

MADISON DISTRICT PUBLIC SCHOOLS

MADISON HEIGHTS, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2011

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November 3, 2011

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Madison District Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison District Public Schools, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Madison District Public Schools' management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, each major fund, and the aggregate remaining fund information of Madison District Public Schools as of June 30, 2011, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 1 and 9 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated November 3, 2011 on our consideration of the District's internal control over financial reporting and our tests of 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison District Public School's financial statements as a whole. The additional information on page 17 is presented for purposes of additional analysis and are not a required part of the financial statements. This additional information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

MADISON DISTRICT PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Madison District Public Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2011.

Generally Accepted Accounting Principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes several other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

MADISON DISTRICT PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

District Wide Financial Statements: (Continued)

These two statements report the Madison District Public Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and its private purpose trust funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
<u>NET ASSETS SUMMARY</u>		
ASSETS		
Current Assets	\$6,860,685	\$7,908,568
Non-Current Assets	<u>11,701,899</u>	<u>12,175,489</u>
<u>TOTAL ASSETS</u>	<u>\$18,562,584</u>	<u>\$20,084,057</u>
LIABILITIES		
Current Liabilities	\$5,958,088	\$8,052,523
Long-Term Liabilities	<u>8,796,216</u>	<u>10,215,737</u>
Total Liabilities	\$14,754,304	\$18,268,260
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	1,832,956	940,252
Restricted - Debt Retirement	1,021,445	735,507
Unrestricted	<u>953,879</u>	<u>140,038</u>
Total Net Assets	<u>\$3,808,280</u>	<u>\$1,815,797</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$18,562,584</u>	<u>\$20,084,057</u>

MADISON DISTRICT PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2011 and 2010, the District wide results of operations were:

	<u>2011</u>	<u>2010</u>
<u>REVENUES</u>		
General Revenues:		
Property Taxes Levied for General Operations	\$2,262,928	\$2,552,685
Property Taxes Levied for Debt Retirement	2,187,238	1,798,176
State Sources - Unrestricted	7,737,416	7,265,671
Federal Sources - Unrestricted	490,078	432,429
Other General Revenues	<u>133,070</u>	<u>208,640</u>
Total General Revenues	\$12,810,730	\$12,257,601
Operating Grants:		
Federal	1,826,553	1,902,266
State of Michigan	762,924	906,077
Other Grants	<u>1,007,247</u>	<u>1,531,665</u>
Total Operating Grants	\$3,596,724	\$4,340,008
<u>Charges for Services:</u>		
Food Service	94,884	117,347
Athletics	18,596	28,477
Other Charges for Services	<u>11,475</u>	<u>13,211</u>
Total Charges for Services	<u>\$124,955</u>	<u>\$159,035</u>
Total Revenues	\$16,532,409	\$16,756,644
EXPENSES		
Instruction	8,128,655	8,866,245
Support Services	5,338,519	5,469,423
Community Services	7,042	1,899
Food Service	540,287	598,007
Athletics	0	162,203
Interest - Long-Term Obligations	<u>525,423</u>	<u>579,954</u>
Total Expenses	<u>\$14,539,926</u>	<u>\$15,677,731</u>
<u>INCREASE IN NET ASSETS</u>	\$1,992,483	\$1,078,913
BEGINNING NET ASSETS	<u>1,815,797</u>	<u>736,884</u>
ENDING NET ASSETS	<u><u>\$3,808,280</u></u>	<u><u>\$1,815,797</u></u>

MADISON DISTRICT PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2011, the District's Total Net Assets increased by \$1,992,483 to a total of \$3,808,280. The largest portion of the net assets is the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$892,704 during the year due to purchases of new capital assets and principal payments on related debt exceeding depreciation. The district's Unrestricted Net Assets increased by \$813,841 during the year and the restricted portion of the net assets increased by \$285,938. The unrestricted Net Assets may be used to fund the educational services provided to students. The restricted Net Assets consist of the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects.

Analysis of Results of Operations

The district's overall revenues exceeded its expenditures for the year by \$1,992,483. The total current revenues decreased by \$224,235 from the prior year. Major changes were decreases in county special education tax. Current year expenditures decreased by \$1,137,805 over the prior year. Major changes were due to a decrease in special education tuition expenses and decreases due to budgetary cuts across the District.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. The general fund's unreserved fund balance increased by \$851,441 during the fiscal year. Revenues for the fiscal year decreased by \$366,314 due to decreases in county special education tax and property taxes. Expenditures and other financing uses decreased by \$901,877, primarily due to a reduction in special education tuition expenditures and budget cuts. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead property tax levy

MADISON DISTRICT PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Madison District Public Schools foundation allowance was \$7,343 per student for the 2010-2011 school year.

3. Student Enrollment:

The District's student enrollment for the fall count of 2010-2011 was 1,419; a decrease of 32 students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2010-2011 fiscal year was \$2,196,338, a decrease of \$342,383 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final <u>Budget %</u>
Revenue	\$13,865,232	\$13,637,840	\$13,871,853	1.6	1.7
Expenditures	12,993,596	13,894,085	13,020,412	6.9	6.3
<u>TOTAL</u>	<u>\$871,636</u>	<u>(\$256,245)</u>	<u>\$851,441</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Madison District Public Schools amends its budget during the school year. The June, 2011 budget amendment was the final budget for the fiscal year.

Original vs. Final Budgets

Revenues

There were no significant changes between original and final budget.

