

FORT MADISON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

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Fort Madison Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 election)		
Dan Davis	President	2008
Peggy Booten	Vice President	2009
Duane Sherwood	Board Member	2010
George Wheeler	Board Member	2010
Judy Gerdes	Board Member	2008
Donald Ward	Board Member	2009
Denise Gray	Board Member	2009
Board of Education (After September 2008 election)		
Judy Gerdes	President	2011
Peggy Booten	Vice President	2009
Duane Sherwood	Board Member	2011*
George Wheeler	Board Member	2011*
Rob Hogan	Board Member	2011
Donald Ward	Board Member	2009
Denise Gray	Board Member	2009
School Officials		
Dr. Kenneth Marang	Superintendent	2009
Greg Smith	Director of Student Services	2009
Sandra K. Elmore	District Secretary/Treasurer and Business Manager	2009
Gruhn Law Firm	Attorney	2009

* Board term changed per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3060

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Fort Madison Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fort Madison Community School District, Fort Madison, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fort Madison Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2010 on our consideration of Fort Madison Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 35 through 37 are not required parts of the basic financial statements, but are supplementary information

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required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Fort Madison Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fort Madison Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$20,400,403 as of June 30, 2009 compared to \$19,267,212 as of June 30, 2008, an increase of 5.88%.
- General Fund revenues increased from \$20,046,078 in fiscal 2008 to \$21,057,398 in fiscal 2009, while General Fund expenditures increased from \$20,428,604 in fiscal 2008 to \$21,285,483 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$1,492,704 in fiscal 2008 to \$1,264,619 in fiscal 2009.
- The increase in General Fund expenditures was due primarily to an increase in the expenditures in the instruction function.
- The October 2008 Certified Enrollment count resulted in an increase of 24.2 students, representing an increase of 1.00% compared to the prior year.
- The District ended the year with no long term debt outstanding except for early retirement and compensated absences.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Fort Madison Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Fort Madison Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Fort Madison Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

