance Fund:		
Property - Blanket Building and Contents:		
Per Occurrence	\$ 250,000,000	\$ 1,000
Accounts Receivable	In Blanket Limit	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
Fine Arts Coverage	2,500,000	1,000
Comprehensive General Liability	5,000,000	
Comprehensive Automotive Liability	5,000,000	
Employee Benefits Liability	5,000,000	1,000
School Board Legal Liability	5,000,000	10,000
Commercial Crime Coverage:		
Blanket Employee Dishonesty:		
Per Occurrence	100,000	1,000
Aggregate	400,000	
Theft/Disappearance/Destruction:		
Inside	50,000	1,000
Outside	50,000	1,000
Employee Dishonesty	50,000	1,000
Umbrella	5,000,000	
Public Employees' Faithful Performance Blanket Position Bond -		
Selective Insurance Company:		
Board Secretary	250,000	
Treasurer	265,000	
Workers Compensation Policy -		
Morris Essex Insurance Group	Statutory	

Source: Borough of Madison School District records.

**SINGLE AUDIT SECTION**



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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, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 26, 2010. 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, 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 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, 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 26, 2010.

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 26, 2010

NISIVOCCIA & COMPANY LLP



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



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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, 2010. 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, 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, 2010.

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 26, 2010

NISIVOCIA & COMPANY 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, 2010**

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, 2009		Cash Received	Budgetary Expenditures	Repayment of Balances	Balance at June 30, 2010	
			From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor				(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	7/1/09	6/30/10	\$ 88,692			\$ 82,499	\$ (88,692)		\$ (6,193)	
National School Lunch Program	10.555	N/A	7/1/08	6/30/09	81,246	\$ (5,698)		5,698				
Special Milk Program	10.556	N/A	7/1/09	6/30/10	562			526	(562)		(36)	
Special Milk Program	10.556	N/A	7/1/08	6/30/09	1,331	(111)		111				
Subtotal Child Nutrition Cluster						(5,809)		88,834	(89,254)		(6,229)	
Federal Food Distribution Program	10.555	N/A	7/1/09	6/30/10	34,931			34,931	(34,931)			
Total Enterprise Fund						(5,809)		123,765	(124,185)		(6,229)	
Total U.S. Department of Agriculture						(5,809)		123,765	(124,185)		(6,229)	
U.S. Department of Education -												
Passed-through State Department of Education:												
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			131,950	(131,621)			\$ 329
I.D.E.A. Part B, Basic Regular	84.027	IDEA-2870-10	9/1/09	8/31/10	477,916			321,387	(458,660)		(137,273)	
I.D.E.A. Part B, Basic Regular	84.027	IDEA-2870-09	9/1/08	8/31/09	478,539	(71,154)		78,199	(7,045)			
I.D.E.A. Part B, Basic Regular	84.027	IDEA-2870-06	9/1/05	8/31/06	436,307		\$ 200			\$ (200)		
I.D.E.A. Part B, Preschool ARRA	84.392	ARRA-2870-10	7/1/09	8/31/11	19,230			2,000	(2,300)		(300)	
I.D.E.A. Part B, Preschool	84.173	IDEA-2870-10	9/1/09	8/31/10	17,900			17,900	(17,900)			
I.D.E.A. Part B, Preschool	84.173	IDEA-2870-09	9/1/08	8/31/09	17,900	(594)		594				
Subtotal Special Education Cluster						(71,748)	200	552,030	(617,526)	(200)	(137,573)	329
No Child Left Behind:												
Title I - Part A	84.010A	NCLB-2870-10	9/1/09	8/31/10	68,515			68,495	(68,515)		(20)	
Title I - Part A	84.010A	NCLB-2870-09	9/1/08	8/31/09	63,543	(22,864)		23,012	(148)			
Title I - Part A	84.010A	NCLB-2870-05	9/1/04	8/31/05	81,440		88			(88)		
Title II	84.367A	NCLB-2870-10	9/1/09	8/31/10	54,540			35,032	(52,961)		(17,929)	
Title II	84.367A	NCLB-2870-09	9/1/08	8/31/09	53,349	(11,484)		15,010	(3,526)			
Title II - Carryover	84.367A	NCLB-2870-05	9/1/05	8/31/06	56,370		504			(504)		
Title III	84.365A	NCLB-2870-10	9/1/09	8/31/10	18,165			11,593	(18,004)		(6,411)	
Title III	84.365A	NCLB-2870-09	9/1/08	8/31/09	15,961	(7,952)		11,057	(4,695)		(1,590)	
Title III	84.365A	NCLB-2870-05	9/1/04	8/31/05	10,712		587			(587)		
Title IV	84.186A	NCLB-2870-10	9/1/09	8/31/10	4,377			2,361	(3,792)		(1,431)	
Title IV	84.186A	NCLB-2870-09	9/1/08	8/31/09	4,613	(1,616)		1,616	(36)		(36)	
Title IV - Carryover	84.186A	NCLB-2870-08	9/1/08	8/31/09	6,271	15			(15)			
Total U.S. Department of Education						(115,649)	1,379	720,206	(769,218)	(1,379)	(164,990)	329
Total Special Revenue Fund						(115,649)	1,379	720,206	(769,218)	(1,379)	(164,990)	329
TOTAL FEDERAL AWARDS						\$ (121,458)	\$ 1,379	\$ 843,971	\$ (893,403)	\$ (1,379)	\$ (171,219)	\$ 329