MADISON DISTRICT PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

ANALYSIS OF BUDGETS: (Continued)

Expenditures

Significant changes between original and final budget were due to increases to federal grant expenditure budgets.

Actual Results vs. Final Budgets

Revenues

There were no significant changes variances between final budget and actual results.

Expenditures

Significant variances between final budget and actual were due largely to the following:

- * Special education tuition expenditures were overbudgeted by \$186,000.
- * The budgeted expenditures for the Federal grants for ARRA Stabilization and Education Jobs Funding were duplicated in the budget process. The duplication amounted to \$490,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance Beginning	Increases	Principal Payments	Principal Balance Ending
Bonds Payable	\$11,225,000	\$0	\$1,365,000	\$9,860,000
Bond Premium	473,494	0	59,810	413,684
Deferred Amount on Refunding	(463,257)	58,516	0	(404,741)
Compensated Absences	327,594	68,901	82,128	314,367
Self-Insurance	19,200	0	0	19,200
<u>Total Long-Term Obligations</u>	<u>\$11,582,031</u>	<u>\$127,417</u>	<u>\$1,506,938</u>	<u>\$10,202,510</u>

MADISON DISTRICT PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

B. Net Investment in Capital Assets

The district's net investment in capital assets decreased by \$473,590 during the fiscal year. This can be summarized as follows:

	Balance Beginning	Additions	Deductions	Balance Ending
Capital Assets	\$24,088,707	\$92,891	\$219,070	\$23,962,528
Less: Accumulated Depreciation	(11,913,218)	(564,482)	(217,071)	(12,260,629)
<u>Net Investment Capital Outlay</u>	<u>\$12,175,489</u>	<u>(\$471,591)</u>	<u>\$1,999</u>	<u>\$11,701,899</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Two major factors determine the available operating funds to Madison District Public Schools: the Foundation Allowance and the number of student enrolled. The state legislature sets a specific dollar amount it will provide for every student enrolled in a Michigan public school district. Known as the Foundation Allowance, this funding varies by school district and is calculated based on the total number of students enrolled statewide and the amount of money available from the State's School Aid Fund.

It is anticipated that the elimination of Federal funds and the decline of the Foundation Allowance will create a serious challenge for funding Michigan school districts in 2011-12. Due to the job losses, reductions in consumer spending, and reductions in property taxes there have been lower state revenues from income, sales, and property taxes. This, in turn, limits funding available to public schools from its primary revenue source, the State of Michigan.

Because the school district is dependent on the Foundation Allowance for the majority of its revenues, student enrollment becomes critical to a school district's financial solvency. For the past five years, student enrollment in the district has declined. Demographic studies estimate that the School District's enrollment will continue to decline, resulting in reduced state funding. Madison District has sought to increase enrollment through its Schools of Choice program, targeting kindergarten through tenth grade students in Oakland County and contiguous counties. The desired outcome is to sustain—or increase—student enrollment in order to maximize funding from the State.

Looking to fiscal year 2011-12, prudent financial management and cost containment remain critical to the School District's ability to effectively operate in this volatile and difficult economic climate.

Despite the ongoing challenge of securing sufficient operating dollars, the School District remains committed to its vision:

The vision of Madison District Public Schools is to be a high achieving, premier, small public school system recognized for providing a rigorously challenging and culturally diverse education and meeting each student's learning needs.

We remain committed the every child will be proficient in the core curriculum and have the opportunity to become college and career ready upon graduation from high school.

MADISON DISTRICT PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

* The Madison District Public Schools 2011-2012 General Fund adopted budget is as follows:

REVENUE	\$10,770,949
<u>EXPENDITURES</u>	<u>10,859,628</u>
<u>NET (UNDER) BUDGET</u>	<u><u>(\$88,679)</u></u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Madison District Public Schools.

MADISON DISTRICT PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$4,431,993
Investments	181,155
Accounts Receivable	71,438
Due from Other Governmental Units	2,128,011
Inventory	28,888
Prepaid Expenses	19,200
Total Current Assets	\$6,860,685
<u>NON-CURRENT ASSETS</u>	
Land	1,782,186
Capital Assets	22,180,342
Less: Accumulated Depreciation	(12,260,629)
Total Noncurrent Assets	\$11,701,899
<u>TOTAL ASSETS</u>	\$18,562,584
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$165,612
State Aid Note Payable	3,059,459
Salaries Payable	734,022
Due to Internal Fund	11,708
Accrued Expenses	552,393
Deferred Revenue	28,600
Current Portion of Long-Term Obligations	1,406,294
Total Current Liabilities	\$5,958,088
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	8,796,216
<u>TOTAL LIABILITIES</u>	\$14,754,304
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	1,832,956
Restricted for:	
Debt Service	1,021,445
Unrestricted	953,879
<u>TOTAL NET ASSETS</u>	\$3,808,280
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$18,562,584

See accompanying notes to the basic financial statements.

MADISON DISTRICT PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		<u>Charges For</u>	<u>Operating</u>	<u>Revenue &</u>
		<u>Services</u>	<u>Grants and</u>	<u>Change in</u>
			<u>Contributions</u>	<u>Net Assets</u>
Governmental Activities:				
Instruction	\$8,128,655	\$0	\$2,986,381	(\$5,142,274)
Support Services	5,338,519	30,071	129,793	(5,178,655)
Community Services	7,042	0	0	(7,042)
Food Service	540,287	94,884	480,550	35,147
Interest - Long-Term Obligations	525,423	0	0	(525,423)
<u>TOTALS</u>	<u>\$14,539,926</u>	<u>\$124,955</u>	<u>\$3,596,724</u>	<u>(\$10,818,247)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				4,450,166
State Sources - Unrestricted				7,737,416
Federal Sources - Unrestricted				490,078
Interest				12,502
Other General Revenues				120,568
Total General Revenues and Transfers				<u>\$12,810,730</u>
Change in Net Assets				\$1,992,483
Net Assets - Beginning				<u>1,815,797</u>
<u>Net Assets - Ending</u>				<u>\$3,808,280</u>

See accompanying notes to the basic financial statements.

