

MADRID COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2009

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Madrid Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Terry Ostendorf	President	2010
Emily Schieltz	Vice-President	2008
Linda Ahrens	Board Member	2009
Lou Galetich	Board Member	2008
Marvin Ostrander	Board Member	2010
Board of Education (After September 2008 Election)		
Terry Ostendorf	President	2011*
Emily Schieltz	Vice-President	2011
Lou Galetich	Board Member	2009*
Marvin Ostrander	Board Member	2011*
Linda Ahrens	Board Member	2009
School Officials		
Brian Horn	Superintendent	2009
Sandy Johnson	Business Manager	2009
Drew Bracken	Attorney	2009

*Board term extended 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.

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Madrid 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 the Madrid Community School District, Madrid, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as 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 Madrid Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2010 on our consideration of Madrid 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 and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

information 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 opinions on the financial statements that collectively comprise Madrid 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 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, 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.

February 26, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Madrid 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

- General Fund revenues increased from \$4,955,676 in fiscal 2008 to \$5,247,757 in fiscal 2009, while General Fund expenditures increased from \$4,734,951 in fiscal 2008 to \$5,030,174 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$273,884 in fiscal 2008 to a balance of \$412,889 in fiscal 2009, a 50.75% increase over the prior year.
- The increase in General Fund revenues was attributable to an increase in state and federal grants in fiscal 2009. The increase in expenditures was due primarily to increases in regular and special instruction expenditures.

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 Madrid 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 Madrid 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 Madrid Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the 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.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