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, 2010**

Schedule B

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2009			Repayment of Balances	Balance at June 30, 2010		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	
<b>State Department of Education:</b>														
<b>General Fund:</b>														
Special Education Categorical Aid	10-495-034-5120-089	7/1/09	6/30/10	\$ 1,141,469										
Special Education Categorical Aid	09-495-034-5120-089	7/1/08	6/30/09	1,217,367	\$ (111,218)						\$ 111,844	\$ 1,141,469		
Security Aid	10-495-034-5120-084	7/1/09	6/30/10	175,593				158,388	(175,593)		17,205	175,593		
Security Aid	09-495-034-5120-084	7/1/08	6/30/09	169,835	(6,670)			6,670						
Transportation Aid	10-495-034-5120-014	7/1/09	6/30/10	271,228				244,652	(271,228)		26,576	271,228		
Transportation Aid	09-495-034-5120-014	7/1/08	6/30/09	201,088	(18,371)			18,371						
Extraordinary Special Education Costs Aid	10-100-034-5120-473	7/1/09	6/30/10	100,109					(100,109)		\$ 100,109	100,109		
Extraordinary Special Education Costs Aid	09-100-034-5120-473	7/1/08	6/30/09	175,400	(175,400)			175,400						
Nonpublic School Transportation Costs	10-495-034-5120-014	7/1/09	6/30/10	20,436					(20,436)		20,436	20,436		
Nonpublic School Transportation Costs	09-495-034-5120-014	7/1/08	6/30/09	25,421	(25,421)			25,421						
TPAF Social Security Aid	10-495-034-5095-002	7/1/09	6/30/10	1,360,861				1,292,715	(1,360,861)		68,146	1,360,861		
TPAF Social Security Aid	09-495-034-5095-002	7/1/08	6/30/09	1,334,744	(66,462)			66,462						
<b>Total General Fund State Aid</b>					<b>(403,542)</b>			<b>3,128,922</b>	<b>(3,069,696)</b>		<b>(188,691)</b>	<b>344,316</b>	<b>3,069,696</b>	
<b>Special Revenue Fund:</b>														
<b>NJ Nonpublic Aid:</b>														
Textbook Aid (Chapter 194)	10-100-034-5120-064	7/1/09	6/30/10	23,371				23,371	(12,997)		\$ 10,374	12,997		
Textbook Aid (Chapter 194)	09-100-034-5120-064	7/1/08	6/30/09	21,733		\$ 1,263				\$ (1,263)				
Nursing Services (Chapter 226)	10-100-034-5120-070	7/1/09	6/30/10	27,715				27,715	(27,715)			27,715		
<b>Auxiliary Services (Chapter 192):</b>														
Compensatory Education	10-100-034-5120-067	7/1/09	6/30/10	21,114				21,114	(20,825)		289	20,825		
Compensatory Education	09-100-034-5120-067	7/1/08	6/30/09	26,376		12,143			(12,143)					
English as a Second Language	10-100-034-5120-067	7/1/09	6/30/10	4,893				4,893	(979)		3,914	979		
English as a Second Language	09-100-034-5120-067	7/1/08	6/30/09	3,654		1,624			(1,624)					
<b>Handicapped Services (Chapter 193):</b>														
Supplementary Instruction	10-100-034-5120-066	7/1/09	6/30/10	13,539				13,539	(10,911)		2,628	10,911		
Supplementary Instruction	09-100-034-5120-066	7/1/08	6/30/09	17,346		7,434			(7,434)					
Examination and Classification	10-100-034-5120-066	7/1/09	6/30/10	29,238				29,238	(20,287)		8,951	20,287		
Examination and Classification	09-100-034-5120-066	7/1/08	6/30/09	40,747		8,411			(8,411)					
Corrective Speech	10-100-034-5120-066	7/1/09	6/30/10	17,934				17,934	(15,064)		2,870	15,064		
Corrective Speech	09-100-034-5120-066	7/1/08	6/30/09	14,508		2,697			(2,697)					
Technology Initiative	09-100-034-5120-373	7/1/08	6/30/09	15,200		102			(102)					
<b>Total Special Revenue Fund</b>						<b>33,674</b>		<b>137,804</b>	<b>(108,778)</b>		<b>29,026</b>	<b>108,778</b>		
<b>Debt Service Fund:</b>														
Debt Service Aid - State Support	10-495-034-5120-017	7/1/09	6/30/10	667,303				667,303	(667,303)			667,303		
<b>Total Debt Service Fund</b>								<b>667,303</b>	<b>(667,303)</b>			<b>667,303</b>		
<b>Enterprise Fund:</b>														
State School Lunch Program	10-100-010-3350-023	7/1/09	6/30/10	6,693				6,220	(6,693)		(473)	473	6,693	
State School Lunch Program	09-100-010-3350-023	7/1/08	6/30/09	6,680	(474)			474						
<b>Total Enterprise Fund</b>					<b>(474)</b>			<b>6,694</b>	<b>(6,693)</b>		<b>(473)</b>	<b>473</b>	<b>6,693</b>	
<b>Total State Department of Education</b>					<b>(404,016)</b>	<b>\$ 33,674</b>		<b>3,940,723</b>	<b>(3,852,470)</b>	<b>\$ (33,674)</b>	<b>(189,164)</b>	<b>\$ 29,026</b>	<b>344,789</b>	<b>3,852,470</b>
<b>TOTAL STATE AWARDS</b>					<b>\$ (404,016)</b>	<b>\$ 33,674</b>		<b>\$ 3,940,723</b>	<b>\$ (3,852,470)</b>	<b>\$ (33,674)</b>	<b>\$ (189,164)</b>	<b>\$ 29,026</b>	<b>\$ 344,789</b>	<b>\$ 3,852,470</b>