MADISON DISTRICT PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2011

	General Fund	2005 Debt Retirement	Non-Major Food Service	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$3,767,133	\$596,508	\$68,352	\$4,431,993
Investments	181,155	0	0	181,155
Accounts Receivable	71,438	0	0	71,438
Due from Other Funds	349,566	424,937	2,079	776,582
Due from Other Governmental Units	2,124,109	0	3,902	2,128,011
Inventory	0	0	28,888	28,888
Prepaid Expenditures	19,200	0	0	19,200
<u>TOTAL ASSETS</u>	<u>\$6,512,601</u>	<u>\$1,021,445</u>	<u>\$103,221</u>	<u>\$7,637,267</u>
<u>LIABILITIES</u>				
Accounts Payable	\$162,824	\$0	\$2,788	\$165,612
State Aid Note Payable	3,059,459	0	0	3,059,459
Due to Other Funds	781,750	0	6,540	788,290
Salaries Payable	731,872	0	2,150	734,022
Accrued Expenses	466,086	0	8,253	474,339
Deferred Revenue	28,600	0	0	28,600
Total Liabilities	\$5,230,591	\$0	\$19,731	\$5,250,322
<u>FUND BALANCES</u>				
Non-Spendable				
Inventory	0	0	28,888	28,888
Prepaid Expenditures	19,200	0	0	19,200
Restricted				
Debt Retirement	0	1,021,445	0	1,021,445
Food Service	0	0	54,602	54,602
Unassigned	1,262,810	0	0	1,262,810
Total Fund Balances	\$1,282,010	\$1,021,445	\$83,490	\$2,386,945
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$6,512,601</u>	<u>\$1,021,445</u>	<u>\$103,221</u>	<u>\$7,637,267</u>

See accompanying notes to the basic financial statements.

MADISON DISTRICT PUBLIC SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2011

Total Governmental Fund Balances: \$2,386,945

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$23,962,528 and the accumulated depreciation is \$12,260,629 11,701,899

Accrued Interest on Long-Term Debt (78,054)

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. Long-term liabilities at year end consist of:

Bonds Payable	\$9,860,000	
Bond Premium	413,684	
Deferred Amount on Refunding	(404,741)	
Compensated Absences	314,367	
Self Insurance	19,200	
Total Long-Term Liabilities	<u>19,200</u>	<u>(10,202,510)</u>

TOTAL NET ASSETS -
GOVERNMENTAL ACTIVITIES \$3,808,280

MADISON DISTRICT PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	2005 Debt Retirement	Non-Major Food Service	Total Governmental Funds
<u>REVENUES</u>				
Local Sources	\$2,405,725	\$2,187,736	\$114,730	\$4,708,191
State Sources	8,477,185	0	23,155	8,500,340
Federal Sources	1,981,696	0	457,395	2,439,091
Total Revenues	<u>\$12,864,606</u>	<u>\$2,187,736</u>	<u>\$595,280</u>	<u>\$15,647,622</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	7,756,178	0	0	7,756,178
Support Services	5,257,192	0	0	5,257,192
Community Services	7,042	0	0	7,042
Food Service	0	0	535,022	535,022
Debt Service				
Principal	0	1,365,000	0	1,365,000
Interest	0	536,573	0	536,573
Other	0	225	0	225
Total Expenditures	<u>\$13,020,412</u>	<u>\$1,901,798</u>	<u>\$535,022</u>	<u>\$15,457,232</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(\$155,806)	\$285,938	\$60,258	\$190,390
<u>OTHER FINANCING SOURCES (USES)</u>				
Other Transfers	1,007,247	0	0	1,007,247
Net Change in Fund Balance	<u>\$851,441</u>	<u>\$285,938</u>	<u>\$60,258</u>	<u>\$1,197,637</u>
<u>FUND BALANCE - BEGINNING - AS RESTATED</u>	<u>430,569</u>	<u>735,507</u>	<u>23,232</u>	<u>1,189,308</u>
<u>FUND BALANCE - ENDING</u>	<u>\$1,282,010</u>	<u>\$1,021,445</u>	<u>\$83,490</u>	<u>\$2,386,945</u>

See accompanying notes to the basic financial statements.

MADISON DISTRICT PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Total net change in fund balances - governmental funds	\$1,197,637
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays 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 depreciation exceeded capital outlay in the current period.	(473,590)
Revenue Recognized on Full Accrual for Government Wide Statements Versus 60 Days Policy for Fund Level Statements	(122,460)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	1,365,000
Change in accrued interest on long-term liabilities	11,375
Underwriter's premium reported as revenue in the governmental funds upon issuance and amortized on the statement of activities.	59,810
Deferred charges on debt refunding are reported as expenditures in the governmental funds upon issuance and amortized on the statement of activities.	(58,516)
Decrease in accrued compensated absences	<u>13,227</u>
<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>\$1,992,483</u>

MADISON DISTRICT PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2011

	<u>Trust & Agency</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$81,547
Due from Other Funds	<u>11,708</u>
<u>TOTAL ASSETS</u>	<u>\$93,255</u>
<u>LIABILITIES</u>	
Accounts Payable	\$2,323
Due to Student Groups	<u>90,932</u>
<u>TOTAL LIABILITIES</u>	<u>\$93,255</u>

See accompanying notes to the basic financial statements.