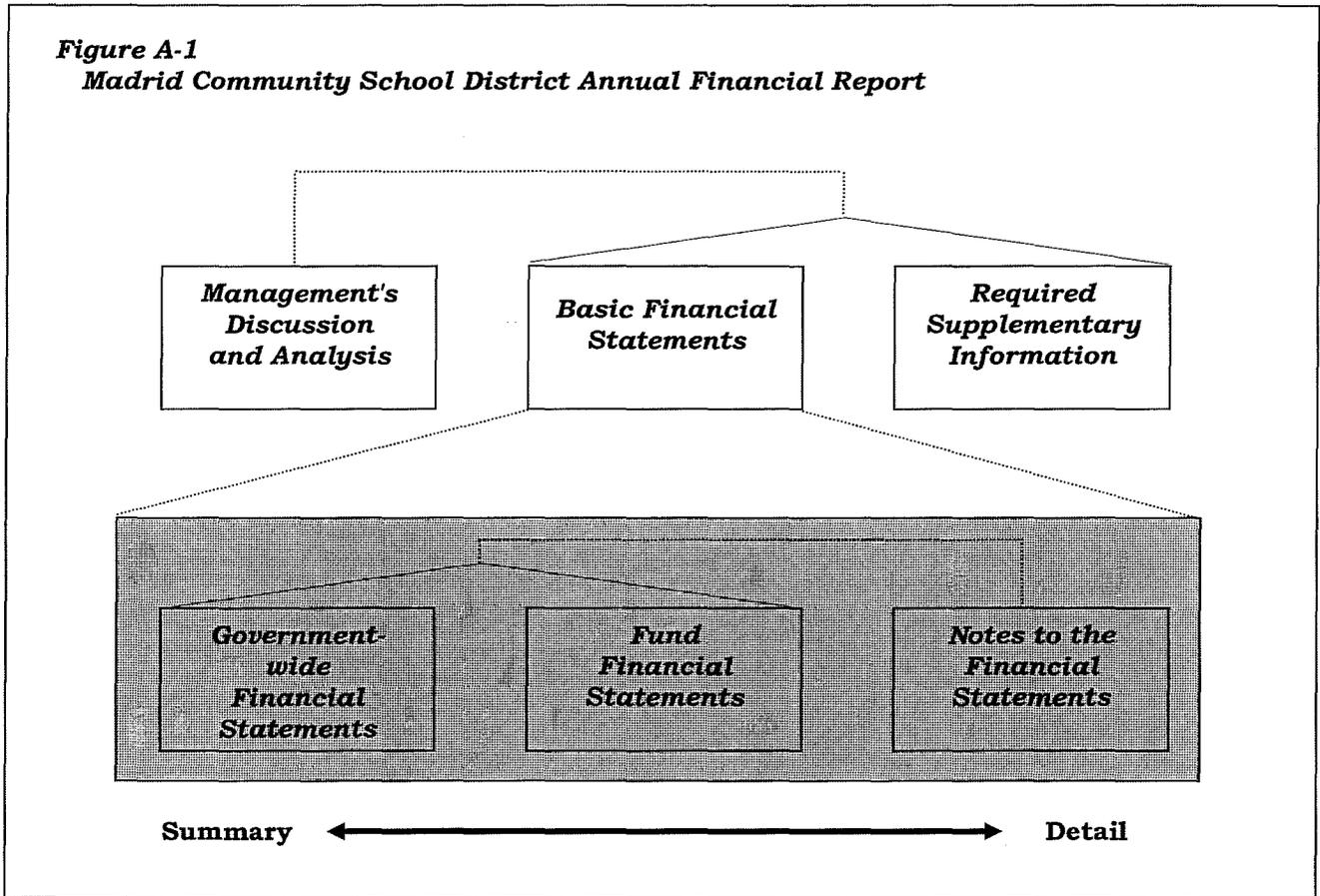


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, Special Revenue Funds, Debt Service Fund and 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 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 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		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 3,483,101	3,374,851	44,575	25,618	3,527,676	3,400,469	3.74%
Capital assets	4,121,451	3,824,649	13,637	16,758	4,135,088	3,841,407	7.65%
Total assets	7,604,552	7,199,500	58,212	42,376	7,662,764	7,241,876	5.81%
Long-term obligations	1,680,730	1,699,895	0	0	1,680,730	1,699,895	-1.13%
Other liabilities	2,569,417	2,585,891	2,621	2,865	2,572,038	2,588,756	-0.65%
Total liabilities	4,250,147	4,285,786	2,621	2,865	4,252,768	4,288,651	-0.84%
Net assets:							
Invested in capital assets, net of related debt	2,841,451	2,474,649	13,637	16,758	2,855,088	2,491,407	14.60%
Restricted	236,864	316,398	0	0	236,864	316,398	-25.14%
Unrestricted	276,090	122,667	41,954	22,753	318,044	145,420	118.71%
Total net assets	\$ 3,354,405	2,913,714	55,591	39,511	3,409,996	2,953,225	15.47%

The District's combined net assets increased by 15.47%, or \$456,771, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

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 decreased \$79,534, or 25.14% from the prior year.

Unrestricted net assets – are 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 – increased \$172,624, or 118.71%.

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

Figure A-4
Changes of Net Assets

	Governmental		Business type		Total		Total Change
	Activities		Activities		School District		
	2009	2008	2009	2008	2009	2008	
Revenues:							
Program revenues:							
Charges for services	\$ 427,107	407,727	212,586	186,142	639,693	593,869	7.72%
Operating grants, contributions and restricted interest	803,721	660,895	90,251	77,014	893,972	737,909	21.15%
Capital grants, contributions, and restricted interest	50	49	0	0	50	49	100.00%
General revenues:							
Local tax	1,734,637	1,588,255	0	0	1,734,637	1,588,255	9.22%
Statewide sales and services tax	374,681	366,930	0	0	374,681	366,930	2.11%
Unrestricted state grants	2,763,331	2,733,666	0	0	2,763,331	2,733,666	1.09%
Other	63,198	43,213	27	75	63,225	43,288	46.06%
Transfers	(78,578)	(74,853)	78,578	74,853	0	0	0.00%
Total revenues	6,088,147	5,725,882	381,442	338,084	6,469,589	6,063,966	6.69%
Program expenses:							
Governmental activities:							
Instructional	3,788,448	3,532,816	0	0	3,788,448	3,532,816	7.24%
Support services	1,382,432	1,429,658	0	0	1,382,432	1,429,658	-3.30%
Non-instructional programs	6,638	6,000	365,362	347,770	372,000	353,770	5.15%
Other expenses	469,938	425,161	0	0	469,938	425,161	10.53%
Total expenses	5,647,456	5,393,635	365,362	347,770	6,012,818	5,741,405	4.73%
Changes in net assets	440,691	332,247	16,080	(9,686)	456,771	322,561	41.61%
Beginning net assets	2,913,714	2,581,467	39,511	49,197	2,953,225	2,630,664	12.26%
Ending net assets	\$ 3,354,405	2,913,714	55,591	39,511	3,409,996	2,953,225	15.47%

In fiscal 2009, local tax and unrestricted state grants account for 73.88% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 79.39% of the revenue from business type activities.

The District's total revenues were \$6,469,589 of which \$6,088,147 was for governmental activities and less than \$381,442 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.69% increase in revenues and a 4.73% increase in expenses. Local tax revenues increased \$146,382 to fund increases in expenditures. The increase in expenses related to increases in regular and special instruction functions.