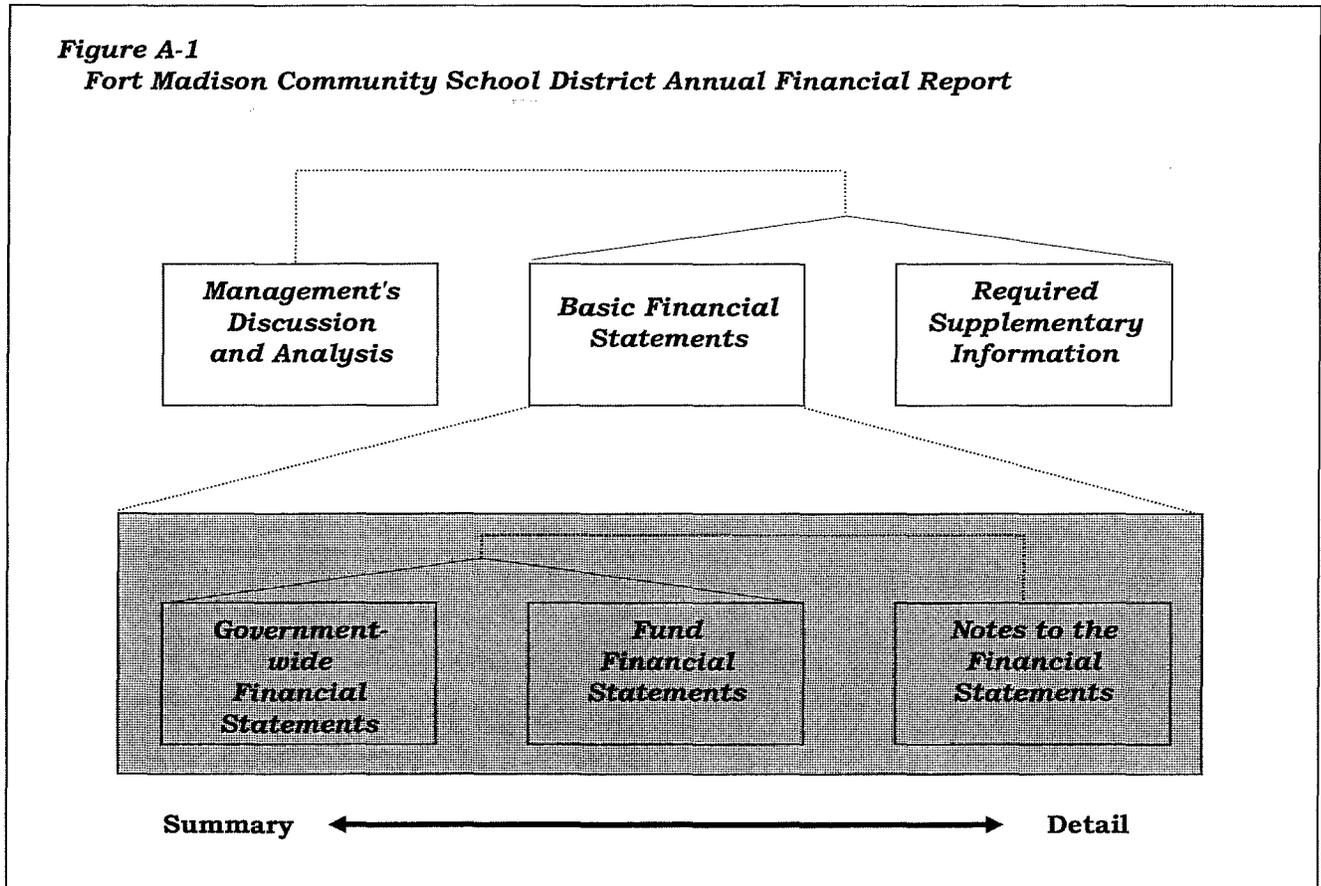


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds and the Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 23,125,633	18,389,373	266,455	297,429	23,392,088	18,686,802	25.18%
Capital assets	10,433,153	9,872,447	102,349	88,797	10,535,502	9,961,244	5.76%
Total assets	<u>33,558,786</u>	<u>28,261,820</u>	<u>368,804</u>	<u>386,226</u>	<u>33,927,590</u>	<u>28,648,046</u>	<u>18.43%</u>
Long-term liabilities	447,979	265,916	0	0	447,979	265,916	68.47%
Other liabilities	13,030,366	9,057,966	48,842	56,952	13,079,208	9,114,918	43.49%
Total liabilities	<u>13,478,345</u>	<u>9,323,882</u>	<u>48,842</u>	<u>56,952</u>	<u>13,527,187</u>	<u>9,380,834</u>	<u>44.20%</u>
Net assets:							
Invested in capital assets	10,433,153	9,872,447	102,349	88,797	10,535,502	9,961,244	5.76%
Restricted	8,648,705	7,788,212	0	0	8,648,705	7,788,212	11.05%
Unrestricted	998,583	1,277,279	217,613	240,477	1,216,196	1,517,756	-19.87%
Total net assets	<u>\$ 20,080,441</u>	<u>18,937,938</u>	<u>319,962</u>	<u>329,274</u>	<u>20,400,403</u>	<u>19,267,212</u>	<u>5.88%</u>

The District's combined net assets increased by 5.88%, or \$1,133,191, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment).

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$860,493, or 11.05% from the prior year. The increase was primarily a result of the increase in the Capital Projects Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$301,560, or 19.87%. This decrease in unrestricted net assets was a result of the decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 856,923	728,697	358,426	357,959	1,215,349	1,086,656	11.84%
Operating grants and contributions and restricted interest	3,967,251	3,285,882	593,765	554,590	4,561,016	3,840,472	18.76%
General revenues:							
Property tax	6,603,976	6,597,956	0	0	6,603,976	6,597,956	0.09%
Statewide sales and services tax	1,796,131	1,682,642	0	0	1,796,131	1,682,642	6.74%
Unrestricted state grants	10,686,135	10,337,494	0	0	10,686,135	10,337,494	3.37%
Unrestricted investment earnings	101,504	452,099	1,310	8,475	102,814	460,574	-77.68%
Other	139,892	41,416	0	0	139,892	41,416	237.77%
Total revenues	24,151,812	23,126,186	953,501	921,024	25,105,313	24,047,210	4.40%
Program expenses:							
Governmental activities:							
Instructional	15,979,459	14,819,895	0	0	15,979,459	14,819,895	7.82%
Support services	5,570,140	5,509,123	0	0	5,570,140	5,509,123	1.11%
Non-instructional programs	0	0	962,813	933,750	962,813	933,750	3.11%
Other expenses	1,459,710	1,517,247	0	0	1,459,710	1,517,247	-3.79%
Total expenses	23,009,309	21,846,265	962,813	933,750	23,972,122	22,780,015	5.23%
Changes in net assets	1,142,503	1,279,921	(9,312)	(12,726)	1,133,191	1,267,195	-10.57%
Beginning net assets	18,937,938	17,658,017	329,274	342,000	19,267,212	18,000,017	7.04%
Ending net assets	\$ 20,080,441	18,937,938	319,962	329,274	20,400,403	19,267,212	5.88%

In fiscal 2009, property tax, statewide sales and services tax, and unrestricted state grants account for 79.03% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.86% of the revenue from business type activities.

The District's total revenues were approximately \$25.11 million of which \$24.16 million was for governmental activities and \$0.95 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 4.40% in revenues and a 5.23% increase in expenses. The increase in expenses was related to the increase in instructional costs during the year.

Governmental Activities

Revenues for governmental activities were \$24,151,812 and expenses were \$23,009,309 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 15,979,459	14,819,895	7.82%	12,204,641	11,790,350	3.51%
Support services	5,570,140	5,509,123	1.11%	5,408,776	5,354,109	1.02%
Other expenses	1,459,710	1,517,247	-3.79%	571,718	687,227	-16.81%
Totals	<u>\$ 23,009,309</u>	<u>21,846,265</u>	<u>5.32%</u>	<u>18,185,135</u>	<u>17,831,686</u>	<u>1.98%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$856,923.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,967,251.
- The net cost of governmental activities was financed with \$6,603,976 in property tax, \$1,796,131 in statewide sales and service tax, \$10,686,135 in unrestricted state grants and \$101,504 in interest income.

Business Type Activities

Revenues of the District's business type activities were \$953,501 and expenses were \$962,813. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Fort Madison Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$10,073,220, above last year's ending fund balances of \$9,331,407. However, the primary reason for the increase in combined fund balances in fiscal 2009 is due to the increase in the Capital Projects fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. An increase during the year in tax and state grants resulted in an increase in revenues. The increase in revenues was offset by the District's increase in General Fund expenditures reducing the District's fund balance.
- The General Fund balance decreased from \$1,492,704 to \$1,264,619, due in part to increased expenditures during the year.
- The Capital Projects fund balance increased from \$7,168,624 to \$8,011,536, due to revenues exceeding expenditures during the year.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$329,274 at June 30, 2008 to \$319,962 at June 30, 2009, representing a decrease of 2.83%.