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, 2010

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and state awards are presented using the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in these schedules is presented in accordance with the requirements of Federal OMB Circular A-133, *Audits of State 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*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes these payments are not recognized until the subsequent budget year due to the state deferral and recording of the June state aid payments in the subsequent 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 \$(19,366) for the general fund and \$(8,156) 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 \$1,095,040 and \$58,304, 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		\$ 4,203,674	\$ 4,203,674
Special Revenue Fund	\$ 761,062	108,778	869,840
Debt Service Fund		667,303	667,303
Proprietary Fund	124,185	6,693	130,878
Total Financial Assistance	\$ 885,247	\$ 4,986,448	\$ 5,871,695

BOROUGH OF MADISON SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(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, 2010. 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, 2010

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>				
Special Education Categorical Aid	10-495-034-5120-089	7/1/09-6/30/10	\$ 1,141,469	\$ 1,141,469
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	175,593	175,593
Reimbursed TPAF Social Security Aid	10-495-034-5095-002	7/1/09-6/30/10	1,360,861	1,360,861
Debt Service Aid - State Support	10-495-034-5120-017	7/1/09-6/30/10	667,303	667,303

Federal:

Special Education Cluster:

I.D.E.A. Part B:

Basic Regular ARRA	ARRA-2870-10	7/1/09-8/31/11	531,777	131,621
Basic Regular	IDEA-2870-10	9/1/09-8/31/10	477,916	458,660
Basic Regular	IDEA-2870-09	9/1/08-8/31/09	478,539	7,045
Preschool ARRA	ARRA-2870-10	7/1/09-8/31/11	19,230	2,300
Preschool	IDEA-2870-10	9/1/09-8/31/10	17,900	17,900

- 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, 2010

(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, 2010

Status of Prior Year Findings:

The District had no prior year audit findings.