Governmental Activities

Revenues for governmental activities were \$6,088,147 and expenses were \$5,647,456. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

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	\$ 3,788,448	3,532,816	7.24%	2,766,092	2,660,017	3.99%
Support services	1,382,432	1,429,658	-3.30%	1,381,647	1,427,814	-3.23%
Non-instructional programs	6,638	6,000	10.63%	6,638	6,000	10.63%
Other expenses	469,938	425,161	10.53%	262,201	231,133	13.44%
Totals	<u>\$ 5,647,456</u>	<u>5,393,635</u>	<u>4.71%</u>	<u>4,416,578</u>	<u>4,324,964</u>	<u>2.12%</u>

- The cost financed by users of the District's programs was \$427,107.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$803,771.
- The net cost of governmental activities was financed with \$1,734,637 in local tax, \$374,681 in statewide sales and services tax, \$2,763,331 in unrestricted state grants, \$31,680 in interest income, and \$31,518 in other general revenue.

Business Type Activities

Revenues of the District's business type activities were \$381,442 and expenses were \$365,362. 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 Madrid 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 balance of \$739,573, above last year's ending fund balances of a \$637,500. The primary reason for the increase in combined fund balances in fiscal 2009 is due to increase in the General Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position from is the product of many factors. The District's General Fund increased \$139,005. Increases in state aid grants and charges for services and fees, during the year resulted in an increase in revenues.
- The Debt Service Fund balance increased from \$16,059 in fiscal 2008 to \$23,100 in fiscal 2009.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$39,511 at June 30, 2008 to \$55,591 at June 30, 2009, representing an increase of 40.70%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$1,045,038 less than budgeted revenues, a variance of 13.95%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, 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 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 \$4,135,088, 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 7.65% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$153,835.

The original cost of the District's capital assets was \$8,522,441. Governmental funds account for \$8,409,247 with the remainder of \$113,194 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvement category. The District's land improvements totaled \$33,182 at June 30, 2009, compared to \$20,602, reported at June 30, 2008.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 112,126	112,126	0	0	112,126	112,126	0.00%
Construction in progress	300,686	345,432	0	0	300,686	345,432	-12.95%
Buildings	3,594,775	3,239,348	0	0	3,594,775	3,239,348	10.97%
Land improvements	20,602	33,182	0	0	20,602	33,182	-37.91%
Machinery and equipment	93,262	94,560	13,637	16,758	106,899	111,318	-3.97%
Total	\$ 4,121,451	3,824,648	13,637	16,758	4,135,088	3,841,406	7.65%

Long-Term Debt

At June 30, 2009, the District had \$1,680,730 in long-term debt outstanding. This represents a decrease of 1.13% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds payable of \$1,280,000 at June 30, 2009.

The District had outstanding early retirement payable of \$385,966 at June 30, 2009.

The District had outstanding compensated absences at June 30, 2009 of \$14,764.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total Change
	School District		
	June 30, 2009	2008	June 30, 2008-09
General obligation bonds	\$ 1,280,000	1,350,000	-5.19%
Compensated absences	14,764	10,771	37.07%
Early Retirement	385,966	339,123	13.81%
Totals	<u>\$ 1,680,730</u>	<u>1,699,894</u>	<u>-1.13%</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 District has actively pursued grants from various sources in order to enhance the District's course offerings.
- The District is collecting statewide sales tax in Boone, Dallas & Polk counties within the District's boundaries. One-half of Boone County sales taxes are used to reduce the tax asking in the Debt Service Fund.
- 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 R. Johnson, Business Manager, Madrid Community School District, 201 North Main St., Madrid, Iowa, 50156.

BASIC FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP	\$ 782,192	0	782,192
Other	778,138	30,511	808,649
Receivables:			
Property tax:			
Delinquent	27,687	0	27,687
Succeeding year	1,533,997	0	1,533,997
Income surtax	183,806	0	183,806
Accounts	11,428	0	11,428
Accrued interest - ISCAP	97	0	97
Due from other governments	165,756	0	165,756
Inventories	0	14,064	14,064
Capital assets, net of accumulated depreciation	4,121,451	13,637	4,135,088
TOTAL ASSETS	7,604,552	58,212	7,662,764
LIABILITIES			
Accounts payable	240,556	0	240,556
ISCAP warrants payable	770,000	0	770,000
ISCAP accrued interest payable	263	0	263
ISCAP unamortized premium	14,906	0	14,906
Accrued interest payable	9,695	0	9,695
Deferred revenue:			
Succeeding year property tax	1,533,997	0	1,533,997
Other	0	2,621	2,621
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	110,000	0	110,000
Compensated absences	14,764	0	14,764
Early retirement payable	87,210	0	87,210
Portion due after one year:			
General obligation bonds payable	1,170,000	0	1,170,000
Early retirement payable	298,756	0	298,756
TOTAL LIABILITIES	4,250,147	2,621	4,252,768
NET ASSETS			
Invested in capital assets, net of related debt	2,841,451	13,637	2,855,088
Restricted for:			
Categorical funding	32,845	0	32,845
Debt service	23,100	0	23,100
Capital projects	38,767	0	38,767
Physical plant and equipment levy	98,400	0	98,400
Other special revenue purposes	43,752	0	43,752
Unrestricted	276,090	41,954	318,044
TOTAL NET ASSETS	\$ 3,354,405	55,591	3,409,996

