

MADRID COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

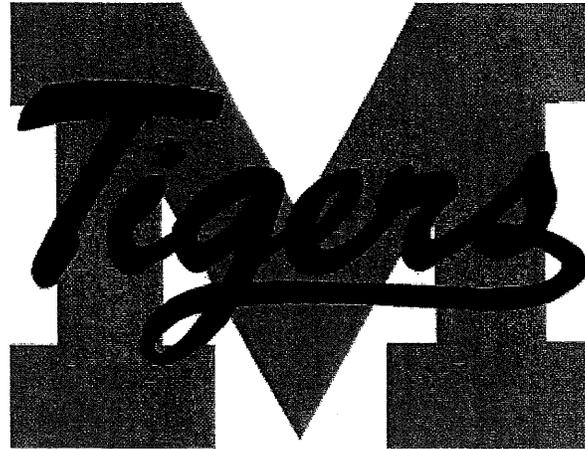
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Madrid Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (After September 2010 Reorganization Meeting)		
Emily Schieltz	President	2011
Linda Ahrens	Vice-President	2013
Katie Baumgarn	Board Member	2013
Marvin Ostrander	Board Member	2011
Terry Ostendorf	Board Member	2011
School Officials		
Brian Horn	Superintendent	2011
Sandy Johnson	Business Manager	2011
Drew Bracken	Attorney	2011



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
Madrid Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Madrid Community School District, Madrid Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Madrid Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 27, 2011 on our consideration of Madrid Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madrid Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8 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.

December 27, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Madrid Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,230,763 in fiscal 2010 to \$5,609,206 in fiscal 2011, while General Fund expenditures increased from \$5,391,292 in fiscal 2010 to \$5,401,326 in fiscal 2011. This resulted in an increase of the District's General Fund balance from \$252,360 in fiscal 2010 to a balance of \$460,240 in fiscal 2011, an 82.37% increase over the prior year.
- The increase in General Fund revenues was attributable to an increase in state sources of revenue. The decrease in expenditures was due in part to decreases in regular and other instruction expenditures.
- The District's solvency ratio (unassigned fund balance/general fund revenues) increased from 3.39% at June 30, 2010 to 5.83% at June 30, 2011. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.
- The Madrid Community School District partnered with Head Start to start a preschool program.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

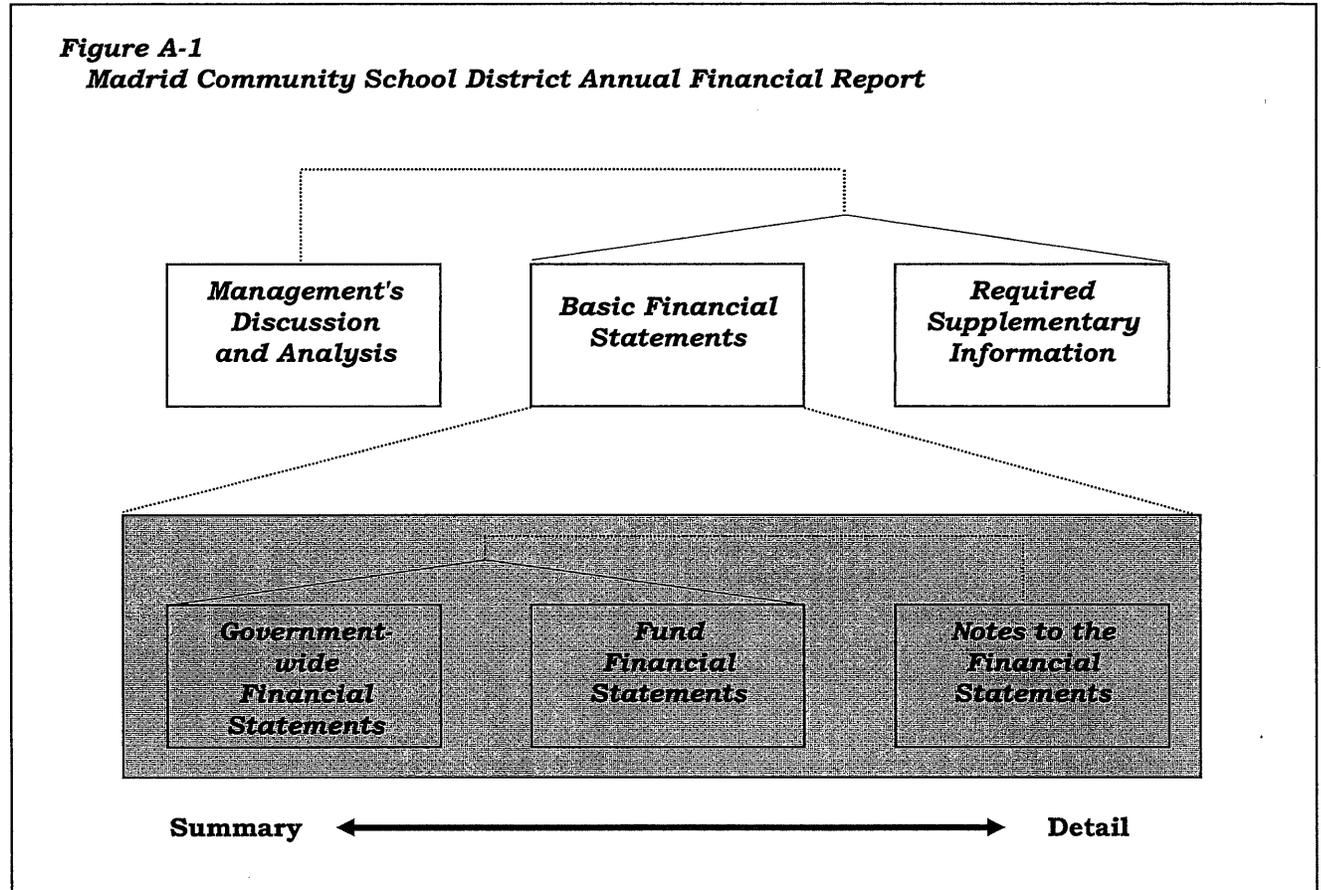


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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: food services and adult education	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 fund 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, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust, which accounts for outside donations for scholarships for individual students.

