ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Orient-Macksburg Community School District

Officials

Name	Title	Term Expires
	Board of Education (Before September 2004 Election)	
Roger Roberts	President	2005
Evonne Lents	Vice President	2006
Roseanne Sychra	Board Member	2004
Dave Collings	Board Member	2006
Doug Skellenger	Board Member (Resigned)	2005
Ron Lauer	Board Member (Appointed)	2005
	Board of Education (After September 2004 Election)	
Roger Roberts	President	2005
Evonne Lents	Vice President	2006
Brian Britten	Board Member	2007
Dave Collings	Board Member	2006
Ron Lauer	Board Member	2007
	School Officials	
Mike R. Hardy	Superintendent	2005
Sharon Cox	District Secretary/Treasurer and Business Manager	2005
Ahlers Law Office	Attorney	2005
Reynoldson Law Office	Attorney	2005
Gruhn Law Office	Attorney	2005

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Orient-Macksburg 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 Orient-Macksburg Community School District, Orient Iowa, as of and for the year ended June 30, 2005, 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 the Orient-Macksburg Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated November 3, 2005 on our consideration of the Orient-Macksburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 37 are not required parts of the basic financial statements, but are supplementary

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Orient-Macksburg 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 three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

NOLTE, CORNMAN & JOHNSON, P.C.

November 3, 2005

Orient-Macksburg 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $2,734,129 in fiscal 2004 to $2,932,694 in fiscal 2005, while General Fund expenditures decreased from $2,600,666 in fiscal 2004 to $2,589,092 in fiscal 2005. This resulted in an increase in the District's General Fund balance from $89,574 in fiscal 2004 to a balance of $424,141 in fiscal 2005, a 373.5% increase from the prior year.

- The increase in General Fund revenues was attributable to an increase in local and state source revenues in fiscal 2005. The decrease in expenditures was due primarily controlled spending by the District.

- Rising interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from $1,524 in fiscal year 2004 to $1,999 in fiscal year 2005.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Orient-Macksburg Community School District Annual Financial Report