SEE NOTES TO FINANCIAL STATEMENTS

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Expenses	Operating Grants, Contributions and Restricted Services	Capital Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction:							
Regular	\$ 2,653,638	188,225	565,201	0	(1,900,212)	0	(1,900,212)
Special	619,247	53,700	0	0	(565,547)	0	(565,547)
Other	515,563	185,182	30,048	0	(300,333)	0	(300,333)
	<u>3,788,448</u>	<u>427,107</u>	<u>595,249</u>	<u>0</u>	<u>(2,766,092)</u>	<u>0</u>	<u>(2,766,092)</u>
Support services:							
Student	117,730	0	0	0	(117,730)	0	(117,730)
Instructional staff	121,849	0	0	0	(121,849)	0	(121,849)
Administration	552,427	0	0	0	(552,427)	0	(552,427)
Operation and maintenance of plant	433,045	0	0	50	(432,995)	0	(432,995)
Transportation	157,381	0	735	0	(156,646)	0	(156,646)
	<u>1,382,432</u>	<u>0</u>	<u>735</u>	<u>50</u>	<u>(1,381,647)</u>	<u>0</u>	<u>(1,381,647)</u>
Non-instructional programs:							
Food service operations	6,638	0	0	0	(6,638)	0	(6,638)
Other expenditures:							
Facilities and acquisitions	51,539	0	0	0	(51,539)	0	(51,539)
Long-term debt interest	81,899	0	0	0	(81,899)	0	(81,899)
AEA flowthrough	207,737	0	207,737	0	0	0	0
Depreciation(unallocated)*	128,763	0	0	0	(128,763)	0	(128,763)
	<u>469,938</u>	<u>0</u>	<u>207,737</u>	<u>0</u>	<u>(262,201)</u>	<u>0</u>	<u>(262,201)</u>
Total governmental activities	5,647,456	427,107	803,721	50	(4,416,578)	0	(4,416,578)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	365,362	212,586	90,251	0	0	(62,525)	(62,525)
Total business-type activities	365,362	212,586	90,251	0	0	(62,525)	(62,525)
Total	\$ 6,012,818	639,693	893,972	50	(4,416,578)	(62,525)	(4,479,103)
General Revenues and Transfers:							
General revenue:							
Local tax for:							
General purposes					\$ 1,559,587	0	1,559,587
Debt Service					34,687	0	34,687
Capital outlay					118,600	0	118,600
Statewide sales and services tax					374,681	0	374,681
Income Surtax					21,763	0	21,763
Unrestricted state grants					2,763,331	0	2,763,331
Unrestricted investment earnings					31,680	27	31,707
Other general revenues					31,518	0	31,518
Transfers					(78,578)	78,578	0
Total general revenues and transfers					<u>4,857,269</u>	<u>78,605</u>	<u>4,935,874</u>
Changes in net assets					440,691	16,080	456,771
Net assets beginning of year					2,913,714	39,511	2,953,225
Net assets end of year					<u>\$ 3,354,405</u>	<u>55,591</u>	<u>3,409,996</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP	\$ 782,192	0	0	782,192
Other	469,502	22,448	286,188	778,138
Receivables:				
Property tax:				
Delinquent	21,108	644	5,935	27,687
Succeeding year	1,185,347	75,070	273,580	1,533,997
Income surtax	183,806	0	0	183,806
Accounts	7,808	0	3,620	11,428
Accrued interest - ISCAP	97	0	0	97
Due from other governments	91,794	8	73,954	165,756
TOTAL ASSETS	\$ 2,741,654	98,170	643,277	3,483,101
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 174,443	0	66,113	240,556
ISCAP warrants payable	770,000	0	0	770,000
ISCAP accrued interest payable	263	0	0	263
ISCAP unamortized premium	14,906	0	0	14,906
Deferred revenue:				
Succeeding year property tax	1,185,347	75,070	273,580	1,533,997
Income surtax	183,806	0	0	183,806
Total liabilities	2,328,765	75,070	339,693	2,743,528
Fund balances:				
Reserved for:				
Categorical funding	32,845	0	0	32,845
Debt service	0	23,100	0	23,100
Unreserved fund balance	380,044	0	303,584	683,628
Total fund balances	412,889	23,100	303,584	739,573
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,741,654	98,170	643,277	3,483,101