MADISON DISTRICT PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$2,286,400	\$2,347,500	\$2,405,725	\$58,225
State Sources	8,135,532	8,334,827	8,477,185	142,358
Federal Sources	2,363,300	1,926,729	1,981,696	54,967
Total Revenues	<u>\$12,785,232</u>	<u>\$12,609,056</u>	<u>\$12,864,606</u>	<u>\$255,550</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	7,811,706	7,988,944	7,756,178	232,766
Student Services	734,766	872,743	800,055	72,688
Instructional Support	621,627	572,230	487,910	84,320
General Administration	357,200	342,660	293,892	48,768
School Administration	832,726	859,950	815,969	43,981
Business Administration	484,500	521,000	529,001	(8,001)
Operation & Maintenance of Plant	1,357,091	1,873,550	1,578,547	295,003
Transportation	374,200	373,700	373,939	(239)
Support Services - Other	369,780	421,444	377,879	43,565
Community Services	0	17,864	7,042	10,822
Total Expenditures	<u>\$12,943,596</u>	<u>\$13,844,085</u>	<u>\$13,020,412</u>	<u>\$812,851</u>
Excess of Revenues Over Expenditures	(\$158,364)	(\$1,235,029)	(\$155,806)	\$1,068,401
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	<u>\$871,636</u>	<u>(256,245)</u>	<u>\$851,441</u>	<u>28,463</u>
<u>FUND BALANCE - BEGINNING (DEFICIT)</u>			<u>430,569</u>	
<u>FUND BALANCE - ENDING (DEFICIT)</u>			<u>\$1,282,010</u>	

See accompanying notes to the basic financial statements.

MADISON DISTRICT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Madison District Public Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements - The government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

MADISON DISTRICT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The School District reports the following major governmental fund:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Funds include food services and the early childhood development center. Any operating deficit generated by these activities is the responsibility of the General Fund.

Debt Service Funds - Debt Service Funds are used to record tax, interest, other revenue for payment of interest, principal, and other expenditures on bonds outstanding.

Student Activity (Agency) Fund - The School District presently maintains a Student Activity Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the School District's funds is generally allocated to each fund using a weighted average of balance for the principal.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

MADISON DISTRICT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 for approximately 50 percent of the taxes that are due on September 15 and December 1 for the remainder of the property taxes that are due on February 14. The final collection date is February 28, after which they are added to the county tax rolls.

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Site Improvements	15 Years
Buildings and Building Additions	15 – 40 years
Buses and Other Vehicles	10 years
Furniture and Equipment	5 – 20 years

Compensated Absences - The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation and sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets (deficit).

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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the School District's financial statements.

MADISON DISTRICT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

Beginning with fiscal year 2011, the District implemented, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Fund balances for each of the District's governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- * Nonspendable fund balance - amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- * Restricted fund balance - amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. The District's Capital Projects Fund, Debt Service Fund and Food Service balances are considered restricted.
- * Committed fund balance - amounts that can be spent only for specific purposes determined by a formal action resolution of the District's highest level of decision-making authority, the Board of Education.
- * Assigned fund balance - amounts the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The intent is expressed by the Board of Education.
- * Unassigned fund balance - amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserve the right to selectively spend unassigned resources first to defer the use of these classified funds.

2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level (i.e., basic program, added needs, etc.). State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. The budget was amended during the year to account for the decrease in state revenue as a result of declining enrollment. The School District did not have significant budget overruns.

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, etc. are encumbered during the year. At year end, any remaining purchase orders are lapsed, as they are not significant. As a result, fund balance has not been reserved.

MADISON DISTRICT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

3) DEPOSITS AND INVESTMENTS

State statutes authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District Board of Education has designated five financial institutions for the deposit of its funds.

The investment policy adopted by the board in accordance with state statutes has authorized investment in bonds and securities of the United States government and bank accounts and CDs and all other investments as noted by the state statutory authority as listed above.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$5,066,478 had \$4,038,815 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The School District does not have investments with custodial credit risk.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities. The School District's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At year end, the investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Cash Management Funds	\$ 181,155	AAAm	S&P

MADISON DISTRICT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

3) DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk - The School District places no limit on the amount the School District may invest in any one issuer.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

4) RECEIVABLES

Receivables at June 30, 2011, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,550,252
Federal Grants	577,759
	<hr/>
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 2,128,011</u>

5) CAPITAL ASSETS

Capital asset activity of the School District's governmental activities was as follows:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Ending</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Land	\$1,782,186	\$0	\$0	\$1,782,186
Site Improvements	2,440,920	0	0	2,440,920
Building and Building Improvements	19,180,026	0	0	19,180,026
Buses and Other Vehicles	46,160	0	0	46,160
Furniture and Equipment	639,415	92,891	219,070	513,236
Totals at Historical Cost	<u>\$24,088,707</u>	<u>\$92,891</u>	<u>\$219,070</u>	<u>\$23,962,528</u>
Less: Accumulated Depreciation				
Site Improvements	(1,711,157)	(150,841)	0	(1,861,998)
Building and Building Improvements	(9,617,081)	(386,176)	0	(10,003,257)
Buses and Other Vehicles	(31,160)	(2,500)	0	(33,660)
Furniture and Equipment	(553,820)	(24,965)	(217,071)	(361,714)
Total Accumulated Depreciation	<u>(\$11,913,218)</u>	<u>(\$564,482)</u>	<u>(\$217,071)</u>	<u>(\$12,260,629)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$12,175,489</u>	<u>(\$471,591)</u>	<u>\$1,999</u>	<u>\$11,701,899</u>