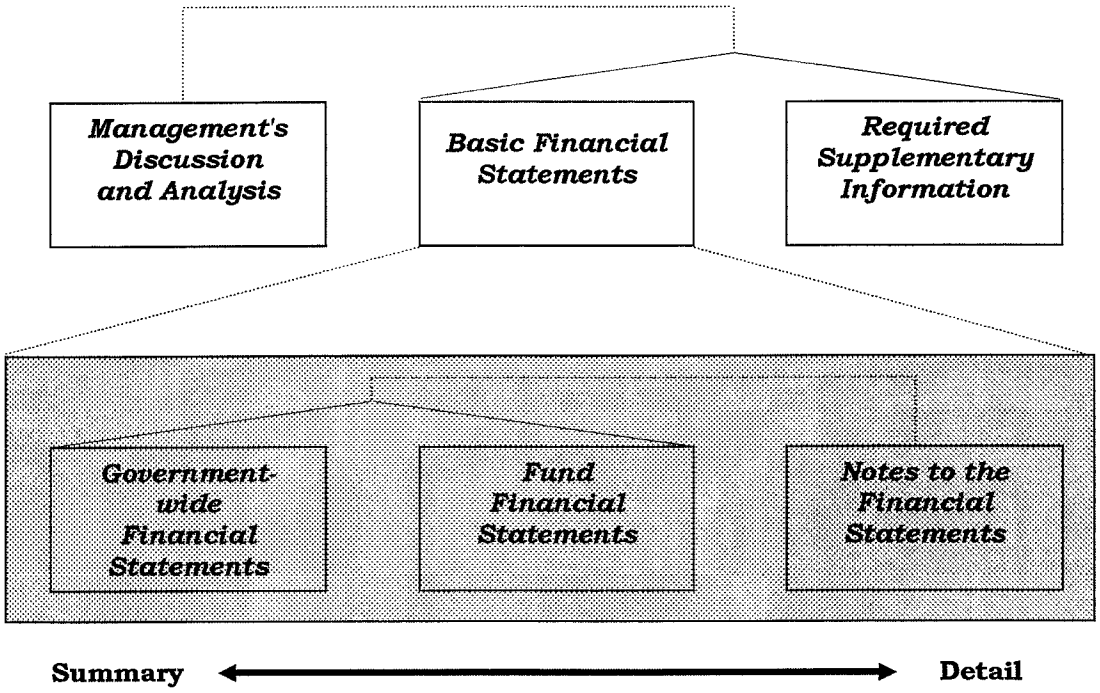

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	$ 2,439,005	2,444,650	18,265	20,173	2,457,270	2,464,823	-0.31%
Capital assets	1,369,837	1,366,994	18,019	20,895	1,387,856	1,387,889	0.00%
Total assets	3,808,842	3,811,644	36,284	41,068	3,845,126	3,852,712	-0.20%
Long-term obligations	602,336	667,751	0	0	602,336	667,751	-9.80%
Other liabilities	1,655,026	2,132,292	9,872	7,416	1,664,898	2,139,708	-22.19%
Total liabilities	2,257,362	2,800,043	9,872	7,416	2,267,234	2,807,459	-19.24%
Net assets:							
Invested in capital assets, net of related debt	783,358	743,033	18,019	20,895	801,377	763,928	4.90%
Restricted	253,097	121,838	0	0	253,097	121,838	107.73%
Unrestricted	515,025	146,730	8,393	12,757	523,418	159,487	228.19%
Total net assets	$ 1,551,480	1,011,601	26,412	33,652	1,577,892	1,045,253	50.96%

The District's combined net assets increased by 50.96%, or $532,639, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), 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 approximately $131,259 or 107.73% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately $363,931, or 228.19%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	$ 598,245	456,754	61,070	59,739	659,315	516,493	27.65%
Operating grants and contributions and restricted interest	363,931	374,399	52,566	58,630	416,497	433,029	-3.82%
Capital grants and contributions and restricted interest	31,673	0	0	0	31,673	0	100.00%
General revenues:							
Local tax	1,431,130	1,438,845	0	0	1,431,130	1,438,845	-0.54%
Local option sales and service tax	130,301	2,445	0	0	130,301	2,445	5229.28%
Unrestricted state grants	907,329	823,067	0	0	907,329	823,067	10.24%
Other	4,692	2,710	92	87	4,784	2,797	71.04%
Total revenues	3,467,301	3,098,220	113,728	118,456	3,581,029	3,216,676	11.33%
Program expenses:							
Governmental activities:							
Instructional	1,852,224	2,012,593	0	0	1,852,224	2,012,593	-7.97%
Support services	879,161	761,771	0	0	879,161	761,771	15.41%
Non-instructional programs	2,692	1,724	120,968	114,846	123,660	116,570	6.08%
Other expenses	193,345	184,609	0	0	193,345	184,609	4.73%
Total expenses	2,927,422	2,960,697	120,968	114,846	3,048,390	3,075,543	-0.88%
Changes in net assets	539,879	137,523	(7,240)	3,610	532,639	141,133	277.40%
Net assets beginning of year	1,011,601	874,078	33,652	30,042	1,045,253	904,120	15.61%
Net assets end of year	$ 1,551,480	1,011,601	26,412	33,652	1,577,892	1,045,253	50.96%

69%

Property tax, local option sales and service tax, and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

90%

Governmental Activities

Revenues for governmental activities were $3,467,301 and expenses were $2,927,422. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$ 1,852,224	976,171
Support services	879,161	879,161
Non-instructional	2,692	2,692
Other expenses	193,345	75,549
Totals	$ 2,927,422	1,933,573

- The cost financed by users of the District's programs was $598,245.
- Federal and state governments subsidized certain programs with grants and contributions totaling $395,604.
- The net cost of governmental activities was financed with $1,431,130 in property tax, $130,301 in local option sales and service tax, $907,329 in unrestricted state grants and $4,692 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were $113,728 and expenses were $120,968. 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 Orient-Macksburg 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 $685,972, above last year's ending fund balances of a $215,730. However, the primary reason for the increase was the controlled spending in the General Fund and increased local option sales and service tax revenues.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increased local tax and state source revenues coupled with the decreased total expenditures from controlled spending allowed the governmental funds to continue to improve.
- The Management, and Activity Fund combined balance increased from $84,323 in 2004, to $117,229 in 2005, due to decreased expenditures in both funds.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from $37,625 to $9,133, due to an increase in total expenditures for the year.
- The Capital Projects fund balance increased from $2,445 to $114,188, due to receiving $130,301 in local option sales during fiscal year 2005 versus $2,445 in fiscal year 2004. Limited spending of these tax dollars also lent to the balance increase.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from $33,652 at June 30, 2004 to $26,412 at June 30, 2005, representing a decrease of 21%.