SEE NOTES TO FINANCIAL STATEMENTS

MADRID 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)	\$	739,573
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		4,121,451
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		183,806
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(9,695)
Long-term liabilities, including general obligation bonds, early retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(1,680,730)
		<hr style="border-top: 1px solid black;"/>
Net assets of governmental activities (page 13)	\$	<u><u>3,354,405</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,358,492	34,687	694,376	2,087,555
Tuition	241,925	0	0	241,925
Other	80,288	141	167,951	248,380
State sources	3,374,291	0	0	3,374,291
Federal sources	192,761	0	50	192,811
Total revenues	<u>5,247,757</u>	<u>34,828</u>	<u>862,377</u>	<u>6,144,962</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,487,273	0	114,273	2,601,546
Special	619,247	0	0	619,247
Other	370,230	0	147,386	517,616
	<u>3,476,750</u>	<u>0</u>	<u>261,659</u>	<u>3,738,409</u>
Support services:				
Student	117,730	0	0	117,730
Instructional staff	134,805	0	0	134,805
Administration	549,483	0	0	549,483
Operation and maintenance of plant	406,845	0	23,518	430,363
Transportation	136,824	0	11,132	147,956
	<u>1,345,687</u>	<u>0</u>	<u>34,650</u>	<u>1,380,337</u>
Non-instructional programs:				
Food service operations	0	0	6,638	6,638
Other expenditures:				
Facilities acquisitions	0	0	478,403	478,403
Long-term debt:				
Principal	0	95,000	0	95,000
Interest and fiscal charges	0	82,787	0	82,787
AEA flowthrough	207,737	0	0	207,737
	<u>207,737</u>	<u>177,787</u>	<u>478,403</u>	<u>863,927</u>
Total expenditures	<u>5,030,174</u>	<u>177,787</u>	<u>781,350</u>	<u>5,989,311</u>
Excess(deficiency) of revenues over(under) expenditures	217,583	(142,959)	81,027	155,651
Other financing sources(uses):				
Sale of bonds	0	1,280,000	0	1,280,000
Advance refunding of bonds	0	(1,255,000)	0	(1,255,000)
Transfers in	0	125,000	0	125,000
Transfers out	(78,578)	0	(125,000)	(203,578)
Total other financing sources(uses)	<u>(78,578)</u>	<u>150,000</u>	<u>(125,000)</u>	<u>(53,578)</u>
Net change in fund balances	139,005	7,041	(43,973)	102,073
Fund balance beginning of year	273,884	16,059	347,557	637,500
Fund balance end of year	<u>\$ 412,889</u>	<u>23,100</u>	<u>303,584</u>	<u>739,573</u>

SEE NOTES TO FINANCIAL STATEMENTS

MADRID 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) \$ 102,073

**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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 443,620	
Depreciation expense	(146,817)	296,803

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 21,763

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 70,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 888

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	\$ (46,843)	
Compensated absences	(3,993)	(50,836)

Changes in net assets of governmental activities(page 14) \$ 440,691

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

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 30,511
Inventories	14,064
Capital assets, net of accumulated depreciation	<u>13,637</u>
TOTAL ASSETS	<u>58,212</u>
LIABILITIES	
Unearned revenue	<u>2,621</u>
NET ASSETS	
Invested in capital assets	13,637
Unrestricted	41,954
TOTAL NET ASSETS	<u>\$ 55,591</u>

SEE NOTES TO FINANCIAL STATEMENTS

MADRID 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	\$ 205,775
Other miscellaneous revenue	6,811
TOTAL OPERATING REVENUES	212,586
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	138,050
Benefits	48,875
Services	2,880
Supplies	168,111
Depreciation	7,018
Other	428
TOTAL OPERATING EXPENSES	365,362
OPERATING LOSS	(152,776)
NON-OPERATING REVENUES:	
State sources	3,615
Federal sources	86,636
Interest on investments	27
TOTAL NON-OPERATING REVENUES	90,278
Change in net assets before other financing sources	(62,498)
OTHER FINANCING SOURCES	
Transfer from General Fund	78,578
Change in net assets	16,080
Net assets beginning of year	39,511
Net assets end of year	\$ 55,591

SEE NOTES TO FINANCIAL STATEMENTS

MADRID 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	\$ 205,570
Cash received from miscellaneous	6,811
Cash payments to employees for services	(186,925)
Cash payments to suppliers for goods or services	(153,625)
Net cash used in operating activities	(128,169)
Cash flows from non-capital financing activities:	
Transfer from General Fund	78,578
State grants received	3,615
Federal grants received	72,056
Net cash provided by non-capital financing activities	154,249
Cash flows from capital and related financing activities:	
Sale of equipment	428
Purchase of capital assets	(4,325)
Net cash used in capital and related financing activities	(3,897)
Cash flows from investing and other activities:	
Interest on investments	27
Net increase in cash and cash equivalents	22,210
Cash and cash equivalents at beginning of year	8,301
Cash and cash equivalents at end of year	\$ 30,511
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (152,776)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	14,580
Depreciation	7,018
Decrease in inventories	3,214
Decrease in accounts receivable	39
Decrease in unearned revenue	(244)
Net cash used in operating activities	\$ (128,169)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$14,580.

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(1) Summary of Significant Accounting Policies

The Madrid 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 Madrid, Iowa, and the predominate agricultural territory in Boone, Dallas, and Polk 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, Madrid 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 Madrid 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 Boone, Dallas and Polk 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 support.

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, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net asset 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 that 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 receipts that are 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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the School Nutrition Fund. The 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 is 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 are 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 to and Due from other funds - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as June 30, 2009, balances of interfund accounts receivable or payable have been recorded.

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	\$ 1,200
Buildings	1,200
Land improvements	1,200
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,200

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

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 represent 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 receivables 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.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned

when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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, 2008. 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 by the 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 and the Treasurer of the State of Iowa; 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 no investments as of June 30, 2009.

(3) Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 125,000
Nutrition	General	<u>78,578</u>
Total		<u>\$ 203,578</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) 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. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2009-10A	6/25/2009	6/22/2010	\$ 782,192	97	770,000	263

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:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2008-09B	3.100%	2.110%
2009-10A	2.500%	0.902%

(5) 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	\$ 112,126	0	0	112,126
Construction in progress	345,432	401,964	446,710	300,686
Total capital assets not being depreciated	<u>457,558</u>	<u>401,964</u>	<u>446,710</u>	<u>412,812</u>
Capital assets being depreciated:				
Buildings	6,325,919	471,610	0	6,797,529
Land improvements	504,600	0	0	504,600
Machinery and equipment	702,793	16,756	25,243	694,306
Total capital assets being depreciated	<u>7,533,312</u>	<u>488,366</u>	<u>25,243</u>	<u>7,996,435</u>
Less accumulated depreciation for:				
Buildings	3,086,571	116,183	0	3,202,754
Land improvements	471,418	12,580	0	483,998
Machinery and equipment	608,233	18,054	25,243	601,044
Total accumulated depreciation	<u>4,166,222</u>	<u>146,817</u>	<u>25,243</u>	<u>4,287,796</u>
Total capital assets being depreciated, net	<u>3,367,090</u>	<u>341,549</u>	<u>0</u>	<u>3,708,639</u>
Governmental activities capital assets, net	<u>\$ 3,824,648</u>	<u>743,513</u>	<u>446,710</u>	<u>4,121,451</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 110,151	4,325	1,282	113,194
Less accumulated depreciation	93,393	7,018	854	99,557
Business-type activities capital assets, net	<u>\$ 16,758</u>	<u>(2,693)</u>	<u>428</u>	<u>13,637</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 4,496
Support services:		
Administration		1,453
Operation and maintenance of plant		2,680
Transportation		9,425
Unallocated depreciation		<u>128,763</u>
Total governmental activities depreciation expense		<u>\$ 146,817</u>
Business-type activities:		
Food services		<u>\$ 7,018</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,350,000	1,280,000	1,350,000	1,280,000	110,000
Compensated absences	10,771	14,764	10,771	14,764	14,764
Early Retirement	339,123	147,710	100,867	385,966	87,210
Total	\$ 1,699,894	1,442,474	1,461,638	1,680,730	211,974

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of September 1, 2002			
	Interest Rates	Principal	Interest	Total
2010	1.80 %	\$ 110,000	42,012	152,012
2011	2.10	115,000	36,800	151,800
2012	2.30	120,000	34,385	154,385
2013	2.60	120,000	31,625	151,625
2014	2.80	125,000	28,505	153,505
2015-2019	3.1-4.0	690,000	79,755	769,755
Total		\$ 1,280,000	253,082	1,533,082

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 35% of the employee's regular contractual salary from the salary schedule in effect during the employees last year of employment. Early retirement benefits paid during the year totaled \$100,867.

(7) 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 covered 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 \$212,280, 188,397, and \$168,995, respectively, equal to the required contributions for each year.

(8) Risk Management

Madrid 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 \$207,737 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 Commitments

The District entered into various contracts totaling \$526,996 for the bus garage and lighting project. At June 30, 2009, \$300,686 of the contracts was left to be completed. The remaining amounts of the contracts will be paid as work on the project progresses.

(11) Categorical Funding

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

Project	Amount
Home School Assistance	\$ 6,449
Professional Development	6,348
Administator Mentoring	1,500
Market Factor	4,208
Core Curriculum	4,000
Market Factor	4,280
Core Curriculum	6,060
Reserved for catergorical funding	<u>\$ 32,845</u>

(12) Other Post-employment Benefits (OPEB)

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other post-employment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB No. 45.