MADISON DISTRICT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

5) CAPITAL ASSETS (Continued)

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as “unallocated”. Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 385,704
Support Services	173,513
Food Service	5,265
 <u>TOTAL DEPRECIATION EXPENSE</u>	 \$ 564,482

6) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2011 consisted of the following:

DUE FROM					
DUE TO	General Fund	Debt Retirement	Food Service	Trust & Agency	Total
General Fund	\$343,026	\$424,937	\$2,079	\$11,708	\$781,750
Food Service Fund	6,540	0	0	0	6,540
<u>TOTAL</u>	<u>\$349,566</u>	<u>\$424,937</u>	<u>\$2,079</u>	<u>\$11,708</u>	<u>\$788,290</u>

7) LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and certain risk liabilities.

Long-term obligation activity can be summarized as follows:

<u>Governmental Activities:</u>	Balance Beginning	Additions	Deductions	Balance Ending	Amount Due in One Year
Bonds Payable	\$11,225,000	\$0	\$1,365,000	\$9,860,000	\$1,405,000
Bond Premium	473,494	0	59,810	413,684	59,810
Deferred Amount on Refunding	(463,257)	58,516	0	(404,741)	(58,516)
Compensated Absences	327,594	68,901	82,128	314,367	0
Self-Insurance	19,200	0	0	19,200	0
 <u>Total Governmental Activities</u>	 <u>\$11,582,031</u>	<u>\$127,417</u>	<u>\$1,506,938</u>	<u>\$10,202,510</u>	<u>\$1,406,294</u>

MADISON DISTRICT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

7) LONG-TERM DEBT (Continued)

Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2011 are as follows:

	BONDS PAYABLE	INTEREST	TOTAL
June 30, 2012	\$1,405,000	\$468,326	\$1,873,326
June 30, 2013	1,405,000	398,076	1,803,076
June 30, 2014	1,410,000	327,826	1,737,826
June 30, 2015	1,410,000	257,326	1,667,326
June 30, 2016	1,410,000	186,826	1,596,826
June 30, 2017-2018	2,820,000	188,588	3,008,588
TOTAL	\$9,860,000	\$1,826,968	\$11,686,968

General obligation bonds consist of the following:

2005 - \$12,750,000 refunding bonds due in annual installments of \$60,000 to \$1,410,000 through May 1, 2018; interest at 3 percent to 5 percent	<u>\$ 9,860,000</u>
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8) OPERATING LEASES

Madison District Public Schools has entered into the operating leases summarized below:

The District entered into a operating lease with De Lage Landen Public Finance, LLC to lease copier equipment. The lease requires monthly payments of \$2,348 and expires in July, 2011.

Future minimum payments for the operating leases is as follows:

June 30, 2012	\$2,348
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9) FUND BALANCE RECLASSIFICATION

Beginning July 1, 2010, the District adopted GASB Statement N. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which redefined the definition of a special revenue fund. As a result, the Athletic activities are now included in the general fund rather than a separate fund. The reclassification of the beginning fund balance is as follows:

	<u>General Fund</u>
Fund Balance - As Previously Stated	\$430,512
Adoption of GASB 54 (Athletic Fund Balance)	57
<u>FUND BALANCE - AS RESTATED</u>	\$430,569

MADISON DISTRICT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

10) DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The system also provides postemployment health benefits to retirees and their beneficiaries who elect to receive those benefits.

The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment healthcare plans. That report may be obtained by writing to the MPSERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103 or on the web at <http://www.michigan.gov/orsschools>.

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.94 percent for the period July 1, 2010 through September 30, 2010, and a maximum 19.41 percent for the period October 1, 2010 to October 31, 2010, and a maximum 20.66 percent for the period November 1, 2010 through June 30, 2011 of the covered payroll to the plan. Basic plan members make no contributions. Member Investment Plan (MIP) members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. Fixed MIP members contribute 3.9 percent of gross wages. MIP-Plus members contribute at rates ranging from 3 percent to 6.4 percent of gross wages. All members contribute either 1.5% or 3% to the health care fund. The School District's contributions to the MPSERS plan for the years ended June 30, 2011, 2010, and 2009 were \$1,275,188, \$1,396,018 and \$1,192,359, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage at the time of receiving the benefits. For members who first work after June 30, 2008, a graded premium health insurance subsidy has been put in place. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. Required contributions for postemployment healthcare benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

11) RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty, employee health and accident, and errors and omissions. The School District participates in the SET/SEG (risk pool) for claims relating to workers' compensation claims for non-certified personnel. The School District is uninsured for dental and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

MADISON DISTRICT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

11) RISK MANAGEMENT (Continued)

The School District estimates the liability for dental and vision claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The obligation is recorded on the statement of net assets (deficit) and totals approximately \$19,200.

12) STATE AID ANTICIPATION NOTE

On August 20, 2010, Madison District Public Schools borrowed \$3,049,000 with two state aid anticipation notes. The notes bear interest monthly at a rate of .4 percent and are due on August 22, 2011. At June 30, 2011, Madison District Public Schools has accrued interest of \$10,459 on this note.