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, 2011 compared to June 30, 2010.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 3,458,776	2,797,061	87,257	68,490	3,546,033	2,865,551	23.75%
Capital assets	4,339,494	4,489,437	7,192	11,505	4,346,686	4,500,942	-3.43%
Total assets	<u>7,798,270</u>	<u>7,286,498</u>	<u>94,449</u>	<u>79,995</u>	<u>7,892,719</u>	<u>7,366,493</u>	<u>7.14%</u>
Long-term obligations	1,790,607	1,861,831	10,129	5,206	1,800,736	1,867,037	-3.55%
Other liabilities	1,979,947	1,816,882	4,206	2,917	1,984,153	1,819,799	9.03%
Total liabilities	<u>3,770,554</u>	<u>3,678,713</u>	<u>14,335</u>	<u>8,123</u>	<u>3,784,889</u>	<u>3,686,836</u>	<u>2.66%</u>
Net assets:							
Invested in capital assets, net of related debt	3,151,475	3,124,958	7,192	11,505	3,158,667	3,136,463	0.71%
Restricted	834,300	506,480	-	-	834,300	506,480	64.73%
Unrestricted	41,941	(23,653)	72,922	60,367	114,863	36,714	212.86%
Total net assets	<u>\$ 4,027,716</u>	<u>3,607,785</u>	<u>80,114</u>	<u>71,872</u>	<u>4,107,830</u>	<u>3,679,657</u>	<u>11.64%</u>

The District's combined net assets increased by 11.64%, or \$428,173 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, intangibles, buildings, and equipment), less the 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 \$327,820, or 64.73% over the prior year. The majority of the increase in restricted net assets was due to an increase in carryover categorical funding in the General Fund as compared to the previous year as well as an increase in fund balances of the Statewide, Sales, Service and Use Tax Fund and the Physical Plant and Equipment Fund.

Unrestricted net assets – are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$78,149, or 212.86%. The majority of the increase in unrestricted net assets is due to the increase in fund balance of the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to June 30, 2010.

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 501,807	415,803	185,618	190,596	687,425	606,399	13.36%
Operating grants, contributions and restricted interest	855,723	1,132,042	124,454	111,998	980,177	1,244,040	-21.21%
Capital grants, contributions, and restricted interest	-	37,706	-	-	-	37,706	-100.00%
General revenues:							
Local tax	1,662,109	1,766,364	-	-	1,662,109	1,766,364	-5.90%
Statewide sales, services and use tax	444,960	365,865	-	-	444,960	365,865	21.62%
Income surtax	186,891	-	-	-	186,891	-	100.00%
Unrestricted state grants	2,928,593	2,402,459	-	-	2,928,593	2,402,459	21.90%
Nonspecific program federal funding	60,982	-	-	-	60,982	-	100.00%
Other	12,089	24,990	6,037	6,939	18,126	31,929	-43.23%
Transfers	(79,530)	(81,726)	79,530	81,726	-	-	0.00%
Total revenues	<u>6,573,624</u>	<u>6,063,503</u>	<u>395,639</u>	<u>391,259</u>	<u>6,969,263</u>	<u>6,454,762</u>	<u>7.97%</u>
Program expenses:							
Governmental activities:							
Instructional	4,013,738	3,928,416	-	-	4,013,738	3,928,416	2.17%
Support services	1,712,753	1,540,294	-	-	1,712,753	1,540,294	11.20%
Non-instructional programs	-	9,373	387,397	374,978	387,397	384,351	0.79%
Other expenses	427,202	332,040	-	-	427,202	332,040	28.66%
Total expenses	<u>6,153,693</u>	<u>5,810,123</u>	<u>387,397</u>	<u>374,978</u>	<u>6,541,090</u>	<u>6,185,101</u>	<u>5.76%</u>
Changes in net assets	419,931	253,380	8,242	16,281	428,173	269,661	58.78%
Net assets beginning of year, as restated	<u>3,607,785</u>	<u>3,354,405</u>	<u>71,872</u>	<u>55,591</u>	<u>3,679,657</u>	<u>3,409,996</u>	<u>7.91%</u>
Ending net assets	<u>\$ 4,027,716</u>	<u>3,607,785</u>	<u>80,114</u>	<u>71,872</u>	<u>4,107,830</u>	<u>3,679,657</u>	<u>11.64%</u>

In fiscal 2011, (local tax, property tax, statewide, income tax), and unrestricted state grants account for 79.45% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest account for 79.90% of the revenue from business type activities.

The District's total revenues were approximately \$6.97 million, of which approximately \$6.57 million was for governmental activities and approximately \$.40 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.97% increase in revenues and a 5.76% increase in expenses. The increase in expenses related in part to increases in regular and other instruction functions as well as the increase in expense related to the OPEB liability.

