

415 S. Jackson St.
P.O. Box 906
Jackson, MI 49204



(517) 783-2886
Fax (517) 783-2938
www.dwapllc.com

Certified Public Accountants

October 5, 2009

Board of Education
Madison School District
Adrian, Michigan

Dear Board Members:

We have audited the financial statements of the governmental activities of Madison School District for the year ended June 30, 2009, and have issued our report thereon dated October 5, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 9, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 19, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Madison School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2009. We noted no transactions entered into by the district during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates could be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

We evaluated the key factors and assumptions used to develop the accounting estimate for depreciation and determined that it is reasonable in relation to the financial statements taken as a whole. There were no other significant estimates that would require disclosure.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures can be particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was Note 6 regarding long term debt. The debt obligations of the district are generally of particular interest to investors and lenders.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. Your district staff is to be commended for their assistance and professionalism during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 5, 2009.

Madison School District
October 5, 2009
Page Three

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to being retained as the district's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This report is intended solely for the information and use of the Board of Education, management, and others within the administration of Madison School District. This restriction is not intended to limit distribution of this report, which is a matter of public record.

We appreciate the excellent cooperation and courtesy extended us by the District's officials and employees. We appreciate the Board giving us the opportunity to work with your staff and hope we can continue to serve you in the years to come. Please contact us if we can be of any further assistance.

Respectfully submitted,

Drake, Watters & Associates, P.L.L.C.