BUDGETARY HIGHLIGHTS

The District’s revenues were \$417,929 more than budgeted revenues, a variance of 1.70%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District’s budget for the General Fund. It is the District’s practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District’s certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$10,535,502, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 5.76% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$648,158.

The original cost of the District’s capital assets was \$19,161,600. Governmental funds account for \$18,939,783 with the remainder of \$221,817 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District’s construction in progress totaled \$194,970 at June 30, 2009 compared to \$37,563 at June 30, 2008. This increase was the result of the High School parking lot project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	2008-09
Land	\$ 919,088	919,088	0	0	919,088	919,088	0.00%
Construction in progress	194,970	37,563	0	0	194,970	37,563	419.05%
Buildings	8,164,908	8,036,032	0	0	8,164,908	8,036,032	1.60%
Improvements other than buildings	470,383	279,870	0	0	470,383	279,870	68.07%
Machinery and equipment	683,804	599,894	102,349	88,797	786,153	688,691	14.15%
Total	\$ 10,433,153	9,872,447	102,349	88,797	10,535,502	9,961,244	5.76%

Long-Term Debt

At June 30, 2009, the District had \$447,979 in other long-term debt outstanding. This represents a decrease of 68.47% from last year. (See Figure A-7) More detailed information about the District’s long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total Change
	District		
	June 30, 2009	2008	June 30, 2008-09
Early retirement	\$ 338,047	162,259	108.34%
Compensated absences	109,932	103,657	6.05%
Totals	<u>\$ 447,979</u>	<u>265,916</u>	<u>68.47%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The state's economy is showing limited signs of economic recovery. The weak economy has adversely impacted the State of Iowa's budget and has translated into reduced levels of state aid funding for education.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- With the District's current financial challenges, the FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sandra K. Elmore, District Secretary/Treasurer, Fort Madison Community School District, P.O. Box 1423, Fort Madison, Iowa, 52627.

BASIC FINANCIAL STATEMENTS

FORT MADISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP	\$ 3,146,037	0	3,146,037
Other	12,047,950	198,546	12,246,496
Receivables:			
Property tax:			
Delinquent	107,357	0	107,357
Succeeding year	7,017,278	0	7,017,278
Accounts	11,048	48,856	59,904
Accrued ISCAP interest	389	0	389
Due from other governments	773,527	4,379	777,906
Inventories	0	14,456	14,456
Capital assets, net of accumulated depreciation	10,433,153	102,349	10,535,502
Net OPEB asset	22,047	218	22,265
Total Assets	33,558,786	368,804	33,927,590
Liabilities			
Accounts payable	669,855	7,262	677,117
Salaries and benefits payable	2,085,579	41,580	2,127,159
ISCAP warrants payable	3,097,000	0	3,097,000
ISCAP accrued interest payable	1,061	0	1,061
ISCAP unamortized premium	59,952	0	59,952
Deferred revenue:			
Succeeding year property tax	7,017,278	0	7,017,278
Other	99,641	0	99,641
Long-term liabilities:			
Portion due within one year:			
Early retirement	138,047	0	138,047
Compensated absences	109,932	0	109,932
Portion due after one year:			
Early retirement	200,000	0	200,000
Total Liabilities	13,478,345	48,842	13,527,187
Net Assets			
Invested in capital assets	10,433,153	102,349	10,535,502
Restricted for:			
Categorical funding	178,151	0	178,151
Management levy	280,965	0	280,965
Capital projects	8,011,536	0	8,011,536
Physical plant and equipment levy	72,394	0	72,394
Other special revenue purposes	105,659	0	105,659
Unrestricted	998,583	217,613	1,216,196
Total Net Assets	\$ 20,080,441	319,962	20,400,403

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants, Contributions		Governmental Activities	Business Type Activities	Total
		Charges for Services	and Restricted Interest			
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 9,684,732	225,127	2,724,906	(6,734,699)	0	(6,734,699)
Special	3,736,493	214,107	144,397	(3,377,989)	0	(3,377,989)
Other	2,558,234	417,689	48,592	(2,091,953)	0	(2,091,953)
	<u>15,979,459</u>	<u>856,923</u>	<u>2,917,895</u>	<u>(12,204,641)</u>	<u>0</u>	<u>(12,204,641)</u>
Support services:						
Student	375,729	0	0	(375,729)	0	(375,729)
Instructional staff	567,284	0	0	(567,284)	0	(567,284)
Administration	2,065,440	0	0	(2,065,440)	0	(2,065,440)
Operation and maintenance						
of plant	1,662,958	0	0	(1,662,958)	0	(1,662,958)
Transportation	898,729	0	161,364	(737,365)	0	(737,365)
	<u>5,570,140</u>	<u>0</u>	<u>161,364</u>	<u>(5,408,776)</u>	<u>0</u>	<u>(5,408,776)</u>
Other expenditures:						
Facilities acquisitions	137,507	0	0	(137,507)	0	(137,507)
AEA flowthrough	887,992	0	887,992	0	0	0
Depreciation(unallocated)*	434,211	0	0	(434,211)	0	(434,211)
	<u>1,459,710</u>	<u>0</u>	<u>887,992</u>	<u>(571,718)</u>	<u>0</u>	<u>(571,718)</u>
Total governmental activities	23,009,309	856,923	3,967,251	(18,185,135)	0	(18,185,135)
Business Type activities:						
Non-instructional programs:						
Food service operations	962,813	358,426	593,765	0	(10,622)	(10,622)
Total business type activities	<u>962,813</u>	<u>358,426</u>	<u>593,765</u>	<u>0</u>	<u>(10,622)</u>	<u>(10,622)</u>
Total	\$ 23,972,122	1,215,349	4,561,016	(18,185,135)	(10,622)	(18,195,757)
General Revenues:						
Property tax levied for:						
General purposes			\$ 6,452,069	0	6,452,069	
Capital outlay			151,907	0	151,907	
Statewide sales and services tax			1,796,131	0	1,796,131	
Unrestricted state grants			10,686,135	0	10,686,135	
Unrestricted investment earnings			101,504	1,310	102,814	
Other			139,892	0	139,892	
Total general revenues			<u>19,327,638</u>	<u>1,310</u>	<u>19,328,948</u>	
Changes in net assets			1,142,503	(9,312)	1,133,191	
Net assets beginning of year			<u>18,937,938</u>	<u>329,274</u>	<u>19,267,212</u>	
Net assets end of year			<u>\$ 20,080,441</u>	<u>319,962</u>	<u>20,400,403</u>	