	Balance Beginning	Additions	Deductions	Balance Ending
State Aid Note	\$4,900,000	\$3,049,000	\$4,900,000	\$3,049,000

13) SUBSEQUENT EVENTS

On August 20, 2011, Madison District Public Schools borrowed \$3,045,000 with two state aid anticipation notes. The notes bear interest monthly at a rate of .311% percent and are due on August 22, 2012.

Management has evaluated subsequent events through the date of the auditor's opinion, the date on which the financial statements were available to be issued.

14) CONTINGENCIES AND COMMITMENTS

The School District is a defendant of several lawsuits that occurred in the normal course of business. The opinion of the School District's management is that the outcome from the pending litigation will not have a materially adverse effect on the School District's financial position.

OTHER SUPPLEMENTAL
INFORMATION

MADISON DISTRICT PUBLIC SCHOOLS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2011

<u>JUNE 30</u>		Interest		Principal	Total
		November 1	May 1		
2012	5.000%	\$234,163	\$234,163	\$1,405,000	\$1,873,326
2013	5.000%	199,038	199,038	1,405,000	1,803,076
2014	5.000%	163,913	163,913	1,410,000	1,737,826
2015	5.000%	128,663	128,663	1,410,000	1,667,326
2016	4.375%	93,413	93,413	1,410,000	1,596,826
2017	4.375%	62,569	62,569	1,410,000	1,535,138
2018	4.500%	31,725	31,725	1,410,000	1,473,450
<u>TOTAL</u>		<u>\$913,484</u>	<u>\$913,484</u>	<u>\$9,860,000</u>	<u>\$11,686,968</u>
				Original Issue - 2005 Refunding Bonds	<u>\$12,750,000</u>

MADISON DISTRICT PUBLIC SCHOOLS

MADISON HEIGHTS, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2011

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November 3, 2011

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*

To the Board of Education of
Madison District Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison District Public Schools, as of and for the year ended June 30, 2011, which collectively comprise the Madison District Public Schools' basic financial statements and have issued our report thereon dated November 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Madison District Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Madison District Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Madison District Public Schools' 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting and are identified as 2011-1 and 2011-2. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison District Public Schools' 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*.

Madison District Public Schools
Page 2
November 3, 2011

This report is intended solely for the information and use of management, the finance committee, Board of Education, 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.



LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



November 3, 2011

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

To the Board of Education of
Madison District Public Schools

Compliance

We have audited Madison District Public Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Madison District Public Schools' major federal programs for the year ended June 30, 2011. Madison District Public Schools' major federal programs are identified in the summary of auditor's 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 programs is the responsibility of Madison District Public Schools' management. Our responsibility is to express an opinion on Madison District Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 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 program occurred. An audit includes examining, on a test basis, evidence about Madison District Public Schools' 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 on Madison District Public Schools' compliance with those requirements.

In our opinion, Madison District Public Schools 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 programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Madison District Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Madison District Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal 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, 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 Madison District Public Schools' 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 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 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 was not designed to identify all deficiencies in internal control over compliance 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison District Public Schools, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 3, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is 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 Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, 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.



LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

MADISON DISTRICT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Educational Agencies:			
Title I Regular (09-10)	84.010	101530-0910	\$501,078
Title I Regular (10-11)	84.010	111530-1011	468,148
Title I Schoolwide Programming Planning Grant (09-10)	84.010	101520-0910	3,000
Title I Schoolwide Programming Planning Grant (10-11)	84.010	111550-1011	30,000
ARRA Title I (09-10)	84.389	101535-0910	256,864
ARRA Title I (10-11)	84.389	111535-1011	128,258
Total Title I Grants to Local Educational Agencies			\$1,387,348
Safe & Drug Free Schools & Communities Act	84.186		
Safe & Drug Free Schools (09-10)		102860-0910	8,807
Enhancing Education Through Technology	84.386A		
ARRA Title II D		104295-0910	9,921
ARRA Title II D		114295-1011	4,371
Total Enhancing Education Through Technology			\$14,292
Title III - Limited English Proficient Students	84.365A		
Title III (09-10)		100580-0910	32,905
Title III (10-11) Limited English		110580-1011	50,031
Title III (10-11) Immigrant Students		110570-1011	25,631
Total Title III - Limited English Proficient Students			\$108,567
Teacher/Principal Training and Recruiting	84.367		
Improving Teacher Quality (09-10)		100520-0910	271,010
Improving Teacher Quality (10-11)		110520-1011	184,498
Total Teacher/Principal Training & Recruiting			\$455,508
ARRA Education Stabilization	84.394		
ARRA Education Stabilization (09-10)		102525-0910	432,429
ARRA Education Stabilization (10-11)		112525-1011	168,533
Total ARRA Education Stabilization			\$600,962
Education Jobs Fund	84.410a	112545-1011	321,545
Total Passed Through Michigan Department of Education			\$2,897,029