Governmental Activities

Revenues for governmental activities were \$6,573,624 and expenses were \$6,153,693. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 4,013,738	3,928,416	2.17%	2,900,867	2,575,868	12.62%
Support services	1,712,753	1,540,294	11.20%	1,710,598	1,538,051	11.22%
Non-instructional programs	0	9,373	-100.00%	0	9,373	-100.00%
Other expenses	427,202	332,040	28.66%	184,698	101,280	82.36%
Totals	<u>\$ 6,153,693</u>	<u>5,810,123</u>	<u>5.91%</u>	<u>4,796,163</u>	<u>4,224,572</u>	<u>13.53%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$501,807.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$855,723.
- The net cost of governmental activities was financed with \$1,662,109 in local tax, \$444,960 in statewide sales, services and use tax, \$186,891 in income surtax, \$2,928,593 in unrestricted state grants, \$60,982 in nonspecific program federal grants, \$1,425 in interest income, and \$10,664 in other general revenue.

Business Type Activities

Revenues of the District's business type activities were \$395,639 and expenses were \$387,397. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,304,113, above last year's ending fund balances of a \$806,918. The primary reason for the increase in combined fund balances in fiscal 2011 is due to fund balance increases in the Capital Projects Fund and General Fund.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the product of many factors. The District's General Fund increased \$207,880. Increases in state and local source revenues during the year as compared to fiscal 2010 were largely responsible for the increase in revenues.
- The District's Management Fund balance increased from \$122,895 in fiscal 2010 to \$142,821 in fiscal 2011. The increase was due to the District taking in more revenues than expenditures for the year.

- The Capital Projects Fund balance increased from \$366,718 in fiscal 2010 to \$633,280 in fiscal 2011. The majority of the increase in fund balance is due to the reclassification of the Physical Plant and Equipment Levy to be part of the Capital Projects Fund. The Statewide Sales, Service and Use Tax received more in tax dollars in fiscal 2011 as compared to fiscal 2010.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$71,872 at June 30, 2010 to \$80,114 at June 30, 2011, representing an increase of 11.47%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Madrid Community School District amended its budget one time to reflect additional expenditures in the other expenditures functional area.

The District's revenues were \$1,036,719 less than budgeted revenues, a variance of 12.95%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$4,346,686, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.43% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$193,556.

The original cost of the District's capital assets was \$8,888,430. Governmental funds account for \$8,775,805 with the remainder of \$112,625 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery totaled \$175,442 reported at June 30, 2011, compared to \$193,289 at June 30, 2010. The decrease is attributable to depreciation expense taken during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 112,126	112,126	-	-	112,126	112,126	0.00%
Buildings	3,805,986	3,928,762	-	-	3,805,986	3,928,762	-3.13%
Land improvements	253,132	266,765	-	-	253,132	266,765	-5.11%
Machinery and equipment	168,250	181,784	7,192	11,505	175,442	193,289	-9.23%
Total	\$ 4,339,494	4,489,437	7,192	11,505	4,346,686	4,500,942	-3.43%

Long-Term Debt

At June 30, 2011, the District had \$1,800,736 in long-term debt outstanding. This represents an decrease of 3.55% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds payable of \$1,055,000 at June 30, 2011.

The District had outstanding leases payable of \$133,019 at June 30, 2011.

The District had outstanding early retirement payable of \$447,872 at June 30, 2011.

The District had outstanding compensated absences at June 30, 2011 of \$5,579.

The District had a net OPEB liability of \$159,265 at June 30, 2011, \$149,137 attributable to governmental activities and \$10,129 to business type activities.

	Governmental Activities		Business Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
General obligation bonds	\$ 1,055,000	1,170,000	-	-	\$ 1,055,000	1,170,000	-9.83%
Leases payable	133,019	194,479	-	-	133,019	194,479	-31.60%
Compensated absences	5,579	10,678	-	-	5,579	10,678	-47.75%
Early Retirement	447,872	409,992	-	-	447,872	409,992	9.24%
Net OPEB liability	149,137	76,682	10,129	5,206	159,266	81,888	94.49%
Totals	1,790,607	1,861,831	10,129	5,206	\$ 1,800,736	1,867,037	-3.55%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has actively pursued grants from various sources in order to enhance the District's course offerings.
- The District is collecting statewide sales tax in Boone, Dallas & Polk counties within the District's boundaries. One-half of Boone County sales taxes are used to reduce the tax asking in the Debt Service Fund.
- 30% of the student population received either free or reduced meals during the 2010-2011 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sandra R. Johnson, Business Manager, Madrid Community School District, 201 North Main St., Madrid, Iowa, 50156.



BASIC FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,261,620	67,793	1,329,413
Receivables:			
Property tax:			
Delinquent	22,135	-	22,135
Succeeding year	1,744,046	-	1,744,046
Income surtax	186,891	-	186,891
Accounts	2,752	-	2,752
Due from other governments	241,332	-	241,332
Inventories	-	19,464	19,464
Capital assets, net of accumulated depreciation	4,339,494	7,192	4,346,686
Total assets	7,798,270	94,449	7,892,719
Liabilities			
Accounts payable	101,252	-	101,252
Accrued interest payable	12,175	-	12,175
Deferred revenue:			
Succeeding year property tax	1,744,046	-	1,744,046
Other	122,474	-	122,474
Unearned revenue	-	4,206	4,206
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	120,000	-	120,000
Leases payable	64,827	-	64,827
Compensated absences	5,579	-	5,579
Early retirement payable	135,141	-	135,141
Portion due after one year:			
General obligation bonds payable	935,000	-	935,000
Leases payable	68,192	-	68,192
Early retirement payable	312,731	-	312,731
Net OPEB liability	149,137	10,129	159,266
Total liabilities	3,770,554	14,335	3,784,889
Net Assets			
Invested in capital assets, net of related debt	3,151,475	7,192	3,158,667
Restricted for:			
Categorical funding	133,248	-	133,248
Debt service	27,617	-	27,617
Student activities	40,155	-	40,155
School infrastructure	414,319	-	414,319
Physical plant and equipment	218,961	-	218,961
Unrestricted	41,941	72,922	114,863
Total net assets	\$ 4,027,716	80,114	4,107,830