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Nonmajor Special Revenue Funds	Total
Assets				
Cash and pooled investments:				
ISCAP	\$ 3,146,037	0	0	3,146,037
Other	3,271,623	7,887,990	888,337	12,047,950
Receivables:				
Property tax:				
Delinquent	96,025	0	11,332	107,357
Succeeding year	6,512,981	0	504,297	7,017,278
Accounts	11,048	0	0	11,048
Accrued ISCAP interest	389	0	0	389
Due from other governments	508,749	264,778	0	773,527
Total Assets	\$ 13,546,852	8,152,768	1,403,966	23,103,586
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 426,019	141,232	102,604	669,855
Salaries and benefits payable	2,085,579	0	0	2,085,579
ISCAP warrants payable	3,097,000	0	0	3,097,000
ISCAP accrued interest payable	1,061	0	0	1,061
ISCAP unamortized premium	59,952	0	0	59,952
Deferred revenue:				
Succeeding year property tax	6,512,981	0	504,297	7,017,278
Other	99,641	0	0	99,641
Total liabilities	12,282,233	141,232	606,901	13,030,366
Fund balances:				
Reserved for:				
Categorical funding	178,151	0	0	178,151
Unreserved	1,086,468	8,011,536	797,065	9,895,069
Total fund balances	1,264,619	8,011,536	797,065	10,073,220
Total Liabilities and Fund Balances	\$ 13,546,852	8,152,768	1,403,966	23,103,586

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total fund balances of governmental funds(page 15) \$ 10,073,220

*Amounts reported for governmental activities in the
Statement of Net Assets are different because:*

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in the governmental funds. 10,433,153

Long-term liabilities, including compensated absences and
other postemployment benefits payable, are not due and
payable in the current period, therefore, are not
reported in the governmental funds. (425,932)

Net assets of governmental activities(page 13) \$ 20,080,441

FORT MADISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Nonmajor Special Revenue Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 5,905,157	1,796,131	698,819	8,400,107
Tuition	341,210	0	0	341,210
Other	295,667	79,723	434,749	810,139
State sources	13,240,287	0	770	13,241,057
Federal sources	1,275,077	0	0	1,275,077
Total revenues	<u>21,057,398</u>	<u>1,875,854</u>	<u>1,134,338</u>	<u>24,067,590</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	9,258,965	0	255,133	9,514,098
Special	3,736,493	0	0	3,736,493
Other	2,156,620	0	401,614	2,558,234
	<u>15,152,078</u>	<u>0</u>	<u>656,747</u>	<u>15,808,825</u>
Support services:				
Student	380,911	0	6,000	386,911
Instructional staff	500,015	0	46,534	546,549
Administration	2,049,424	0	21,124	2,070,548
Operation and maintenance of plant	1,556,001	0	105,347	1,661,348
Transportation	759,062	0	255,547	1,014,609
	<u>5,245,413</u>	<u>0</u>	<u>434,552</u>	<u>5,679,965</u>
Other expenditures:				
Facilities acquisitions	0	1,032,942	275	1,033,217
AEA flowthrough	887,992	0	0	887,992
	<u>887,992</u>	<u>1,032,942</u>	<u>275</u>	<u>1,921,209</u>
Total expenditures	<u>21,285,483</u>	<u>1,032,942</u>	<u>1,091,574</u>	<u>23,409,999</u>
Excess (deficiency) of revenues over (under) expenditures	(228,085)	842,912	42,764	657,591
Other financing sources:				
Sale of real property	0	0	84,222	84,222
Net change in fund balances	(228,085)	842,912	126,986	741,813
Fund balance beginning of year	1,492,704	7,168,624	670,079	9,331,407
Fund balance end of year	<u>\$ 1,264,619</u>	<u>8,011,536</u>	<u>797,065</u>	<u>10,073,220</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 17) \$ 741,813

*Amounts reported for governmental activities in the
 Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on disposal of assets in the year are as follows:

Capital outlays	\$ 1,210,183	
Depreciation expense	(634,180)	
Loss on disposal of assets	(15,297)	560,706

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ (175,788)	
Compensated Absences	(6,275)	
Other postemployment benefits	22,047	(160,016)