ACCRUED (DEFERRED) REVENUE JULY 1, 2010	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2011
\$376,356	\$475,131	\$13,736	\$0	\$390,092	\$0
0	0	466,963	0	406,267	60,696
3,000	3,000	0	0	3,000	0
0	0	6,784	0	3,640	3,144
70,238	125,006	3,600	0	73,838	0
0	0	128,258	0	128,258	0
<u>\$449,594</u>	<u>\$603,137</u>	<u>\$619,341</u>	<u>\$0</u>	<u>\$1,005,095</u>	<u>\$63,840</u>
6,600	6,600	0	0	6,600	0
0	0	5,550	0	5,550	0
0	0	4,371	0	262	4,109
<u>\$0</u>	<u>\$0</u>	<u>\$9,921</u>	<u>\$0</u>	<u>\$5,812</u>	<u>\$4,109</u>
6,314	6,314	3,766	0	10,080	0
0	0	5,355	0	4,392	963
0	0	2,713	0	1,886	827
<u>\$6,314</u>	<u>\$6,314</u>	<u>\$11,834</u>	<u>\$0</u>	<u>\$16,358</u>	<u>\$1,790</u>
173,939	173,939	48,901	0	222,840	0
0	0	164,111	0	114,092	50,019
<u>\$173,939</u>	<u>\$173,939</u>	<u>\$213,012</u>	<u>\$0</u>	<u>\$336,932</u>	<u>\$50,019</u>
432,429	432,429	0	0	432,429	0
0	0	168,533	0	168,533	0
<u>\$432,429</u>	<u>\$432,429</u>	<u>\$168,533</u>	<u>\$0</u>	<u>\$600,962</u>	<u>\$0</u>
0	0	321,545	0	321,545	0
<u>\$1,068,876</u>	<u>\$1,222,419</u>	<u>\$1,344,186</u>	<u>\$0</u>	<u>\$2,293,304</u>	<u>\$119,758</u>

MADISON DISTRICT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u> (Continued)			
Passed Through Oakland Schools:			
Special Education - Grants to States:			
IDEA Flowthrough (09-10)	84.027	10450-0910	\$374,448
IDEA Flowthrough (10-11)	84.027	110450-1011	388,008
ARRA Flowthrough (09-10)	84.391A	10455-0910	461,421
Total Special Education Grants to States			\$1,223,877
Preschool Incentive:			
Preschool (09-10)	84.173	100460-0910	21,767
Preschool (10-11)	84.173	110460-1011	28,481
ARRA Preschool (09-10)	84.392A	100465-0910	27,069
Total Preschool Incentive			\$77,317
Total Passed Through Oakland Schools			\$1,301,194
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			\$4,198,223
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
School Breakfast Program	10.553	N/A	88,141
National School Lunch Program	10.555	N/A	338,575
National School Lunch Program - Entitlement Commodities		N/A	29,116
National School Lunch Program - Bonus Commodities		N/A	513
Total National School Lunch Program			\$368,204
Special Milk Program for Children	10.556	N/A	1,050
Total Nutrition Cluster			\$457,395
NSLP Equipment Grant	10.579	101990-04528	38,500
Fresh Fruit & Vegetable Program	10.582		
Fresh Fruit & Vegetable Program		110950-01083	10,796
Fresh Fruit & Vegetable Program		110950-01537	13,301
Total Fresh Fruit & Vegetable Program			\$24,097
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			\$519,992
<u>TOTAL FEDERAL AWARDS</u>			\$4,718,215

ACCRUED (DEFERRED) REVENUE JULY 1, 2010	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2011
\$132,766	\$369,695	\$4,753	\$0	\$132,766	\$4,753
0	0	355,528	0	0	355,528
197,245	424,798	36,621	0	197,245	36,621
<u>\$330,011</u>	<u>\$794,493</u>	<u>\$396,902</u>	<u>\$0</u>	<u>\$330,011</u>	<u>\$396,902</u>
115	21,767	0	0	115	0
0	0	28,481	0	0	28,481
0	0	27,069	0	0	27,069
<u>\$115</u>	<u>\$21,767</u>	<u>\$55,550</u>	<u>\$0</u>	<u>\$115</u>	<u>\$55,550</u>
<u>\$330,126</u>	<u>\$816,260</u>	<u>\$452,452</u>	<u>\$0</u>	<u>\$330,126</u>	<u>\$452,452</u>
\$1,399,002	\$2,038,679	\$1,796,638	\$0	\$2,623,430	\$572,210
4,209	0	88,141	0	92,350	0
19,014	0	338,575	0	357,589	0
0	0	29,116	0	29,116	0
0	0	513	0	513	0
<u>\$19,014</u>	<u>\$0</u>	<u>\$368,204</u>	<u>\$0</u>	<u>\$387,218</u>	<u>\$0</u>
0	0	1,050	0	1,050	0
<u>\$23,223</u>	<u>\$0</u>	<u>\$457,395</u>	<u>\$0</u>	<u>\$480,618</u>	<u>\$0</u>
0	0	38,500	0	38,500	0
0	0	10,796	0	9,800	996
0	0	13,301	0	8,748	4,553
<u>\$0</u>	<u>\$0</u>	<u>\$24,097</u>	<u>\$0</u>	<u>\$18,548</u>	<u>\$5,549</u>
<u>\$23,223</u>	<u>\$0</u>	<u>\$519,992</u>	<u>\$0</u>	<u>\$537,666</u>	<u>\$5,549</u>
<u>\$1,422,225</u>	<u>\$2,038,679</u>	<u>\$2,316,630</u>	<u>\$0</u>	<u>\$3,161,096</u>	<u>\$577,759</u>

MADISON DISTRICT PUBLIC SCHOOLS
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS

\$2,316,630

Add: 6-30-10 Grant Revenue shown on 6-30-10 SEFA but not recongized on the
General Purpose Financial Statements due to the 60 day Revenue Recognition
Accounting Policy

101530-0910 Title I Regular (09-10)	104,964
101535-0910 ARRA Title I (09-10)	15,897
102860-0910 Safe & Drug Free Schools (09-10)	1,600