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants,		Governmental Activities	Business Type Activities	Total
		Charges for Services	Contributions and Restricted Interest			
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,782,990	317,273	429,975	(2,035,742)	-	(2,035,742)
Special	632,466	-	72,337	(560,129)	-	(560,129)
Other	598,282	184,534	108,752	(304,996)	-	(304,996)
	<u>4,013,738</u>	<u>501,807</u>	<u>611,064</u>	<u>(2,900,867)</u>	<u>-</u>	<u>(2,900,867)</u>
Support services:						
Student	133,893	-	-	(133,893)	-	(133,893)
Instructional staff	260,259	-	-	(260,259)	-	(260,259)
Administration	575,871	-	-	(575,871)	-	(575,871)
Operation and maintenance of plant	547,931	-	-	(547,931)	-	(547,931)
Transportation	194,799	-	2,155	(192,644)	-	(192,644)
	<u>1,712,753</u>	<u>-</u>	<u>2,155</u>	<u>(1,710,598)</u>	<u>-</u>	<u>(1,710,598)</u>
Other expenses:						
Long-term debt interest	43,804	-	-	(43,804)	-	(43,804)
AEA flowthrough	242,504	-	242,504	-	-	-
Depreciation (unallocated)*	140,894	-	-	(140,894)	-	(140,894)
	<u>427,202</u>	<u>-</u>	<u>242,504</u>	<u>(184,698)</u>	<u>-</u>	<u>(184,698)</u>
Total governmental activities	6,153,693	501,807	855,723	(4,796,163)	-	(4,796,163)
Business Type activities:						
Non-instructional programs:						
Nutrition services	387,397	185,618	124,454	-	(77,325)	(77,325)
Total business type activities	<u>387,397</u>	<u>185,618</u>	<u>124,454</u>	<u>-</u>	<u>(77,325)</u>	<u>(77,325)</u>
Total	\$ 6,541,090	687,425	980,177	(4,796,163)	(77,325)	(4,873,488)
General Revenues and Transfers:						
General revenue:						
Local tax for:						
General purposes			\$ 1,476,982	-		1,476,982
Debt service			53,444	-		53,444
Capital outlay			131,683	-		131,683
Statewide sales, services and use tax			444,960	-		444,960
Income surtax			186,891	-		186,891
Unrestricted state grants			2,928,593	-		2,928,593
Nonspecific program federal funding			60,982	-		60,982
Unrestricted investment earnings			1,425	36		1,461
Other general revenues			10,664	6,001		16,665
Transfers			(79,530)	79,530		-
Total general revenues and transfers			<u>5,216,094</u>	<u>85,567</u>		<u>5,301,661</u>
Changes in net assets			419,931	8,242		428,173
Net assets beginning of year			<u>3,607,785</u>	<u>71,872</u>		<u>3,679,657</u>
Net assets end of year			<u>\$ 4,027,716</u>	<u>80,114</u>		<u>4,107,830</u>

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 553,094	139,576	501,900	67,050	1,261,620
Receivables:					
Property tax:					
Delinquent	16,502	3,181	1,744	708	22,135
Succeeding year	1,335,519	215,000	137,642	55,885	1,744,046
Income surtax	186,891	-	-	-	186,891
Accounts	2,752	-	-	-	2,752
Due from other governments	111,618	64	129,636	14	241,332
Total assets	\$ 2,206,376	357,821	770,922	123,657	3,458,776
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 101,252	-	-	-	101,252
Deferred revenue:					
Succeeding year property tax	1,335,519	215,000	137,642	55,885	1,744,046
Income surtax	186,891	-	-	-	186,891
Other	122,474	-	-	-	122,474
Total liabilities	1,746,136	215,000	137,642	55,885	2,154,663
Fund balances:					
Restricted for:					
Categorical funding	133,248	-	-	-	133,248
Debt service	-	-	-	27,617	27,617
Management levy purposes	-	142,821	-	-	142,821
Student activities	-	-	-	40,155	40,155
School infrastructure	-	-	414,319	-	414,319
Physical plant and equipment	-	-	218,961	-	218,961
Unassigned	326,992	-	-	-	326,992
Total fund balances	460,240	142,821	633,280	67,772	1,304,113
Total liabilities and fund balances	\$ 2,206,376	357,821	770,922	123,657	3,458,776