Changes in net assets of governmental activities (page 14) \$ 1,142,503

FORT MADISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	School Nutrition
Assets	
Current assets:	
Cash and cash equivalents	\$ 198,546
Accounts receivable	48,856
Due from other governments	4,379
Inventories	14,456
Total current assets	266,237
Non-current assets:	
Capital assets, net of accumulated depreciation	102,349
Net OPEB asset	218
Total non-current assets	102,567
Total Assets	368,804
Liabilities	
Accounts payable	7,262
Salaries and benefits payable	41,580
Total Liabilities	48,842
Net Assets	
Invested in capital assets	102,349
Unrestricted	217,613
Total Net Assets	\$ 319,962

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 358,426
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	332,732
Benefits	42,933
Services	9,085
Supplies	563,975
Depreciation	13,978
Other	110
TOTAL OPERATING EXPENSES	962,813
OPERATING LOSS	(604,387)
NON-OPERATING REVENUES:	
State sources	11,224
Federal sources	582,541
Interest income	1,310
TOTAL NON-OPERATING REVENUES	595,075
Change in net assets	(9,312)
Net assets beginning of year	329,274
Net assets end of year	\$ 319,962

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 293,108
Cash received from miscellaneous operating activities	24,345
Cash payments to employees for services	(377,843)
Cash payments to suppliers for goods or services	(508,893)
Net cash used in operating activities	(569,283)
Cash flows from non-capital financing activities:	
State grants received	11,224
Federal grants received	530,444
Net cash provided by non-capital financing activities	541,668
Cash flows from capital and related financing activities:	
Purchase of capital assets	(27,530)
Cash flows from investing activities:	
Interest income	1,310
Net decrease in cash and cash equivalents	(53,835)
Cash and cash equivalents at beginning of year	252,381
Cash and cash equivalents at end of year	\$ 198,546
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (604,387)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	58,806
Depreciation	13,978
Decrease in inventories	3,227
Increase in accounts receivable	(32,579)
Increase in accounts payable	2,244
Decrease in salaries and benefits payable	(1,960)
Decrease in unearned revenue	(8,394)
Decrease in other postemployment benefits	(218)
Net cash used in operating activities	\$ (569,283)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$58,806.

SEE NOTES TO FINANCIAL STATEMENTS.

FORT MADISON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(1) **Summary of Significant Accounting Policies**

The Fort Madison Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Fort Madison, Iowa, and the predominate agricultural territory in Lee, Des Moines and Henry Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Fort Madison Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Fort Madison Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Lee, Des Moines and Henry Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through Enterprise Funds.

The District reports the following proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded

when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 3,000
Buildings	3,000
Improvements other than buildings	3,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified portfolio	<u>\$ 11,106,104</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Services.

(3) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2009-10A	6/25/2009	6/23/2010	\$ 3,146,037	389	3,097,000	1,061

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District did not have any ISCAP advance activity in the General Fund for the year ended June 30, 2009.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2009-10A	2.500%	0.902%

(4) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 919,088	0	0	919,088
Construction in progress	37,563	462,274	304,867	194,970
Total capital assets not being depreciated	956,651	462,274	304,867	1,114,058
Capital assets being depreciated:				
Buildings	13,870,444	544,665	130,969	14,284,140
Improvements other than buildings	527,893	208,935	0	736,828
Machinery and equipment	2,633,775	299,176	128,194	2,804,757
Total capital assets being depreciated	17,032,112	1,052,776	259,163	17,825,725
Less accumulated depreciation for:				
Buildings	5,834,412	415,789	130,969	6,119,232
Improvements other than buildings	248,023	18,422	0	266,445
Machinery and equipment	2,033,881	199,969	112,897	2,120,953
Total accumulated depreciation	8,116,316	634,180	243,866	8,506,630
Total capital assets being depreciated, net	8,915,796	418,596	15,297	9,319,095
Governmental activities capital assets, net	\$ 9,872,447	880,870	320,164	10,433,153

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 194,287	27,530	0	221,817
Less accumulated depreciation	105,490	13,978	0	119,468
Business type activities capital assets, net	\$ 88,797	13,552	0	102,349

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 20,241
Support services:		
Instructional staff		22,482
Administration		11,460
Operation and maintenance of plant		8,449
Transportation		137,337
Unallocated depreciation		199,969
Total governmental activities depreciation expense		\$ 634,180
Business type activities:		
Food service operations		\$ 13,978

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance			Balance	Due
	Beginning	Additions	Deletions	End of	Within
	of Year			Year	One Year
Early Retirement	\$ 162,259	300,000	124,212	338,047	138,047
Compensated Absences	103,657	109,932	103,657	109,932	109,932
Total	\$ 265,916	409,932	227,869	447,979	247,979

Early Retirement

The District offered a voluntary early retirement plan to its certified employees, classified employees and administrative staff. Eligible employees must have completed ten years of continuous service to the District in order to qualify for supplemental benefits. Employees who desired to elect early retirement under this program must have completed an application which was required to be approved by the Board of Education. The early retirement incentive for each eligible employee was based on their current employment classification. The supplemental benefit for administrators was \$25,000 and licensed employees was \$20,000. The supplemental benefit for classified employees was 50% of the current contract at the time of retirement. Early retirement benefits paid during the year ended June 30, 2009, totaled \$124,212. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$859,160, \$771,558 and \$712,372 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug

benefits for retirees and their spouses. There are 163 active and 22 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Southeast Iowa Health Care (SEIHC). Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 205,375
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>205,375</u>
Contributions made	<u>(227,640)</u>
Decrease in net OPEB obligation	<u>(22,265)</u>
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u><u>\$ (22,265)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the District contributed \$227,640 to the medical plan. Plan members eligible for benefits contributed \$273,251, or 54.55% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 205,375	110.84%	\$ (22,265)

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$2,341,703, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,341,703. The covered payroll (annual payroll of active employees covered by the plan) was \$14,051,407, and the ratio of the UAAL to covered payroll was 16.97%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 3% discount rate based on the District's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed based upon recent Ft. Madison Community School District experience. Termination probabilities were based upon national termination studies performed by the Society of Actuaries and were adjusted to reflect the recent lower termination rates experienced by Burlington Community School District.

