

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Net Assets	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	23
Statement of Changes in Fiduciary Net Assets	K	24
Notes to Basic Financial Statements		25-37
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		38
Notes to Required Supplementary Information - Budgetary Reporting		39
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	41
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	42
Debt Service Funds:		
Combining Balance Sheet	4	43
Combining Schedule of Changes in Revenues, Expenses and Changes in Fund Balances	5	44
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	45
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 <u>Government Auditing Standards</u>		46-47
Schedule of Findings		48-52

Martensdale-St. Marys Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
A. Velvet Van Hoose	President	2009
Scott Anderson	Vice-President	2008
John Della Vedova	Board Member	2009
Patrick Conner	Board Member	2008
Cathy Seymour	Board Member	2010
Board of Education (After September 2008 Election)		
A. Velvet Van Hoose	President	2009
Scott Anderson	Vice-President	2011
John Della Vedova	Board Member	2009
Nicole Bunch	Board Member	2011
Cathy Seymour	Board Member	2011*
School Officials		
Jean Peterson	Superintendent	2009
Jane Cassidy	District Secretary/Treasurer and Business Manager (Resigned)	2009
Jill Gavin	District Secretary/Treasurer and Business Manager (Appointed)	2009
Ahlers & Cooney	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 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Martensdale-St. Marys 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 Martensdale-St. Marys Community School District, Martensdale, 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Martensdale-St. Marys 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 3, 2010 on our consideration of the Martensdale-St. Marys Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 13 and 38 through 39 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 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 Martensdale-St. Marys 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 an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, 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 3, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Martensdale-St. Marys 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 \$4,836,238 in fiscal 2008 to \$5,173,295 in fiscal 2009, while General Fund expenditures increased from \$4,775,214 in fiscal 2008 to \$5,191,609 in fiscal 2009. The District's General Fund balance decreased from \$458,844 in fiscal 2008 to \$407,254 in fiscal 2009, an 11.24% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state sources in fiscal 2009. The increase in expenditures was due primarily to an increase in negotiated salary and benefits.
- As of June 30, 2009 the District's solvency ratio was 7.67% as compared to 9.03% for the year ended June 30, 2008.

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 Martensdale-St. Marys 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 Martensdale-St. Marys 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 Martensdale-St. Marys Community School District acts solely as an agent or custodial for the benefit of those outside of the 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 governmental funds.

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

Figure A-1
Martensdale-St. Marys Community School District Annual Financial Report