BUDGETARY HIGHLIGHTS

The District's revenues were $164,685 less than budgeted revenues, a variance of 4%. The most significant variance resulted from the District receiving less in federal 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 then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget exceeded in the other expenditures functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested $1.4 million, 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 virtually no change over the previous year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was $108,334.

The original cost of the District's capital assets was $3,016,003. Governmental funds account for $2,967,765 with the remainder of $48,238 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled $126,282 at June 30, 2004 compared to $145,407 reported at June 30, 2005. This increase resulted from the new roof being put on the high school.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	$ 31,728	31,728	0	0	31,728	31,728	0.00%
Buildings	1,015,500	1,050,200	0	0	1,015,500	1,050,200	-3.42%
Land improvements	145,407	126,282	0	0	145,407	126,282	13.15%
Machinery and equipment	177,202	158,784	18,019	20,895	195,221	179,679	7.96%
Total	$ 1,369,837	1,366,994	18,019	20,895	1,387,856	1,387,889	0.00%

Long-Term Debt

At June 30, 2005, the District had long-term debt outstanding of $602,336 in general obligation bonds and the loan for the Ford Excursion. This represents a decrease of approximately 9.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding general obligation bonds payable of $585,000 at June 30, 2005.

The District also had total outstanding vehicle loan payable of $17,336 at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total
	2005	2004	Change
General obligation bonds	$ 585,000	620,000	-5.6%
Vehicle loans	17,336	25,500	-32.0%
Early retirement	0	22,251	-100.0%
Total	$ 602,336	667,751	-9.8%

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 budget guarantee, (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

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 Sharon Cox, District Board Secretary, Orient-Macksburg Community School District, P.O. Box 129, Orient, Iowa, 50858.

BASIC FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 5)	$ 190,842	0	190,842
Other	798,846	14,818	813,664
Receivables:			
Property tax:			
Delinquent	32,384	0	32,384
Succeeding year	1,193,630	0	1,193,630
Income surtax	103,431	0	103,431
Accounts	15,503	16	15,519
Accrued interest			
ISCAP(Note 5)	53	0	53
Other	1,062	0	1,062
Due from other governments	103,254	0	103,254
Inventories	0	3,431	3,431
Capital assets, net of accumulated depreciation(Note 6)	1,369,837	18,019	1,387,856
TOTAL ASSETS	3,808,842	36,284	3,845,126
LIABILITIES			
Interfund payable	(7,780)	7,780	0
Accounts payable	14,548	9	14,557
Interest payable	5,424	0	5,424
Salaries and benefits payable	255,297	0	255,297
ISCAP warrants payable(Note 5)	190,000	0	190,000
ISCAP accrued interest payable(Note 5)	36	0	36
Deferred revenue:			
Succeeding year property tax	1,193,630	0	1,193,630
Other	3,871	2,083	5,954
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds	35,000	0	35,000
Vehicle loan	8,496	0	8,496
Portion due after one year:			
General obligation bonds	550,000	0	550,000
Vehicle loan	8,840	0	8,840
TOTAL LIABILITIES	2,257,362	9,872	2,267,234
NET ASSETS			
Investment in capital assets, net of related debt	783,358	18,019	801,377
Restricted for:			
Early intervention	12,538	0	12,538
Talented and gifted	9	0	9
Physical plant & equipment levy	9,133	0	9,133
Management levy	78,493	0	78,493
Capital projects	114,188	0	114,188
Other special revenue purposes	38,736	0	38,736
Unrestricted	515,025	8,393	523,418
TOTAL NET ASSETS	$ 1,551,480	26,412	1,577,892