Projected claim costs of the medical plan are \$935 per month for retirees at the weighted average age 62. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

Fort Madison Community School District is a member in the Southeast Iowa School Employees Benefits Health Plan, an Iowa Code Chapter 28E organization. The Southeast Iowa School Employees Benefits Health Plan (SEISHP) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. SEISHP was for the purpose of

managing and funding employee benefits. SEISHP provides coverage and protection in the following categories: medical, dental, vision, basic life and disability.

Each member's contributions to SEISHP funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, SEISHP's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to SEISHP for the year ended June 30, 2009 were \$1,674,534.

Payments from participating members are used to buy health insurance from Wellmark and paying dental and vision claims. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

Most members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. SEISHP will pay claims incurred before the termination date.

Fort Madison Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$887,992 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitment

The District has entered into various contracts for construction projects. As of June 30, 2009, costs of \$197,970 have been incurred against these contracts. The balance remaining at June 30, 2009 will be paid as work on the projects progresses.

(11) Categorical Funding

The District's categorical funding balances for the year ended June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Salary Improvement Program	\$ 7,355
Gifted and Talented	44,050
Market Factor	1,888
Market Factor Incentives	15,797
Professional Development	77,798
Model Core Curriculum	<u>31,263</u>
Total	<u>\$ 178,151</u>

REQUIRED SUPPLEMENTARY INFORMATION

FORT MADISON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 9,551,456	359,736	9,911,192	9,592,435	9,592,435	318,757
State sources	13,241,057	11,224	13,252,281	13,510,727	13,510,727	(258,446)
Federal sources	1,275,077	582,541	1,857,618	1,500,000	1,500,000	357,618
Total revenues	24,067,590	953,501	25,021,091	24,603,162	24,603,162	417,929
Expenditures/expenses:						
Instruction	15,808,825	0	15,808,825	15,921,524	15,921,524	112,699
Support services	5,679,965	0	5,679,965	6,336,507	6,336,507	656,542
Non-instructional programs	0	962,813	962,813	1,023,250	1,023,250	60,437
Other expenditures	1,921,209	0	1,921,209	2,151,773	2,151,773	230,564
Total expenditures/expenses	23,409,999	962,813	24,372,812	25,433,054	25,433,054	1,060,242
Excess(deficiency)of revenues over(under)expenditures/expenses	657,591	(9,312)	648,279	(829,892)	(829,892)	1,478,171
Other financing sources, net	84,222	0	84,222	0	0	84,222
Excess(deficiency)of revenues and other financing sources over(under) expenditures/expenses	741,813	(9,312)	732,501	(829,892)	(829,892)	1,562,393
Balance beginning of year	9,331,407	329,274	9,660,681	8,685,660	8,685,660	975,021
Balance end of year	\$ 10,073,220	319,962	10,393,182	7,855,768	7,855,768	2,537,414

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FORT MADISON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

FT. MADISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ 0	\$ 2,341,703	\$ 2,341,703	0.00%	\$ 14,051,407	16.67%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

FORT MADISON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2009

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 611,556	128,493	148,288	888,337
Receivables:				
Property tax:				
Delinquent	8,894	0	2,438	11,332
Succeeding year	504,297	0	0	504,297
Total Assets	\$ 1,124,747	128,493	150,726	1,403,966
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,438	22,834	78,332	102,604
Deferred revenue:				
Succeeding year property tax	504,297	0	0	504,297
Total liabilities	505,735	22,834	78,332	606,901
Fund balances:				
Unreserved	619,012	105,659	72,394	797,065
Total Liabilities and Fund Balances	\$ 1,124,747	128,493	150,726	1,403,966

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FORT MADISON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2009

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 546,912	0	151,907	698,819
Other	45,166	389,028	555	434,749
State sources	604	0	166	770
Federal sources	0	0	0	0
TOTAL REVENUES	592,682	389,028	152,628	1,134,338
EXPENDITURES:				
Current:				
Instruction:				
Regular	255,133	0	0	255,133
Other	0	401,614	0	401,614
Support services:				
Student	6,000	0	0	6,000
Instructional staff	2,256	0	44,278	46,534
Administration	21,124	0	0	21,124
Operation and maintenance of plant	93,747	0	11,600	105,347
Student transportation	30,090	0	225,457	255,547
Other expenditures:				
Facilities acquisitions	0	0	275	275
TOTAL EXPENDITURES	408,350	401,614	281,610	1,091,574
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER)EXPENDITURES	184,332	(12,586)	(128,982)	42,764
OTHER FINANCING SOURCES:				
Sale of real property	0	0	84,222	84,222
Net change in fund balances	184,332	(12,586)	(44,760)	126,986
FUND BALANCE BEGINNING OF YEAR	434,680	118,245	117,154	670,079
FUND BALANCE END OF YEAR	\$ 619,012	105,659	72,394	797,065