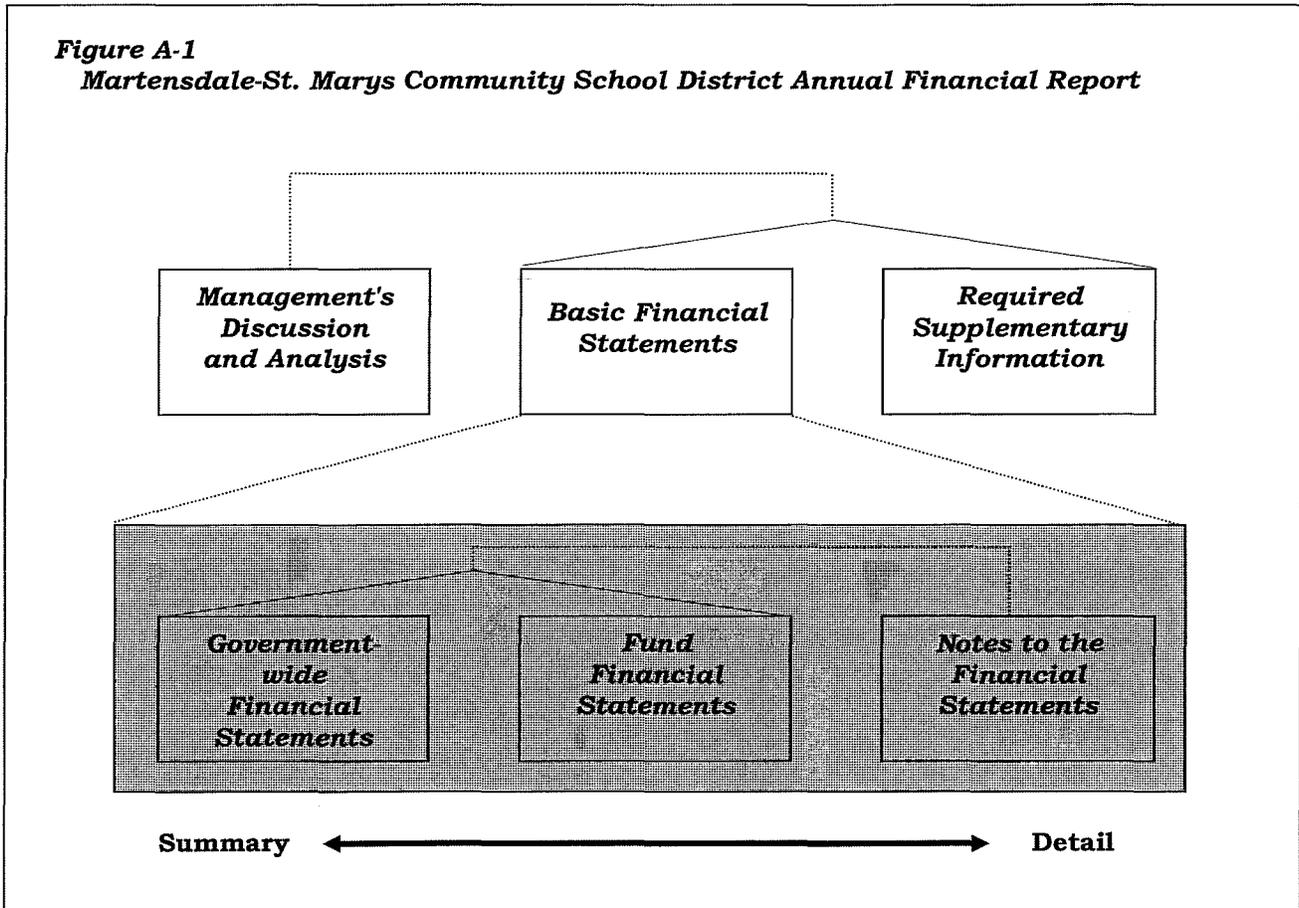


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, e.g., food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
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 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All 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	All additions and deductions 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 three 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, the Debt Service 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 three Enterprise Funds, the School Nutrition Fund, the Day Care Fund and the Pre-kindergarten 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.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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 Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 7,986,693	4,404,551	13,760	60,204	8,000,453	4,464,755	79.19%
Capital assets	4,387,911	4,066,544	43,268	36,725	4,431,179	4,103,269	7.99%
Total assets	<u>12,374,604</u>	<u>8,471,095</u>	<u>57,028</u>	<u>96,929</u>	<u>12,431,632</u>	<u>8,568,024</u>	<u>45.09%</u>
Long-term liabilities	6,029,892	2,402,816	0	0	6,029,892	2,402,816	150.95%
Other liabilities	3,134,212	2,800,325	13,409	17,200	3,147,621	2,817,525	11.72%
Total liabilities	<u>9,164,104</u>	<u>5,203,141</u>	<u>13,409</u>	<u>17,200</u>	<u>9,177,513</u>	<u>5,220,341</u>	<u>75.80%</u>
Net assets:							
Invested in capital assets, net of related debt	1,696,708	1,716,544	43,268	36,725	1,739,976	1,753,269	-0.76%
Restricted	948,277	942,697	0	0	948,277	942,697	0.59%
Unrestricted	565,515	608,713	351	43,004	565,866	651,717	-13.17%
Total net assets	<u>\$ 3,210,500</u>	<u>3,267,954</u>	<u>43,619</u>	<u>79,729</u>	<u>3,254,119</u>	<u>3,347,683</u>	<u>-2.79%</u>

The District's combined net assets decreased by 2.79%, or \$93,564, 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), 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 increased \$5,580 or 0.59% 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 – decreased \$85,851 or 13.17%.

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 803,714	678,319	242,494	315,389	1,046,208	993,708	5.28%
Operating grants, contributions, and restricted interest	806,297	619,689	87,801	68,566	894,098	688,255	29.91%
Capital grants, contributions, and restricted interest	0	25,000	0	0	0	25,000	-100.00%
General revenues:							
Property tax	1,696,665	1,609,289	0	0	1,696,665	1,609,289	5.43%
Income surtax	222,455	220,415	0	0	222,455	220,415	0.93%
Statewide sales and services tax	296,745	293,832	0	0	296,745	293,832	0.99%
Unrestricted state grants	2,135,454	2,150,147	0	0	2,135,454	2,150,147	-0.68%
Unrestricted interest	28,729	41,039	35	0	28,764	41,039	-29.91%
Other general revenue	58,110	81,375	0	0	58,110	81,375	-28.59%
Total revenues	6,048,169	5,719,105	330,330	383,955	6,378,499	6,103,060	4.51%
Program expenses:							
Governmental activities:							
Instruction	3,579,139	3,325,563	110,685	107,888	3,689,824	3,433,451	7.47%
Support services	1,905,402	1,595,580	593	0	1,905,995	1,595,580	19.45%
Non-instructional programs	0	0	288,438	253,209	288,438	253,209	13.91%
Other expenses	587,806	443,890	0	0	587,806	443,890	32.42%
Total expenses	6,072,347	5,365,033	399,716	361,097	6,472,063	5,726,130	13.03%
Changes in net assets before transfers	(24,178)	354,072	(69,386)	22,858	(93,564)	376,930	-124.82%
Transfers	(33,276)	0	33,276	0	0	0	0.00%
Changes in net assets	(57,454)	354,072	(36,110)	22,858	(93,564)	376,930	-124.82%
Beginning net assets	3,267,954	2,913,882	79,729	56,871	3,347,683	2,970,753	12.69%
Ending net assets	\$ 3,210,500	3,267,954	43,619	79,729	3,254,119	3,347,683	-2.79%

Local tax and unrestricted state grants account for 71.94% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.99% of the revenue from business type activities.

The District's total revenues were approximately \$6.38 million, of which \$6.02 million was for governmental activities and \$0.36 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.51% increase in revenues and a 13.03% increase in expenses. Property tax increased \$92,329 to fund increases in expenses. The increases in expenses were related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$6,048,169 and expenses were \$6,072,347 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.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change	2009	2008	Change
			2008-09			2008-09
Instruction	\$ 3,579,139	3,325,563	7.63%	2,149,034	2,201,803	-2.40%
Support services	1,905,402	1,595,580	19.42%	1,903,626	1,591,738	19.59%
Other expenses	587,806	443,890	32.42%	409,676	248,484	64.87%
Totals	\$ 6,072,347	5,365,033	13.18%	4,462,336	4,042,025	10.40%

For the year ended June 30, 2009:

- The cost financed by users of the District’s programs was \$803,714.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$806,297.
- The net cost of governmental activities was financed with \$1,696,665 in local tax, \$222,455 in income surtax, \$296,745 in statewide sales and services tax, \$2,135,454 in unrestricted state grants, \$28,729 in interest income, and \$58,110 in other general revenue.

Business Type Activities

Revenues of the District’s business type activities were \$330,330 and expenses were \$399,716. The District’s business type activities include the School Nutrition Fund, Day Care Fund and Pre-Kindergarten 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 Martensdale-St. Marys 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 \$4,678,757, over last year’s ending fund balances of a \$1,422,539. This increase was due to the District issuing \$3,755,000 in revenue bonds during the year.

Governmental Fund Highlights

- The District’s General Fund financial position decreased from \$458,844 to \$407,254 is the product of many factors:
 - The District saw an increase in General Fund revenues as compared to fiscal 2008; the increase in revenues however was not enough to offset the increase in expenditures thus ensuring the decrease in the General Fund.

-
- The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
 - The Capital Projects Fund balance increased from \$621,050 in fiscal 2008 to \$3,740,288 in fiscal 2009. The balance increased due to the District issuing \$3,755,000 in revenue bonds during the fiscal year.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$60,482 at June 30, 2008 to \$58,859 at June 30, 2009, representing a decrease of 3.31%. The Day Care Fund net assets decreased from \$12,765 at June 30, 2008 to a deficit balance of \$123 at June 30, 2009, representing a decrease of 100.96%. Net assets for the Pre-Kindergarten fund at June 30, 2009 were a deficit balance of \$14,737 compared to \$6,482 at June 30, 2009, representing a decrease of 327.35%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Martensdale-St. Marys Community School District amended its budget one time to reflect additional expenditures associated with expenditures in all functions.

The District's revenues were \$501,620 more than budgeted revenues, a variance of 8.55%. The most significant variance resulted from the District receiving more in local 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 as is deemed necessary for each fiscal year. 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and non-instructional programs functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$4,431,179, 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) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$139,516.

The original cost of the District's capital assets was \$6,736,698. Governmental funds account for \$6,583,020 with the remainder of \$153,678 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 \$5,311 at June 30, 2008, compared to \$281,092 reported at June 30, 2009. This increase is a result of the ball field and HVAC projects that are being done by the District.