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	$ 1,057,328	244,955	262,663	0
Special instruction	321,162	112,225	15,145	0
Other instruction	473,734	241,065	0	0
	1,852,224	598,245	277,808	0
Support services:				
Student services	36,621	0	0	0
Instructional staff services	29,167	0	0	0
Adminstration services	405,041	0	0	0
Operation and maintenance of plant services	262,584	0	0	0
Transportation services	137,670	0	0	0
Other	8,078	0	0	0
	879,161	0	0	0
Non-instructional programs	2,692	0	0	0
Other expenditures:				
Facilities acquisitions	26,965	0	0	31,673
Long-term debt interest	34,914	0	0	0
AEA flowthrough	86,123	0	86,123	0
Depreciation(unallocated)*	45,343	0	0	0
	193,345	0	86,123	31,673
Total governmental activities	2,927,422	598,245	363,931	31,673
Business-Type activities:				
Non-instructional programs:				
Nutrition services	120,968	61,070	52,566	0
Total business-type activities	120,968	61,070	52,566	0
Total	$ 3,048,390	659,315	416,497	31,673
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Local option sales and services				
Unrestricted state grants				
Unrestricted investment earnings				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(549,710)	0	(549,710)
(193,792)	0	(193,792)
(232,669)	0	(232,669)
(976,171)	0	(976,171)
(36,621)	0	(36,621)
(29,167)	0	(29,167)
(405,041)	0	(405,041)
(262,584)	0	(262,584)
(137,670)	0	(137,670)
(8,078)	0	(8,078)
(879,161)	0	(879,161)
(2,692)		(2,692)
4,708	0	4,708
(34,914)	0	(34,914)
0	0	0
(45,343)	0	(45,343)
(75,549)	0	(75,549)
(1,933,573)	0	(1,933,573)
0	(7,332)	(7,332)
0	(7,332)	(7,332)
(1,933,573)	(7,332)	(1,940,905)
$ 1,298,577	0	1,298,577
69,195	0	69,195
63,358	0	63,358
130,301	0	130,301
907,329	0	907,329
4,692	92	4,784
2,473,452	92	2,473,544
539,879	(7,240)	532,639
1,011,601	33,652	1,045,253
$ 1,551,480	26,412	1,577,892

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments:			
ISCAP (Note 5)	$ 190,842	0	190,842
Other	588,075	210,771	798,846
Receivables:			
Property tax			
Delinquent	27,330	5,054	32,384
Succeeding year	982,103	211,527	1,193,630
Income surtax	77,573	25,858	103,431
Interfund	7,780	0	7,780
Accounts	15,262	241	15,503
Accrued interest:			
ISCAP (Note 5)	53	0	53
Other	700	362	1,062
Due from other governments	57,851	45,403	103,254
TOTAL ASSETS	$ 1,947,569	499,216	2,446,785
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 14,548	0	14,548
Salaries and benefits payable	255,297	0	255,297
ISCAP warrants payable (Note 5)	190,000	0	190,000
ISCAP accrued interest payable (Note 5)	36	0	36
Deferred revenue:			
Succeeding year property tax	982,103	211,527	1,193,630
Income surtax	77,573	25,858	103,431
Other	3,871	0	3,871
Total liabilities	1,523,428	237,385	1,760,813
Fund balances:			
Reserved for:			
Debt service	0	21,281	21,281
Early intervention	12,538	0	12,538
Talented and gifted	9	0	9
Unreserved:			
Undesignated	411,594	240,550	652,144
Total fund balances	424,141	261,831	685,972
TOTAL LIABILITIES AND FUND BALANCES	$ 1,947,569	499,216	2,446,785

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balances of governmental funds (page 16)	$ 685,972
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	1,369,837
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(5,424)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	103,431
Long-term liabilities, including bonds payable and vehicle loan payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(602,336)
Net assets of governmental activites (page 13)	$ 1,551,480