(13) Subsequent Event

The Madrid Community School District entered into a lease agreement for a lighting project with Concise Leasing Corp. for \$194,479. The project was started in May 2009 and the lease is for the 2009-2010 year.

(14) Advance Refunding of Bonds

On March 1, 2009, the District issued \$1,280,000 in general obligation bonds to advance refunded \$1,255,000 of outstanding general obligation bonds which were called. Interest rates were reduced from 4.55-4.90% to 1.80-4.00%, reducing the District's future interest payments. The net present value savings to the District for the advance refunding was \$66,313.

REQUIRED SUPPLEMENTARY INFORMATION

MADRID 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
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,577,860	212,613	2,790,473	3,091,918	3,091,918	(301,445)
State sources	3,374,291	3,615	3,377,906	4,095,946	4,095,946	(718,040)
Federal sources	192,811	86,636	279,447	305,000	305,000	(25,553)
Total revenues	<u>6,144,962</u>	<u>302,864</u>	<u>6,447,826</u>	<u>7,492,864</u>	<u>7,492,864</u>	<u>(1,045,038)</u>
Expenditures/Expenses:						
Instruction	3,738,409	0	3,738,409	4,285,000	4,285,000	546,591
Support services	1,380,337	0	1,380,337	1,875,000	1,875,000	494,663
Non-instructional programs	6,638	365,362	372,000	510,000	510,000	138,000
Other expenditures	863,927	0	863,927	945,080	945,080	81,153
Total expenditures/expenses	<u>5,989,311</u>	<u>365,362</u>	<u>6,354,673</u>	<u>7,615,080</u>	<u>7,615,080</u>	<u>1,260,407</u>
Deficiency of revenues under expenditures/expenses	155,651	(62,498)	93,153	(122,216)	(122,216)	215,369
Other financing sources(uses), net	(53,578)	78,578	25,000	(10,000)	(10,000)	(35,000)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing us	102,073	16,080	118,153	(132,216)	(132,216)	250,369
Balance beginning of year	<u>637,500</u>	<u>39,511</u>	<u>677,011</u>	<u>529,602</u>	<u>529,602</u>	<u>147,409</u>
Balance end of year	<u>\$ 739,573</u>	<u>55,591</u>	<u>795,164</u>	<u>397,386</u>	<u>397,386</u>	<u>397,778</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

MADRID COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 118,885	40,132	96,171	255,188	31,000	286,188
Receivables:						
Property tax:						
Current year delinquent	3,734	0	2,201	5,935	0	5,935
Succeeding year	150,000	0	123,580	273,580	0	273,580
Accounts	0	3,620	0	3,620	0	3,620
Due from other governments	46	0	28	74	73,880	73,954
TOTAL ASSETS	\$ 272,665	43,752	221,980	538,397	104,880	643,277
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 0	0	0	0	66,113	66,113
Deferred revenue:						
Succeeding year property tax	150,000	0	123,580	273,580	0	273,580
Fund balances:						
Unreserved fund balances	122,665	43,752	98,400	264,817	38,767	303,584
Total fund balances	122,665	43,752	98,400	264,817	38,767	303,584
TOTAL LIABILITIES AND FUND BALANCES	\$ 272,665	43,752	221,980	538,397	104,880	643,277

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 201,095	0	118,600	319,695	374,681	694,376
Other	12,127	154,619	115	166,861	1,090	167,951
Federal sources	0	0	50	50	0	50
TOTAL REVENUES	213,222	154,619	118,765	486,606	375,771	862,377
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	114,273	0	0	114,273	0	114,273
Other instruction	0	147,386	0	147,386	0	147,386
Support services:						
Operation and maintenance of plant services	23,518	0	0	23,518	0	23,518
Student transportation	11,132	0	0	11,132	0	11,132
Non-instructional programs:						
Food service operations	6,638	0	0	6,638	0	6,638
Other expenditures:						
Facilities acquisitions	0	0	58,847	58,847	419,556	478,403
TOTAL EXPENDITURES	155,561	147,386	58,847	361,794	419,556	781,350
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	57,661	7,233	59,918	124,812	(43,785)	81,027
OTHER FINANCING USES:						
Transfers out	0	0	0	0	(125,000)	(125,000)
Net change in fund balances	57,661	7,233	59,918	124,812	(168,785)	(43,973)
FUND BALANCE BEGINNING OF YEAR	65,004	36,519	38,482	140,005	207,552	347,557
FUND BALANCE END OF YEAR	\$ 122,665	43,752	98,400	264,817	38,767	303,584