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	\$ 141,670	110,000	0	0	141,670	110,000	28.79%
Construction in progress	281,092	5,311	0	0	281,092	5,311	5192.64%
Land improvements	67,550	68,824			67,550	68,824	-1.85%
Buildings and improvements	3,690,455	3,791,210	0	0	3,690,455	3,791,210	-2.66%
Machinery and equipment	207,144	91,199	43,268	36,725	250,412	127,924	95.75%
Total	\$ 4,387,911	4,066,544	43,268	36,725	4,431,179	4,103,269	7.99%

Long-Term Debt

At June 30, 2009, the District had \$6,029,892 in total long-term debt outstanding. This represents an increase of 150.95% 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 total outstanding general obligation bonds payable of \$2,235,000 at June 30, 2009.

The District had total outstanding revenue bonds payable of \$3,755,000 at June 30, 2009.

The District had total outstanding post employment benefits from the General Fund of \$4,747 at June 30, 2009.

The District had total outstanding early retirement from the Management Levy Fund of \$35,145 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General Obligation Bonds	\$ 2,235,000	2,350,000	-4.89%
Revenue Bonds	3,755,000	0	100.00%
Post Employment Benefits	4,747	9,861	-51.86%
Early Retirement	35,145	42,955	-18.18%
Totals	\$ 6,029,892	2,402,816	150.95%

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:

- 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.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District.

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 Jill Gavin, District Secretary/Treasurer and Business Manager, Martensdale-St. Marys Community School District, Martensdale, Iowa, 50160.

BASIC FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP	\$ 661,308	0	661,308
Other	4,973,656	11,368	4,985,024
Receivables:			
Property tax:			
Delinquent	20,857	0	20,857
Succeeding year	1,864,970	0	1,864,970
Income surtax	201,092	0	201,092
Accrued ISCAP interest	588	0	588
Due from other governments	264,222	0	264,222
Inventories	0	2,392	2,392
Capital assets, net of accumulated depreciation	4,387,911	43,268	4,431,179
TOTAL ASSETS	12,374,604	57,028	12,431,632
LIABILITIES			
Accounts payable	158,759	3	158,762
Salaries and benefits payable	405,240	11,672	416,912
ISCAP warrants payable	651,000	0	651,000
ISCAP interest payable	223	0	223
ISCAP unamortized premium	12,602	0	12,602
Interest payable	27,368	0	27,368
Deferred revenue:			
Succeeding year property tax	1,864,970	0	1,864,970
Other	14,050	0	14,050
Unearned revenue	0	1,734	1,734
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	120,000	0	120,000
Post employment benefit	4,069	0	4,069
Early retirement	7,810	0	7,810
Portion due after one year:			
General obligation bonds	2,115,000	0	2,115,000
Revenue bonds	3,755,000	0	3,755,000
Post employment benefit	678	0	678
Early retirement	27,335	0	27,335
TOTAL LIABILITIES	9,164,104	13,409	9,177,513
NET ASSETS			
Invested in capital assets, net of related debt	1,696,708	43,268	1,739,976
Restricted for:			
Categorical funding	10,716	0	10,716
Management levy	23,845	0	23,845
Physical plant and equipment levy	31,828	0	31,828
Capital projects	441,491	0	441,491
Debt service	367,794	0	367,794
Other special revenue purposes	72,603	0	72,603
Unrestricted	565,515	351	565,866
TOTAL NET ASSETS	\$ 3,210,500	43,619	3,254,119

SEE NOTES TO BASIC FINANCIAL STATEMENTS

Exhibit B

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,513,007	420,407	600,963	(1,491,637)	0	(1,491,637)
Special	758,459	215,362	25,428	(517,669)	0	(517,669)
Other	307,673	167,945	0	(139,728)	0	(139,728)
	<u>3,579,139</u>	<u>803,714</u>	<u>626,391</u>	<u>(2,149,034)</u>	<u>0</u>	<u>(2,149,034)</u>
Support services:						
Student	134,882	0	0	(134,882)	0	(134,882)
Instructional staff	30,818	0	0	(30,818)	0	(30,818)
Administration	796,918	0	0	(796,918)	0	(796,918)
Operation and maintenance of plant	637,538	0	0	(637,538)	0	(637,538)
Transportation	305,246	0	1,776	(303,470)	0	(303,470)
	<u>1,905,402</u>	<u>0</u>	<u>1,776</u>	<u>(1,903,626)</u>	<u>0</u>	<u>(1,903,626)</u>
Other expenditures:						
Long-term debt:						
Interest and fiscal charges	307,647	0	0	(307,647)	0	(307,647)
AEA flowthrough	178,130	0	178,130	0	0	0
Depreciation (unallocated) *	102,029	0	0	(102,029)	0	(102,029)
	<u>587,806</u>	<u>0</u>	<u>178,130</u>	<u>(409,676)</u>	<u>0</u>	<u>(409,676)</u>
Total governmental activities	<u>6,072,347</u>	<u>803,714</u>	<u>806,297</u>	<u>(4,462,336)</u>	<u>0</u>	<u>(4,462,336)</u>
Business Type activities:						
Instruction:						
Regular	110,685	56,190	0	0	(54,495)	(54,495)
Support services:						
Transportation	593	0	0	0	(593)	(593)
Non-instructional programs:						
Food service operations	227,575	137,771	87,801	0	(2,003)	(2,003)
Day care operations	60,863	48,533	0	0	(12,330)	(12,330)
Total business type activities	<u>399,716</u>	<u>242,494</u>	<u>87,801</u>	<u>0</u>	<u>(69,421)</u>	<u>(69,421)</u>
Total	<u>\$ 6,472,063</u>	<u>1,046,208</u>	<u>894,098</u>	<u>(4,462,336)</u>	<u>(69,421)</u>	<u>(4,531,757)</u>
General Revenues and Transfers:						
General Revenues:						
Local tax for:						
General purposes				\$ 1,423,977	0	1,423,977
Debt service				165,720	0	165,720
Capital outlays				106,968	0	106,968
Statewide sales and services tax				296,745	0	296,745
Income surtax				222,455	0	222,455
Unrestricted state grants				2,135,454	0	2,135,454
Unrestricted investment earnings				28,729	35	28,764
Other general revenues				58,110	0	58,110
Transfers				(33,276)	33,276	0
Total general revenues and transfers				<u>4,404,882</u>	<u>33,311</u>	<u>4,438,193</u>
Changes in net assets				(57,454)	(36,110)	(93,564)
Net assets beginning of year				<u>3,267,954</u>	<u>79,729</u>	<u>3,347,683</u>
Net assets end of year				<u>\$ 3,210,500</u>	<u>43,619</u>	<u>3,254,119</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP	\$ 661,308	0	0	661,308
Other	833,252	3,613,401	527,003	4,973,656
Receivables:				
Property tax:				
Delinquent	16,645	0	4,212	20,857
Succeeding year	1,535,401	0	329,569	1,864,970
Income surtax	201,092	0	0	201,092
Accrued ISCAP interest	588	0	0	588
Due from other governments	130,236	133,986	0	264,222
TOTAL ASSETS	\$ 3,378,522	3,747,387	860,784	7,986,693
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	151,660	7,099	0	158,759
Salaries and benefits payable	405,240	0	0	405,240
ISCAP warrants payable	651,000	0	0	651,000
ISCAP interest payable	223	0	0	223
ISCAP unamortized premium	12,602	0	0	12,602
Deferred revenue:				
Succeeding year property tax	1,535,401	0	329,569	1,864,970
Income surtax	201,092	0	0	201,092
Other	14,050	0	0	14,050
Total liabilities	2,971,268	7,099	329,569	3,307,936
Fund balances:				
Reserved for:				
Categorical funding	10,716	0	0	10,716
Capital facility construction	0	3,298,797	0	3,298,797
Debt service	0	0	367,794	367,794
Unreserved:	396,538	441,491	163,421	1,001,450
Total fund balances	407,254	3,740,288	531,215	4,678,757
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,378,522	3,747,387	860,784	7,986,693