\$2,439,091

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS

General Fund	\$1,981,696
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School Service Fund	457,395
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<u>TOTAL</u>	<u>\$2,439,091</u>
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- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 8 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

MADISON DISTRICT PUBLIC SCHOOLS
RECONCILIATION OF CMS " GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Current Payments Per the Grant Section Auditor's Report		
Cash Management System		\$2,799,762
<u>Add:</u> 2008-09 Safe and Drug Free cash adjustment shown on CMS Report		1,579
<u>Add:</u> Grants Passed Through the Oakland Schools		
Special Education - Grants to States (CFDA 84.027)	\$132,766	
ARRA Flowthrough (CFDA 84.391A)	197,245	
Preschool Incentive (CFDA 84.173)	115	
Total Grants Passed Through Oakland Schools	330,126	330,126
Entitlement and Bonus Commodities		29,629
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF</u>		
<u>EXPENDITURES OF FEDERAL AWARDS</u>		\$3,161,096

MADISON DISTRICT PUBLIC SCHOOLS
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency (ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency (ies) identified? Yes None reported
- Type of auditor’s report issued on compliance for major programs: Unqualified
- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No
- Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010/84.389	Title I Cluster
84.027/84.391A/84.173/84.392A	Special Education Cluster
10.553/10.555/10.556	Nutrition Cluster
84.410	Education Jobs Fund

- Dollar threshold use to distinguish between type A and type B programs: \$ 300,000.00
- Did the auditee qualify as a low-risk auditee? Yes No

MADISON DISTRICT PUBLIC SCHOOLS
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2011-1 – Repeat Finding

Finding Type – Significant deficiency

Criteria - Proper segregation of duties mitigates the risk of financial reporting errors. Reliable financial reporting is necessary to carry out the School District's day-to-day activities.

Condition - Related to the payroll process, a lack of segregation of duties exists whereby the same individual that processes payroll is also responsible for inputting pay rate changes.

Context - The School District has a limited number of staff in the business office. In addition, the School District has experienced turnover with the accounting manager position over the past few years. The Board of Education reviews the check runs regularly.

Cause/Effect - The lack of segregation of duties increases the risk of errors in financial reporting whether unintentional or intentional (fraud).

Recommendation - We recommend that the School District review segregation of duties related to various areas, including identifying the individuals that initiate, record, and review transactions within each system. Given the School District's limited staffing, cost/benefit of any changes should also be considered.

Views of Responsible Officials and Planned Corrective Action - Internal control procedures, including segregation of duties, will be reviewed and corrective action taken as necessary.

Finding 2011-2 – Repeat Finding

Finding Type – Significant deficiency

Criteria – Adequate reconciliation procedures and documentation, timeliness of depositing cash receipts and proper segregation of duties related to cash receipting and depositing of funds mitigates the risk of financial reporting errors and misappropriation of District assets.

Condition – *Trust and Agency Accounts* – no fundraising reconciliations were evidenced.

Context – The District has a limited number of staff in the business office. In addition, the District has experienced turnover with the accounting manager position over the past few years. The District does not have adequate supervision of decentralized cash receipting areas related to student fundraising accounts.

Cause/Effect – Lack of appropriate reconciliations and segregations of duties, increases the risk of misappropriation of assets and misstatement in the financial records.

Recommendation – We recommend the District develop and implant appropriate reconciliations and review current procedures for all decentralized cash collection points.

Views of Responsible Officials and Planned Corrective Action – Effective with the 2011-2012, corrective action will be taken to address the cash receipt control deficiencies.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings.

MADISON DISTRICT PUBLIC SCHOOLS
SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2010-1 – Repeat Finding

Finding Type – Significant deficiency

Criteria - Proper segregation of duties mitigates the risk of financial reporting errors. Reliable financial reporting is necessary to carry out the School District's day-to-day activities.

Condition - Related to the payroll process, a lack of segregation of duties exists whereby the same individual that processes payroll is also responsible for inputting pay rate changes.

Context - The School District has a limited number of staff in the business office. In addition, the School District has experienced turnover with the accounting manager position over the past few years. The Board of Education reviews the check runs regularly.

Cause/Effect - The lack of segregation of duties increases the risk of errors in financial reporting whether unintentional or intentional (fraud).

Recommendation - We recommend that the School District review segregation of duties related to various areas, including identifying the individuals that initiate, record, and review transactions within each system. Given the School District's limited staffing, cost/benefit of any changes should also be considered.

Views of Responsible Officials and Planned Corrective Action - Internal control procedures, including segregation of duties, will be reviewed and corrective action taken as necessary.

Finding 2010-2 – Repeat Finding

Finding Type – Significant deficiency

Criteria – Adequate reconciliation procedures and documentation, timeliness of depositing cash receipts and proper segregation of duties related to cash receipting and depositing of funds mitigates the risk of financial reporting errors and misappropriation of District assets.

Condition – *Athletics* – no ticket reconciliations for contests are being used. *Trust and Agency Accounts* – no fundraising reconciliations were evidenced.

Context – The District has a limited number of staff in the business office. In addition, the District has experienced turnover with the accounting manager position over the past few years. The District does not have adequate supervision of decentralized cash receipting areas.

Cause/Effect – Lack of appropriate reconciliations and segregations of duties, increases the risk of misappropriation of assets and misstatement in the financial records.

Recommendation – We recommend the District develop and implant appropriate reconciliations and review current procedures for all decentralized cash collection points.

Views of Responsible Officials and Planned Corrective Action – Effective with the 2010-2011, corrective action has been taken to address the cash receipt control deficiencies.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings.