

BOROUGH OF MADISON

COUNTY OF MORRIS

REPORT OF AUDIT

2006

*NISIVOCCIA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS*

BOROUGH OF MADISON

COUNTY OF MORRIS

REPORT OF AUDIT

2006

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BOROUGH OF MADISON
PART I
REPORT ON AUDIT OF
FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2006



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Independent Auditors' Report

The Honorable Mayor and Members
 of the Borough Council
 Borough of Madison
 Madison, New Jersey

We have audited the financial statements of the various funds of the Borough of Madison, in the County of Morris (the "Borough") as of and for the years ended December 31, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the Borough's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), 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 audits provide a reasonable basis for our opinions.

As described in Note 1, these financial statements have been prepared in conformity with accounting principles prescribed by the Division, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because the Borough prepares its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to in the first paragraph, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2006 and 2005, and the results of its operations for the years then ended.

The Honorable Mayor and Members
of the Borough Council
Borough of Madison
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However, in our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the various funds of the Borough of Madison at December 31, 2006 and 2005, and the results of operations and changes in fund balance, where applicable, of such funds, for the years then ended, in conformity with accounting principles prescribed by the Division, as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2007 on our consideration of the Borough of Madison's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 audits.

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The information included in the supplementary schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards are also presented for purposes of additional analysis required by the U.S. 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* and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1 to the financial statements and Note B to the schedules of expenditures of federal and state awards.

June 15, 2007


NISIVOCCIA & COMPANY LLP



David H. Evans
Certified Public Accountant
Registered Municipal Accountant
No. 98

BOROUGH OF MADISON
COUNTY OF MORRIS
2006
CURRENT FUND

BOROUGH OF MADISON
CURRENT FUND
COMPARATIVE BALANCE SHEET

	Ref.	December 31,	
		2006	2005
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 11,942,283.07	\$ 11,087,284.64
Change Fund		950.00	950.00
		<u>11,943,233.07</u>	<u>11,088,234.64</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-6	230,004.34	194,199.80
Tax Title Liens Receivable	A-7	12,707.48	11,114.68
Property Acquired for Taxes at Assessed Valuation		313,800.00	313,800.00
Amount Due From Housing Authority		64,219.46	17,479.46
Revenue Accounts Receivable	A-8	28,239.97	25,427.89
Interfund Accounts Receivable:			
General Capital Fund	C		505,000.00
Assessment Fund	B	1,474.13	1,126.72
Other Trust Fund	B	4,206.94	2,881.77
Animal Control Fund	B		7,444.52
Payroll Agency Fund		95.49	64.62
Total Receivables and Other Assets With Full Reserves		<u>654,747.81</u>	<u>1,078,539.46</u>
Deferred Charges:			
Emergency Authorization		170,000.00	
		<u>170,000.00</u>	
Total Regular Fund		<u>12,767,980.88</u>	<u>12,166,774.10</u>
Federal and State Grant Fund:			
State and Federal Grants Receivable	A-11	57,191.00	45,165.00
Due from Current Fund	A	199,940.96	211,886.63
Total Federal and State Grant Fund		<u>257,131.96</u>	<u>257,051.63</u>
<u>TOTAL ASSETS</u>		<u>\$ 13,025,112.84</u>	<u>\$ 12,423,825.73</u>

BOROUGH OF MADISON
CURRENT FUND
COMPARATIVE BALANCE SHEET
(Continued)

	Ref.	December 31,	
		2006	2005
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Appropriation Reserves:			
Unencumbered	A-3;A-9	\$ 1,526,604.16	\$ 949,321.38
Encumbered	A-3;A-9	571,912.39	567,637.96
Total Appropriation Reserves		2,098,516.55	1,516,959.34
Prepaid Taxes		288,062.25	341,342.56
Due State of New Jersey:			
Senior Citizens' and Veterans' Deductions		14,201.95	10,881.48
Construction Code Fees		1,216.00	1,820.00
Due to Federal and State Grant Fund	A	199,940.96	211,886.63
Due Animal Control Fund	B	9,932.48	
Reserve for Sale of Property		29,623.99	29,623.99
Reserve for Tax Appeals Pending		3,751.17	9,931.17
Reserve for Tax Sale Premiums		200.00	72,600.00
Reserve for Emergency Legal Fees			13,046.86
Reserve for Sale of Municipal Assets			505,000.00
		2,645,445.35	2,713,092.03
Reserve for Receivables and Other			
Assets		654,747.81	1,078,539.46
Fund Balance	A-1	9,467,787.72	8,375,142.61
Total Regular Fund		12,767,980.88	12,166,774.10
Federal and State Grant Fund:			
Accounts Payable		21,425.45	20,601.49
Appropriated Reserves	A-12	152,771.46	148,722.91
Unappropriated Reserves	A-13	82,935.05	87,727.23
Total Federal and State Grant Fund		257,131.96	257,051.63
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 13,025,112.84</u>	<u>\$ 12,423,825.73</u>

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

BOROUGH OF MADISON
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	Ref.	Year Ended December 31,	
		2006	2005
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 4,150,000.00	\$ 3,650,000.00
Miscellaneous Revenue Anticipated		10,030,800.81	8,892,383.58
Receipts from:			
Delinquent Taxes		207,089.34	316,015.62
Current Taxes		46,572,382.10	43,365,630.35
Nonbudget Revenue		419,820.88	255,986.12
Other Credits to Income:			
Accounts Payable Cancelled			453,216.88
Unexpended Balance of Appropriation			
Reserves		914,284.12	1,095,546.61
Cancellation of School Taxes Balance			0.01
Cancellation of Reserve for Emergency Legal Fees		13,046.86	
Prior Year Interfunds and Receivables Returned		510,741.07	
Total Income		<u>62,818,165.18</u>	<u>58,028,779.17</u>
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes		21,080,657.93	19,180,422.57
County Taxes		7,955,536.11	7,575,991.88
Amount Due County for Added and Omitted Taxes		45,171.58	55,450.21
Local School District Taxes		28,238,283.08	26,122,869.00
Municipal Open Space Taxes		425,871.37	423,559.90
Refunds of Prior Years' Revenue			500.00
Interfunds Advanced			509,070.10
Prior Year Senior Citizens' Deduction Disallowed			750.00
Total Expenditures		<u>57,745,520.07</u>	<u>53,868,613.66</u>
Excess in Revenue		5,072,645.11	4,160,165.51
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year		170,000.00	
Statutory Excess to Fund Balance		5,242,645.11	4,160,165.51
<u>Fund Balance</u>			
Balance January 1		<u>8,375,142.61</u>	<u>7,864,977.10</u>
		13,617,787.72	12,025,142.61
Decreased by:			
Utilized as Anticipated Revenue		<u>4,150,000.00</u>	<u>3,650,000.00</u>
Balance December 31	A	<u>\$ 9,467,787.72</u>	<u>\$ 8,375,142.61</u>

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

BOROUGH OF MADISON
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2006

	<u>Budget</u>	<u>Special NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 4,150,000.00		\$ 4,150,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	20,000.00		27,941.10	\$ 7,941.10
Other Licenses	5,000.00		15,292.50	10,292.50
Fees and Permits	76,000.00		278,934.11	202,934.11
Fines and Costs:				
Municipal Court	240,000.00		390,048.62	150,048.62
Interest and Costs on Taxes	40,000.00		51,442.91	11,442.91
Parking Meters	40,000.00		47,518.75	7,518.75
Interest on Investments and Deposits	320,000.00		1,292,598.21	972,598.21
Police Burglar Alarm	20,000.00		36,540.00	16,540.00
Cablevision Franchise Fees	25,000.00		46,202.00	21,202.00
Sewer Fees on Tax Exempt Property	190,000.00		199,346.33	9,346.33
Legislative Initiative Municipal Block Grant	69,355.00		69,355.00	
Consolidated Municipal Property Tax Relief Aid	475,866.00		475,867.00	1.00
Energy Receipts Tax (P.L. 1997, Chapters 162 & 167)	612,893.00		612,893.00	
Municipal Homeland Security Assistance Aid	70,000.00		70,000.00	
Uniform Construction Code Fees	200,000.00		383,842.00	183,842.00
Inter-Municipal Health Contracts for Local Community Health Services	250,000.00		353,936.00	103,936.00
Inter-Municipal Agreements for "Southeast Morris Project Community Pride" (S.L.E.P.A.)	60,000.00		65,300.00	5,300.00
Recycling Tonnage Grant	11,928.00		11,928.00	
Drunk Driving Enforcement Fund	4,651.13		4,651.13	
Clean Communities Program	12,835.36		12,835.36	
Alcohol Education and Rehabilitation Fund	681.40		681.40	
Public Health Priority Funding Act of 1977 - Contracted Municipalities' Share	7,974.00		7,974.00	
Alcohol and Drug Abuse Grant (M.A.A.S.A.)	15,386.00		15,386.00	
Body Armor Replacement	3,263.34		3,263.34	
Cops in Shops Grant	2,350.00		2,350.00	
School Resource Officer Grant	44,044.00		44,044.00	
Pandemic Flu Preparedness Grant		\$ 10,105.00	10,105.00	
Other Special Items:				
Utility Operating Surplus of Prior Years - Water Utility	250,000.00		250,000.00	
Utility Operating Surplus of Prior Years - Electric Utility	4,360,000.00		4,360,000.00	
Rosenet User Fees	30,000.00		36,000.00	6,000.00
Payment in Lieu of Taxes on Exempt Property - Madison Housing Authority	20,000.00			20,000.00 *
Life Hazard Use Fees	24,350.00		53,195.57	28,845.57
Hartley Dodge Memorial Trust Building Maintenance	48,000.00		48,000.00	
Madison Civic Center Leases	7,000.00		11,850.00	4,850.00
Madison Cell Tower Leases	130,000.00		213,979.48	83,979.48
Reserve for Sale of Municipal Assets	505,000.00		505,000.00	
Bond Anticipation Note Premium	22,500.00		22,500.00	
Total Miscellaneous Revenue	<u>8,214,077.23</u>	<u>10,105.00</u>	<u>10,030,800.81</u>	<u>1,806,618.58</u>
Receipts from Delinquent Taxes	<u>199,000.00</u>		<u>207,089.34</u>	<u>8,089.34</u>

BOROUGH OF MADISON
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2006
(Continued)

	<u>Budget</u>	<u>Special NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>\$ 9,844,175.00</u>		<u>\$ 11,353,969.96</u>	<u>\$ 1,509,794.96</u>
Budget Totals	<u>22,407,252.23</u>	<u>\$ 10,105.00</u>	<u>25,741,860.11</u>	<u>3,324,502.88</u>
Nonbudget Revenue			<u>419,820.88</u>	<u>419,820.88</u>
	<u>\$ 22,407,252.23</u>	<u>\$ 10,105.00</u>	<u>\$ 26,161,680.99</u>	<u>\$ 3,744,323.76</u>

BOROUGH OF MADISON
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2006
(Continued)

Allocation of Current Tax Collections

Revenue from Collections -	2006	\$ 46,077,860.01
	2005	341,342.56
State's Share of Senior Citizens' and Veterans' Deductions		<u>153,179.53</u>
		46,572,382.10
Allocated to:		
School, County, and Open Space Taxes		<u>36,664,862.14</u>
		9,907,519.96
Add: Appropriation - Reserve for Uncollected Taxes		<u>1,446,450.00</u>
Amount for Support of Municipal Budget		<u><u>\$ 11,353,969.96</u></u>

Analysis of Nonbudget Revenue

Miscellaneous Revenue Not Anticipated:

Treasurer:

Morris County Municipal Joint Insurance Fund	\$ 28,141.14	
State of New Jersey	27,912.26	
State of New Jersey - Inspections	4,786.50	
Clerk	5,642.37	
Police	12,523.85	
Health	83,030.74	
Municipal Court - Public Defender Fees	4,261.00	
Recycling	76,930.27	
Fire	2,552.09	
Tax Collector	1,895.86	
Land Use Board	8,079.00	
Building Department	2,000.00	
Recreation	1,425.00	
Settlement - Madison Main Association	132,000.00	
Cancellation of Old Outstanding Checks	4,581.40	
Other Miscellaneous	<u>10,617.88</u>	
		406,379.36

Statutory Excess in Animal Control Fund		13,441.52
		<u>\$ 419,820.88</u>

Analysis of Interest Earned

Interest Earned in Current Fund		\$ 1,264,455.66
Interest Due from Assessment Trust Fund		18,955.70
Interest Due from Other Trust Fund		<u>9,186.85</u>
		<u><u>\$ 1,292,598.21</u></u>

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

BOROUGH OF MADISON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2006

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
General Administration:					
Salaries & Wages	\$ 121,810.00	\$ 121,810.00	\$ 121,810.00		
Miscellaneous Other Expenses:					
Other Expenses	11,300.00	11,300.00	4,573.22	\$ 6,726.78	
Municipal Support:					
Salaries & Wages	51,816.00	51,816.00	39,342.75	12,473.25	
Other Expenses	31,920.00	33,920.00	30,483.96	3,436.04	
Human Resources:					
Salaries & Wages	40,656.00	40,656.00	40,656.00		
Other Expenses	46,100.00	58,100.00	51,586.56	6,513.44	
Mayor and Borough Council:					
Salaries & Wages	39,028.00	39,028.00	39,028.00		
Other Expenses	21,885.00	21,885.00	12,422.79	9,462.21	
Borough Clerk:					
Salaries & Wages	83,178.00	83,178.00	83,178.00		
Other Expenses	33,800.00	33,800.00	27,626.00	6,174.00	
Financial Administration:					
Salaries & Wages	155,184.00	155,184.00	154,625.85	558.15	
Other Expenses	24,475.00	24,475.00	22,148.44	2,326.56	
Elections:					
Salaries & Wages	1,200.00	1,200.00	1,200.00		
Other Expenses	6,925.00	6,925.00	6,740.22	184.78	
Annual Audit	27,000.00	27,000.00	3,200.00	23,800.00	
Finance Department:					
Revenue Administration (Tax Collector):					
Salaries & Wages	76,085.00	76,085.00	74,500.09	1,584.91	
Other Expenses	14,760.00	14,760.00	13,824.26	935.74	

BOROUGH OF MADISON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2006
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (continued):					
GENERAL GOVERNMENT (continued):					
Assessment of Taxes:					
Salaries & Wages	\$ 28,555.00	\$ 28,555.00	\$ 28,555.00		
Other Expenses	26,950.00	26,950.00	17,343.34	\$ 9,606.66	
Legal Services and Costs:					
Salaries & Wages	45,000.00	45,000.00	45,000.00		
Other Expenses (N.J.S.A. 40A:4-46 + \$120,000.00)	208,742.00	328,742.00	282,541.44	46,200.56	
Engineering Services and Costs:					
Salaries & Wages	155,610.00	141,610.00	137,683.96	3,926.04	
Other Expenses	35,482.00	50,482.00	28,490.01	21,991.99	
Environmental Commission (N.J.S.A.. 40:56A:1et seq.):					
Other Expenses	7,500.00	7,500.00	3,725.00	3,775.00	
Downtown Development:					
Salaries & Wages	32,743.00	32,743.00	32,473.97	269.03	
Other Expenses	4,125.00	4,125.00	2,698.83	1,426.17	
Museum of Early Trades and Crafts:					
Other Expenses	17,059.00	17,059.00	17,059.00		
Historic Preservation:					
Other Expenses	6,700.00	6,700.00	1,195.00	5,505.00	
LAND USE ADMINISTRATION:					
Planning Board:					
Salaries & Wages	42,739.00	42,739.00	39,543.87	3,195.13	
Other Expenses	57,675.00	47,675.00	31,945.48	15,729.52	
Zoning Board of Adjustment:					
Salaries & Wages	22,465.00	22,465.00	22,227.79	237.21	
Other Expenses	43,025.00	38,025.00	33,406.00	4,619.00	

BOROUGH OF MADISON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2006
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (continued):					
PUBLIC SAFETY FUNCTIONS:					
Police:					
Salaries & Wages (N.J.S.A. 40A:4-46 + \$50,000.00)	\$ 3,343,324.00	\$ 3,410,324.00	\$ 3,379,551.16	\$ 30,772.84	
Other Expenses	305,907.00	288,907.00	283,296.81	5,610.19	
Project Community Pride:					
Salaries & Wages	33,502.00	37,502.00	36,129.44	1,372.56	
Other Expenses	18,272.00	15,272.00	9,956.94	5,315.06	
Emergency Management Services:					
Other Expenses	5,900.00	5,900.00	5,544.05	355.95	
First Aid Organization Contribution	35,000.00	35,000.00	35,000.00		
Fire:					
Salaries & Wages	1,160,049.00	1,215,049.00	1,207,641.04	7,407.96	
Other Expenses	69,400.00	62,400.00	57,720.50	4,679.50	
Uniform Fire Safety Act:					
Fire Official Safety Code:					
Salaries & Wages	90,490.00	93,490.00	92,844.96	645.04	
Municipal Prosecutor:					
Other Expenses	25,000.00	25,000.00	17,000.00	8,000.00	
PUBLIC WORKS FUNCTIONS:					
Public Works:					
Salaries & Wages	1,263,228.00	1,255,228.00	1,197,536.52	57,691.48	
Other Expenses	213,435.00	176,435.00	145,422.30	31,012.70	
Sewer Department:					
Salaries & Wages	330,348.00	336,348.00	334,070.32	2,277.68	
Other Expenses	47,020.00	47,020.00	41,634.48	5,385.52	
Shade Tree:					
Other Expenses	126,850.00	126,850.00	126,174.01	675.99	

BOROUGH OF MADISON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2006
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (continued):					
PUBLIC WORKS FUNCTIONS (continued):					
Garbage Removal:					
Salaries & Wages	\$ 32,791.00	\$ 32,791.00	\$ 32,396.37	\$ 394.63	
Other Expenses	1,467,240.00	1,467,240.00	1,331,161.17	136,078.83	
Public Building and Grounds:					
Salaries & Wages	136,414.00	131,414.00	127,419.11	3,994.89	
Other Expenses	58,460.00	58,460.00	53,025.64	5,434.36	
Vehicle Maintenance:					
Salaries & Wages	261,697.00	261,697.00	252,816.77	8,880.23	
Other Expenses	121,500.00	121,500.00	111,889.68	9,610.32	
HEALTH AND HUMAN SERVICES FUNCTIONS:					
Board of Health:					
Salaries & Wages	288,020.00	288,020.00	286,221.00	1,799.00	
Other Expenses	89,628.00	89,628.00	73,414.02	16,213.98	
Animal Control Services:					
Salaries & Wages	2,000.00	2,000.00	770.00	1,230.00	
Other Expenses	24,224.00	24,224.00	23,374.00	850.00	
Administration of Public Assistance:					
Salaries & Wages	45,346.00	45,346.00	45,300.00	46.00	
Other Expenses	1,150.00	1,150.00	666.68	483.32	
Aid to Child Care Center - Contractual (N.J.S. 40:23-8.14)	2,500.00	2,500.00	2,500.00		
Civic Center:					
Other Expenses	35,080.00	35,080.00	27,723.56	7,356.44	
PARK AND RECREATION FUNCTIONS:					
Recreation and Playgrounds:					
Salaries & Wages	78,891.00	78,891.00	64,076.25	14,814.75	
Other Expenses	57,050.00	57,050.00	48,209.58	8,840.42	

BOROUGH OF MADISON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2006
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
PARK AND RECREATION FUNCTIONS (Continued):					
Senior Citizens' Programs:					
Salaries & Wages	\$ 72,220.00	\$ 72,220.00	\$ 67,260.62	\$ 4,959.38	
Other Expenses	15,413.00	15,413.00	12,669.09	2,743.91	
Teen Center:					
Salaries & Wages	40,278.00	32,278.00	26,717.26	5,560.74	
Other Expenses	7,800.00	7,800.00	2,964.51	4,835.49	
Parks Committee:					
Other Expenses	11,500.00	11,500.00	11,000.00	500.00	
Rosenet Web Site:					
Other Expenses	71,771.00	71,771.00	71,771.00		
OTHER COMMON OPERATING FUNCTIONS:					
Celebration of Public Events, Anniversary or Holiday:					
Other Expenses	5,700.00	5,700.00	5,326.72	373.28	
Municipal Court:					
Salaries & Wages	193,478.00	179,478.00	179,478.00		
Other Expenses	20,825.00	30,825.00	23,993.72	6,831.28	
Public Defender (P.L. 1997,C.256):					
Other Expenses	9,000.00	9,000.00	2,571.25	6,428.75	
STATE UNIFORM CONSTRUCTION CODE:					
Building Inspector:					
Salaries & Wages	268,335.00	252,335.00	249,466.51	2,868.49	
Other Expenses	42,190.00	32,190.00	16,619.72	15,570.28	
UNCLASSIFIED:					
Salaries & Wages Adjustment Program	50,000.00	50,000.00		50,000.00	
UTILITY EXPENSES AND BULK PURCHASES:					
Electricity	141,000.00	141,000.00	109,592.18	31,407.82	
Telephone	55,000.00	55,000.00	51,557.42	3,442.58	

BOROUGH OF MADISON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2006
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
UTILITY EXPENSES AND BULK PURCHASES (Continued):					
Water	\$ 29,000.00	\$ 29,000.00	\$ 22,155.28	\$ 6,844.72	
Gas	125,000.00	125,000.00	75,835.54	49,164.46	
Sewerage Processing and Disposal	14,000.00	14,000.00	9,040.00	4,960.00	
Gasoline	123,000.00	153,000.00	135,668.16	17,331.84	
Contingency	35,000.00	35,000.00	34,019.89	980.11	
Subtotal - Operations	12,621,718.00	12,791,718.00	12,009,028.06	782,689.94	
Detail:					
Salaries and Wages	8,586,480.00	8,477,002.00	8,260,042.61	216,959.39	
Other Expenses Including Contingency	4,035,238.00	4,314,716.00	3,748,985.45	565,730.55	
STATUTORY EXPENDITURES:					
Social Security System (O.A.S.I.)	385,000.00	385,000.00	378,360.21	6,639.79	
Consolidated Police and Firemen's Retirement Pension Fund	15,000.00	15,000.00	13,259.06	1,740.94	
Total Statutory Expenditures - Municipal Within "CAPS"	400,000.00	400,000.00	391,619.27	8,380.73	
Total General Appropriations for Municipal Purposes Within "CAPS"	13,021,718.00	13,191,718.00	12,400,647.33	791,070.67	
Operations Excluded from "CAPS":					
Insurance (N.J.S.A.40A:4-45-3(00)):					
General Liability	214,500.00	214,500.00	188,766.61	25,733.39	
Workers Compensation	160,000.00	160,000.00	152,991.50	7,008.50	
Employee Group Health	1,510,000.00	1,510,000.00	863,374.43	646,625.57	

BOROUGH OF MADISON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2006
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS" (Continued):					
Sanitation:					
Madison-Chatham Joint Meeting					
Maintenance of Free Public Library (c. 82, P.L. 1985):	\$ 1,156,702.00	\$ 1,156,702.00	\$ 1,156,702.00		
Other Expenses	1,198,728.00	1,198,728.00	1,170,923.22	\$ 27,804.78	
Police and Firemen's Retirement System of New Jersey	360,000.00	360,000.00	348,832.20	11,167.80	
Contribution to Public Employees Retirement System	60,000.00	60,000.00	42,806.55	17,193.45	
Inter-Municipal Agreement for "Southeast Morris Project Community Pride":					
Salaries & Wages	60,000.00	60,000.00	60,000.00		
Inter-Municipal Health Contracts for Local Community Health Services:					
Board of Health:					
Salaries & Wages	201,280.00	201,280.00	201,280.00		
Other Expenses	48,720.00	48,720.00	48,720.00		
Public and Private Programs Offset by Revenues:					
Public Health Priority Funding Act of 1977:					
Chronic Illness Services:					
Salaries & Wages	7,974.00	7,974.00	7,974.00		
Drunk Driving Enforcement Fund:					
Police:					
Salaries & Wages	4,651.13	4,651.13	4,651.13		
Alcohol and Drug Abuse Grant (M.A.S.A.):					
State Share	15,386.00	15,386.00	15,386.00		
Borough Share	3,847.00	3,847.00	3,847.00		
Alcohol Education and Rehabilitation Fund:					
Other Expenses	681.40	681.40	681.40		
Cops in Shops Grant:					
Salaries & Wages	2,350.00	2,350.00	2,350.00		

BOROUGH OF MADISON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2006
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS" (continued):					
Public and Private Programs Offset by Revenues (continued):					
School Resource Officer Grant:					
Salaries & Wages	\$ 44,044.00	\$ 44,044.00	\$ 44,044.00		
Body Armor Replacement Grant:					
Other Expenses	3,263.34	3,263.34	3,263.34		
Recycling Tonnage Grant	11,928.00	11,928.00	11,928.00		
Clean Communities Program	12,835.36	12,835.36	12,835.36		
Pandemic Flu Preparedness (N.J.S.A. 40A:4-87 + \$10,105.00)		10,105.00	10,105.00		
Total Operations Excluded From "CAPS"	5,076,890.23	5,086,995.23	4,351,461.74	\$ 735,533.49	
Detail:					
Salaries & Wages	320,299.13	313,298.00	313,298.00		
Other Expenses	4,756,591.10	4,756,591.10	4,038,163.74	735,533.49	
Capital Improvements Excluded From "CAPS"					
Capital Improvement Fund	1,505,000.00	1,505,000.00	1,505,000.00		
Total Capital Improvements Excluded From "CAPS"	1,505,000.00	1,505,000.00	1,505,000.00		
Municipal Debt Service Excluded from "CAPS":					
Payment of Bond Principal	279,000.00	279,000.00	279,000.00		
Interest on Bonds	18,000.00	18,000.00	17,577.00		\$ 423.00
Interest on Notes	212,500.00	212,500.00	212,499.99		0.01
New Jersey Wastewater Treatment Trust:					
Interest on Loan	120,526.00	120,526.00	60,699.87		59,826.13
Principal on Loan	727,168.00	727,168.00	727,167.84		0.16
Total Municipal Debt Service Excluded from "CAPS"	1,357,194.00	1,357,194.00	1,296,944.70		60,249.30

BOROUGH OF MADISON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2006
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Subtotal General Appropriations	\$ 20,960,802.23	\$ 21,140,907.23	\$ 19,554,053.77	\$ 1,526,604.16	\$ 60,249.30
Reserve for Uncollected Taxes	1,446,450.00	1,446,450.00	1,446,450.00		
Total General Appropriations	<u>\$ 22,407,252.23</u>	<u>\$ 22,587,357.23</u>	<u>\$ 21,000,503.77</u>	<u>\$ 1,526,604.16</u>	<u>\$ 60,249.30</u>

Ref.

A

BOROUGH OF MADISON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2006
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 22,407,252.23	
Added by N.J.S.A. 40A:4-87		10,105.00	
Emergency Appropriation (N.J.S.A. 40A:4-46)		170,000.00	
		<u>\$ 22,587,357.23</u>	
Reserve for Uncollected Taxes			\$ 1,446,450.00
Cash Disbursed			18,841,702.15
Encumbrances	A		571,912.39
Due to Animal Control Fund			23,374.00
Due to Federal and State Grant Fund			117,065.23
			<u>\$ 21,000,503.77</u>

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

BOROUGH OF MADISON
COUNTY OF MORRIS
2006
TRUST FUNDS

BOROUGH OF MADISON
TRUST FUNDS
COMPARATIVE BALANCE SHEET

	Ref.	December 31,	
		2006	2005
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	B-4	\$ 784.72	\$ 19,611.22
Due from Current Fund	A	9,932.48	
		<u>10,717.20</u>	<u>19,611.22</u>
Open Space Trust Fund:			
Cash and Cash Equivalents	B-4	697,208.33	771,903.44
		<u>697,208.33</u>	<u>771,903.44</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	1,650,860.25	1,391,032.17
		<u>1,650,860.25</u>	<u>1,391,032.17</u>
Assessment Trust Fund:			
Cash and Cash Equivalents	B-4	358,876.62	346,181.23
Assessments Receivable	B-5	24,696.26	37,044.24
		<u>383,572.88</u>	<u>383,225.47</u>
<u>TOTAL ASSETS</u>		<u>\$ 2,742,358.66</u>	<u>\$ 2,565,772.30</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Amount Due to State of New Jersey		\$ 7.20	\$ 9.60
Due to Current Fund	A		7,444.52
Reserve for Animal Control Fund Expenditures	B-7	10,710.00	12,157.10
		<u>10,717.20</u>	<u>19,611.22</u>
Open Space Trust Fund:			
Reserve for Open Space Trust		697,208.33	771,903.44
		<u>697,208.33</u>	<u>771,903.44</u>
Other Trust Funds:			
Due to Current Fund	A	4,206.94	2,881.77
Unallocated Receipts		1.00	1.00
Amount Due to State of New Jersey:			
Marriage License Fees		285.00	435.00
Construction Code Surcharge Fees		11,680.00	5,016.00
Reserve for:			
Unemployment Insurance		302,417.88	307,682.07
Special Funds		1,332,269.43	1,075,016.33
		<u>1,650,860.25</u>	<u>1,391,032.17</u>
Assessment Trust Fund:			
Due to Current Fund	A	1,474.13	1,126.72
Reserve for Assessments Receivable	B-6	24,696.26	37,044.24
Fund Balance	B-1	357,402.49	345,054.51
		<u>383,572.88</u>	<u>383,225.47</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 2,742,358.66</u>	<u>\$ 2,565,772.30</u>

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

BOROUGH OF MADISON
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE

	<u>Ref.</u>	
Balance December 31, 2005	B	\$ 345,054.51
Increased by:		
Collection of Unpledged Assessments		<u>\ 12,347.98</u>
Balance December 31, 2006	B	<u><u>\$ 357,402.49</u></u>

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

BOROUGH OF MADISON
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2006

NOT APPLICABLE

ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2006

NOT APPLICABLE

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

BOROUGH OF MADISON
COUNTY OF MORRIS
2006
GENERAL CAPITAL FUND

BOROUGH OF MADISON
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

	Ref.	December 31,	
		2006	2005
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 20,266,303.07	\$ 9,488,638.96
Deferred Charges to Future Taxation:			
Funded		1,632,451.07	2,638,618.91
Unfunded	C-4	18,750,000.00	18,750,000.00
Due from Morris County Open Space Fund		750,000.00	
Grants Receivable:			
State of New Jersey Green Acres		775,000.00	175,000.00
Morris County Community Development Grant		32,475.00	32,475.00
Transportation Enhancement Grant		100,000.00	
New Jersey Department of Transportation Grant - Garfield Avenue Reconstruction		75,000.00	
New Jersey Department of Transportation Grant - Reconstruction of Intersection		65,000.00	65,000.00
New Jersey Department of Transportation Grant		2,412.19	2,412.19
New Jersey Department of Transportation Grant (ISTEA)		155,000.00	155,000.00
<u>TOTAL ASSETS</u>		<u>\$ 42,603,641.33</u>	<u>\$ 31,307,145.06</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8		\$ 279,000.00
Bond Anticipation Notes Payable	C-7	\$ 18,000,000.00	
Wastewater Treatment Financing Program -			
Loan Payable	C-9	1,632,451.07	2,359,618.91
Improvement Authorizations:			
Funded	C-5	3,082,475.91	1,225,307.08
Unfunded	C-5	9,607,106.75	10,224,182.48
Reserve for Encumbrances		5,273,019.34	11,410,657.16
Reserve for Bond Anticipation Note Premium		89,220.00	
Capital Improvement Fund	C-6	4,643,729.08	5,027,996.75
Amount Due to Museum of Early Trades and Crafts		18,687.83	18,431.33
Due to Current Fund	A		505,000.00
Fund Balance	C-1	256,951.35	256,951.35
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 42,603,641.33</u>	<u>\$ 31,307,145.06</u>

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

BOROUGH OF MADISON
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE

	<u>Ref.</u>	
Balance December 31, 2005	C	<u>\$ 256,951.35</u>
Balance December 31, 2006	C	<u>\$ 256,951.35</u>

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

BOROUGH OF MADISON
COUNTY OF MORRIS
2006
WATER UTILITY FUND

BOROUGH OF MADISON
WATER UTILITY FUND
COMPARATIVE BALANCE SHEET

	Ref.	December 31,	
		2006	2005
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	D-4	\$ 1,748,017.04	\$ 1,807,656.71
Change Fund		25.00	25.00
		<u>1,748,042.04</u>	<u>1,807,681.71</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-6	156,788.25	141,270.79
Revenue Accounts Receivable		1,658.60	1,658.60
		<u>158,446.85</u>	<u>142,929.39</u>
Deferred Charges:			
Emergency Authorization (40A:4-46)			75,000.00
Total Operating Fund		<u>1,906,488.89</u>	<u>2,025,611.10</u>
Capital Fund:			
Cash and Cash Equivalents	D-4	2,004,434.74	1,643,594.72
Investments	D-4	500,000.00	500,000.00
Fixed Capital	D-7	8,028,411.53	8,028,411.53
Fixed Capital Authorized and Uncompleted	D-8	2,394,000.00	2,380,000.00
Total Capital Fund		<u>12,926,846.27</u>	<u>12,552,006.25</u>
<u>TOTAL ASSETS</u>		<u>\$ 14,833,335.16</u>	<u>\$ 14,577,617.35</u>

BOROUGH OF MADISON
WATER UTILITY FUND
COMPARATIVE BALANCE SHEET
(Continued)

	Ref.	December 31,	
		2006	2005
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-3;D-9	\$ 81,070.12	\$ 103,426.03
Encumbrances Payable	D-3;D-9	52,031.08	48,128.67
		<u>133,101.20</u>	<u>151,554.70</u>
Accrued Interest on Bonds			1,212.75
		<u>133,101.20</u>	<u>152,767.45</u>
Reserve for Receivables	D	158,446.85	142,929.39
Fund Balance	D-1	1,614,940.84	1,729,914.26
		<u>1,906,488.89</u>	<u>2,025,611.10</u>
Total Operating Fund			
Capital Fund:			
Serial Bonds Payable	D-14		42,000.00
Improvement Authorizations - Funded	D-10	405,832.11	464,517.25
Encumbrances Payable		50,002.81	16,477.65
Capital Improvement Fund	D-11	1,006,073.07	620,073.07
Reserve for:			
Filtration System		685,000.00	685,000.00
Amortization		8,028,411.53	7,986,411.53
Deferred Reserve for Amortization	D-12	2,394,000.00	2,380,000.00
Fund Balance	D-1a	357,526.75	357,526.75
		<u>12,926,846.27</u>	<u>12,552,006.25</u>
Total Capital Fund			
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 14,833,335.16</u>	<u>\$ 14,577,617.35</u>

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

BOROUGH OF MADISON
WATER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	Ref.	Year Ended December 31,	
		2006	2005
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 207,526.00	\$ 230,002.00
Rents		1,548,188.60	1,580,672.71
Miscellaneous Revenue		164,313.78	120,046.77
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		87,837.45	80,921.53
Total Income		<u>2,007,865.83</u>	<u>2,011,643.01</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operating		1,086,880.00	1,057,350.00
Capital Improvements		400,000.00	400,000.00
Debt Service		43,433.25	38,839.88
Deferred Charges and Statutory Expenditures		135,000.00	65,800.00
Total Expenditures		<u>1,665,313.25</u>	<u>1,561,989.88</u>
Excess in Revenue		342,552.58	449,653.13
Adjustments in Income Before Fund Balance:			
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year			75,000.00
Statutory Excess to Fund Balance		342,552.58	524,653.13
<u>Fund Balance</u>			
Balance January 1		1,729,914.26	1,644,263.13
		<u>2,072,466.84</u>	<u>2,168,916.26</u>
Decreased by:			
Utilized as Anticipated Revenue		207,526.00	230,002.00
Anticipated as Current Fund Budget Revenue		250,000.00	209,000.00
Balance December 31	D	<u>\$ 1,614,940.84</u>	<u>\$ 1,729,914.26</u>

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

BOROUGH OF MADISON
WATER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE

Balance December 31, 2005	<u>Ref.</u> D	<u>\$ 357,526.75</u>
Balance December 31, 2006	D	<u><u>\$ 357,526.75</u></u>

WATER UTILITY OPERATING FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2006

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Operating Fund Balance Anticipated	\$ 207,526.00	\$ 207,526.00	
Water Rents	1,400,000.00	1,548,188.60	\$ 148,188.60
Miscellaneous Revenue	60,000.00	164,313.78	104,313.78
	<u>\$ 1,667,526.00</u>	<u>\$ 1,920,028.38</u>	<u>\$ 252,502.38</u>

Analysis of Realized Revenue

Miscellaneous Revenue:

Interest on Investments:

 Water Utility Operating Fund

 Other Miscellaneous Revenue

\$ 158,033.40

6,280.38

\$ 164,313.78

BOROUGH OF MADISON
WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2006

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modifi- cation	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	\$ 485,200.00	\$ 503,200.00	\$ 494,613.02	\$ 8,586.98	
Other Expenses	595,680.00	583,680.00	514,685.87	68,994.13	
Capital Improvements:					
Capital Improvement Fund	400,000.00	400,000.00	400,000.00		
Debt Service:					
Payment of Bond Principal	42,000.00	42,000.00	42,000.00		
Interest on Bonds	3,646.00	3,646.00	1,433.25		\$ 2,212.75
Deferred Charges:					
Emergency Appropriation	75,000.00	75,000.00	75,000.00		
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	30,000.00	24,000.00	21,403.28	2,596.72	
Social Security System (O.A.S.I.)	36,000.00	36,000.00	35,107.71	892.29	
	<u>\$ 1,667,526.00</u>	<u>\$ 1,667,526.00</u>	<u>\$ 1,584,243.13</u>	<u>\$ 81,070.12</u>	<u>\$ 2,212.75</u>

Ref.

D

BOROUGH OF MADISON
ELECTRIC UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2006
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		<u>\$ 1,667,526.00</u>	
		<u>\$ 1,667,526.00</u>	
Cash Disbursed			\$ 1,455,778.80
Encumbrances Payable	D		52,031.08
Deferred Charges			75,000.00
Accrued Interest on Bonds			1,433.25
			<u>\$ 1,584,243.13</u>

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

BOROUGH OF MADISON
COUNTY OF MORRIS
2006
ELECTRIC UTILITY FUND

BOROUGH OF MADISON
ELECTRIC UTILITY FUND
COMPARATIVE BALANCE SHEET

	Ref.	December 31,	
		2006	2005
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	E-5	\$ 3,248,626.04	\$ 5,205,344.51
Investments	E-5	5,800,000.00	3,000,000.00
Change Fund		25.00	25.00
		<u>9,048,651.04</u>	<u>8,205,369.51</u>
Receivables and Other Assets With Full Reserves:			
Consumer Accounts Receivable	E-8	1,089,900.65	968,581.35
Lifeline Credit Receivable		3,150.00	
Total Receivables and Other Assets With Full Reserves		<u>1,093,050.65</u>	<u>968,581.35</u>
Deferred Charges:			
Emergency Authorization (40A:4-46)			250,000.00
Total Deferred Charges			<u>250,000.00</u>
Total Operating Fund		<u>10,141,701.69</u>	<u>9,423,950.86</u>
Capital Fund:			
Cash and Cash Equivalents	E-5	775,105.33	2,174,218.78
Investments	E-5	2,000,000.00	1,000,000.00
Fixed Capital	E-9	9,750,097.88	9,750,097.88
Fixed Capital Authorized and Uncompleted	E-10	1,090,000.00	725,000.00
Total Capital Fund		<u>13,615,203.21</u>	<u>13,649,316.66</u>
<u>TOTAL ASSETS</u>		<u>\$ 23,756,904.90</u>	<u>\$ 23,073,267.52</u>

BOROUGH OF MADISON
ELECTRIC UTILITY FUND
COMPARATIVE BALANCE SHEET
(Continued)

	Ref.	December 31,	
		2006	2005
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Encumbered	E-4;E-11	\$ 988,487.53	\$ 150,949.09
Unencumbered	E-4;E-11	672,925.52	1,224,774.53
		<u>1,661,413.05</u>	<u>1,375,723.62</u>
Reserve for Receivables and Inventory	E	1,093,050.65	968,581.35
Fund Balance	E-1	<u>7,387,237.99</u>	<u>7,079,645.89</u>
Total Operating Fund		<u>10,141,701.69</u>	<u>9,423,950.86</u>
Capital Fund:			
Encumbrances Payable		51,310.00	398,883.64
Improvement Authorizations:			
Funded	E-12	420,056.55	106,596.36
Capital Improvement Fund	E-13	1,997,487.18	2,362,487.18
Reserve for:			
Amortization		9,750,097.88	9,750,097.88
Deferred Amortization	E-14	1,090,000.00	725,000.00
Fund Balance	E-2	<u>306,251.60</u>	<u>306,251.60</u>
Total Capital Fund		<u>13,615,203.21</u>	<u>13,649,316.66</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 23,756,904.90</u>	<u>\$ 23,073,267.52</u>

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

BOROUGH OF MADISON
ELECTRIC UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN
FUND BALANCE

	Ref.	Year Ended December 31	
		2006	2005
<u>Revenue and Other Income Realized</u>			
Metered Service		\$ 14,449,688.14	\$ 14,937,477.54
Miscellaneous Revenue		572,775.41	432,523.81
Other Credits to Incomes:			
Unexpended Balance of Appropriation			
Reserves		604,105.10	829,784.90
Cancellation of Outstanding Reconciling Items		58.45	
Total Income		<u>15,626,627.10</u>	<u>16,199,786.25</u>
<u>Expenditures</u>			
Operating		10,574,035.00	10,337,298.00
Deferred Charges and Statutory Expenditures		385,000.00	131,000.00
Cancellation of Outstanding Reconciling Items			243.18
Total Expenditures		<u>10,959,035.00</u>	<u>10,468,541.18</u>
Excess in Revenue		4,667,592.10	5,731,245.07
Adjustments to Income Before Fund Balance:			
Expenditures included above which are by Statute			
Deferred Charges to Budget of Succeeding Year			250,000.00
Statutory Excess to Fund Balance		4,667,592.10	5,981,245.07
<u>Fund Balance</u>			
Balance January 1		<u>7,079,645.89</u>	<u>5,388,400.82</u>
		11,747,237.99	11,369,645.89
Decreased by:			
Anticipated as Current Fund Budget Revenue		<u>4,360,000.00</u>	<u>4,290,000.00</u>
Balance December 31	E	<u>\$ 7,387,237.99</u>	<u>\$ 7,079,645.89</u>

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

BOROUGH OF MADISON
ELECTRIC UTILITY CAPITAL FUND
STATEMENT OF CAPITAL FUND BALANCE

	<u>Ref.</u>	
Balance December 31, 2005	E	\$ 306,251.60
Balance December 31, 2006	E	\$ 306,251.60

ELECTRIC UTILITY OPERATING FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2006

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Metered Service	\$ 10,809,035.00	\$ 14,449,688.14	\$ 3,640,653.14
Miscellaneous Revenue	150,000.00	572,775.41	422,775.41
	<u>\$ 10,959,035.00</u>	<u>\$ 15,022,463.55</u>	<u>\$ 4,063,428.55</u>
 <u>Analysis of Realized Revenue</u>			
Miscellaneous Revenue:			
Miscellaneous Receipts		\$ 17,892.64	
Interest Earned:			
Electric Utility Operating Fund		554,882.77	
		<u>\$ 572,775.41</u>	
 Metered Services:			
Consumer Accounts Receivable		\$ 14,430,225.64	
Life Line Credits		-19,462.50	
		<u>\$ 14,449,688.14</u>	

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

BOROUGH OF MADISON
ELECTRIC UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2006

	Appropriations		Expended by	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operating:				
Salaries and Wages	\$ 1,287,285.00	\$ 1,281,285.00	\$ 1,276,507.82	\$ 4,777.18
Other Expenses	9,155,225.00	9,141,225.00	8,576,502.92	564,722.08
Rosenet Web Site:				
Other Expenses	131,525.00	151,525.00	58,731.35	92,793.65
Deferred Charges:				
Emergency Authorizations	250,000.00	250,000.00	250,000.00	
Statutory Expenditures:				
Contribution to:				
Public Employees' Retirement System	45,000.00	41,000.00	32,104.92	8,895.08
Social Security System	90,000.00	94,000.00	92,262.47	1,737.53
	<u>\$ 10,959,035.00</u>	<u>\$ 10,959,035.00</u>	<u>\$ 10,286,109.48</u>	<u>\$ 672,925.52</u>

Ref.

E

BOROUGH OF MADISON
ELECTRIC UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2006
(Continued)

		Analysis of	
	<u>Ref.</u>	Budget After Modification	Paid or Charged
Adopted Budget		\$ 10,959,035.00	
		\$ 10,959,035.00	
Cash Disbursed			\$ 9,047,621.95
Reserve for Encumbrances	E		988,487.53
Deferred Charges			250,000.00
			\$ 10,286,109.48

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

BOROUGH OF MADISON
COUNTY OF MORRIS
2006
PUBLIC ASSISTANCE FUND

BOROUGH OF MADISON
PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2006</u>	<u>2005</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	F-1	\$ 19,627.70	\$ 24,561.04
<u>TOTAL ASSETS</u>		<u>\$ 19,627.70</u>	<u>\$ 24,561.04</u>
 <u>RESERVES</u>			
Reserve for Public Assistance Trust Fund I		\$ 2,462.96	\$ 2,462.96
Reserve for Public Assistance Trust Fund II		17,164.74	22,098.08
<u>TOTAL RESERVES</u>		<u>\$ 19,627.70</u>	<u>\$ 24,561.04</u>

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

BOROUGH OF MADISON
COUNTY OF MORRIS
2006
GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF MADISON
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET

<u>ASSETS</u>	December 31,	
	2006	2005
Land	\$ 23,124,400.00	\$ 23,124,400.00
Buildings	15,067,147.73	15,067,149.73
Improvements Other than Buildings	575,626.61	586,990.86
Machinery and Equipment	9,386,890.69	9,517,434.10
<u>TOTAL ASSETS</u>	<u>\$ 48,154,065.03</u>	<u>\$ 48,295,974.69</u>
<u>RESERVES</u>		
Investment in General Fixed Assets	\$ 48,154,065.03	\$ 48,295,974.69

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

BOROUGH OF MADISON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Madison include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Madison, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Borough of Madison do not include the operations of the municipal library, fire company or first aid squad.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. 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 resources, and significance) should be included in financial reporting entities. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Borough of Madison conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Madison accounts for its financial transactions through the following separate funds:

Current Fund - Resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Funds - Receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund - Receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

Water Utility Operating and Capital Funds - Account for the operations and acquisition of capital facilities of the municipally owned Water Utility.

Electric Utility Operating and Capital Funds - Account for the operations and acquisition of capital facilities of the municipally owned Electric Utility.

BOROUGH OF MADISON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

B. Description of Funds (cont'd)

Public Assistance Fund - Receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes.

General Fixed Assets Account Group - Estimated values of land, buildings and certain fixed assets of the Borough as discussed in Note 1E "General/Fixed Assets".

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounting policies of the Borough of Madison conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which differ in certain respects from accounting principles generally accepted in the United States of America applicable to local governmental units. The following is a summary of the significant policies.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the Operating and Trust Funds when it is budgeted and in the Capital Funds when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund, Water and Electric Utility Funds.

Expenditures are charged to operations based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

BOROUGH OF MADISON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

Had the Borough's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when awarded; inventories would not be reflected as expenditures at the time of purchase; and fixed assets purchased by the Capital Funds would be depreciated.

The cash basis of accounting is followed in the Trust and Capital Funds, except for grant revenue (as described above).

- D. Deferred Charges to Future Taxation - The Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means that debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, by collecting a grant, or by issuing bonds, loans or capital lease purchase agreements.

- E. Other significant accounting policies include:

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments are stated at cost or amortized cost, which approximates market.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

Foreclosed Property - Foreclosed Property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The cost of inventories of supplies for all funds is recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets.

BOROUGH OF MADISON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

E. Other Significant Accounting Policies (Cont'd)

Grants Receivable - Grants receivable represent the total grant awards less amounts collected to date. Because the amount of grant funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

General Fixed Assets - In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by Division of Local Government Services, the Borough has developed a fixed assets accounting and reporting system based on the following:

General fixed assets are recorded at cost except for land and buildings, which are recorded at estimated historic cost. Infrastructure assets are not included in general fixed assets; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided on general fixed assets. The total value recorded for general fixed assets is offset by a "Reserve for General Fixed Assets". When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Group may also be recorded in the Current Fund and General Capital Fund. The values recorded in the General Fixed Asset Account and the Current and Capital Funds may not always agree due to differences in valuation methods, timing or recognition of assets and the recognition of infrastructures. Capital assets are reviewed for impairment.

Property and equipment purchased by the Utility Funds are recorded in the Utility Capital accounts at cost and are not adjusted for dispositions and abandonments. The amounts shown do not purport to represent replacement costs or current value. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Funds represent charges to operations for the costs of acquisitions of property, equipment and improvements. The Utility Funds do not record depreciation on fixed assets.

- F. Budget/Budgetary Control – Annual appropriated budgets are usually prepared in the first quarter for Current operating, utility, assessment and Open Space Trust Funds. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Borough during the year.

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bond to finance general Borough capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds. The Borough's full faith and credit and taxing power has been pledged to the payment of the general obligation debt principal and interest.

BOROUGH OF MADISON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt

	December 31,		
	2006	2005	2004
<u>Issued:</u>			
General:			
Bonds and Notes	\$ 18,000,000.00	\$ 279,000.00	\$ 579,000.00
Wastewater Treatment:			
Loan Payable	1,632,451.07	2,359,618.91	3,071,113.66
Water Utility:			
Bonds and Notes		42,000.00	77,000.00
Total Issued	<u>19,632,451.07</u>	<u>2,680,618.91</u>	<u>3,727,113.66</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	<u>750,000.00</u>	<u>18,750,000.00</u>	
Total Authorized but not Issued	<u>750,000.00</u>	<u>18,750,000.00</u>	
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 20,382,451.07</u>	<u>\$ 21,430,618.91</u>	<u>\$ 3,727,113.66</u>

Summary of Municipal Debt Issued and Outstanding – Current and Prior Years

	Balance 12/31/2005	Additions	Retirements	Balance 12/31/2006
Serial Bonds:				
General Capital Fund	\$ 279,000.00		\$ 279,000.00	
Water Utility Capital Fund	42,000.00		42,000.00	
Loans Payable:				
General Capital Fund:				
Wastewater Treatment Loans	2,359,618.91		727,167.84	\$ 1,632,451.07
Bond Anticipation Notes:				
General Capital Fund		<u>\$ 18,000,000.00</u>		<u>18,000,000.00</u>
Total	<u>\$ 2,680,618.91</u>	<u>\$ 18,000,000.00</u>	<u>\$ 1,048,167.84</u>	<u>\$ 19,632,451.07</u>
	Balance 12/31/2004	Additions	Retirements	Balance 12/31/2005
Serial Bonds:				
General Capital Fund	\$ 579,000.00		\$ 300,000.00	\$ 279,000.00
Water Utility Capital Fund	77,000.00		35,000.00	42,000.00
Loans Payable:				
General Capital Fund:				
Wastewater Treatment Loans	<u>3,071,113.66</u>		<u>711,494.75</u>	<u>2,359,618.91</u>
Total	<u>\$ 3,727,113.66</u>	<u>\$ -0-</u>	<u>\$ 1,046,494.75</u>	<u>\$ 2,680,618.91</u>

BOROUGH OF MADISON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006
(Continued)

Note 2: Long-Term Debt (Cont'd)

The Township's debt issued and outstanding on December 31, 2006 is described as follows:

General Capital Bond Anticipation Notes

<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
10/19/2007	4.00%	<u>\$ 18,000,000.00</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .64%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 37,110,000.00	\$ 37,110,000.00	
General Debt	<u>20,382,451.07</u>		<u>\$ 20,382,451.07</u>
	<u>\$ 57,492,451.07</u>	<u>\$ 37,110,000.00</u>	<u>\$ 20,382,451.07</u>

Net Debt \$20,382,451.07 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$3,191,499,766.33 = .64%.

Borrowing Power Under N.J.S. 40A:2-6 As Amended

3-1/2% Average Equalized Valuation of Real Property	\$ 111,702,491.82
Net Debt	<u>20,382,451.07</u>
Remaining Borrowing Power	<u>\$ 91,320,040.75</u>

BOROUGH OF MADISON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006
(Continued)

Note 2: Long-Term Debt (Cont'd)

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

NJ Wastewater Treatment Financing Program

Loan Number 1:

In 1988, two separate loan agreements were entered into by the Borough of Madison for the purpose of improvements to the Wastewater Treatment Plant. Loans payable in the amount of \$8,190,010.00 are detailed as follows:

New Jersey Wastewater Treatment Trust	\$ 4,050,000.00
New Jersey Wastewater Treatment Fund	4,140,010.00
	<u>8,190,010.00</u>
1996 Trust Refunding Bonds Savings Credit	90,248.96
	<u><u>\$ 8,099,761.04</u></u>

On June 19, 1996, Trust Refunding Bonds were issued producing savings credits of \$164,214.39 (Interest) and \$90,248.96 (Principal).

Loan Number 2:

In 1989, additional loan agreements were entered into by the Borough of Madison for the improvement to the Wastewater Treatment Plant. Loans payable in the amount of \$3,084,257.00 are detailed as follows:

New Jersey Wastewater Treatment Trust	\$ 1,529,257.00
New Jersey Wastewater Treatment Fund	1,555,000.00
	<u>3,084,257.00</u>
1996 Trust Refunding Bonds Savings Credit	39,485.36
	<u><u>\$ 3,044,771.64</u></u>

On January 15, 1997, Trust Refunding Bonds were issued providing savings credits of \$56,164.68 (interest) and \$39,485.36 (principal).

BOROUGH OF MADISON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006
(Continued)

Note 2: Long-Term Debt (Cont'd)

Schedules of annual principal and interest payments for the two combined loans are detailed as follows:

Year	Loan Number 1		Loan Number 2		Total
	Principal	Interest	Principal	Interest	
2007	\$ 566,950.75	\$ 40,580.51	\$ 190,816.44	\$ 24,961.45	\$ 823,309.15
2008	473,340.53	16,175.74	200,247.83	16,725.18	706,489.28
2009			209,424.71	6,858.63	216,283.34
	<u>\$ 1,040,291.28</u>	<u>\$ 56,756.25</u>	<u>\$ 600,488.98</u>	<u>\$ 48,545.26</u>	<u>\$ 1,746,081.77</u>

Installment payments of principal and interest on the above-described Wastewater Treatment loans are due on April 15th and October 15th of each year. Savings credits of \$7,220.25 for Loan Number 1, and \$1,108.94 for Loan Number 2, have not yet been applied in the above schedule of annual principal and interest payments.

Note 3: Fund Balance Appropriated

Fund balances at December 31, 2006, which are appropriated and included in the introduced budget as anticipated revenue in their own respective funds for the year ending December 31, 2007, are as follows:

Current Fund	\$ 4,700,000.00
Water Utility Fund	145,898.00
Electric Utility Fund	-0-

Note 4: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of the succeeding years. At December 31, 2006, the following deferred charges is shown on the balance sheet of the Current Fund:

	Balance Dec. 31, 2006	2007 Budget Appropriation
Current Fund:		
Emergency Authorization	<u>\$ 170,000.00</u>	<u>\$ 170,000.00</u>

The 2007 Budget Appropriation is not less than the amount required by statute.

Note 5: Pension Plans

Borough employees are enrolled in one of two cost-sharing multiple-employer public employee retirement systems: the Public Employees' Retirement System (PERS) or the Police and Fireman's Retirement System (PFRS) of New Jersey. The State of New Jersey sponsors and administers these two plans which cover substantially all Borough employees. As a general rule, all full-time employees are eligible to join one of the two public employees' retirement systems.

BOROUGH OF MADISON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006
(Continued)

Note 5: Pension Plans (Cont'd)

Employees who are members of 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 year's compensation for each year of membership during years of creditable service. Vesting occurs after 8 to 10 years of service. Enrolled PFRS members may retire at age 55 with a minimum of 10 years of service required for vesting.

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 Treasury, Division of Pensions and Benefits, P.O. 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 legislation. Employee contributions are based on percentages of 5.00% for PERS and 8.5% for PFRS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

Borough contributions to the plans amounted to \$458,860.73, \$210,383.95 and \$87,155.17 for 2006, 2005 and 2004, respectively. For PFRS and PERS, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

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

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PFRS for local employers for State fiscal years 2004-2007. The local employer PFRS normal and accrued liability contributions required for State fiscal years 2004-2007 are as follows:

- 20% for payments due in State fiscal year 2004
- Not more than 40% for payments due in State fiscal year 2005
- Not more than 60% for payments due in State fiscal year 2006
- Not more than 80% for payments due in State fiscal year 2007

Note 6: Local School District Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

The Borough of Madison has elected not to defer school taxes.

BOROUGH OF MADISON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006
(Continued)

Note 7: Accrued Sick and Vacation Benefits

The Borough permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$4,102,064.61 at December 31, 2006. This amount is not reported either as an expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Borough's budget operating expenditures in the year in which it is used.

Note 8: Selected Tax Information

Property taxes are levied 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 the 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 prior year may be placed in lien at a tax sale held after April 1 and through December.

Comparative Schedule of Tax Rate Information

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>Tax Rate</u>	\$ 2.200	\$ 2.060	\$ 1.990
<u>Apportionment of Tax Rate</u>			
Municipal	.487	.455	.437
County - Regular	.305	.296	.301
County Open Space	.074	.066	.063
Local School	1.334	1.243	1.189
<u>Assessed Valuations</u>			
2006	<u>\$ 2,116,844,789.00</u>		
2005		<u>\$ 2,102,380,915.00</u>	
2004			<u>\$ 2,166,737,354.00</u>

Comparison of Tax Levies and Collection Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2006	\$ 46,811,520.18	\$ 46,572,382.10	99.49%
2005	43,579,139.83	43,365,630.35	99.51%
2004	43,301,231.80	42,956,218.66	99.20%

BOROUGH OF MADISON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006
(Continued)

Note 8: Selected Tax Information (Cont'd)

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 9: 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 Borough 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 Borough 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 Borough 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 Borough limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

Deposits:

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities 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 insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of collected public funds on deposit.

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, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

BOROUGH OF MADISON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006
(Continued)

Note 9: Cash and Cash Equivalents and Investments (Cont'd)

Investments:

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

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

BOROUGH OF MADISON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006
(Continued)

Note 9: Cash and Cash Equivalents and Investments (Cont'd)

As of December 31, 2006, cash and cash equivalents and investments of the Borough of Madison consisted of the following:

Fund	Cash on Hand	Checking Accounts	Money Market Accounts	Certificates of Deposit	Totals
Current	\$ 950.00	\$ 5,865,529.91	\$ 76,753.16	\$ 6,000,000.00	\$ 11,943,233.07
Animal Control		784.72			784.72
Open Space Trust		697,208.33			697,208.33
Other Trust		1,412,161.69		238,698.56	1,650,860.25
Assessment Trust		358,876.62			358,876.62
General Capital		13,247,615.24	18,687.83	7,000,000.00	20,266,303.07
Water Utility Operating	25.00	1,748,017.04			1,748,042.04
Water Utility Capital		2,004,434.74		500,000.00	2,504,434.74
Electric Utility Operating	25.00	3,154,816.61	93,809.43	5,800,000.00	9,048,651.04
Electric Utility Capital		775,105.33	1,000,000.00	1,000,000.00	2,775,105.33
Public Assistance		19,627.70			19,627.70
	<u>\$ 1,000.00</u>	<u>\$ 29,284,177.93</u>	<u>\$ 1,189,250.42</u>	<u>\$ 20,538,698.56</u>	<u>\$ 51,013,126.91</u>

The carrying amount of the Borough of Madison's cash and cash equivalents at December 31, 2006, was \$51,013,126.88 and the bank balance was \$50,532,034.26.

Note 10: Risk Management

The Borough 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 Borough obtains their health benefit coverage through Aetna Insurance Company.

The Borough of Madison is a member of the Morris County Municipal Joint Insurance Fund. This fund is both an insured and self-administered group of municipalities established for the purpose of providing certain low-cost insurance coverage for member municipalities in order to keep local property taxes at a minimum.

The following coverages are offered by the fund to its members:

- a.) Workers' Compensation and Employers' Liability
- b.) Liability Other Than Motor Vehicles
- c.) Property Damage Other Than Motor Vehicles
- d.) Motor Vehicle
- e.) Public Officials' Liability/Employment Practices Coverage
- f.) Environmental Coverage

BOROUGH OF MADISON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006
(Continued)

Note 10: Risk Management (Cont'd)

As a member of this Fund, the Borough could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

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 amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. The members may either receive payment or offset their subsequent year assessments with their respective share of distribution.

Selected summarized financial information for the Fund as of December 31, 2005, is as follows:

Total Assets	\$ 18,885,544
Net Assets	\$ 10,343,146
Total Revenue	\$ 12,119,607
Total Expenses	\$ 10,106,506
Change in Net Assets for the Year Ended December 31	\$ 2,013,101
Fund Equity Distribution to Participating Members	\$ -0-

Financial statements for these funds are available at the Office of the Executive Director.

Public Entity Risk Management Administration, Inc.
Park 80 West, Plaza One
Saddle Brook, New Jersey 07663
(201) 587-0555

New Jersey Unemployment Compensation Insurance

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough 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 Borough is billed quarterly for amounts due to the State.

The following is a summary of the interest earned and the ending balance of the Borough's expendable trust fund for the current year:

<u>Fiscal Year</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2006	\$ -0-	\$ -0-	\$ 14,040.28	\$ 19,304.47	\$ 302,417.88
2005	-0-	-0-	7,982.70	-0-	307,682.07
2004	-0-	-0-	3,895.37	-0-	299,699.37

BOROUGH OF MADISON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006
(Continued)

Note 11: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2006:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current	\$ 5,681.07	\$ 209,873.44
Federal and State Grant Fund	199,940.96	
Animal Control Fund	9,932.48	
Other Trust Fund		4,206.94
Assessment Trust Fund		1,474.13
	<u>\$ 215,554.51</u>	<u>\$ 215,554.51</u>

The interfund payable in the Current Fund and the interfund receivable in the Animal Control Fund is due to a statutory excess in the Animal Control Fund due to the Current Fund and the 2006 budget appropriation due to the Animal Control Fund. The interfund receivable in Current Fund and the interfund payable in the Other Trust Fund and Assessment Trust Fund is due to interest earned. The interfund receivable in the Federal and State Grant Fund from the Current Fund is for the receipt of funds for the grants funds directly into the Current Fund.

Note 12: Related Party Transactions

The Mayor and Borough Council members also serve as members of the Madison-Chatham Joint Meeting. The Borough of Madison appropriated and paid to the Joint Meeting \$1,170,923.22 in 2006 for operating expenses.

In addition, the Borough of Madison, together with the Borough of Chatham, has funded the improvement of the Joint Meeting wastewater treatment plant.

Note 13: Contingent Liabilities

The Borough of Madison is a defendant in certain lawsuits, none of which is unusual for a municipality of its size. Administration fees, if not covered by insurance, should not be material in amount.

Of the \$390,000 reserve the Borough established for pending tax appeals in 2004, \$3,751.17 remains as of December 31, 2006.

The Borough is also periodically involved in various other lawsuits arising in the normal course of business, which often include claims for property damage, personal injury, and various contract disputes. In the opinion of management, the ultimate outcome of these lawsuits will not have a material adverse effect on the Borough financial position as of December 31, 2006.

Amounts received or receivable from grantors, principally federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Borough as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Borough officials expect such amounts, if any, to be immaterial.

BOROUGH OF MADISON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006
(Continued)

Note 14: Deferred Compensation

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is administered by Lincoln Financial, 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.

Note 15: Accounts Payable

Payables as of December 31, 2006 were as follows:

	2006
Federal and State Grant Fund:	
Various Vendors	\$ 21,425.45

Note 16: Economic Dependency

The Borough of Madison receives substantial amount of 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 Borough's programs and activities.

Note 17: Grants and Contributions Receivable – General Capital Fund

The Borough authorized a capital ordinance in the amount of \$1,800,000 to purchase property familiarly known as "195 Kings Road". As of December 31, 2006, the purchase was not complete; therefore, the General Capital Fund reflects an increase of \$600,000 in the State of New Jersey Green Acres receivable, and a \$750,000 receivable from the Morris County Open Space Fund. The Borough expects to complete the transaction for the purchase and fully collect the grants and contributions supporting it during 2007.

BOROUGH OF MADISON

SUPPLEMENTARY DATA

BOROUGH OF MADISON
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2006

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Surety</u>
Elwood R. Kerkeslager	Mayor		
John M. Elias	Council President		
Donald J. Bowen	Councilman		
Astri J. Baillie	Councilwoman		
Robert Conley	Councilman		
Mary-Anna Holden	Councilwoman		
Carmela Vitale	Councilwoman		
James R. Allison	Administrator		
Marilyn R. Schaeffer	Clerk		
Elizabeth Crescibene	Purchasing/Personnel Officer		
Robert F. Kalafut	Director of Finance Chief Financial Officer		
Francine DeAngelis	Chief Accountant Tax Collector	\$175,000.00	Selective Insurance
Mary Bednarick	Utility Rent Collector	175,000.00	Selective Insurance
Lisa Baratto	Tax Assessor		
Stephen D. Jones	Construction Official, Building Subcode Official and Building Inspector		
Douglas O. Atchison	Fire Chief		
Joseph Mezzacca, Jr.	Borough Attorney		
Vincent Chirico	Police Chief		
Linda B. Durney	Director of Welfare		
John W. Theese	Health Officer		
Carol Hilligas	Secretary Board of Health Registrar, Vital Statistics		
Gary F. Troxell	Magistrate	5,000.00	Selective Insurance
Emily Traversi	Court Administrator (Employment ended 9/30/06)	30,000.00	Selective Insurance
Denis Murray	Deputy Court Administrator (From 3/2/06 to 10/25/06) Court Administrator (From 10/25/06 to present)		
Frank Ciampi	Deputy Court Administrator (From 10/25/06 to present)		
Angela Esposito	Assistant Violations Clerk	10,000.00	Selective Insurance
Cherise Locket	Assistant Violations Clerk		

All bonds were examined and were properly executed.

A Public Employee Faithful Performance Blanket Position Bond is in force for \$10,000. This bond covers all employees not having their own surety bond.

BOROUGH OF MADISON
COUNTY OF MORRIS
2006
CURRENT FUND

BOROUGH OF MADISON
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2005	A	\$ 11,087,284.64
Increased by Receipts:		
Taxes Receivable	\$ 46,284,949.35	
Revenue Accounts Receivable	9,361,940.03	
Miscellaneous Revenue Not Anticipated	406,379.36	
Prepaid Taxes	288,062.25	
Tax Overpayments	143,763.11	
Due to Federal and State Grant Fund:		
Grants Receivable	13,465.00	
Unappropriated Reserves	82,935.05	
Due from/to State of New Jersey:		
Veterans' and Senior Citizens' Deductions	156,500.00	
Construction Code Fees	29,703.00	
Due From General Capital Fund:		
Prior Year Interfund Returned	505,000.00	
Bond Anticipation Note Premium	22,500.00	
Due from Assessment Trust Fund	18,608.29	
Due from Other Trust Fund	7,861.68	
Due from Animal Control Fund	7,444.52	
Due from Payroll Account	64.62	
Tax Sale Premiums	300.00	
Reserve for Outside Lien Redemption	34,781.83	
	<hr/>	57,364,258.09
		<hr/>
		68,451,542.73
Decreased by Disbursements:		
2006 Appropriation Expenditures	18,841,702.15	
2005 Appropriation Reserve Expenditures	602,675.22	
Tax Overpayments Refunded	143,763.11	
Local School District Taxes	28,238,283.08	
County Taxes	8,000,707.69	
Due State of New Jersey - Construction Code Fees	30,307.00	
Due from Federal and State Grant Fund:		
Appropriated Reserves	110,730.92	
Account Payable	1,461.80	
Open Space Tax Levy	425,871.37	
Tax Appeals Refunded	6,180.00	
Reserve for Outside Lien Redemption	34,781.83	
Refund of Tax Sale Premiums	72,700.00	
Due from Net Payroll	95.49	
	<hr/>	56,509,259.66
		<hr/>
		56,509,259.66
Balance December 31, 2006	A	<u>\$ 11,942,283.07</u>

BOROUGH OF MADISON
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2006

NOT APPLICABLE

BOROUGH OF MADISON
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2005	2006 Levy	Added Taxes	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Trans- ferred to Tax Title Liens	Balance Dec. 31, 2006
				2005	2006				
2005	\$ 194,199.80		\$ 19,071.45	\$	\$ 207,089.34		\$ 6,181.91		
	194,199.80		19,071.45		207,089.34		6,181.91		
2006		\$ 46,811,520.18		\$ 341,342.56	46,077,860.01	\$ 153,179.53	7,540.94	\$ 1,592.80	\$ 230,004.34
	\$ 194,199.80	\$ 46,811,520.18	\$ 19,071.45	\$ 341,342.56	\$ 46,284,949.35	\$ 153,179.53	\$ 13,722.85	\$ 1,592.80	\$ 230,004.34

Ref. A

A

Analysis of 2006 Property Tax Levy

General Purpose Tax	\$ 46,568,764.89
Added Taxes (54:4-63.1 et seq.)	242,755.29
	<u>\$ 46,811,520.18</u>
Tax Levy:	
Local School District Taxes	28,238,283.08
County Taxes:	
County Taxes	7,955,536.11
Due County for Added and Omitted Taxes	45,171.58
Local Open Space Taxes	8,000,707.69
	425,871.37
	<u>36,664,862.14</u>
Local Tax for Municipal Purposes	9,844,175.00
Add: Additional Tax Levied	302,483.04
	<u>10,146,658.04</u>
	<u>\$ 46,811,520.18</u>

BOROUGH OF MADISON
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2005	A	\$ 11,114.68
Increased by:		
Transferred From Taxes Receivable		<u>1,592.80</u>
Balance December 31, 2006	A	<u>\$ 12,707.48</u>

BOROUGH OF MADISON
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance</u> <u>Dec. 31, 2005</u>	<u>Accrued</u> <u>in 2006</u>	<u>Collected by</u> <u>Treasurer</u>	<u>Balance</u> <u>Dec. 31, 2006</u>
Borough Clerk:				
ABC Licenses		\$ 27,941.10	\$ 27,941.10	
Other		15,292.50	15,292.50	
Fees and Permits		278,934.11	278,934.11	
Municipal Court	\$ 25,427.89	392,860.70	390,048.62	\$ 28,239.97
Interest and Costs on Taxes		51,442.91	51,442.91	
Interest on Investments and Deposits		1,264,455.66	1,264,455.66	
Parking Meters		47,518.75	47,518.75	
Police Burglar Alarms		36,540.00	36,540.00	
Cablevision Franchise Fee		46,202.00	46,202.00	
Sewer Fees on Tax Exempt Properties		199,346.33	199,346.33	
Uniform Construction Code Fees		383,842.00	383,842.00	
Utility Operating Surplus of Prior Years - Water		250,000.00	250,000.00	
Utility Operating Surplus of Prior Years - Electric		4,360,000.00	4,360,000.00	
Intermunicipal Health Contracts for Local Community				
Health Services		353,936.00	353,936.00	
Intermunicipal Agreements for "Southeast Morris				
Project Community Pride"		65,300.00	65,300.00	
Rosenet User Fees		36,000.00	36,000.00	
Life Hazard User Fees		53,195.57	53,195.57	
Energy Receipts Tax		612,893.00	612,893.00	
Consolidated Municipal Property Tax Relief Aid		475,867.00	475,867.00	
Legislative Initiative Municipal Block Grant		69,355.00	69,355.00	
Municipal Homeland Security Assistance Aid		70,000.00	70,000.00	
Hartley Dodge Memorial Trust Building Maintenance		48,000.00	48,000.00	
Madison Civic Center Lease		11,850.00	11,850.00	
Madison Cell Tower Lease		213,979.48	213,979.48	
	<u>\$ 25,427.89</u>	<u>\$ 9,364,752.11</u>	<u>\$ 9,361,940.03</u>	<u>\$ 28,239.97</u>
<u>Ref.</u>	A			A

BOROUGH OF MADISON
CURRENT FUND
SCHEDULE OF 2005 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2006

	<u>Balance</u> <u>Dec. 31, 2005</u>	<u>Balance</u> <u>After Modi-</u> <u>fication</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
General Administration:				
Salaries and Wages	\$ 478.04	\$ 478.04		\$ 478.04
Other Expenses	5,346.10	5,346.10	\$ 2,860.02	2,486.08
Municipal Support:				
Salaries and Wages	12,255.14	12,255.14		12,255.14
Other Expenses	16,588.14	16,588.14	11,435.66	5,152.48
Human Resources:				
Other Expenses	21,855.95	21,855.95	7,802.75	14,053.20
Mayor and Council:				
Other Expenses	16,455.60	16,455.60	3,531.93	12,923.67
Borough Clerk:				
Salaries and Wages	231.10	231.10		231.10
Other Expenses	5,709.37	5,709.37	238.48	5,470.89
Financial Administration (Treasury):				
Salaries and Wages	2,120.99	2,120.99		2,120.99
Other Expenses	5,674.61	5,674.61	2,121.92	3,552.69
Elections:				
Other Expenses	1,066.50	1,066.50	73.02	993.48
Audit Services:				
Other Expenses	24,800.00	24,800.00	24,800.00	
Revenue Administration (Tax Collection):				
Salaries and Wages	2,592.06	2,592.06		2,592.06
Other Expenses	3,003.94	3,003.94	67.29	2,936.65
Tax Assessment Administration:				
Salaries and Wages	4,268.10	4,268.10		4,268.10
Other Expenses	12,741.34	12,741.34	8,616.45	4,124.89
Legal Services and Costs:				
Other Expenses	10,694.43	10,694.43	10,506.25	188.18
Engineering Services:				
Salaries and Wages	13,432.36	13,432.36		13,432.36
Other Expenses	7,633.15	7,633.15	2,448.08	5,185.07
Environmental Commission:				
Other Expenses	2,140.00	2,140.00		2,140.00
Downtown Development Commission:				
Other Expenses	801.95	801.95	497.52	304.43
Historic Preservation:				
Other Expenses	5,155.00	5,155.00	450.00	4,705.00
Planning Board:				
Salaries and Wages	1,970.68	1,970.68		1,970.68
Other Expenses	21,536.38	21,536.38	3,926.22	17,610.16
Zoning Board of Adjustment:				
Salaries and Wages	837.32	837.32		837.32
Other Expenses	21,992.23	21,992.23	8,825.29	13,166.94

BOROUGH OF MADISON
CURRENT FUND
SCHEDULE OF 2005 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2006

(Continued)

	Balance Dec. 31, 2005	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Police Department:				
Salaries & Wages	\$ 36,467.32	\$ 36,467.32	\$ 30.00	\$ 36,437.32
Other Expenses	76,014.04	76,014.04	55,129.81	20,884.23
Project Community Pride:				
Salaries & Wages	6,711.89	6,711.89		6,711.89
Other Expenses	29,978.56	29,978.56	1,691.35	28,287.21
Emergency Management:				
Other Expenses	1,971.35	1,971.35	809.04	1,162.31
Fire Department:				
Salaries & Wages	4,205.66	4,205.66		4,205.66
Other Expenses	11,448.75	11,448.75	6,905.04	4,543.71
Municipal Prosecutor's Office:				
Other Expenses	14,693.75	14,693.75	3,833.75	10,860.00
Public Works:				
Salaries and Wages	27,515.10	27,515.10		27,515.10
Other Expenses	42,405.51	42,405.51	26,387.47	16,018.04
Sewer Department:				
Other Expenses	15,014.11	15,014.11	3,249.53	11,764.58
Shade Tree Authority:				
Other Expenses	33,699.25	33,699.25	33,205.00	494.25
Garbage Removal:				
Salaries & Wages	349.68	349.68		349.68
Other Expense	317,548.21	317,548.21	232,080.27	85,467.94
Public Building & Grounds:				
Other Expenses	24,536.02	24,536.02	5,098.69	19,437.33
Vehicle Maintenance:				
Salaries and Wages	5,022.58	5,022.58		5,022.58
Other Expenses	50,044.16	50,044.16	17,787.56	32,256.60
Board of Health:				
Salaries & Wages	4,176.68	4,176.68		4,176.68
Other Expenses	56,080.52	56,080.52	45,662.58	10,417.94
Animal Control Services:				
Salaries and Wages	2,000.00	2,000.00		2,000.00
Other Expenses	850.00	850.00		850.00
Administration of Public Assistance:				
Salaries and Wages	1.92	1.92		1.92
Other Expenses	286.18	286.18	24.81	261.37
Civic Center:				
Other Expenses	17,340.00	17,340.00	1,145.42	16,194.58
Recreation & Playgrounds:				
Salaries & Wages	7,550.53	7,550.53		7,550.53
Other Expenses	10,325.32	10,325.32	2,543.26	7,782.06

BOROUGH OF MADISON
CURRENT FUND
SCHEDULE OF 2005 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2006
(Continued)

	<u>Balance</u> <u>Dec. 31, 2005</u>	<u>Balance</u> <u>After Modi-</u> <u>fication</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Senior Citizens Programs:				
Salaries & Wages	\$ 5,154.00	\$ 5,154.00		\$ 5,154.00
Other Expenses	3,955.19	3,955.19	\$ 1,594.39	2,360.80
Teen Center:				
Salaries & Wages	1,316.66	1,316.66		1,316.66
Other Expenses	9,844.50	9,844.50	387.96	9,456.54
Parks Commission:				
Other Expenses	2,338.05	2,338.05	1,945.00	393.05
Celebration of Public Events:				
Other Expenses	641.00	641.00		641.00
Municipal Court:				
Salaries and Wages	18,440.52	18,440.52		18,440.52
Other Expenses	13,980.81	13,980.81	901.69	13,079.12
Public Defender:				
Other Expenses	4,540.00	4,540.00	845.00	3,695.00
Building Inspector:				
Salaries and Wages	5,308.19	5,308.19		5,308.19
Other Expenses	24,143.15	24,143.15	17,877.19	6,265.96
Salary & Wage Adjustment Program	42,288.35	42,288.35		42,288.35
Utility Expenses:				
Electricity	24,781.27	24,781.27	7,439.59	17,341.68
Telephone	8,662.53	8,662.53	4,102.08	4,560.45
Water	3,782.98	3,782.98	1,010.99	2,771.99
Natural Gas	35,961.29	35,961.29	26,168.75	9,792.54
Sewerage Processing/Disposal	4,460.00	4,460.00		4,460.00
Gasoline	29,070.53	29,070.53	10,914.58	18,155.95
Contingency	6,241.14	6,241.14	4,674.50	1,566.64
Social Security	8,015.02	8,015.02		8,015.02
Consolidated Police & Firemen's Retirement Pension Fund	2,309.28	2,309.28		2,309.28
Maintenance of Free Public Library:				
Other Expenses	20,183.75	20,183.75		20,183.75
Insurance:				
Group Health Insurance	145,663.59	145,663.59	324.32	145,339.27
Workers Compensation Insurance	5,000.00	5,000.00		5,000.00
Other Insurance	40,953.20	40,953.20	250.00	40,703.20
Police and Firemen's Retirement System of New Jersey	3,701.60	3,701.60		3,701.60
Contribution of Public Employees Retirement System	28,605.17	28,605.17	454.72	28,150.45
	<u>\$ 1,516,959.34</u>	<u>\$ 1,516,959.34</u>	<u>\$ 602,675.22</u>	<u>\$ 914,284.12</u>
	<u>Ref.</u>			
Unencumbered	A	\$ 949,321.38		
Encumbered	A	567,637.96		
		<u>\$ 1,516,959.34</u>		

BOROUGH OF MADISON
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2006

Increased by:	
Levy - Calandar Year 2006	<u>\$ 28,238,283.08</u>
Decreased by:	
Payments to Local School District	<u>\$ 28,238,283.08</u>

BOROUGH OF MADISON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE

	Balance Dec. 31, 2005	Budget Revenue Realized	Cash Received	Transferred From Unappropriated Reserves	Balance Dec. 31, 2006
Municipal Alliance Program:					
1995	\$ 9.00				\$ 9.00
2002	3,075.00				3,075.00
2005	13,465.00		\$ 13,465.00		
2006		\$ 15,386.00			15,386.00
Public Health Funding Act:					
Contracted Municipalities		7,974.00		\$ 7,974.00	
Motorcycle Rider Safe and Sober	28,616.00				28,616.00
Clean Communities Grant		12,835.36		12,835.36	
Body Armor Grant		3,263.34		3,263.34	
Alcohol Education and Rehabilitation Grant		681.40		681.40	
Recycling Tonnage Grant		11,928.00		11,928.00	
School Resource Officer Grant		44,044.00		44,044.00	
COPS in Shops Grant		2,350.00		2,350.00	
Drunk Driving Enforcement Grant		4,651.13		4,651.13	
New Jersey Department of Health and Senior Services Grant		10,105.00			10,105.00
	<u>\$ 45,165.00</u>	<u>\$ 113,218.23</u>	<u>\$ 13,465.00</u>	<u>\$ 87,727.23</u>	<u>\$ 57,191.00</u>

Ref.

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BOROUGH OF MADISON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVES

	Balance Dec. 31, 2005	Transferred from 2006 Budget	Cash Disbursed	Accounts Payable	Balance Dec. 31, 2006
Public Health Priority Funding Act of 1977:					
1992	\$ 1,030.50				\$ 1,030.50
2006		\$ 7,974.00	\$ 7,974.00		
Clean Communities Program:					
2004	81.72				81.72
2005	3,339.16				3,339.16
2006		12,835.36	4,721.73		8,113.63
Recycling Tonnage Grant	24,123.15	11,928.00			36,051.15
Drunk Driving Enforcement Fund	966.78	4,651.13	5,617.41		0.50
Health Education Risk Development Grant	1,000.16				1,000.16
Workable Relocation Assistance Plan:					
State	2,420.00				2,420.00
Borough	2,420.00				2,420.00
Alcoholism Education and Rehabilitation Fund	1,598.27	681.40			2,279.67
Municipal Alliance on Alcoholism and Drug Abuse	71,989.72	19,233.00	16,712.35	\$ 1,054.00	73,456.37
Motorcycle Rider Safe and Sober	10,633.35		10,633.35		
COPS in Shops	1,910.50	2,350.00	4,260.50		
Body Armor Grant	8,509.77	3,263.34	8,040.04		3,733.07
Walk Safety	311.10		47.85		263.25
Emergency Response Equipment	69.72				69.72
Green Communities Challenge	2,000.00				2,000.00
Office of Environmental Services	4,660.50				4,660.50
Environmental Commission Grant	2,500.00				2,500.00
Bullet Proof Vest Grant	136.51				136.51
Stormwater Management Grant	9,022.00				9,022.00
School Resource Officer Grant		44,044.00	44,044.00		
New Jersey Department of Health and Senior Services		10,105.00	8,679.69	1,231.76	193.55
	\$ 148,722.91	\$ 117,065.23	\$ 110,730.92	\$ 2,285.76	\$ 152,771.46

Ref.

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BOROUGH OF MADISON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF UNAPPROPRIATED RESERVES

	<u>Balance</u> <u>Dec. 31, 2005</u>	<u>Transferred</u> <u>to Budget</u> <u>Appropriations</u>	<u>Cash</u> <u>Received</u>	<u>Balance</u> <u>Dec. 31, 2006</u>
Alcohol Education and Rehabilitation Fund	\$ 681.40	\$ 681.40	\$ 3,124.46	\$ 3,124.46
Clean Communities Grant	12,835.36	12,835.36	13,457.40	13,457.40
Recycling Tonnage Grant	11,928.00	11,928.00	16,119.68	16,119.68
Public Health Funding Act	7,974.00	7,974.00	12,582.00	12,582.00
Speeding/Aggressive Driving Enforcement Grant			7,500.00	7,500.00
School Resource Officer Grant	44,044.00	44,044.00	18,332.00	18,332.00
Cops in Shops	2,350.00	2,350.00	2,400.00	2,400.00
Body Armor Grant	3,263.34	3,263.34	3,383.49	3,383.49
Drunk Driving Enforcement Fund	4,651.13	4,651.13	6,036.02	6,036.02
	<u>\$ 87,727.23</u>	<u>\$ 87,727.23</u>	<u>\$ 82,935.05</u>	<u>\$ 82,935.05</u>
<u>Ref.</u>	A			A

BOROUGH OF MADISON
COUNTY OF MORRIS
2006
TRUST FUNDS

BOROUGH OF MADISON
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Open Space Trust Fund</u>	<u>Assessment Trust Fund</u>
Balance December 31, 2005 Increased by Receipts: Animal Control Fees Due to State Board of Health Open Space Tax Levy Assessments Received Investment Interest Earned Interest on Assessments Receivable - Due Current Fund	\$ 9,519.80 997.80 \$ 425,871.37 742.43 11,260.03 30,871.25	\$ 771,903.44 425,871.37 425,871.37 1,197,774.81	\$ 346,181.23 12,347.98 17,103.50 1,852.20 31,303.68 377,484.91
Decreased by Disbursements: State Board of Health Expenditures Under R.S. 4:19-15.11 Open Space Expenditures Due to General Capital Fund Due to Current Fund - Assessment Interest Due to Current Fund Balance December 31, 2006	1,000.20 21,641.81 7,444.52 30,086.53 784.72	50,566.48 450,000.00 18,608.29 500,566.48 697,208.33	18,608.29 18,608.29 358,876.62

BOROUGH OF MADISON
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Other Trust Funds</u>
Balance December 31, 2005	B	\$ 1,391,032.17
Increased by Receipts:		
Due to State of New Jersey:		
Marriage License Fees	\$	2,150.00
Construction Code Surcharge Fees		30,307.00
Interest Earned in Unemployment Insurance		14,040.28
Reserve for Special Funds		631,351.11
Fire Department Trust - Other Special Funds		10,000.00
Investment Interest Earned		28,335.91
Investment Interest Earned Due Current Fund		9,186.85
		<u>725,371.15</u>
		<u>2,116,403.32</u>
Decreased by Disbursements:		
Due to Current Fund		7,861.68
Due to State of New Jersey:		
Marriage License Fees		2,300.00
Construction Code Surcharge Fees		23,643.00
Reserve for Unemployment Insurance		19,304.47
Reserve for Special Funds		412,433.92
		<u>465,543.07</u>
Balance December 31, 2006	B	<u>\$ 1,650,860.25</u>

BOROUGH OF MADISON
ASSESSMENT TRUST FUND
SCHEDULE OF ASSESSMENTS RECEIVABLE

Assessment Number	Date of Confirmation	Annual Installments	Balance Dec 31, 2005	Collections	Balance Dec 31, 2006	Balance Pledged To Reserves
12-94	4/26/99	10	\$ 37,044.24	\$ 12,347.98	\$ 24,696.26	\$ 24,696.26
Reconstruction of Alma Ave. and Peach Tree Lane		Ref.	B		B	

BOROUGH OF MADISON
ASSESSMENT TRUST FUND
SCHEDULE OF RESERVE FOR ASSESSMENTS RECEIVABLE

Balance December 31, 2005	<u>Ref.</u> B	\$ 37,044.24
Decreased by:		
Collections		<u>12,347.98</u>
Balance December 31, 2006	B	<u>\$ 24,696.26</u>

BOROUGH OF MADISON
ANIMAL CONTROL FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>	
Balance December 31, 2005	B	\$ 12,157.10
Increased by:		
Dog License Clerk		\$ 9,519.80
2006 Budget Appropriation		23,374.00
Interest Earned		742.43
		33,636.23
		45,793.33
Decreased by:		
Animal Control Fund Expenditures		21,641.81
Statutory Excess - Due Current Fund		13,441.52
		35,083.33
Balance December 31, 2006	B	\$ 10,710.00

License Fees Collected

<u>Year</u>	<u>Amount</u>
2004	\$ 5,991.50
2005	4,718.50
	\$ 10,710.00
Maximum Allowable Reserve	\$ 10,710.00

BOROUGH OF MADISON
COUNTY OF MORRIS
2006
GENERAL CAPITAL FUND

BOROUGH OF MADISON
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2005	C	\$ 9,488,638.96
Increased by Receipts:		
Current Fund Appropriations:		
Capital Improvement Fund		\$ 1,505,000.00
Due Other Trust - Open Space Tax Levy		450,000.00
Bonds and Notes - Ordinance 42-05		18,000,000.00
Bond and Notes Premium on Sale		111,720.00
New Jersey Department of Transportation Grant - Garfield Avenue Reconstruction		225,000.00
Due Museum of Early Trades and Crafts		256.50
		20,291,976.50
		29,780,615.46
Decreased by Disbursements:		
Due Current Fund:		
Bond and Notes Premium		22,500.00
Prior Year Interfund Returned		505,000.00
Improvement Authorization Expenditures		8,986,812.39
		9,514,312.39
Balance December 31, 2006	C	\$ 20,266,303.07

BOROUGH OF MADISON
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance (Deficit) Dec. 31, 2005	Receipts		Disbursements		Transfers		Balance (Deficit) Dec. 31, 2006
		Budget Appropriation	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 256,951.35							\$ 256,951.35
Capital Improvement Fund								
State of New Jersey Green Acres Receivable	5,027,996.75	\$ 1,505,000.00					\$ 362,236.26	4,643,729.08
Morris County Community Development	(175,000.00)					600,000.00		(775,000.00)
Morris County Open Space	(32,475.00)					750,000.00		(32,475.00)
Morris County Open Space	(65,000.00)							(65,000.00)
NJDOT - Reconstruction of Intersection	(2,412.19)		\$ 225,000.00			300,000.00		(77,412.19)
NJDOT	(155,000.00)					100,000.00		(55,000.00)
NJDOT (ISTEA)	505,000.00			\$ 505,000.00				(255,000.00)
Due Current Fund						450,000.00		
Due Other Trust Fund - Open Space			450,000.00					
Reserve for Bond Anticipation Note Premium	11,410,657.16		111,720.00	22,500.00				11,376,437.16
Reserve for Encumbrances								
Amount Due to Museum of Early Trades and Crafts	18,431.33		256.50					18,687.83

Ord. Number	Improvement Description					
38-95	Improvements to Hartley Dodge Memorial					
37-00	Sidewalk Reimbursement Program	1,524.45			41,062.50	41,062.50
38-00	Miscellaneous Drainage Repairs	19,386.57			506.10	19,386.57
43-00	Improvements to and Maintenance of Spring Garden Brook		\$ 1,018.35			
45-00	Renovation of Hartley Dodge Memorial			692,320.96		
15-01	Purchase of Library Computer Servers	281,031.52		1,919.58		
30-01	Purchase of Library Equipment	2,046.89		320.00		
22-02	Purchase of Computers - Library	1,775.00		8,500.00		
37-02	Asbestos Abatement Project Regarding Boiler Replacement at the Public Works Garage	6,500.00			64.90	64.90

BOROUGH OF MADISON
GENERAL CAPITAL FUND
ANALYSIS OF CASH

Ord. Number	Improvement Description	Balance (Deficit) Dec. 31, 2005		Receipts			Disbursements		Balance (Deficit) Dec. 31, 2006		
			\$	Budget Appropriation	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To		\$
5-03	Additional Cost for Lighting Upgrade - Dodge Field		4,800.00								4,800.00
34-03	Replacement of Telephone System and Annual Computer Upgrade at the Public Library		381.06			381.06					
11-04	Madison Civic Center Facility wide Punch list		4,879.74			11.94					4,879.74
12-04	Improvements to Bathrooms and Entrance at the Madison Public Library and Purchase of Materials		3,685.79			14,951.43				12,334.41	
16-04	Security System and Multimedia Storage Units		21,090.92			13,200.00		3,030.00			1,068.77
20-04	Cleanup of Borough Properties		16,230.00								21,090.92
40-04	Personal Computer Replacement, Rosenet Fiber Pole, ADA Improvements at the Circulation Desk, Media Storage, and Reinsulation of Air Conditioning at the Madison Public Library		15,141.65			7,560.00				7,560.00	15,141.65
41-04	Spring Garden Brook Stabilization Project		119.80			11,561.52		5,726.76			
52-04	Purchase of Borough Antenna Equipment to Provide Radio Communications on the Cell Tower on Kings Road for the Planned Fire and Police Building		25,577.52			44,599.95		1,320.00		20,342.48	0.05
56-04	Main Street Sidewalk Replacement Program		140,291.98			8,850.00		131,441.98			
01-05	Sanitary Sewer Investigation		9,013.00			79,037.00		21,800.00		21,800.00	
04-05	Purchase of Two Dump Trucks		10,600.00					963.00		70,987.00	
05-05	Roof and Skylight Repairs at the Madison Civic Center		188.90			1,271.94		10,600.00			
08-05	Dodge Field Bathrooms		90.00					188.90		1,271.94	
09-05	Purchase of a 20 Yard Leaf Machine		401.00			48,569.84		90.00			401.00
16-05	Library's Chase Room Project										
17-05	Purchase of Computer Equipment and Media Furnishings for the Madison Public Library		12,547.00			16,556.24				48,569.84	4,443.76

BOROUGH OF MADISON
GENERAL CAPITAL FUND
ANALYSIS OF CASH

Ord. Number	Improvement Description	Balance (Deficit) Dec. 31, 2005		Receipts			Disbursements			Balance (Deficit) Dec. 31, 2006	
			\$	Budget Appropriation	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To		\$
60-05	Madison Bike Plan		225,000.00								4,546.70
1-06	Environmental Phase II Investigation of Borough Property Located at Block 4312, Lots 14, 15 and 16					172,872.19		8,470.00			17,530.00
2-06	Emergency Replacement of Two Heat Exchangers at the Madison Public Library					17,433.30					4,716.70
3-06	Purchase Vehicle for Public Works Department					23,119.35					
4-06	Garfield Avenue Reconstruction, Phase I and II Covering Construction, Contingency and Inspection Services					745,121.38					80,579.73
10-06	Purchase Two Jeeps for the Public Works Department							53,194.00			6,806.00
11-06	Purchase Two Welders for the Mechanical Services Department					6,677.84					
12-06	Purchase Three-quarter Ton Pick-up Truck with Utility Body for Sewer Department					37,118.26		4,881.74			2,865.44
13-06	Purchase One Ton Dump Truck for Public Works Department					39,962.00					
14-06	Replace the Compressor on the Hartley Dodge Memorial Building Chiller					7,382.70					38.00
17-06	Repair of Fencing of Dodge Field Back-stop and Sideline					7,983.00				7,500.00	117.30
18-06	Purchase of New Vehicle for Construction Office					22,819.35				8,500.00	517.00
20-06	Voicemail and Phone System Upgrade							300.00		23,119.35	
21-06	Installation of Generator for Emergency Power to the Server Room for the Borough's Computer Network					11,792.56		17,688.84		30,000.00	518.60
22-06	Software for 911 System					112.10				25,000.00	11,948.85
23-06	Purchase of Digital Recording System for the Police Department					13,000.00				13,000.00	
24-06	Purchase of Twelve In-Car Video Recording Systems for the Police Department					23,935.00				23,935.00	
25-06	Purchase Ventilation System for North Street Pump Station					12,400.00		98,225.00		100,134.00	1,909.00
26-06	Purchase Screen Machines for Public Works Department					35,890.57		462.34		30,000.00	17,137.66
27-06	Purchase Milling Machine for Public Works Department					19,685.00				40,000.00	4,109.43
28-06	Purchase Pumps for Sewer Department					6,750.00		2,000.00		22,000.00	2,315.00
										10,000.00	1,250.00

BOROUGH OF MADISON
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED
YEAR ENDED DECEMBER 31, 2006

Date of Ordinance/ Number	Improvement Description	Balance Dec. 31, 2005	Balance Dec. 31, 2006	Analysis of Balance Dec. 31, 2006	
				Bond Anticipation Notes	Unexpended Improvement Authorizations
42-05	Various Public Improvements and Acquisition of New Fire Engines, Including Original Apparatus and Equipment	\$ 18,750,000.00	\$ 18,750,000.00	\$ 18,000,000.00	\$ 750,000.00
		<u>\$ 18,750,000.00</u>	<u>\$ 18,750,000.00</u>	<u>\$ 18,000,000.00</u>	<u>\$ 750,000.00</u>
		<u>Ref.</u> C	C		
					Improvement Authorizations - Unfunded \$ 9,607,106.75
					Less: Unexpended Proceeds of Bond Anticipation Notes Issued: Ordinance 42-05 8,857,106.75
					<u>\$ 750,000.00</u>

BOROUGH OF MADISON
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Improvement Description	Ordinance		Balance Dec. 31, 2005		2006 Authorizations		Deferred Charges To Future Taxation Unfunded	Prior Year Encumbrances Cancelled	Paid or Charged	Authorizations Cancelled	Balance Dec. 31, 2006			
	Number	Amount	Dec. 31, 2005		New Jersey DOT Garfield Ave. Reconstruction	Open Space					Funded	Unfunded	Funded	Unfunded
			Funded	Unfunded										
Improvements to Hartley Dodge Memorial 2000 Sidewalk Reimbursement Program	38-95	\$ 10,000.00	\$ 1,524.45					\$ 41,062.50	\$ 1,018.35	\$ 41,062.50	\$ 19,386.57			
Miscellaneous Drainage Repairs and Improvements to Storm Water Collection System	37-00	30,000.00	19,386.57					506.10						
Improvements to and Maintenance of Spring Garden Brook	38-00	150,000.00	110,442.09					110,442.09						
Renovations of Hartley Dodge Memorial Building Pursuant to Americans with Disabilities Act	43-00	2,316,034.00	281,031.52						65,878.83		215,152.69			
Purchase of Library Computer Servers	45-00	20,000.00	2,046.89						1,919.58		127.31			
Purchase of Solar Shades, Roof Alarm, Host Dry Extractor, Storage Shed and Automatic Phase	15-01	16,150.00	1,775.00						1,775.00		6,500.00			
Protection for the HVAC System at the Library	30-01	25,300.00	6,500.00											
Purchase of Computers and Software - Library	22-02							64.90		64.90				
Asbestos Abatement Project Regarding Boiler Replacement at the Public Works Garage	37-02													
Additional Cost for Lighting Upgrade - Dodge Field	5-03	10,000.00	4,800.00								4,800.00			
Replacement of Telephone System and Annual Computer Upgrade at the Public Library	34-03	25,000.00	381.06						381.06		4,879.74			
Madison Civic Center Facility wide Punch list Improvements to Bathrooms and Entrance at the Madison Public Library and Purchase of Materials	11-04	30,000.00	4,879.74											
Security System and Multimedia Storage Units	12-04	132,000.00	3,685.79								1,068.77			
Replacement and Upgrade of Computer Equipment	16-04	62,100.00	21,090.92						2,617.02		21,090.92			
Cleanup of Borough Properties	20-04	36,000.00	16,230.00						16,230.00					
Personal Computer Replacement, Rosenet Fiber Pole, ADA Improvements at the Circulation Desk, Media Storage, and Reinsulation of Air Conditioning at the Madison Public Library	40-04	35,500.00	15,141.65								15,141.65			

**BOROUGH OF MADISON
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Improvement Description	Ordinance		Balance Dec. 31, 2005		Capital Improvement Fund	Open Space	2006 Authorizations		Prior Year Encumbrances Cancelled	Paid or Charged	Authorizations Cancelled	Balance Dec. 31, 2006	
	Number	Amount	Funded	Unfunded			New Jersey DOT Garfield Ave. Reconstruction	Deferred Charges To Future Taxation Unfunded				Funded	Unfunded
Spring Garden Brook Stabilization Project	41-04	\$ 180,000.00	\$ 119.80					\$ 2,803.48		\$ 2,923.28			
Purchase of Borough Antenna Equipment to Provide Radio Communications on the Cell Tower on Kings Road for the Planned Fire and Police Building	52-04	47,000.00	25,577.52						\$ 25,577.47				\$ 0.05
Main Street Sidewalk Replacement Program	56-04	650,000.00	140,291.98						8,850.00	131,441.98			
Sanitary Sewer Investigation	01-05	21,800.00						21,800.00		21,800.00			
Purchase of Two Dump Trucks	04-05	80,000.00	9,013.00						8,050.00	963.00			
Roof and Skylight Repairs at the Madison Civic Center	05-05	32,000.00	10,600.00							10,600.00			
Dodge Field Bathrooms	08-05	10,000.00	188.90							188.90			
Purchase of a 20 Yard Leaf Machine	09-05	27,000.00	90.00							90.00			
Library's Chase Room Project	16-05	92,000.00	401.00										401.00
Purchase of Computer Equipment and Media Furnishings for the Madison Public Library	17-05	21,000.00	12,547.00						8,103.24	450.00			4,443.76
Examination of Madison Athletic Fields	23-05	10,000.00											
2005 Road Reconstruction Project	28-05	360,000.00	978.08						11,887.98				8,143.32
Purchase Emergency Lighting for Police Vehicles for the Madison Police Department	32-05	24,000.00	18.20										
Purchase of the 911 System and Service Contract with Verizon for the Madison Police Department	33-05	28,505.19	3,718.07							3,718.07			
Stormwater Compliance Projects	35-05	31,500.00	19,250.48						4,050.00	15,200.48			
Sewer Upgrade	36-05	105,777.00	105,777.00										105,777.00
Various Public Improvements and Acquisition of New Fire Engines, Including Original Apparatus and Equipment	41-05	8,000.00	5,200.00										5,200.00
Clock Tower Repair at the Museum of Early Trades & Crafts	42-05	20,492,000.00							617,075.73				\$9,607,106.75
Document Imaging, Management, Storage	45-05	105,000.00	100,771.00						2,572.38				98,198.62
Purchase Upgrade Portable Radios for the Fire Department	47-05	8,000.00	11.88										11.88
Telescoping Rams for the Madison Fire Department	48-05	7,000.00	182.50										182.50
				\$10,224,182.48									
					\$ 19,053.22								

BOROUGH OF MADISON
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Improvement Description	Ordinance Number	Amount	Balance Dec. 31, 2005		Capital Improvement Fund	2006 Authorizations		Deferred Charges To Future Taxation Unfunded	Prior Year Encumbrances Cancelled	Paid or Charged	Authorizations Cancelled	Balance Dec. 31, 2006	
			Funded	Unfunded		Open Space	New Jersey DOT Garfield Ave. Reconstruction					Funded	Unfunded
Communications Headsets for the Madison Fire Department	49-05	\$ 18,000.00	\$ 4,99								\$ 4,99		
Fire Department Upgrade of the Hartley Dodge Memorial Emergency Generator	50-05	15,000.00	4,505.00						4,505.00				
Electrical Work and Fire and Security System Upgrade for the Barrier Free Upgrades and Chase Room Improvement Project	57-05	8,251.00	2,145.00							200.00			\$ 1,945.00
Professional Design Services for an Elevator at the Madison Civic Center	58-05	30,000.00	30,000.00										30,000.00
Reimburse Florham Park for Completion of the 2005 Greenwood Avenue Reconstruction	59-05	40,000.00	40,000.00							40,000.00			
Madison Bike Plan	60-05	225,000.00	225,000.00							220,453.30			4,546.70
Environmental Phase II Investigation of Borough Property Located at Block 4312, Lots 14,15 and 16	1-06	26,000.00			\$ 26,000.00					8,470.00			17,530.00
Emergency Replacement of Two Heat Exchangers at the Madison Public Library	2-06	22,150.00			22,150.00					17,433.30			4,716.70
Purchase Vehicle for Public Works Department	3-06	36,000.00			36,000.00					23,119.35	12,880.65		
Garfield Avenue Reconstruction, Phase I and II Covering Construction, Contingency and Inspection Services	4-06	850,000.00			550,000.00		\$ 300,000.00			769,420.27			80,579.73
Purchase Two Jeeps for the Public Works Department	10-06	60,000.00			60,000.00					53,194.00			6,806.00
Purchase Two Welders for the Mechanical Services Department	11-06	10,000.00			10,000.00					7,154.56			2,865.44
Purchase Three-quarter Ton Pick-up Truck with Utility Body for Sewer Department	12-06	42,000.00			42,000.00					37,118.26	4,881.74		38.00
Purchase One Ton Dump Truck for Public Works Department	13-06	40,000.00			40,000.00					39,962.00			
Replace the Compressor on the Hartley Dodge Memorial Building Chiller	14-06	7,500.00			7,500.00					7,382.70			117.30

**BOROUGH OF MADISON
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Improvement Description	Ordinance Number	Amount	Balance Dec. 31, 2005		2006 Authorizations				Paid or Changed	Prior Year Encumbrances Cancelled	Authorizations Cancelled	Balance Dec. 31, 2006		
			Funded	Unfunded	Capital Improvement Fund	Open Space	New Jersey DOT Garfield Ave. Reconstruction	Transportation Enhancement Grant				Funded	Unfunded	
Repair of Fencing of Dodge Field Back-stop and Sideline	17-06	\$ 8,500.00			\$ 8,500.00							\$ 517.00		
Purchase of New Vehicle for Construction Office	18-06	23,119.35			23,119.35							22,819.35		
Voicemail and Phone System Upgrade	20-06	30,000.00			30,000.00							29,481.40		
Installation of Generator for Emergency Power to the Server Room for the Borough's Computer Network	21-06	25,000.00			25,000.00							13,051.15		
Software for 911 System	22-06	13,000.00			13,000.00							13,000.00		
Purchase of Digital Recording System for the Police Department	23-06	23,935.00			23,935.00							23,935.00		
Purchase of Twelve In-Car Video Recording Systems for the Police Department	24-06	100,134.00			100,134.00							98,225.00		
Purchase Ventilation System for North Street Pump Station	25-06	30,000.00			30,000.00							12,862.34		
Purchase Screen Machines for Public Works Department	26-06	40,000.00			40,000.00							35,890.57		
Purchase Milling Machine for Public Works Department	27-06	22,000.00			22,000.00							19,685.00		
Purchase Pumps for Sewer Department	28-06	10,000.00			10,000.00							8,750.00		
2006 Road Program Including Fairview Avenue, Hoyt Street and Westerly Avenue	30-06	480,000.00			480,000.00							373,796.25		
Exterior Lighting, Site Development Plan, Signage and Chairs for the Madison Public Library	33-06	85,000.00			85,000.00							29,194.00		
2006 Mill and Overlay Projects of Bruns Street, Buckingham Drive, Canterbury Road, Norman Circle and Oxford Lane	36-06; 44-06	300,000.00			300,000.00							140,797.88		
Purchase Upgrade Portable Radios for the Fire Department	37-06	8,000.00			8,000.00							7,998.07	1.93	
Digital Tax Map Conversion and Filing	39-06	35,000.00			35,000.00							32,000.00		
Sanitary Sewer Main Lining on Central Avenue	40-06	46,000.00			46,000.00							46,000.00		
Improvements at the Madison Train Station	42-06	100,000.00			100,000.00							100,000.00		
Purchase Computer Software to be Utilized by the Safe Homes Program	43-06	15,000.00			15,000.00							15,000.00		
Replacement of Pen Based Computers	45-06	8,000.00			8,000.00							7,866.00	134.00	
Recodification of the Borough Code	51-06	9,000.00			9,000.00							2,895.00	6,105.00	
Breathing Apparatus for the Fire Department	55-06	17,000.00			17,000.00							13,693.70	3,306.30	
													\$ 100,000.00	

BOROUGH OF MADISON
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2005	C	\$ 5,027,996.75
Increased By:		
Improvement Authorizations Cancelled	\$ 362,236.26	
Current Fund Budget Appropriation	<u>1,505,000.00</u>	
		<u>1,867,236.26</u>
		6,895,233.01
Decreased By:		
Appropriation to Finance		
Improvement Authorizations		<u>2,251,503.93</u>
Balance December 31, 2006	C	<u><u>\$ 4,643,729.08</u></u>

BOROUGH OF MADISON
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2006

Ord. No.	Improvement Description	Date of		Interest Rate	Issued	Balance Dec. 31, 2006
		Original Issue	Maturity			
42-05	Construction of Police and Fire Building and Renovation of Hartley Dodge Memorial Building	04/19/2006	10/19/2007	4.00%	\$ 18,000,000.00	\$ 18,000,000.00
					<u>\$ 18,000,000.00</u>	<u>\$ 18,000,000.00</u>

Ref. C

BOROUGH OF MADISON
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Balance Dec. 31, 2005</u>	<u>Matured</u>	<u>Balance Dec. 31, 2006</u>
General Improvements of 1991	7/15/91	\$ 4,279,000.00	<u>\$ 279,000.00</u>	<u>\$ 279,000.00</u>	<u>\$ -0-</u>
		<u>Ref.</u>	C		C

BOROUGH OF MADISON
GENERAL CAPITAL FUND
SCHEDULE OF LOANS PAYABLE

	<u>Ref.</u>	<u>Total</u>	<u>1988 Trust Refunding</u>	<u>1989 Trust Refunding</u>
Balance December 31, 2005	C	\$ 2,359,618.91	\$ 1,573,631.74	\$ 785,987.17
Decreased by:				
Principal Matured		<u>727,167.84</u>	<u>540,560.71</u>	<u>186,607.13</u>
Balance December 31, 2006	C	<u>\$ 1,632,451.07</u>	<u>\$ 1,033,071.03</u>	<u>\$ 599,380.04</u>

1988 NJ Wastewater Trust Refunding Loan:

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
4/15/2007	\$ 566,950.75	\$ 40,580.51	\$ 466,120.28
4/15/2008	473,340.53	16,175.74	(7,220.25)

1989 NJ Wastewater Trust Refunding Loan:

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
4/15/2007	\$ 190,816.44	\$ 24,961.45	\$ 408,563.60
4/15/2008	200,247.83	16,725.18	208,315.77
4/15/2009	209,424.71	6,858.63	(1,108.94)

BOROUGH OF MADISON
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance No.	Date	Improvement Description	Balance		Bond	
			Dec. 31, 2005	Dec. 31, 2006	Anticipation	Notes issued
42-05	7/25/05	Various Public Improvements and Acquisition of New Fire Engines, Including Original Apparatus and Equipment	\$ 18,750,000.00	\$ 750,000.00	\$ 18,000,000.00	\$ 750,000.00
			<u>\$ 18,750,000.00</u>		<u>\$ 18,000,000.00</u>	<u>\$ 750,000.00</u>

BOROUGH OF MADISON
COUNTY OF MORRIS
2006
WATER UTILITY FUND

BOROUGH OF MADISON
WATER UTILITY FUND
SCHEDULE OF CASH-TREASURER

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2005	D	\$ 1,807,656.71	\$ 2,143,594.72
Increased by Receipts:			
Consumer Accounts Receivable		\$ 1,548,188.60	
Water Rent Overpayments		2,107.70	
Interest on Investments		158,033.40	
Miscellaneous Revenue		6,280.38	
Water Utility Operating Fund Budget Appropriation:			
Capital Improvement Fund		\$ 400,000.00	400,000.00
		<u>1,714,610.08</u>	<u>400,000.00</u>
		3,522,266.79	2,543,594.72
Decreased by Disbursements:			
2006 Appropriation Expenditures		1,455,778.80	
2005 Appropriation Reserves		63,717.25	
Refund of Water Rent Overpayments		2,107.70	
Accrued Interest on Bonds		2,646.00	
Due to:			
Current Fund - Budget Appropriation		250,000.00	
Improvement Authorization Expenditures			39,159.98
		<u>1,774,249.75</u>	<u>39,159.98</u>
Balance December 31, 2006	D	\$ 1,748,017.04	\$ 2,504,434.74

BOROUGH OF MADISON
WATER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2005	D	\$ 141,270.79
Increased by:		
Water Rents Levied		<u>1,563,706.06</u>
		1,704,976.85
Decreased by:		
Water Collections		<u>1,548,188.60</u>
Balance December 31, 2006	D	<u><u>\$ 156,788.25</u></u>

BOROUGH OF MADISON
WATER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

	Balance Dec. 31, 2005	Balance Dec. 31, 2006
Land Reservations	\$ 10,957.98	\$ 10,957.98
Land Pump Station	10,020.00	10,020.00
Land Storage Reservoir	3,515.80	3,515.80
Springs and Wells	249,427.04	249,427.04
Supply Mains	3,727.00	3,727.00
Pump Station Structure	103,777.04	103,777.04
Electric Pumping Equipment	173,571.25	173,571.25
Other Pumping Equipment	13,282.28	13,282.28
Standpipe Tanks	267,878.60	267,878.60
Distribution Mains	2,289,647.42	2,289,647.42
Service Pipes and Stops	209,906.91	209,906.91
Meters	199,478.71	199,478.71
Fire Hydrants	100,316.90	100,316.90
Foundations	328.40	328.40
General Structure	27,605.56	27,605.56
General Equipment	31,112.46	31,112.46
Ford Station Wagon	947.99	947.99
Chevrolet Biscayne Sedan	730.00	730.00
Engineering and Superintendence	1,570.18	1,570.18
Office Equipment	6,651.24	6,651.24
Ford Pickup	611.00	611.00
Buildings and Renovations	75,712.19	75,712.19
New Services	35.00	35.00
Bursting Machine	1,423.25	1,423.25
Utility Truck and Mailing Equipment	21,925.72	21,925.72
Improvement to Well "B"	3,932.08	3,932.08
Utility Trucks	37,042.00	37,042.00
Removal of Underground Storage Tanks	27,810.40	27,810.40
Engineering	130,000.00	130,000.00
Utility Truck	23,052.00	23,052.00
Pipe and Road Repair	150,000.00	150,000.00
Water Mains	14,015.69	14,015.69
Madison Avenue Water Tank	113,012.50	113,012.50
Green Village Road Water Main	191,014.67	191,014.67
Midwood Terrace Water Tank	159,671.00	159,671.00
Improvements on Morris Place	50,000.00	50,000.00
Backhoe	35,000.00	35,000.00
Repair of Well Leaks	6,827.57	6,827.57

BOROUGH OF MADISON
WATER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL
(Continued)

	<u>Balance</u> <u>Dec. 31, 2005</u>	<u>Balance</u> <u>Dec. 31, 2006</u>
Construction of Air Stripping Facility	\$ 1,255,712.10	\$ 1,255,712.10
Water Utility Truck	30,552.07	30,552.07
Water Main Replacement - Greenwood Avenue	299,805.22	299,805.22
Water Main Improvements on Edgewood Road, Greenhill Road and Highway Terrace	173,974.59	173,974.59
Utility Billing System	39,698.50	39,698.50
Water System - Improvement - Kings Road	50,000.00	50,000.00
Replace Generator Engine and Drive - Well C	18,000.00	18,000.00
Improvements on Elm Street and West End Avenue	8,977.96	8,977.96
Tower Aeration System	88,000.00	88,000.00
Improvement on Elmer, West and Elm Streets	3,277.98	3,277.98
VOC Contamination - Well D	7,500.00	7,500.00
One Ton Truck with Tailgate Lift	32,065.00	32,065.00
Water Main - Dehart Place and Cedar Street	71,892.90	71,892.90
Waterline Replacement - Walnut Street	81,049.15	81,049.15
Professional Engineering Services for Modifications and Update of Contract Plans and Specifications for the Boroughs Well D VOC Treatment Facility	124,500.00	124,500.00
2003 Water Utility Program Improvements	318,238.37	318,238.37
Upgrades to Kings Road - Water Main	167,967.78	167,967.78
2004 Water Utility Program	390,000.00	390,000.00
Arbitration Award to Van Wingerden General Contracting Co.	69,000.00	69,000.00
2004 Water Main Replacement	10,567.00	10,567.00
Purchase of Utility Truck	34,800.08	34,800.08
Purchase Portable Lighting	7,295.00	7,295.00
	<u>\$ 8,028,411.53</u>	<u>\$ 8,028,411.53</u>
	D	D

BOROUGH OF MADISON
WATER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

<u>Improvement Description</u>	<u>Ord. No.</u>	<u>Balance Dec. 31, 2005</u>	<u>2006 Authorizations</u>	<u>Balance Dec. 31, 2006</u>
Purchase of Water Meters and Transmitters	17-95	\$ 75,000.00		\$ 75,000.00
Meter Reading Devices	29-99	100,000.00		100,000.00
Award of the Project Title "Water System Improvements - Well D VOC Removal Facility"	50-03	1,400,000.00		1,400,000.00
Update Well E	07-05	30,000.00		30,000.00
2005 Water Main Replacement Program	26-05	525,000.00		525,000.00
Paint Madison Avenue Water Tank	54-05	250,000.00		250,000.00
New Chlorine Vacuum for the Water Wells	29-06		\$ 14,000.00	14,000.00
		<u>\$ 2,380,000.00</u>	<u>\$ 14,000.00</u>	<u>\$ 2,394,000.00</u>
<u>Ref.</u>		D		D

BOROUGH OF MADISON
WATER UTILITY OPERATING FUND
SCHEDULE OF 2005 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2006

	<u>Balance</u> <u>Dec. 31, 2005</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Administration:				
Salaries and Wages	\$ 7,450.19	\$ 7,450.19		\$ 7,450.19
Other Expenses	32,577.82	32,577.82	\$ 8,022.21	24,555.61
Operations:				
Salaries and Wages	8,396.11	8,396.11		8,396.11
Other Expenses	78,297.40	78,297.40	55,695.04	22,602.36
Public Employees Retirement System	21,453.88	21,453.88		21,453.88
Social Security System	3,379.30	3,379.30		3,379.30
	<u>\$ 151,554.70</u>	<u>\$ 151,554.70</u>	<u>\$ 63,717.25</u>	<u>\$ 87,837.45</u>

Analysis of Balance December 31, 2005

	<u>Ref.</u>	
Encumbered	D	\$ 48,128.67
Unencumbered	D	103,426.03
		<u>\$ 151,554.70</u>

BOROUGH OF MADISON
WATER UTILITY FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2005	D	\$ 620,073.07
Increased by:		
Water Operating Fund Budget Appropriation		<u>400,000.00</u>
		1,020,073.07
Decreased by:		
Appropriated to Finance		
Improvement Authorizations		<u>14,000.00</u>
Balance December 31, 2006	D	<u><u>\$ 1,006,073.07</u></u>

BOROUGH OF MADISON
WATER UTILITY CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

Ord. No.	Improvement Description	Date of Ordinance	Balance Dec. 31, 2005	2006 Authorizations	Balance Dec. 31, 2006
17-95	Purchase of Water Meters and Transmitters	4/24/95	\$ 75,000.00		\$ 75,000.00
29-99	Meter Reading Devices	8/23/99	100,000.00		100,000.00
50-03	Award of the Project Title "Water System Improvements - Well D VOC Removal Facility"	11/10/03	1,400,000.00		1,400,000.00
07-05	Update Well E	5/9/05	30,000.00		30,000.00
26-05	2005 Water Main Replacement Program	6/13/05	525,000.00		525,000.00
54-05	Paint Madison Avenue Water Tank	11/14/05	250,000.00		250,000.00
29-06	New Chlorine Vacuum for the Water Wells	5/22/06		\$ 14,000.00	14,000.00
			<u>\$2,380,000.00</u>	<u>\$ 14,000.00</u>	<u>\$2,394,000.00</u>
		<u>Ref.</u>	D		D

BOROUGH OF MADISON
WATER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2006

NOT APPLICABLE

BOROUGH OF MADISON
WATER UTILITY FUND
SCHEDULE OF SERIAL BONDS PAYABLE

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Balance Dec. 31, 2005</u>	<u>Matured</u>	<u>Balance Dec. 31, 2006</u>
Water Bonds of 1991	7/15/1991	\$ 482,000.00	<u>\$ 42,000.00</u>	<u>\$ 42,000.00</u>	<u>\$ -0-</u>
			D		D

BOROUGH OF MADISON
COUNTY OF MORRIS
2006
ELECTRIC UTILITY FUND

BOROUGH OF MADISON
ELECTRIC UTILITY FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2005	E	\$ 8,205,344.51	\$ 3,174,218.78
Increased by Receipts:			
Electric Utility Charges Receivable		\$ 14,430,225.64	
Miscellaneous Revenue		17,892.64	
State Aid - "Lifeline"		19,462.50	
Interest Earned on Investments		554,882.77	
Overpayments of Electric Charges		3,804.08	
Voided Check		58.45	
		<u>15,026,326.08</u>	
		23,231,670.59	<u>3,174,218.78</u>
Decreased by Disbursements:			
2006 Appropriation Expenditures		9,047,621.95	
2005 Appropriation Reserves		771,618.52	
Due to:			
Current Fund - Budget Appropriation		4,360,000.00	
Electric Overpayments Refunded		3,804.08	
Improvement Authorization Expenditures			
		<u>14,183,044.55</u>	<u>399,113.45</u>
Balance December 31, 2006	E	<u>\$ 9,048,626.04</u>	<u>\$ 2,775,105.33</u>

BOROUGH OF MADISON
ELECTRIC UTILITY OPERATING FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2006

NOT APPLICABLE

BOROUGH OF MADISON
ELECTRIC UTILITY CAPITAL FUND
ANALYSIS OF ELECTRIC CAPITAL CASH

	Balance Dec. 31, 2005	Disbursements Improvement Authori- zations		Transfers		Balance Dec. 31, 2006
		From	To	From	To	
Fund Balance	\$ 306,251.60					\$ 306,251.60
Encumbrances	398,883.64	\$ 347,633.64	\$ 60.00			51,310.00
Capital Improvement Fund	2,362,487.18	365,000.00				1,997,487.18
Improvement Authorizations:						
Ord.						
No.		General Improvements				
11-05	Construction of New Vehicle Storage Building at Water & Light Plant	38,000.00	\$ 185,255.42		167,480.00	20,224.58
38-05	Relocation of Underground Vault, Conduits & Cable at Prospect St. in Preparation for the Construction of the New Fire & Police Building	68,596.36	213,858.03	60.00	180,153.64	34,831.97
9-06	Purchase Pickup Truck with a Lift Tail Gate				35,000.00	35,000.00
35-06	Purchase Two Bucket Trucks				330,000.00	330,000.00
		<u>\$ 3,174,218.78</u>	<u>\$ 399,113.45</u>	<u>\$ 712,693.64</u>	<u>\$ 712,693.64</u>	<u>\$ 2,775,105.33</u>

BOROUGH OF MADISON
ELECTRIC UTILITY FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance December 31, 2005	<u>Ref.</u> E	\$ 968,581.35
Increased by:		
2006 Charges		14,551,544.94
		<u>15,520,126.29</u>
Decreased by:		
2006 Revenue:		
Cash Received		14,430,225.64
		<u>14,430,225.64</u>
Balance December 31, 2006	E	<u>\$ 1,089,900.65</u>

BOROUGH OF MADISON
ELECTRIC UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

	<u>Balance</u> <u>Dec. 31, 2005</u>	<u>Balance</u> <u>Dec. 31, 2006</u>
Land and Land Rights	\$ 48,113.12	\$ 48,113.12
Station Structure and Improvements	2,183,502.21	2,183,502.21
Station Equipment	196,242.41	196,242.41
Poles, Towers and Fixtures	48,489.60	48,489.60
Overhead Conductors and Devices	247,446.57	247,446.57
Underground Conduits	129,411.16	129,411.16
Underground Conductors and Devices	91,422.26	91,422.26
Electric Cable and Equipment	261,785.71	261,785.71
Line Transformers	576,344.16	576,344.16
Services	70,578.16	70,578.16
Meters	256,744.65	256,744.65
Street Lighting and Signal System	272,923.39	272,923.39
Office Furniture and Equipment	41,719.56	41,719.56
Plant Structure and Improvements	11,654.57	11,654.57
1961 Chevrolet Ladder Truck	3,729.50	3,729.50
Ford Station Wagon	1,895.99	1,895.99
Chevrolet Biscayne Sedan	1,460.00	1,460.00
Ford Pick-up	1,260.36	1,260.36
G.M.C. Truck with Pettman Body	24,218.02	24,218.02
G.M.C. Dump Truck	5,048.60	5,048.60
G.M.C. Bucket Truck	28,080.29	28,080.29
Cable Trailer	786.03	786.03
Line Truck	24,459.65	24,459.65
Pole Trailer	918.64	918.64
Transformer Trailer	1,114.26	1,114.26
Portable Lift Truck	402.00	402.00
Transportation Equipment	713.16	713.16
Shop Equipment	3,646.32	3,646.32
Laboratory Equipment	417.73	417.73
Tools and Work Equipment	6,127.07	6,127.07
Communication Equipment	3,577.41	3,577.41
General Equipment	391.00	391.00
Power Operated Lift Mechanism	13,537.51	13,537.51
General Equipment	1,459.82	1,459.82
Miscellaneous Equipment	4,750.73	4,750.73
Bucket Truck, Mailing Equipment and Hole Digger	92,191.00	92,191.00
Kings Road Substation Conversion	43,000.00	43,000.00
Utility Building Repairs	115,000.00	115,000.00
Removal and Disposal of Underground Storage Tanks	13,949.72	13,949.72
James Park Circuit Breakers	62,400.00	62,400.00