SEE NOTES TO BASIC FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS 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 16)	\$ 4,678,757
<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.	4,387,911
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	201,092
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, are deferred in the governmental funds.	(27,368)
Long-term liabilities, including bonds payable, early retirement, and post employment benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(6,029,892)</u>
Net assets of governmental activities(page 14)	<u><u>\$ 3,210,500</u></u>

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,565,388	296,745	342,687	2,204,820
Tuition	608,670	0	0	608,670
Other	96,884	8,009	176,990	281,883
State sources	2,718,850	0	0	2,718,850
Federal sources	183,503	39,398	0	222,901
Total revenues	<u>5,173,295</u>	<u>344,152</u>	<u>519,677</u>	<u>6,037,124</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,521,032	39,128	0	2,560,160
Special	758,459	0	0	758,459
Other	165,406	0	149,225	314,631
	<u>3,444,897</u>	<u>39,128</u>	<u>149,225</u>	<u>3,633,250</u>
Support services:				
Student	134,847	0	0	134,847
Instructional staff	37,821	0	0	37,821
Administration	660,658	147,847	22,793	831,298
Operation and maintenance of plant	418,762	3,679	224,604	647,045
Transportation	316,494	75,495	3,262	395,251
	<u>1,568,582</u>	<u>227,021</u>	<u>250,659</u>	<u>2,046,262</u>
Other expenditures:				
Facilities acquisitions	0	237,580	3,769	241,349
Long-term debt:				
Principal	0	0	115,000	115,000
Interest and fiscal charges	0	0	100,722	100,722
AEA flowthrough	178,130	0	0	178,130
	<u>178,130</u>	<u>237,580</u>	<u>219,491</u>	<u>635,201</u>
Total expenditures	<u>5,191,609</u>	<u>503,729</u>	<u>619,375</u>	<u>6,314,713</u>
Deficiency of revenues under expenditures	<u>(18,314)</u>	<u>(159,577)</u>	<u>(99,698)</u>	<u>(277,589)</u>
Other financing sources(uses):				
Transfer in	0	87,168	375,436	462,604
Transfer out	(33,276)	(375,436)	(87,168)	(495,880)
Issuance of bonds	0	3,755,000	0	3,755,000
Cost of issuance of bonds	0	(187,917)	0	(187,917)
Total other financing sources(uses)	<u>(33,276)</u>	<u>3,278,815</u>	<u>288,268</u>	<u>3,533,807</u>
Net change in fund balances	(51,590)	3,119,238	188,570	3,256,218
Fund balance beginning of year	458,844	621,050	342,645	1,422,539
Fund balance end of year	<u>\$ 407,254</u>	<u>3,740,288</u>	<u>531,215</u>	<u>4,678,757</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS 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 18) \$ 3,256,218

*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. Capital outlay expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 450,145	
Depreciation expense	<u>(128,778)</u>	321,367

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Issued	\$ (3,755,000)	
Repaid	<u>115,000</u>	(3,640,000)

Interest on long-term debt in the Statement of Activites 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. (19,008)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 11,045

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	\$ 7,810	
Post employment benefits	<u>5,114</u>	<u>12,924</u>

Changes in net assets of governmental activities(page 15) \$ (57,454)

SEE NOTES TO BASIC FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	School Nutrition	Day Care	Pre Kindergarten	Total
ASSETS				
Cash and cash equivalents	\$ 14,553	(120)	(3,065)	11,368
Inventories	2,392	0	0	2,392
Capital assets, net of accumulated depreciation	43,268	0	0	43,268
TOTAL ASSETS	60,213	(120)	(3,065)	57,028
LIABILITIES				
Accounts payable	0	3	0	3
Salaries and benefits payable	0	0	11,672	11,672
Unearned revenue	1,734	0	0	1,734
TOTAL LIABILITIES	1,734	3	11,672	13,409
NET ASSETS				
Invested in capital assets	43,268	0	0	43,268
Unrestricted	15,211	(123)	(14,737)	351
Total net assets	\$ 58,479	(123)	(14,737)	43,619

SEE NOTES TO BASIC FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	School Nutrition	Day Care	Pre Kindergarten	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 137,771	48,533	56,190	242,494
OPERATING EXPENSES:				
Instruction:				
Regular:				
Salaries	0	0	110,685	110,685
Support services:				
Transportation:				
Services	0	593	0	593
Non-instructional programs:				
Food and community service operations:				
Salaries	75,749	45,764	0	121,513
Benefits	10,655	5,871	0	16,526
Services	4,164	0	0	4,164
Supplies	126,269	9,228	0	135,497
Depreciation	10,738	0	0	10,738
Total food and community service operations	227,575	60,863	0	288,438
TOTAL OPERATING EXPENSES	227,575	61,456	110,685	399,716
OPERATING LOSS	(89,804)	(12,923)	(54,495)	(157,222)
NON-OPERATING REVENUES:				
State sources	2,858	0	0	2,858
Federal sources	84,943	0	0	84,943
Interest income	0	35	0	35
TOTAL NON-OPERATING REVENUES	87,801	35	0	87,836
Changes in net assets before transfers	(2,003)	(12,888)	(54,495)	(69,386)
Transfers in	0	0	33,276	33,276
Changes in net assets	(2,003)	(12,888)	(21,219)	(36,110)
Net assets beginning of year	60,482	12,765	6,482	79,729
Net assets end of year	\$ 58,479	(123)	(14,737)	43,619