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FORT MADISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Special Education Club	\$ 111	0	0	111
Child Health Fund	7,754	1,007	2,133	6,628
Activity Account	1,400	324	212	1,512
Undistributed Funds	97	1,118	245	970
Vocal Music	544	4,978	3,980	1,542
Instrumental Music	1,177	15,159	15,158	1,178
History Day Fund	410	0	378	32
6th Grade Team	56	0	18	38
Industrial Tech	3,434	818	990	3,262
Environmental Club	0	3,359	659	2,700
Family and Consumer	1,397	1,850	1,917	1,330
Student Activity	12,233	19,980	20,692	11,521
Employee Activity Account	516	1,002	640	878
Student Council	1,755	0	119	1,636
Library Club	1,368	786	1,054	1,100
Prairie fire	429	3,574	3,134	869
Science Activity - M.S.	90	7,076	6,790	376
Speech - Large Group	0	35	35	0
Vocal Music	1,368	0	1,185	183
Instrumental Music	979	816	0	1,795
Color Guard	0	900	900	0
Co-Curricular Act - H.S.	0	17,020	36,344	(19,324)
Gate Receipts	0	66,350	60,514	5,836
Soccer Coed	0	1,106	1,106	0
Soccer - Fund Raiser	1,641	928	0	2,569
Cross Country	427	909	1,336	0
Boys Basketball	0	280	280	0
Boys Basketball - Fund Raiser	395	1,620	1,111	904
Football - Fund Raiser	3,543	17,495	16,850	4,188
Baseball	0	615	615	0
Baseball - Fund Raiser	(255)	20,358	20,387	(284)
Boys Track	0	460	460	0
Boys Tennis	65	22	87	0
Boys Golf	0	678	678	0
Wrestling	162	1,256	1,418	0
Wrestling - Fund Raiser	8,396	7,520	8,729	7,187
Girls Basketball-Fund Raiser	966	4,730	3,966	1,730
Volleyball - Fund Raiser	6,279	19,855	20,529	5,605
Softball - Fund Raiser	3,074	12,132	14,528	678

FORT MADISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Girls Track	0	859	859	0
GTR/BTR/CC Fund Raiser	(1,263)	12,346	10,576	507
Girls Tennis	126	40	24	142
Crimson & Black	1,279	0	1,279	0
Bloodhound Productions	0	2,341	2,144	197
Art Club	1,373	0	82	1,291
Foreign Language Club	460	0	50	410
Employee Activity Account	1,178	0	179	999
FCCLA	3,617	792	1,793	2,616
HS Student Government	30	0	0	30
Key Club	3,804	4,772	4,473	4,103
Madisonian	12,680	12,595	11,990	13,285
Dist. Educ. Club	(218)	1,201	286	697
Building Trades Vica	0	1,398	236	1,162
Machine Shop Vica	165	0	165	0
Auto Shop Vica	590	323	457	456
National Honor Society	1,539	435	583	1,391
Science Club	833	555	700	688
Student Concessions	162	41,297	41,259	200
Dance & Drill Team	588	259	0	847
Library Club	2,767	809	2,410	1,166
Class of 2008	2,222	0	2,222	0
Class of 2009	4,482	1,575	6,057	0
Class of 2010	3,929	9,463	8,504	4,888
Class of 2011	233	1,869	0	2,102
Class of 2012	0	817	0	817
Cheerleaders - Varsity	(1,703)	12,124	10,132	289
MDT Fundraising	84	0	0	84
Just Eliminate Lies (JEL)	0	997	0	997
Student Activity Account	4,904	3,040	1,565	6,379
Student Council Account	120	0	0	120
Special Education Club	2,633	3,469	3,143	2,959
Student Activity Account	6,210	5,593	7,533	4,270
Richardson PTO	0	23,226	23,375	(149)
Student Activity Account	5,610	10,717	10,361	5,966
Total	\$ 118,245	389,028	401,614	105,659

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FORT MADISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 8,400,107	8,280,598	8,211,007	7,281,321	7,190,181	7,232,611
Tuition	341,210	234,422	202,458	161,163	174,045	105,802
Other	810,139	987,790	1,028,627	923,719	791,009	714,690
State sources	13,241,057	12,541,859	12,102,102	11,358,669	10,962,706	10,699,317
Federal sources	1,275,077	1,081,517	1,190,701	1,088,627	2,689,181	991,438
Total	<u>\$ 24,067,590</u>	<u>23,126,186</u>	<u>22,734,895</u>	<u>20,813,499</u>	<u>21,807,122</u>	<u>19,743,858</u>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 9,514,098	9,111,831	11,523,634	8,364,811	8,448,219	7,486,971
Special	3,736,493	3,449,199	2,259,659	3,161,927	3,278,363	4,088,149
Other	2,558,234	2,486,387	686,155	2,311,775	2,557,970	1,358,302
Support services:						
Student	386,911	384,748	417,238	429,221	305,392	756,033
Instructional staff	546,549	577,171	652,694	925,657	627,902	256,149
Administration	2,070,548	2,077,442	1,776,244	1,548,184	1,322,744	1,196,868
Operation and maintenance of plant	1,661,348	1,626,188	1,716,868	1,666,626	1,460,757	1,577,535
Transportation	1,014,609	860,144	829,556	725,492	919,733	627,260
Non-instructional programs	0	0	0	0	0	5,578
Other expenditures:						
Facilities acquisitions	1,033,217	1,330,881	486,018	372,502	1,502,725	2,847,114
Long-term debt:						
Principal	0	0	0	0	0	20,000
Interest	0	0	0	0	0	5,205
AEA flow-through	887,992	830,020	809,284	755,127	744,835	757,872
Total	<u>\$ 23,409,999</u>	<u>22,734,011</u>	<u>21,157,350</u>	<u>20,261,322</u>	<u>21,168,640</u>	<u>20,983,036</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FORT MADISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	\$ 109,715
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	465,643
SUMMER FOOD SERVICE PROGRAM	10.559	FY 09	7,183
			<u>582,541</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 09	436,391
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	53,181
			<u>489,572</u>
CAREER AND TECHNICAL EDUCATION BASIC GRANTS TO STATES	84.048	FY 09	32,721
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	5,556
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 09	150,695
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 09	94,299
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 09	15,476
STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.326	FY 09	204,009
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 09	144,397
TOTAL			<u>\$ 1,719,266</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Fort Madison Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3060