MADRID COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds (page 20)	\$	1,304,113
 <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.		4,339,494
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		186,891
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(12,175)
Long-term liabilities, including general obligation bonds, leases payable, early retirement, compensated absences and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(1,790,607)</u>
Net assets of governmental activities (page 18)	\$	<u><u>4,027,716</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 1,425,479	240,656	576,643	53,444	2,296,222
Tuition	290,362	-	-	-	290,362
Other	48,067	8,662	415	166,390	223,534
State sources	3,608,229	-	-	-	3,608,229
Federal sources	237,069	-	-	-	237,069
Total revenues	<u>5,609,206</u>	<u>249,318</u>	<u>577,058</u>	<u>219,834</u>	<u>6,655,416</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,514,722	179,043	-	-	2,693,765
Special	625,324	-	-	-	625,324
Other	428,867	-	-	164,757	593,624
	<u>3,568,913</u>	<u>179,043</u>	<u>-</u>	<u>164,757</u>	<u>3,912,713</u>
Support services:					
Student	132,284	-	-	-	132,284
Instructional staff	186,568	-	35,352	-	221,920
Administration	569,338	-	-	-	569,338
Operation and maintenance of plant	462,557	30,872	13,897	-	507,326
Transportation	159,632	19,477	-	-	179,109
	<u>1,510,379</u>	<u>50,349</u>	<u>49,249</u>	<u>-</u>	<u>1,609,977</u>
Other expenditures:					
Facilities acquisitions	-	-	89,516	-	89,516
Long-term debt:					
Principal	-	-	-	176,460	176,460
Interest and fiscal charges	-	-	-	47,521	47,521
AEA flowthrough	242,504	-	-	-	242,504
	<u>242,504</u>	<u>-</u>	<u>89,516</u>	<u>223,981</u>	<u>556,001</u>
Total expenditures	<u>5,321,796</u>	<u>229,392</u>	<u>138,765</u>	<u>388,738</u>	<u>6,078,691</u>
Excess(Deficiency) of revenues over(under) expenditures	287,410	19,926	438,293	(168,904)	576,725
Other financing sources(uses):					
Transfer in	-	-	-	171,731	171,731
Transfer out	(79,530)	-	(171,731)	-	(251,261)
Total other financing sources(uses)	<u>(79,530)</u>	<u>-</u>	<u>(171,731)</u>	<u>171,731</u>	<u>(79,530)</u>
Net change in fund balances	207,880	19,926	266,562	2,827	497,195
Fund balances beginning of year, as restated	252,360	122,895	366,718	64,945	806,918
Fund balances end of year	<u>\$ 460,240</u>	<u>142,821</u>	<u>633,280</u>	<u>67,772</u>	<u>1,304,113</u>

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2011

Net change in fund balances - total governmental funds (page 22) \$ 497,195

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 40,057	
Depreciation expense	(189,243)	
Loss on disposal of capital assets	<u>(757)</u>	(149,943)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (2,262)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 176,460

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,717

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	\$ (37,880)	
Compensated absences	5,099	
Other postemployment benefits	<u>(72,455)</u>	<u>(105,236)</u>

Changes in net assets of governmental activities (page 19) \$ 419,931

MADRID COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2011

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 67,793
Inventories	19,464
Capital assets, net of accumulated depreciation	7,192
Total assets	<u>94,449</u>
Liabilities	
Unearned revenue	4,206
Net OPEB liability	10,129
Total liabilities	<u>14,335</u>
Net Assets	
Invested in capital assets	7,192
Unrestricted	72,922
Total net assets	<u>\$ 80,114</u>

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2011

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 185,618
Miscellaneous	6,001
Total operating revenues	191,619
Operating expenses:	
Non-instructional programs:	
Salaries	134,034
Benefits	52,874
Services	7,873
Supplies	188,303
Depreciation	4,313
Total operating expenses	387,397
Operating loss	(195,778)
Non-operating revenues:	
State sources	3,029
Federal sources	121,425
Interest on investments	36
Total non-operating revenues	124,490
Change in net assets before other financing sources	(71,288)
Other financing sources:	
Transfer in	79,530
Change in net assets	8,242
Net assets beginning of year	71,872
Net assets end of year	\$ 80,114

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 186,907
Cash received from miscellaneous	6,001
Cash payments to employees for services	(181,985)
Cash payments to suppliers for goods or services	(178,569)
Net cash used in operating activities	(167,646)
Cash flows from non-capital financing activities:	
Transfer from General Fund	79,530
State grants received	3,029
Federal grants received	107,120
Net cash provided by non-capital financing activities	189,679
Cash flows from investing and other activities:	
Interest on investments	36
Net increase in cash and cash equivalents	22,069
Cash and cash equivalents at beginning of year	45,724
Cash and cash equivalents at end of year	\$ 67,793
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (195,778)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	14,305
Depreciation	4,313
Decrease in inventories	3,302
Increase in other post employment benefits	4,923
Increase in unearned revenue	1,289
Net cash used in operating activities	\$ (167,646)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$14,305 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 6,456
Liabilities:	<u>0</u>
Net assets:	
Reserved for scholarships	<u>\$ 6,456</u>

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 5,400
Deductions:	
Instruction:	
Regular:	
Scholarship awarded	<u>11,150</u>
Change in net assets	(5,750)
Net assets beginning of year	<u>12,206</u>
Net assets end of year	<u>\$ 6,456</u>

SEE NOTES TO FINANCIAL STATEMENTS

MADRID COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

Unrestricted net asset consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are 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 that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The Special Revenue, Management Fund is used primarily to account for various insurance expenditures as well as early retirement benefits for qualified individuals.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

Asset Class	Amount
Land	\$ 1,200
Buildings	1,200
Land improvements	1,200
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,200

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

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

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by

the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The District had no investments as of June 30, 2011.