SEE NOTES TO BASIC FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	School Nutrition	Day Care	Pre Kindergarten	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 136,444	0	0	136,444
Cash received from miscellaneous operating activities	0	49,803	56,608	106,411
Cash payments to employees for services	(86,404)	(51,635)	(111,265)	(249,304)
Cash payments to suppliers for goods or services	(112,668)	(11,505)	(200)	(124,373)
Net cash used in operating activities	<u>(62,628)</u>	<u>(13,337)</u>	<u>(54,857)</u>	<u>(130,822)</u>
Cash flows from non-capital financing activities:				
State grants received	2,858	0	0	2,858
Federal grants received	67,011	0	0	67,011
Transfer from the General Fund	0	0	33,276	33,276
Net cash provided by non-capital financing activities	<u>69,869</u>	<u>0</u>	<u>33,276</u>	<u>103,145</u>
Cash flows from capital and other financing activities:				
Acquisition of assets	(17,281)	0	0	(17,281)
Cash flows from investing activities:				
Interest on investments	0	35	0	35
Net decrease in cash and cash equivalents	(10,040)	(13,302)	(21,581)	(44,923)
Cash and cash equivalents at beginning of year	24,593	13,182	18,516	56,291
Cash and cash equivalents at end of year	<u>\$ 14,553</u>	<u>(120)</u>	<u>(3,065)</u>	<u>11,368</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating income loss	\$ (89,804)	(12,923)	(54,495)	(157,222)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	17,932	0	0	17,932
Depreciation	10,738	0	0	10,738
Increase in inventories	(167)	0	0	(167)
Decrease in accounts receivable	0	1,270	418	1,688
Decrease in accounts payable	0	(1,684)	(200)	(1,884)
Decrease in salaries and benefits payable	0	0	(580)	(580)
Decrease in deferred revenue	(1,327)	0	0	(1,327)
Net cash used in operating activities	<u>\$ (62,628)</u>	<u>(13,337)</u>	<u>(54,857)</u>	<u>(130,822)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and investments	<u>\$ 14,553</u>	<u>(120)</u>	<u>(3,065)</u>	<u>11,368</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
During the year ended June 30, 2009, the District received Federal commodities valued at \$17,932.				
SEE NOTES TO BASIC FINANCIAL STATEMENTS				

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 76,115
LIABILITIES	<u>0</u>
NET ASSETS	
Reserved for scholarships	<u>\$ 76,115</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2009

		<u>Private Purpose Trust</u>
		<u>Scholarship</u>
Additions:		
Local sources:		
Interest on investments	\$	<u>3,345</u>
Deductions:		
Instruction:		
Regular:		
Scholarships awarded		<u>4,000</u>
Change in net assets		(655)
Net assets beginning of year		<u>76,770</u>
Net assets end of year	\$	<u><u>76,115</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

The Martensdale-St. Marys Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. The geographic area served includes the Cities of Martensdale and St. Marys, Iowa, and the predominate agricultural territories in Warren and Madison 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, Martensdale-St. Marys 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 Martensdale-St. Marys 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 does 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 Warren and Madison 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, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

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 not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which 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 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 expenditures, 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 funds:

The District's proprietary funds are the Enterprise Fund, School Nutrition Fund, Day Care Fund and Pre-kindergarten Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund

is used to account for the day care service operations of the District. The Pre-kindergarten Fund is used to account for services provided to Pre-kindergarten aged children by the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary 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 non-operating 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 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 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 repair 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	\$ 500
Buildings	500
School Nutrition Fund equipment	500
Other machinery and equipment	500

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	5-12 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.

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.

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. During the year ended June 30, 2009 expenditures in the support services and non-instructional functional areas exceeded the amounts budgeted.

(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; 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.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 4,073,024

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 rated Aaa by Moody's Investors Service.

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 375,436
Special Revenue, Physical Plant and Equipment Levy	Capital Projects	87,168
Enterprise, Pre-Kindergarten	General	<u>33,276</u>
Total		<u>\$ 495,880</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 Schools 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 as of June 30, 2008 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	\$ 661,308	588	651,000	223

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, and 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 warrants bear interest and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
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	\$ 110,000	31,670	0	141,670
Construction in progress	5,311	275,781	0	281,092
Total capital assets not being depreciated	115,311	307,451	0	422,762
Land improvements	80,969	0	0	80,969
Buildings and improvements	5,173,713	0	0	5,173,713
Machinery and equipment	919,669	142,694	156,787	905,576
Total capital assets being depreciated	6,174,351	142,694	156,787	6,160,258
Less accumulated depreciation for:				
Land improvements	12,145	1,274	0	13,419
Buildings and improvements	1,382,503	100,755	0	1,483,258
Machinery and equipment	828,470	26,749	156,787	698,432
Total accumulated depreciation	2,223,118	128,778	156,787	2,195,109
Total capital assets being depreciated, net	3,951,233	13,916	0	3,965,149
Governmental activities capital assets, net	\$ 4,066,544	321,367	0	4,387,911

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 87,656	17,281	(48,741)	153,678
Less accumulated depreciation	50,931	10,738	(48,741)	110,410
Business-type activities capital assets, net	\$ 36,725	6,543	0	43,268

Depreciation expense was charged by the District as follows:

Instruction:			
Regular			\$ 2,140
Other			6,687
Support services:			
Student			535
Instructional staff			9,897
Administration			802
Operation and maintenance of plant			1,338
Transportation			5,350
Unallocated depreciation			102,029
Total governmental activities depreciation expense			\$ 128,778
Business-type activities:			
Food services			\$ 10,738

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 2,350,000	0	115,000	2,235,000	120,000
Revenue Bonds	0	3,755,000	0	3,755,000	0
Post Employment Benefits	9,861	0	5,113	4,748	4,069
Early Retirement	42,955	0	7,810	35,145	7,810
Total	\$ 2,402,816	3,755,000	127,923	6,029,893	131,879

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 December 31, 2003				
	Interest Rates		Principal	Interest	Total
2010	4.00	% \$	120,000	95,435	215,435
2011	3.25		125,000	90,635	215,635
2012	3.50		130,000	86,573	216,573
2013	3.75		135,000	82,022	217,022
2014	4.00		140,000	76,960	216,960
2015-2019	4.10-4.50		805,000	291,650	1,096,650
2020-2023	4.60-4.75		780,000	94,540	874,540
Total			\$ 2,235,000	817,815	3,052,815

Revenue Bonds

Details of the District's June 30, 2009 statewide sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 21, 2009				
	Interest Rates		Principal	Interest	Total
2010	3.50	% \$	0	106,784	106,784
2011	3.50		0	174,738	174,738
2012	3.50		100,000	172,988	272,988
2013	3.50		100,000	169,488	269,488
2014	3.50		140,000	165,288	305,288
2015-2019	3.50-4.13		800,000	740,141	1,540,141
2020-2024	4.38-5.00		1,005,000	543,289	1,548,289
2025-2030	5.00-5.25		1,610,000	263,931	1,873,931
Total			\$ 3,755,000	2,336,647	6,091,647

The District has pledged future statewide sales and services tax revenues to repay the \$3,755,000 of bonds issued in May 2009. The bonds were issued for the purpose of financing construction projects. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$6,091,647. For the current year, no principal and interest was paid on the bonds and total statewide sales and services tax revenues were \$296,745.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$321,237 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the

bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

- b) All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Post Employment Benefits

The District offered a post employment benefit package. The post employment benefit included family health insurance for four years with a cap of \$800 per month and two more years of single health insurance with a cap of \$315 per month. The post employment benefit will be paid from the General Fund. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. Employees participating in the early retirement plan are eligible to continue participation in the District's group insurance plan by meeting the requirements of the insurer. The District will pay the cost of the single premium at the level it was when the employee retired. The employee is responsible for paying any increase in premium costs. Early retirement benefits paid during the year ended June 30, 2009, totaled \$7,810.

(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 \$179,710, \$151,228, and \$134,388, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment 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 postemployment 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 Statement No. 45 for the year ended June 30, 2010.

(9) Risk Management

Martensdale-St. Marys Community School District is a member in the Iowa School Employees Benefits Association, and Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: accidental death, dental, life and long-term disability.

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 ISEBA for the year ended June 30, 2009 were \$25,213.

Martensdale-St. Marys 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.

(10) 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 \$178,130 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.

(11) Construction Commitment

The District has entered into contracts totaling \$551,033 for HVAC retrofitting and ball field. As of June 30, 2009, costs of \$218,092 had been incurred against the contracts. The balance of \$269,941 remaining at June 30, 2009 will be paid as work on the project progresses.

(12) Deficit Unrestricted Net Assets

The District has a deficit unrestricted net assets in the Enterprise Day Care and Pre-kindergarten Funds of \$123 and \$14,737 respectively.

(13) Budget overexpenditure

During the year ended June 30, 2009, the District exceeded its certified budget in the support services and non-instructional program functional areas.

(14) Categorical Funding

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

<u>Project</u>	<u>Amount</u>
Market Factor	\$ 1,650
Market Factor Incentives	3,764
Beginning Teacher Mentoring	4,893
Gifted and Talented	2
Professional Development	<u>407</u>
Total	<u><u>\$ 10,716</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

MARTENSDALE-ST. MARYS 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
	Fund Types	Fund Types		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,095,373	242,529	3,337,902	2,997,930	2,997,930	339,972
State sources	2,718,850	2,858	2,721,708	2,707,904	2,707,904	13,804
Federal sources	222,901	84,943	307,844	160,000	160,000	147,844
Total revenues	<u>6,037,124</u>	<u>330,330</u>	<u>6,367,454</u>	<u>5,865,834</u>	<u>5,865,834</u>	<u>501,620</u>
Expenditures:						
Instruction	3,633,250	110,685	3,743,935	3,463,458	3,900,000	156,065
Support services	2,046,262	593	2,046,855	1,797,000	1,900,000	(146,855)
Non-instructional programs	0	288,438	288,438	245,000	270,000	(18,438)
Other expenditures	635,201	0	635,201	696,395	2,500,000	1,864,799
Total expenditures/expenses	<u>6,314,713</u>	<u>399,716</u>	<u>6,714,429</u>	<u>6,201,853</u>	<u>8,570,000</u>	<u>1,855,571</u>
Deficiency of revenues under expenditures/expenses	(277,589)	(69,386)	(346,975)	(336,019)	(2,704,166)	2,357,191
Other financing sources, net	<u>3,533,807</u>	<u>33,276</u>	<u>3,567,083</u>	<u>0</u>	<u>0</u>	<u>3,567,083</u>
Excess(deficiency) of revenues and other financing sources over(under)expenditures/expenses	3,256,218	(36,110)	3,220,108	(336,019)	(2,704,166)	5,924,274
Balance beginning of year	<u>1,422,539</u>	<u>79,729</u>	<u>1,502,268</u>	<u>1,148,943</u>	<u>1,148,943</u>	<u>353,325</u>
Balance end of year	<u>\$ 4,678,757</u>	<u>43,619</u>	<u>4,722,376</u>	<u>812,924</u>	<u>(1,555,223)</u>	<u>6,277,599</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MARTENSDALE-ST. MARYS 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 a 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 or fund type. 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. During the year the District adopted one budget amendment increasing budgeted disbursements by \$2,368,147.

During the year ended June 30, 2009, expenditures in the support services and non-instructional program functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

MARTENSDALE-ST. MARYS 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	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 58,130	72,603	30,513	161,246	365,757	527,003
Receivables:						
Property tax:						
Delinquent	860	0	1,315	2,175	2,037	4,212
Succeeding year	50,000	0	113,734	163,734	165,835	329,569
TOTAL ASSETS	\$ 108,990	72,603	145,562	327,155	533,629	860,784
LIABILITIES AND FUND BALANCES						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	\$ 50,000	0	113,734	163,734	165,835	329,569
	50,000	0	113,734	163,734	165,835	329,569
Fund balances:						
Reserved for debt service	0	0	0	0	367,794	367,794
Unreserved fund balances	58,990	72,603	31,828	163,421	0	163,421
Total fund balances	58,990	72,603	31,828	163,421	367,794	531,215
TOTAL LIABILITIES AND FUND BALANCES	\$ 108,990	72,603	145,562	327,155	533,629	860,784