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Fort Madison Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fort Madison Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 24, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Fort Madison Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Fort Madison Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fort Madison Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the 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 Fort Madison Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Fort Madison Community School District's financial statements that is more than inconsequential will not be prevented or detected by Fort Madison Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Fort Madison Community School District'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 Fort Madison Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Fort Madison Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Fort Madison Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fort Madison Community School District and other parties to whom Fort Madison Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Fort Madison Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2010

NOLTE, CORNMAN & JOHNSON P.C.

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Fort Madison Community School District

Compliance

We have audited the compliance of Fort Madison Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Fort Madison Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Fort Madison Community School District's management. Our responsibility is to express an opinion on Fort Madison Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fort Madison Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Fort Madison Community School District's compliance with those requirements.

In our opinion, Fort Madison Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

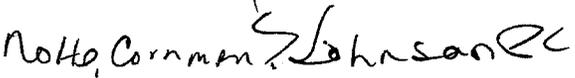
The management of Fort Madison Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Fort Madison Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fort Madison Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fort Madison Community School District and other parties to whom Fort Madison Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2010

FORT MADISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Nutrition Cluster:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Fort Madison Community School District qualified as a low-risk auditee.

FORT MADISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No significant deficiencies were noted.

CONTROL DEFICIENCIES:

II-A-09 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying numerous negative student and adult lunch account balances on the books. It was noted that some of the negative account balances belonged to Board members as well as staff members.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families before writing the balances off of the books. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The District sends statements to families with negative student lunch account balances every two weeks throughout the school year. At the end of the school year, a final statement is sent with notice that the account will be sent to a collection agency if the balance is not paid in full within two weeks. The District does make payment arrangements with those families who make a request for such arrangement. If the family defaults on the payment arrangement, the account is forwarded to the collection agency. The District will review its procedures regarding the forwarding of all negative accounts above the threshold to the collection agency. All families in the District receive a free/reduced lunch application upon registering their students with the District.

Conclusion - Response accepted.

II-B-09 Hourly Wages Payroll Procedures - We noted during our audit that the District did not maintain documentation on hours worked by coaches for wage and hour purposes, as required by the Department of Labor.

Recommendation - The District should require documentation of hours worked for coaches who are not exempt. The District should monitor for minimum wage as well as overtime.

Response - The District will maintain documentation on hours worked by coaches for wage and hour purposes and monitor the records for compliance with minimum wage and overtime requirements.

Conclusion - Response accepted.

FORT MADISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

FORT MADISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-09 Certified Budget - District expenditures for the year ended June 30, 2009, did not exceed the amounts budgeted.

IV-B-09 Questionable Disbursements - We noted during our audit that the District purchased gift cards for After Prom from the Student Activity Fund. Gift cards are considered cash and do not appear to meet the guidelines for public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will comply.

Conclusion - Response accepted.

IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-09 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-09 Certified Enrollment - We noted that the number of resident students reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for October 2008 was overstated by 14.0 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

IV-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance	\$	0
Statewide sales and services tax revenue		1,796,131
Expenditures/transfers out:		
School infrastructure:		
Other improvements		1,032,942
Ending balance	\$	<u>763,189</u>

IV-L-09 Financial Condition - We noted during our audit that there were three negative individual account balances within the Student Activity Fund totaling \$19,757.

Recommendation - The District should monitor these deficit accounts and ensure that purchases are not made without the sufficient funds to pay for them.

Response - The District does monitor accounts in the Student Activity Fund and on occasion, makes purchases prior to the receipt of funds either promised or as part of a fundraising effort. All purchases are reviewed by the Activities Department prior to purchase to ensure that adequate funds are available or will be available in a timely manner to authorize the purchase.

Conclusion - Response accepted.

IV-M-09 Student Activity Fund - During our audit concerns arose about the propriety of certain receipts, expenditures and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8).

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

More specific findings are as follows:

Employee Activity Account is not a student run organization. The balance in the employee activity account should be transferred to the General Fund.

There is a Library Club account. These receipts and expenditures appear to be more instructional in nature; therefore, they should be moved to the General Fund.

We noted donations from Target recorded in the Student Activity Fund. Target donations are considered undesignated donations; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

We noted that the District holds several fundraisers within the Activity Fund, however we noted that the Board has not been approving those fundraisers.

Response - The District will obtain the required Board approval.

Conclusion - Response accepted.

IV-N-09 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District is now obtaining written authorization from each employee who requests to receive a payroll check by mail.

Conclusion - Response accepted.

IV-O-09 Officials Contracts - We noted during our audit that the Board President was not signing athletic officials contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into to comply with Chapter 291.1 of the Code of Iowa.

Response - The District will have the Board President sign the athletic officials contracts for the District.

Conclusion - Response accepted.