BOROUGH OF MADISON
ELECTRIC UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL
(Continued)

	Balance Dec. 31, 2005	Balance Dec. 31, 2006
Computerized Utility Billing Equipment	\$ 13,567.20	\$ 13,567.20
Distribution Lines	425,001.50	425,001.50
Meters and Fixtures	54,729.74	54,729.74
Transformers	50,795.25	50,795.25
Transformer - James Park	404,530.31	404,530.31
Transformer Equipment	4,028.51	4,028.51
Line Truck	119,742.53	119,742.53
Circuits - Loantaka and Samson	114,515.48	114,515.48
Underground Line Conduit	126,660.09	126,660.09
Utility Truck	99,634.00	99,634.00
James Park Substation	85,000.00	85,000.00
Transmission Line Duct Bank	83,189.00	83,189.00
Power Cables	4,957.62	4,957.62
Diesel Electric Utility Bucket Truck	109,750.22	109,750.22
Upgrade Kings Road Substation	1,798,767.02	1,798,767.02
Pickup Truck	24,953.00	24,953.00
Reconditioning Circuit Breakers	60,000.00	60,000.00
Rebuilding Distribution System - Noroling Lane	73,863.00	73,863.00
Twenty Electronic Sectionalizers	8,975.00	8,975.00
Four Wheel Drive Vehicle	22,075.00	22,075.00
Purchase of New Switchgear for Kings Road	234,900.00	234,900.00
Purchase of Single Bucket Truck/Pole Trailer	107,760.00	107,760.00
Purchase of Conduit and Cable	64,152.26	64,152.26
Purchase of Pickup Truck	24,490.00	24,490.00
Purchase of Hazmat Storage Locker	10,891.00	10,891.00
Medium Voltage Feeder Cable	199,497.50	199,497.50
Purchase Parts/Labor for Repair of Transformer - James Park	42,820.21	42,820.21
Electric Utility Billing System	98,421.00	98,421.00
Installation of Fiber	249,266.66	249,266.66
Repair and Replacement of Transformer Vaults and Covers	117,450.00	117,450.00
Emergency Repairs to James Park Substation	24,802.44	24,802.44
	<u>\$ 9,750,097.88</u>	<u>\$ 9,750,097.88</u>

Ref.

E

E

BOROUGH OF MADISON
ELECTRIC UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

<u>Improvement Description</u>	<u>Ord. No.</u>	<u>Balance Dec. 31, 2005</u>	<u>2006 Authorizations Capital Improvement Fund</u>	<u>Balance Dec. 31, 2006</u>
Construction of New Vehicle Storage Building at Water & Light Plant	11-05	\$ 425,000.00		\$ 425,000.00
Relocation of Underground Vault, Conduits & Cable at Prospect St. in Preparation for the Construction of the New Fire & Police Building	38-05	300,000.00		300,000.00
Purchase Pickup Truck with a Lift Tail Gate	9-06		\$ 35,000.00	35,000.00
Purchase Two Bucket Trucks	35-06		330,000.00	330,000.00
		<u>\$ 725,000.00</u>	<u>\$ 365,000.00</u>	<u>\$ 1,090,000.00</u>
	<u>Ref.</u>	E		E

BOROUGH OF MADISON
ELECTRIC UTILITY OPERATING FUND
SCHEDULE OF 2005 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2006

	<u>Balance</u> <u>Dec. 31, 2005</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Administration:				
Salaries and Wages	\$ 18,644.43	\$ 18,644.43		\$ 18,644.43
Other Expenses	901,576.65	901,576.65	\$ 652,418.95	249,157.70
Operations:				
Salaries and Wages	14,817.70	14,817.70		14,817.70
Other Expenses	365,787.45	365,787.45	85,094.62	280,692.83
Rosenet Web Site:				
Salaries and Wages	897.50	897.50		897.50
Other Expenses	40,394.72	40,394.72	34,104.95	6,289.77
Contribution to:				
Public Employees Retirement System	33,605.17	33,605.17		33,605.17
	<u>\$ 1,375,723.62</u>	<u>\$ 1,375,723.62</u>	<u>\$ 771,618.52</u>	<u>\$ 604,105.10</u>

Analysis of Balance December 31, 2005

	<u>Ref.</u>	
Encumbered	E	\$ 150,949.09
Unencumbered	E	<u>1,224,774.53</u>
		<u>\$ 1,375,723.62</u>

BOROUGH OF MADISON
ELECTRIC UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2005	E	\$ 2,362,487.18
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>365,000.00</u>
Balance December 31, 2006	E	<u>\$ 1,997,487.18</u>

BOROUGH OF MADISON
COUNTY OF MORRIS
2006
PUBLIC ASSISTANCE FUND

BOROUGH OF MADISON
PUBLIC ASSISTANCE FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Fund Total</u>	<u>Public Assistance Trust Fund I</u>	<u>Public Assistance Trust Fund II</u>
Balance December 31, 2005	F	\$ 24,561.04	\$ 2,462.96	\$ 22,098.08
Increased by Receipts:				
State Aid		15,800.00		15,800.00
U.S. Treasury - Supplemental Security Income		2,730.00		2,730.00
Miscellaneous Reimbursement		420.00		420.00
		<u>18,950.00</u>		<u>18,950.00</u>
Decreased by Disbursements:				
Public Assistance Expenditures		23,883.34		23,883.34
		<u>23,883.34</u>		<u>23,883.34</u>
Balance December 31, 2006	F	<u>\$ 19,627.70</u>	<u>\$ 2,462.96</u>	<u>\$ 17,164.74</u>

BOROUGH OF MADISON

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2006

BOROUGH OF MADISON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2006.

NOT APPLICABLE

BOROUGH OF MADISON
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2006

Name of State Agency or Department	State Account Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Total Cumulative Expenditures
		From	To				
<u>Department of Environmental Protection:</u>							
Clean Communities Act:							
2005	795-042-4900-	1/1/05	12/31/06	\$ 12,835.36		\$ 4,721.73	\$ 4,721.73
2006	004-178910	1/1/06	12/31/06	13,457.40	\$ 13,457.40		
Recycling Tonnage Grant							
2006	452-042-4900-	1/1/06	12/31/06	16,119.68	16,119.68		
	001-V427Y						
Total Department of Environmental Protection					29,577.08	4,721.73	4,721.73
<u>Department of Law and Public Safety:</u>							
Drunk Driving Enforcement Fund:							
2003	1110-206-	1/1/03	12/31/06	5,787.32		966.78	5,787.32
2005	030225-60	1/1/05	12/31/06	4,651.13		4,650.63	4,650.63
2006		1/1/06	12/31/06	6,036.02	6,036.02		
Alcohol Education and Rehabilitation Fund:							
2006		1/1/06	12/31/06	3,124.46	3,124.46		
Motorcycle Rider Safe and Sober	N/A	1/1/03	12/31/06	28,616.00		10,633.35	28,616.00
Walk Safety	N/A	1/1/03	12/13/06	6,635.00		47.85	6,371.75
Body Armor Grant:							
2003	1020-718-066-	1/1/03	12/31/06	3,300.97		1,101.33	3,300.97
2004	1020-001-6120	1/1/04	12/31/06	3,334.57		1,600.42	3,334.57
2005		1/1/05	12/31/06	6,597.88		5,338.29	6,128.15
2006		1/1/06	12/31/06	3,383.49	3,383.49		
School Resource Officer:							
2005	N/A	1/1/05	12/31/06	44,044.00		44,044.00	44,044.00
2006		1/1/06	12/31/06	18,332.00	18,332.00		
Cops in Shops:							
2000	N/A	1/1/00	12/31/06	2,240.00		310.50	2,240.00
2001		1/1/01	12/31/06	1,600.00		1,600.00	1,600.00
2005		1/1/05	12/31/06	2,350.00		2,350.00	2,350.00
2006		1/1/06	12/31/06	2,400.00	2,400.00		
Speeding/Aggressive Driving Enforcement Grant	N/A	1/1/06	12/31/06	7,500.00	7,500.00		
Total Department of Law and Public Safety					40,775.97	72,643.15	108,423.39

BOROUGH OF MADISON
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2006

Name of State Agency or Department	State Account Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Total Cumulative Expenditures
		From	To				
<u>Department of Treasury:</u>							
(Passed through County of Morris)							
Alcohol and Drug Abuse Grant (M.A.A.S.A):							
2001	100-082-C001-	1/1/01	12/31/06	\$ 14,125.00	\$ 12,178.58	\$ 14,125.00	
2005		1/1/05	12/31/06	17,515.00	4,533.77	7,559.78	
2006		1/1/06	12/31/06	15,386.00			
<u>Department of Health:</u>							
Public Health Funding Act	100-054-7550-						
2005	121-158	1/1/05	12/31/06	7,974.00	7,974.00	7,974.00	
2006		1/1/06	12/31/06	12,582.00	12,582.00		
Pandemic Flu Preparedness Grant	100-046-4E07-						
	360-J002-6120	1/1/06	12/31/06	10,105.00	8,679.69	8,679.69	
				\$ 96,400.05	\$ 110,730.92	\$ 151,483.59	

N/A - Not Available

SEE ACCOMPANYING NOTES TO EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF MADISON
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2006

A. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards present the activity of all federal and state award programs of the Borough of Madison. The Borough of Madison is defined in Note 1 to the Borough's 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 is included on the schedules of expenditures of federal and state awards.

B. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal and State Awards are presented using the cash basis of accounting. The information in these schedules is presented in accordance with the requirements of federal OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organizations. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

C. 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.

D. THRESHOLD FOR FEDERAL AND STATE FINANCIAL REPORTS

The threshold for distinguishing federal Type A and B programs was \$300,000. The threshold for distinguishing state Type A and B programs was \$300,000. The Borough of Madison qualifies as a "low risk" auditee under the provisions of Section 530 of the Circular.

E. NJ WASTEWATER TREATMENT LOANS PAYABLE

At December 31, 2006, the Borough has \$1,033,071.03 and \$599,380.04 of NJ Wastewater Treatment Trust and Fund Loans Payable outstanding which are recorded in the General Capital Fund.

Currently the Borough is in the process of repaying the loan balances. There were no loan receipts or expenditures in the current year. The projects which relate to the loans are complete.



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 Phone: 973-328-1825
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11 Lawrence Road
 Newton, NJ 07860
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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 Mayor and Members
 of the Borough Council
 Borough of Madison
 Madison, New Jersey

We have audited the financial statements of the Borough of Madison, in the County of Morris (the "Borough") as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 15, 2007, which indicated that the financial statements have been prepared on an other comprehensive basis of accounting. That report also indicated that the scope of our audit did not include the general fixed assets account group. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, 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 Borough'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 providing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Borough's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

The Honorable Mayor and Members
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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by employees in the Borough’s internal control.

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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be 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 Borough'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. However, we noted certain matters that we have reported in the “Other Comments and Recommendations” section of this report.

This report is intended solely for the information and use of management, the Mayor and Members of the Borough Committee, and to meet the requirements for filing with the Division of Local Government Services, and 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.

June 15, 2007


NISIVOCCIA & COMPANY LLP



David H. Evans
Certified Public Accountant
Registered Municipal Accountant No. 98

BOROUGH OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2006

Summary of Auditors' Results:

- An unqualified report was issued on the Borough's financial statements for 2006 prepared on an other comprehensive basis of accounting.
- The audit did not disclose any material weaknesses in the internal control of the Borough.
- The Borough was not subject to the single audit provisions of Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and New Jersey Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* for 2006 as grant expenditures were less than the single audit thresholds of \$500,000 identified in the circulars.

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:

- Not applicable – Grant expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not applicable – Grant expenditures were below the single audit threshold.

BOROUGH OF MADISON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2006

The Borough had no findings or questioned costs noted in the audit for the year ended December 31, 2005.

BOROUGH OF MADISON

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2006

BOROUGH OF MADISON
OTHER COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4

N.J.S.A. 40A:11-3 states:

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to Subsection b. of Section 9 of P.L. 1971, C.198 (N.J.S.A. 40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, C.198 (N.J.S.A. 40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, C.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, C.198 (N.J.S.A. 40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S.A. 40A: 11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective July 1, 2005 the bid threshold in accordance with N.J.S.A 40A:11-3 and 40A:11-4 (as amended) is \$21,000 and with a qualified purchasing agent the threshold may be up to \$29,000.

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

The minutes indicated that bids were requested by public advertising per N.J.S.A. 40A:11-4. The minutes also indicated that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" and "Extraordinary Unspecifiable Services" per N.J.S.A. 40A:11-5.

BOROUGH OF MADISON
OTHER COMMENTS AND RECOMMENDATIONS
(Continued)

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4 (Cont'd)

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

Collection of Interest on Delinquent Taxes and Utility Charges

On January 1, 2006, the governing body adopted the following resolutions authorizing interest to be charged on delinquent taxes and utility charges:

BE IT RESOLVED by the Borough Council of the Borough of Madison, Morris County, New Jersey, that, in accordance with R.S. 54:4-67 as amended, the rate of interest to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent be and the same is hereby fixed as follows:

1. No interest shall be charged if payment of tax or assessment installment, as the case may be, is made within ten (10) days after the date upon which the same became payable.
2. The rate of interest to be charged for the nonpayment of taxes or assessment installments on or before the date when they become delinquent shall be eight percent (8%) per annum on the first \$1,500 of the delinquency and eighteen percent (18%) on any delinquency over \$1,500, to be calculated from the date the tax was payable until the date of actual payment. The interest to be charged a delinquent taxpayer for nonpayment of real property taxes shall be an additional penalty of 6% if the amount of delinquency is in excess of \$10,000 at the end of the calendar year.

It appears from an examination of the Tax Collector's and Utility Collector's records that interest was generally collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on June 15, 2006, and included all eligible properties.

The following comparison is made of the number of tax title liens receivable on December 31, of the last three years:

Year	Number of Liens
2006	3
2005	7
2004	7

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis.

BOROUGH OF MADISON
OTHER COMMENTS AND RECOMMENDATIONS
(Continued)

Verification of Delinquent Taxes and Other Charges

A test of verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, consisting of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2006 Taxes	20
Payments of 2007 Taxes	20
Delinquent Taxes	15
Payments of Water Utility Charges	15
Delinquent Water Utility Charges	15
Payments of Electric Utility Charges	15
Delinquent Electric Utility Charges	15

Payroll

During our review of the payroll agency account balances, we noted that the account is comprised of balances carried forward from prior years and certain categories have insufficient funds.

It is recommended that the payroll agency account balances be reviewed and the appropriate adjustments or transfers be made to eliminate unnecessary balances carried forward from prior years and to cover insufficient funds in certain categories.

Management's Response

We will review the payroll agency account and make the necessary adjustments or transfers to eliminate prior year balances.

BOROUGH OF MADISON
OTHER COMMENTS AND RECOMMENDATIONS
(Continued)

Municipal Court

The transactions for the year 2006 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Balance</u> <u>Dec. 31, 2005</u>	<u>Receipts</u>	<u>Dis-</u> <u>bursements</u>	<u>Balance</u> <u>Dec. 31, 2006</u>
Municipal Treasurer:				
Fines and Fees	\$ 25,427.89	392,860.70	390,048.62	\$ 28,239.97
Restitution	617.35	3,057.39	3,674.74	
POAA FTA	78.00	1,552.00	1,530.00	100.00
Public Defender	200.00	4,167.00	4,261.00	106.00
Conditional Discharge		1,662.00	1,345.00	317.00
Spinal Research	9.64		9.64	
County:				
Fines	9,619.00	165,916.00	164,017.00	11,518.00
State:				
Fines and Costs	14,392.86	280,755.95	275,899.78	19,249.03
Weights and Measures	9,350.00	49,900.00	53,250.00	6,000.00
Interest		3,881.59	3,430.75	450.84
Miscellaneous	(2,138.82)		1,444.65	(3,583.47)
Bail	8,391.61	84,900.45	88,528.94	4,763.12
	<u>\$ 65,947.53</u>	<u>\$ 988,653.08</u>	<u>\$ 987,440.12</u>	<u>\$ 67,160.49</u>

During the audit, we noted that disbursements were not being made by the 15th of the month following receipt.

It is recommended that all municipal court disbursements be remitted to the respective agencies by the 15th of the month following receipt.

Management's Response

Every effort will be made to ensure that all municipal court disbursements are remitted by the 15th of the month following receipt.

During the course of the audit, we noted that the new Court Administrator and Deputy Court Administrator were not bonded.

It is recommended that the Borough obtains surety bond coverage for all Municipal Court personnel.

Management's Response

The Borough will bond all Municipal Court personnel.

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2005 Audit Report which are in the process of being implemented.

BOROUGH OF MADISON
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. The payroll agency account balances be reviewed and the appropriate adjustments or transfers be made to eliminate unnecessary balances carried forward from prior years and to cover insufficient funds in certain categories.
2. All municipal court disbursements be remitted by the 15th of the month following receipt.
3. The Borough obtain surety bond coverage for all Municipal Court personnel.

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