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Schedule 2

MARTENSDALE-ST. MARYS 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	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 69,999	0	106,968	176,967	165,720	342,687
Other	6,229	167,945	2,816	176,990	0	176,990
TOTAL REVENUES	76,228	167,945	109,784	353,957	165,720	519,677
EXPENDITURES:						
Current:						
Instruction:						
Other	0	149,225	0	149,225	0	149,225
Support services:						
Administration	7,810	0	14,983	22,793	0	22,793
Operation and maintenance of plant	58,441	0	166,163	224,604	0	224,604
Student transportation	3,262	0	0	3,262	0	3,262
Other expenditures:						
Facilities acquisitions	0	0	3,769	3,769	0	3,769
Long-term debt:						
Principal	0	0	0	0	115,000	115,000
Interest and fiscal charges	0	0	0	0	100,722	100,722
TOTAL EXPENDITURES	69,513	149,225	184,915	403,653	215,722	619,375
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,715	18,720	(75,131)	(49,696)	(50,002)	(99,698)
OTHER FINANCING SOURCES (USES):						
Transfer in	0	0	0	0	375,436	375,436
Transfer out	0	0	(87,168)	(87,168)	0	(87,168)
	0	0	(87,168)	(87,168)	375,436	288,268
NET CHANGE IN FUND BALANCES	6,715	18,720	(162,299)	(136,864)	325,434	188,570
FUND BALANCE BEGINNING OF YEAR	52,275	53,883	194,127	300,285	42,360	342,645
FUND BALANCE END OF YEAR	\$ 58,990	72,603	31,828	163,421	367,794	531,215

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MARTENSDALE-ST. MARYS 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	\$ 4,358	1,755	4,647	1,466
Vocal Music	371	2,680	2,097	954
Instrumental Music	657	647	614	690
Music Resale	600	1,636	2,107	129
Band	1,103	0	679	424
Boys Basketball	4,431	7,278	4,747	6,962
Athletic Resale	18	153	153	18
Athletics	845	40,856	42,885	(1,184)
Golf	829	0	198	631
Girls Basketball	2,230	8,912	9,763	1,379
Elementary Student Council	366	509	813	62
Volleyball	814	3,256	2,801	1,269
Boys Track	1,095	433	204	1,324
Football	1,519	18,513	14,196	5,836
Cross Country	184	258	231	211
Baseball	2,598	15,301	17,864	35
Girls Track	814	2,409	2,372	851
Wrestling	3	519	517	5
Softball	3,035	5,389	3,196	5,228
Junior High Student Council	0	126	0	126
Pop	692	322	781	233
Student Council	1,604	1,678	2,474	808
Pictures	3,368	0	3,368	0
Pictures Interest	46	0	46	0
Student Ambassadors	1,879	0	(1)	1,880
National Honor Society	458	0	0	458
Dance	2,500	4,397	5,581	1,316
Lockers	607	0	607	0
Math Resale	203	0	0	203
Class of 2008	265	0	265	0
Class of 2009	199	3,484	3,683	0
Class of 2010	1,724	4,785	5,872	637
Class of 2011	1,412	0	0	1,412
Class of 2012	1,275	0	0	1,275
Class of 2013	1,577	14	0	1,591
Class of 2014	0	795	343	452
Share the vision	0	25,648	1,174	24,474
Annual	6,655	6,486	1,056	12,085
Wrestling Cheerleaders	885	981	1,495	371
FB/BB Cheerleaders	934	3,683	3,583	1,034
General Activities	1,672	5,042	8,756	(2,042)
Adult Ed	58	0	58	0
Total	\$ 53,883	167,945	149,225	72,603

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2009

	Debt Service	Debt Sinking	Total
ASSETS			
Cash and pooled investments	\$ 44,520	321,237	365,757
Receivables:			
Property tax:			
Delinquent	2,037	0	2,037
Succeeding year	165,835	0	165,835
TOTAL ASSETS	\$ 212,392	321,237	533,629
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 165,835	0	165,835
Fund balances:			
Reserved for debt service	46,557	321,237	367,794
TOTAL LIABILITIES AND FUND BALANCES	\$ 212,392	321,237	533,629

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 DEBT SERVICE FUNDS
 YEAR ENDED JUNE 30, 2009

	Debt Service	Debt Sinking	Total
REVENUES:			
Local sources:			
Local tax	\$ 165,720	0	165,720
Total revenues	165,720	0	165,720
EXPENDITURES:			
Other expenditures:			
Long-term debt:			
Principal	115,000	0	115,000
Interest and fiscal charges	100,722	0	100,722
Total expenditures	215,722	0	215,722
Deficiency of revenues under expenditures	(50,002)	0	(50,002)
Other financing sources:			
Transfer in	54,199	321,237	375,436
Excess of revenues and other financing sources over expenditures	4,197	321,237	325,434
Fund balance beginning of year	42,360	0	42,360
Fund balance end of year	\$ 46,557	321,237	367,794

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MARTENSDALE-ST. MARYS 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	\$ 2,199,499	2,104,531	2,020,429	1,828,027	1,782,209	1,468,089
Tuition	608,670	500,882	346,166	268,793	193,115	237,180
Other	287,204	299,851	277,391	257,101	274,261	228,111
State sources	2,718,850	2,653,668	2,535,980	2,256,776	2,278,432	2,197,005
Federal sources	222,901	141,168	163,723	387,275	304,235	186,085
Total	<u>\$ 6,037,124</u>	<u>5,700,100</u>	<u>5,343,689</u>	<u>4,997,972</u>	<u>4,832,252</u>	<u>4,316,470</u>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 2,560,160	2,196,803	2,091,929	1,919,119	1,802,790	1,824,800
Special	758,459	632,249	524,806	592,288	645,026	422,627
Other	314,631	487,519	405,925	346,799	358,071	367,606
Support services:						
Student	134,847	142,225	140,778	103,331	93,793	89,627
Instructional staff	37,821	42,106	41,249	58,315	60,109	57,935
Administration	831,298	558,761	573,015	522,627	461,959	519,924
Operation and maintenance of plant	647,045	529,581	607,604	442,073	418,060	348,965
Transportation	395,251	293,594	271,562	264,664	208,206	197,403
Other	0	0	0	0	0	4,883
Other expenditures:						
Facilities acquisitions	241,349	104,111	179,494	390,091	2,501,314	231,636
Long-term debt:						
Principal	115,000	110,000	105,000	100,000	47,985	12,360
Interest and fiscal charges	100,722	105,673	110,398	115,646	176,478	1,274
AEA flow-through	178,130	170,406	159,775	141,717	140,879	139,942
Total	<u>\$ 6,314,713</u>	<u>5,373,028</u>	<u>5,211,535</u>	<u>4,996,670</u>	<u>6,914,670</u>	<u>4,218,982</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

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
Martensdale-St Marys 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 Martensdale-St Marys 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 February 3, 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 Martensdale-St Marys 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 Martensdale-St Marys Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Martensdale-St Marys 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 Martensdale-St Marys 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 Martensdale-St Marys Community School District's financial statements that is more than inconsequential will not be prevented or detected by Martensdale-St Marys 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 Martensdale-St Marys 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 Martensdale-St Marys 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 II of the accompanying Schedule of Findings.