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID 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
Drama	\$ 546	735	165	1,116
7-12 Vocal Music	286	0	0	286
7-12 Music Trip	6,868	10,282	9,428	7,722
7-12 Instrumental Music	201	1,226	1,176	251
Elementary Music	807	316	49	1,074
Scholarships	5,400	13,006	13,700	4,706
7-12 Activities	825	1,343	415	1,753
Yearbook	0	2,165	2,115	50
HS Student Council	810	1,195	1,490	515
JH Student Council	182	0	0	182
K-6 Student Council	394	0	0	394
K-6 Building	1,694	6,389	5,254	2,829
Boys Basketball	53	7,709	7,677	85
Boys Basketball Camp	2,531	2,265	2,306	2,490
Football	723	42,135	38,478	4,380
Baseball	0	9,897	8,875	1,022
Boys Track	0	3,893	3,838	55
Golf	0	1,278	1,208	70
Football Camp	0	10,872	10,872	0
Girls Basketball	0	8,309	7,757	552
Volleyball	292	5,721	5,503	510
Softball	0	5,851	5,851	0
Softball Camp	0	3,652	3,652	0
Girls Track	0	1,509	1,454	55
District FCCLA	745	1,579	1,055	1,269
FCCLA	123	2,090	1,900	313
Spanish Club	658	0	0	658
HS Cheerleaders	725	6,817	6,318	1,224
JH Cheerleaders	459	269	467	261
7-12 Activity Awards	0	1,000	481	519
Class of 2009	2,115	0	2,115	0
Class of 2010	2,305	833	1,850	1,288
Class of 2011	2,749	310	1	3,058
Class of 2012	2,186	200	0	2,386
Class of 2013	1,120	731	214	1,637
Class of 2014	1,722	1,042	1,722	1,042
Total	\$ 36,519	154,619	147,386	43,752

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID 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	\$ 2,087,555	1,955,185	1,952,969	1,698,266	1,688,295	1,551,156
Tuition	241,925	202,345	173,929	177,624	155,947	111,578
Other	248,380	265,845	314,214	231,728	226,984	185,179
State sources	3,374,291	3,248,506	2,883,277	2,700,463	2,523,577	2,346,334
Federal sources	192,811	128,854	143,103	182,767	179,664	183,383
Total	<u>\$ 6,144,962</u>	<u>5,800,735</u>	<u>5,467,492</u>	<u>4,990,848</u>	<u>4,774,467</u>	<u>4,377,630</u>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 2,601,546	2,420,174	2,165,517	2,044,434	1,914,044	1,812,725
Special	619,247	529,503	524,670	506,964	587,167	559,072
Other	517,616	537,375	515,255	527,272	498,422	466,306
Support services:						
Student services	117,730	111,518	128,272	117,223	109,305	107,408
Instructional staff	134,805	151,619	143,674	202,236	194,616	196,845
Administration	549,483	523,941	548,187	494,642	459,971	440,807
Operation and maintenance of plant	430,363	463,548	453,402	440,722	396,592	387,372
Transportation	147,956	185,104	163,896	176,373	125,109	113,078
Non-instructional programs	6,638	6,000	5,432	4,177	68,190	62,506
Other expenditures:						
Facilities acquisitions	478,403	393,693	211,712	182,030	50,376	121,788
Long-term debt:						
Principal	95,000	95,000	90,000	85,000	80,000	80,989
Interest	82,787	67,868	72,408	76,233	79,833	83,108
AEA flow-through	207,737	194,028	177,033	163,191	154,800	155,671
Total	<u>\$ 5,989,311</u>	<u>5,679,371</u>	<u>5,199,458</u>	<u>5,020,497</u>	<u>4,718,425</u>	<u>4,587,675</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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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
Madrid 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 Madrid Community School District 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 February 26, 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 Madrid Community School District 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 Madrid Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Madrid 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 and other deficiencies we consider to be material weaknesses.

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 Madrid 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 Madrid Community School District's financial statements that is more than inconsequential will not be prevented or detected by Madrid Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings 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 Madrid 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. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madrid 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.

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.

Madrid Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Madrid 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 Madrid Community School District and other parties to whom Madrid 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 Madrid 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.

February 26, 2010

MADRID COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-09 Student Activity Fund - During our audit we noted scholarships were paid out of the Student Activity Fund. These expenditures are more appropriately paid from a Trust Fund.

Recommendation - The District should set up a Trust Fund to pay out scholarships.

Response - The District will set up Fund 81 for scholarships.

Conclusion - Response accepted.

MADRID COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting

- II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009, did not exceed the amount budgeted.
- II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-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.
- II-D-09 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-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.
- II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-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.
- II-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.
- II-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-K-09 Statewide Sales and Servicing 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 servicing 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 service tax revenue		374,681
Expenditures/transfers out:		
School Infrastructure		
Other improvements		249,681
Debt service for school infrastructure		
Revenue debt		<u>125,000</u>
Ending Balance	\$	<u><u>0</u></u>