(3) Transfers

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide, Sales, Services and Use Tax	\$ 171,731
Enterprise, School Nutrition	General	79,530
Total		<u>\$ 251,261</u>

The transfer from Capital Projects: Statewide, Sales, Services and Use Tax to Debt Service was needed for principal and interest payments on the District's general obligation bond indebtedness. The transfer from the General Fund to the Enterprise, School Nutrition Fund was needed for cash flow.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants was 1.20% plus the one-month LIBOR rate, adjusted daily. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2010-11A	6/30/2010	6/23/2011	\$ -	300,000	300,000	-

During the year ended June 30, 2011, the District paid \$820 of interest on the ISCAP warrants.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 112,126	-	-	112,126
Total capital assets not being depreciated	<u>112,126</u>	<u>-</u>	<u>-</u>	<u>112,126</u>
Capital assets being depreciated:				
Buildings	7,127,105	-	-	7,127,105
Land improvements	694,451	4,485	-	698,936
Machinery and equipment	806,696	35,572	4,630	837,638
Total capital assets being depreciated	<u>8,628,252</u>	<u>40,057</u>	<u>4,630</u>	<u>8,663,679</u>
Less accumulated depreciation for:				
Buildings	3,198,343	122,776	-	3,321,119
Land improvements	427,686	18,118	-	445,804
Machinery and equipment	624,912	48,349	3,873	669,388
Total accumulated depreciation	<u>4,250,941</u>	<u>189,243</u>	<u>3,873</u>	<u>4,436,311</u>
Total capital assets being depreciated, net	<u>4,377,311</u>	<u>(149,186)</u>	<u>757</u>	<u>4,227,368</u>
Governmental activities capital assets, net	<u>\$ 4,489,437</u>	<u>(149,186)</u>	<u>757</u>	<u>4,339,494</u>
Business type activities:				
Machinery and equipment	\$ 115,375	-	2,750	112,625
Less accumulated depreciation	103,870	4,313	2,750	105,433
Business type activities capital assets, net	<u>\$ 11,505</u>	<u>(4,313)</u>	<u>-</u>	<u>7,192</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 22,401
Support services:	
Administration	1,453
Operation and maintenance of plant	4,927
Transportation	19,568
Unallocated depreciation	<u>140,894</u>
Total governmental activities depreciation expense	<u>\$ 189,243</u>
Business type activities:	
Food services	<u>\$ 4,313</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,170,000	-	115,000	1,055,000	120,000
Leases payable	194,479	-	61,460	133,019	64,827
Compensated absences	10,678	5,579	10,678	5,579	5,579
Early retirement	409,992	63,054	25,174	447,872	135,141
Net OPEB liability	76,682	72,455	-	149,137	-
Total	\$ 1,861,831	141,088	212,312	1,790,607	325,547
Business type activities:					
Net OPEB liability	\$ 5,206	4,923	-	10,129	-

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2009			
	Interest Rate	Principal	Interest	Total
2012	2.30 %	\$ 120,000	34,385	154,385
2013	2.60	120,000	31,625	151,625
2014	2.80	125,000	28,505	153,505
2015	3.10	130,000	25,005	155,005
2016	3.40	135,000	20,975	155,975
2017-2019	3.7-4.0	425,000	33,775	458,775
Total		\$ 1,055,000	174,270	1,229,270

Leases Payable

Details of the District's June 30, 2010 capital lease obligation are as follows:

Year Ending June 30,	Lease dated June 12, 2009			
	Interest Rate	Principal	Interest	Total
2012	5.19%	\$ 64,827	6,904	71,731
2013	5.19%	68,192	3,539	71,731
Total		\$ 133,019	10,443	143,462

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 35% of the employee's regular contractual salary from the salary schedule in effect during the employees last year of employment. Early retirement benefits paid during the year totaled \$25,174.

(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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$236,442, \$227,474, and 212,280, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 34 active and 12 retired members in the plan. Participants must be age 55 or older at age of retirement.

The medical benefits are provided through fully-insured plans with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 137,004
Interest on net OPEB obligation	2,047
Adjustment to annual required contribution	(10,256)
Annual OPEB cost	<u>128,795</u>
Contributions made	(51,417)
Increases in net OPEB obligation	<u>77,378</u>
Net OPEB obligation beginning of year	<u>81,888</u>
Net OPEB obligation end of year	<u>\$ 159,266</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$51,417 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed
2010	\$ 128,591	36.32%
2011	128,795	39.92%

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$672,326, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$672,326. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,983,186 and the ratio of the UAAL to covered payroll was 22.54%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each

valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual health cost trend rate is 6%.

Mortality rates are from the Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$374 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

(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 \$242,504 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2011 are as follows:

Project	Amount
Home School Assistance	\$ 24,442
Teacher Salary Supplement	37,681
Market Factor	665
Beginning Administrator Metoring and Induction Program	1,500
Model Core Curriculum	4,000
Professional Development for Model Core Curriculum	17,777
Professional Development	25,153
Statewide Voluntary Preschool	17,750
Market Factor Incentives	4,280
Total	<u>\$ 133,248</u>

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010 as previously reported	\$ 224,730	141,988
Changes in fund type classification per implementation of GASB Statement No. 54	141,988	(141,988)
Balances July 1, 2010, as restated	<u>366,718</u>	<u>0</u>



REQUIRED SUPPLEMENTARY INFORMATION

MADRID COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 2,810,118	191,655	3,001,773	3,389,323	3,389,323	(387,550)
State sources	3,608,229	3,029	3,611,258	4,358,921	4,358,921	(747,663)
Federal sources	237,069	121,425	358,494	260,000	260,000	98,494
Total revenues	6,655,416	316,109	6,971,525	8,008,244	8,008,244	(1,036,719)
Expenditures/Expenses:						
Instruction	3,912,713	-	3,912,713	4,825,000	4,825,000	912,287
Support services	1,609,977	-	1,609,977	2,085,000	2,085,000	475,023
Non-instructional programs	-	387,397	387,397	460,000	460,000	72,603
Other expenditures	556,001	-	556,001	595,080	648,380	92,379
Total expenditures/expenses	6,078,691	387,397	6,466,088	7,965,080	8,018,380	1,552,292
Deficiency of revenues under expenditures/expenses	576,725	(71,288)	505,437	43,164	(10,136)	515,573
Other financing sources(uses), net	(79,530)	79,530	-	(10,000)	(10,000)	(10,000)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	497,195	8,242	505,437	33,164	(20,136)	525,573
Balance beginning of year	806,918	71,872	878,790	664,817	664,817	213,973
Balance end of year	\$ 1,304,113	80,114	1,384,227	697,981	644,681	739,546

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$53,300.

MADRID COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING IN PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 672,326	672,326	0.0%	3,102,329	21.67%
2011	July 1, 2009	-	\$ 672,326	672,326	0.0%	2,983,186	22.54%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

MADRID COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue: Student Activity	Debt Service	Total Other Nonmajor Governmental Funds
Assets			
Cash and pooled investments	\$ 40,155	26,895	67,050
Receivables:			
Property tax:			
Delinquent	-	708	708
Succeeding year	-	55,885	55,885
Due from other governments	-	14	14
Total assets	\$ 40,155	83,502	123,657
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	55,885	55,885
Total liabilities	-	55,885	55,885
Fund balances:			
Restricted for:			
Debt service	-	27,617	27,617
Student activities	40,155	-	40,155
Total fund balances	40,155	27,617	67,772
Total liabilities and fund balances	\$ 40,155	83,502	123,657

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue: Student Activity	Debt Service	Total Other Nonmajor Governmental Funds
Revenues:			
Local sources:			
Local tax	\$ -	53,444	53,444
Other	166,366	24	166,390
Total revenues	<u>166,366</u>	<u>53,468</u>	<u>219,834</u>
Expenditures:			
Current:			
Instruction:			
Other	164,757	-	164,757
Other expenditures:			
Long-term debt:			
Principal	-	176,460	176,460
Interest and fiscal charges	-	47,521	47,521
Total expenditures	<u>164,757</u>	<u>223,981</u>	<u>388,738</u>
Excess(Deficiency) of revenues over(under) expenditures	1,609	(170,513)	(168,904)
Other financing sources:			
Transfer in	-	171,731	171,731
Net change in fund balances	1,609	1,218	2,827
Fund balances beginning of year, as restated	<u>38,546</u>	<u>26,399</u>	<u>64,945</u>
Fund balances end of year	<u>\$ 40,155</u>	<u>27,617</u>	<u>67,772</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Service and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 284,717	217,183	501,900
Receivables:			
Property tax:			
Delinquent	-	1,744	1,744
Succeeding year	-	137,642	137,642
Due from other governments	129,602	34	129,636
Total assets	\$ 414,319	356,603	770,922
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	137,642	137,642
Total liabilities	-	137,642	137,642
Fund balances:			
Restricted for:			
School infrastructure	414,319	-	414,319
Physical plant and equipment	-	218,961	218,961
Total fund balances	414,319	218,961	633,280
Total liabilities and fund balances	\$ 414,319	356,603	770,922

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Service and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 444,960	131,683	576,643
Other	226	189	415
Total revenues	<u>445,186</u>	<u>131,872</u>	<u>577,058</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	-	35,352	35,352
Operation and maintenance of plant	-	13,897	13,897
Other expenditures:			
Facilities acquisitions	83,866	5,650	89,516
Total expenditures	<u>83,866</u>	<u>54,899</u>	<u>138,765</u>
Excess(Deficiency) of revenues over(under) expenditures	361,320	76,973	438,293
Other financing uses:			
Transfer out	(171,731)	-	(171,731)
Net change in fund balances	189,589	76,973	266,562
Fund balances beginning of year, as restated	224,730	141,988	366,718
Fund balances end of year	<u>\$ 414,319</u>	<u>218,961</u>	<u>633,280</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,
 STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 1,872	1,803	726	2,949
7-12 Vocal Music	536	-	-	536
7-12 Music Trip	7,033	8,125	9,209	5,949
7-12 Instrumental Music	251	-	-	251
Elementary Music	904	319	655	568
7-12 Activities	782	774	234	1,322
Yearbook	-	2,071	2,071	-
HS Student Council	379	2,116	2,300	195
JH Student Council	182	155	86	251
K-6 Student Council	394	-	120	274
K-6 Building	3,341	3,024	2,377	3,988
Activity Passes	-	2,365	2,365	-
Boys Basketball	576	4,766	4,861	481
Boys Basketball Camp	648	1,346	1,097	897
Football	777	50,976	51,118	635
Baseball	1,805	11,082	12,887	-
Baseball Camp	-	1,105	1,105	-
Boys Track	90	5,641	5,731	-
Cross Country Camp	208	-	-	208
Golf	-	1,468	1,468	-
Football Camp	852	10,626	8,546	2,932
Girls Basketball	-	4,520	4,100	420
Volleyball	926	10,954	11,204	676
Softball	189	4,926	4,960	155
Softball Camp	1,870	9,461	11,078	253
Girls Track	-	4,634	4,634	-
FCCLA	580	2,095	1,590	1,085
Spanish Club	658	-	-	658
HS Cheerleaders	970	7,919	7,895	994
JH Cheerleaders	261	655	558	358
7-12 Activity Awards	-	1,622	1,622	-
Team Tigers	2,033	6,566	5,209	3,390
Class of 2011	2,580	-	2,580	-
Class of 2012	2,711	2,470	2,249	2,932
Class of 2013	1,837	788	-	2,625
Class of 2014	2,219	401	-	2,620
Class of 2015	1,082	934	61	1,955
Class of 2016	-	659	61	598
Total	\$ 38,546	166,366	164,757	40,155