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.

Martensdale-St Marys 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 Martensdale-St Marys 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 Martensdale-St Marys Community School District and other parties to whom Martensdale-St Marys 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 Martensdale-St Marys 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 3, 2010

MARTENSDALE-ST. MARYS 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. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate available alternatives and implement them as soon as possible.

Conclusion - Response accepted.

I-B-09 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. We noted that there were year end receivables that were not properly recorded. We also noted that there were no adjustments in the Nutrition Fund made for the changes in inventories, capital assets, student lunch account balances or commodities received.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The Business Manager and the Superintendent Secretary will be taking the necessary training with Software Unlimited for the end of year training in an effort to provide more reliable financial statements. The Business Manager will also be taking additional training to record the financial records on a GAAP basis of accounting, along with training in areas to be more effective in completing the Certified Annual Report.

Conclusion - Response accepted.

I-C-09 Fixed Assets - A record of fixed asset acquisitions and disbursements are kept, however these changes are not kept up to date.

Recommendation - Fixed asset updates should be made on a continuous basis to allow the school officials and outsiders an accurate account of the amount of fixed assets at any point in time. This is necessary for both an accurate account of assets and to ensure a proper amount of insurance is carried to cover the assets in case of loss from fire, vandalism, or theft. The District should have a complete list of additions, deletions, and current assets.

Response - We will try with the manpower available to keep better track of the fixed assets. Time will be allocated this summer to address this issue. Fixed asset information will also be inputted into the software at the time of receiving the purchased item.

Conclusion - Response accepted.

I-D-09 Grants - We noted during our audit that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures. The district should monitor timelines for grants to ensure that quarterly reports are filed timely and grant revenues are received.

Response - We will review the Uniform Financial Accounting Manual and work towards better coding of expenditures. Auditors are willing to assist the Business Manager with coding and the Business Manager will work with the building secretaries regarding coding for supplies and purchases.

Conclusion - Response accepted.

I-E-09 Employee Purchases From School Vendors - We noted during the audit that within the Enterprise, School Nutrition Fund there were checks from employees submitted to vendors for personal items included on invoices made to the school district.

Recommendation - The District should not allow employees to purchase items and subsequently pay through school vendors' payments; however, the vendors could set up an employee account for such purchases. When the District pays the vendor, the invoice needs to agree to the amount paid. Any instances of invoices differing from the amount to be paid must be documented and attached to the paid invoice as support for payment.

Response - The District has addressed this issue with our staff and checks from employees to vendors for personal items will no longer be accepted.

Conclusion - Response accepted.

I-F-09 Gate Admissions - We noted during our audit that although the District utilizes pre-numbered tickets for all event admissions, it appeared that ticket takers responsible for cash collections at the gate were not always reconciling pre-numbered tickets to cash collected and not signing off on the reconciliation before giving custody of the change box to the Administrator in charge of the event.

Recommendation - The exchange in custody of the change box from the ticket takers to the Administrator with no reconciliation procedures being performed by the ticket takers constitutes a breakdown in internal control procedures. The District should review internal control procedures established for handling cash for all activity events and communicate the procedures to the individuals involved.

At the end of the event, cash should be counted and reconciled by two or more individuals (usually the ticket takers) to pre-numbered tickets sold including the amount of the beginning cash. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash. The cash and change box should then be turned into the Athletic Director or designee responsible for the accounting function at the event.

Response - The District has addressed this issue by using a new form to reconcile gate admissions using the pre-numbered ticket system. It is not only reconciled by the ticket takers but also by the Athletic Director and then by the Superintendent's secretary.

Conclusion - Response accepted.

I-G-09 Accounting for Scholarships - We noted during our audit that the District recorded receipt of a donation and payment for the Delores Sweet Scholarship within the General Fund. In addition, we noted the scholarship check was being made out to the individual..

Recommendation - The Trust Fund would appear to be a more appropriate fund for these transactions. Checks should be issued to the attending college and the individual receiving the scholarship award.

Response - This was a one time scholarship from Delores Sweet for being the Super Star Fan at the Girls State Tournament in February of 2009. The District normally has only two scholarships that are annually awarded to graduating seniors and the checks are sent either by City State Bank or by the Business Manager directly to the attending college. In the future the District will record these transactions in the Trust Fund.

Conclusion - Response accepted.

I-H-09 Sponsor Procedures - We noted during our audit that sponsors were not receiving monthly statements of the transactions within their individual accounts.

Recommendation - The District actually maintains multiple layers of receipting from, sponsors, to the building office, to the central office. The sponsors should receive a monthly and yearly printout of their individual accounts for review of all of the transactions. The sponsors should be monitoring their individual accounts for missing or inaccurate data that may be recorded in their accounts.

Response - The District will provide monthly statements of transactions for individual activity accounts to Athletic Director

Conclusion - Response accepted.

MARTENSDALE-ST. MARYS 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 exceeded the certified amounts in the support services and non-instructional functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will more carefully monitor expenses and modify the budget where appropriate in the future.

Conclusion - Response accepted.

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 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 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			296,745
Expenditures/transfers out:			
School infrastructure:			
Land	\$	31,670	
Buildings		40,120	
Equipment		105,044	
Other improvements		119,911	296,745
			<u>296,745</u>
Ending balance		\$	<u>0</u>

II-L-09 Financial Condition - The District had deficit unrestricted assets in the Enterprise, Day Care and Pre Kindergarten Funds of \$123 and \$14,737 respectively. The District also had negative accounts in the Special Revenue, Student Activity Fund totaling \$3,226.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - The Board has agreed to move the Pre-Kindergarten Fund into the General Fund effective February 1, 2010 to eliminate the negative account. The District will also monitor the Day Care and Student Activity accounts more closely to avoid future negative balances.

Conclusion - Response accepted.

II-M-09 Officials Contracts - We noted during our audit that the Board President was not signing athletic officiating 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. We also noted that the District is using a commissioner to assign the officiating contracts for 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. If the District wishes to continue to use the services of the commissioner then they should have a contract with the commissioner stating that the Board will allow the commissioner to enter into contracts with athletic officials on behalf of the District. However, the contracts must be signed by the Board President.

Response - The District will send a contract to the commissioner to for his/her services and have it approved by the Board. The District will have the Board President sign officials contracts.

Conclusion - Response accepted.