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET ASSETS -
 PRIVATE PURPOSE TRUST
 JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund									
	Madrid Lions	Cathy Clark	Hinchliff Enterprises	MEA Scholarship	Virgil Wood Scholarship	Carla Pies	Madrid Alumni	Madrid Masonic	FCCLA	Total
Assets										
Cash and pooled investments	\$ 2,000	500	1,000	-	1,256	-	1,200	500	-	6,456
Liabilities										
	-	-	-	-	-	-	-	-	-	-
Net Assets:										
Reserved for scholarships	\$ 2,000	500	1,000	-	1,256	-	1,200	500	-	6,456

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS -
 PRIVATE PURPOSE TRUST
 FOR YEAR ENDED JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund									Total
	Madrid Lions	Cathy Clark	Hinchliff Enterprises	MEA Scholarship	Virgil Wood Scholarship	Carla Pies	Madrid Alumni	Madrid Masonic	FCCLA	
Additions:										
Local sources:										
Gifts and contributions	\$ 2,000	500	1,000	-	-	-	1,200	500	200	5,400
DEDUCTIONS:										
Instruction:										
Regular instruction:										
Scholarships awarded	1,500	500	1,000	100	6,000	150	1,200	500	200	11,150
Change in net assets	500	-	-	(100)	(6,000)	(150)	-	-	-	(5,750)
Net assets beginning of year	1,500	500	1,000	100	7,256	150	1,200	500	-	12,206
Net assets end of year	\$ 2,000	500	1,000	-	1,256	-	1,200	500	-	6,456

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MADRID COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR LAST EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 2,296,222	2,126,882	2,087,555	1,955,185	1,952,969	1,698,266	1,688,295	1,551,156
Tuition	290,362	240,222	241,925	202,345	173,929	177,624	155,947	111,578
Other	223,534	247,727	248,380	265,845	314,214	231,728	226,984	185,179
State sources	3,608,229	3,024,596	3,374,291	3,248,506	2,883,277	2,700,463	2,523,577	2,346,334
Federal sources	237,069	500,455	192,811	128,854	143,103	182,767	179,664	183,383
Total	\$ 6,655,416	6,139,882	6,144,962	5,800,735	5,467,492	4,990,848	4,774,467	4,377,630
Expenditures:								
Instruction:								
Regular	\$ 2,693,765	2,687,857	2,601,546	2,420,174	2,165,517	2,044,434	1,914,044	1,812,725
Special	625,324	608,764	619,247	529,503	524,670	506,964	587,167	559,072
Other	593,624	592,104	517,616	537,375	515,255	527,272	498,422	466,306
Support services:								
Student	132,284	129,294	117,730	111,518	128,272	117,223	109,305	107,408
Instructional staff	221,920	181,813	134,805	151,619	143,674	202,236	194,616	196,845
Administration	569,338	553,073	549,483	523,941	548,187	494,642	459,971	440,807
Operation and maintenance of plant	507,326	463,686	430,363	463,548	453,402	440,722	396,592	387,372
Transportation	179,109	244,019	147,956	185,104	163,896	176,373	125,109	113,078
Non-instructional programs	-	9,373	6,638	6,000	5,432	4,177	68,190	62,506
Other expenditures:								
Facilities acquisitions	89,516	332,135	478,403	393,693	211,712	182,030	50,376	121,788
Long-term debt:								
Principal	176,460	110,000	95,000	95,000	90,000	85,000	80,000	80,989
Interest	47,521	42,412	82,787	67,868	72,408	76,233	79,833	83,108
AEA flow-through	242,504	230,760	207,737	194,028	177,033	163,191	154,800	155,671
Total	\$ 6,078,691	6,185,290	5,989,311	5,679,371	5,199,458	5,020,497	4,718,425	4,587,675

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
Madrid Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Madrid Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 27, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Madrid Community School District'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 Madrid Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Madrid Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings Costs item I-A-11 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madrid Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters

that are required to be reported under Government Auditing Standards. 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, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

December 27, 2011

MADRID COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

MADRID COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - District expenditures for the year ended June 30, 2011, did not exceed the amount budgeted.

II-B-11 Questionable disbursements - We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

Response – The District will no longer purchase clothing for coaches from the Activity Fund.

Conclusion – Response accepted.

II-C-11 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-11 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-11 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-11 Supplemental Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-11 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-J-11 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-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-11 Statewide Sales and Servicing Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide, sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 224,730
Revenues:		
Statewide sales, services and use tax revenue	\$ 444,960	
Other local revenues	226	445,186
		<u>669,916</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 64,791	
Equipment	4,770	
Other	14,305	
Transfers to Other Funds:		
Debt service fund	171,731	255,597
		<u>255,597</u>
Ending Balance		<u>\$ 414,319</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<u>Rate of Levy Reduction Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars Reduced</u>
Debt Service Levy	<u>\$ 0.54000</u>	<u>\$ 100,000</u>