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit E

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Other Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	$ 1,288,191	379,498	1,667,689
Tuition	357,180	0	357,180
Other	16,170	128,923	145,093
State sources	1,161,734	107	1,161,841
Federal sources	109,419	25,000	134,419
Total revenues	2,932,694	533,528	3,466,222
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	1,023,902	49,665	1,073,567
Special instruction	322,037	0	322,037
Other instruction	413,034	114,062	527,096
	1,758,973	163,727	1,922,700
Support services:			
Student services	36,621	0	36,621
Instructional staff services	26,273	2,034	28,307
Administration services	400,173	4,321	404,494
Operation and maintenance of plant services	179,649	81,975	261,624
Transportation services	101,280	8,950	110,230
Other support services	0	8,078	8,078
	743,996	105,358	849,354
Non-instructional programs:			
Food service operations	0	2,692	2,692
Other expenditures:			
Facilities acquisitions	0	56,733	56,733
Long-term debt:			
Principal	0	43,164	43,164
Interest and fiscal charges	0	35,214	35,214
AEA flowthrough	86,123	0	86,123
	86,123	135,111	221,234
Total expenditures	2,589,092	406,888	2,995,980
Excess of revenues over expenditures	343,602	126,640	470,242
Other financing sources(uses):			
Transfers in	0	28,335	28,335
Transfers out	(9,035)	(19,300)	(28,335)
Total other financing sources(uses)	(9,035)	9,035	0
Net change in fund balances	334,567	135,675	470,242
Fund balance beginning of year	89,574	126,156	215,730
Fund balance end of year	$ 424,141	261,831	685,972

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds (page 18)		$ 470,242
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	$ 108,301	
Depreciation expense	(105,458)	2,843
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.		43,164
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.		300
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 fund.		
Early retirement		22,251
Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		1,079
Changes in net assets of governmental activities (page 15)		$ 539,879

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit G

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	School Nutrition
ASSETS	
Cash and cash equivalents	$ 14,818
Accounts receivable	16
Inventories	3,431
Capital assets, net of accumulated depreciation(Note 6)	18,019
TOTAL ASSETS	36,284
LIABILITIES	
Interfund payable	7,780
Accounts payable	9
Deferred revenues:	
Other	2,083
TOTAL LIABILITES	9,872
NET ASSETS	
Investment in capital assets	18,019
Unrestricted	8,393
TOTAL NET ASSETS	$ 26,412

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit H

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	$ 61,070
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	47,362
Benefits	6,406
Services	2,999
Supplies	61,325
Depreciation	2,876
Total operating expenses	120,968
Operating loss	(59,898)
Non-operating revenues:	
State sources	2,063
Federal sources	50,503
Interest on investments	92
Total non-operating revenues	52,658
Change in net assets	(7,240)
Net assets beginning of year	33,652
Net assets end of year	$ 26,412

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit I

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 61,182
Cash received from miscellaneous operating activities	15
Cash payments to employees for services	(56,071)
Cash payments to suppliers for goods or services	(56,909)
Net cash used in operating activities	(51,783)
Cash flows from non-capital financing activities:	
State grants received	2,063
Federal grants received	43,864
Net cash provided by non-capital financing activities	45,927
Cash flows from investing and other financing activities:	
Interfund loan from General Fund	2,312
Interest on investments	92
Net cash provided by investing and other financing activities	2,404
Net decrease in cash and cash equivalents	(3,452)
Cash and cash equivalents at beginning of year	18,270
Cash and cash equivalents at end of year	$ 14,818
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (59,898)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	6,639
Depreciation	2,876
Increase in inventories	(1,536)
Increase in accounts receivable	(8)
Increase in accounts payable	9
Increase in deferred revenue	135
Net cash used in operating activities	$ (51,783)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	$ 14,818

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at $6,639.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

(1) Summary of Significant Accounting Policies

The Orient-Macksburg 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 Cities of Orient and Macksburg, Iowa, and the predominate agricultural territory in Adams, Adair, Madison and Union 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, Orient-Macksburg 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 Orient-Macksburg 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 Adams, Adair, Madison and Union County Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund 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 Equity

The following accounting policies are followed in preparing the balance sheet:

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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

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

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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.

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, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the other expenditures functional area exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits in bank at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2005, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Iowa Schools Joint Investment Trust	$ 721,086

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

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

(3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nutrition	$ 7,780

The Nutrition Fund is repaying the General Fund for salaries that the General Fund paid at end of year. The balance will be repaid by June 30, 2005.

(4) Transfers

The detail of transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	$ 9,035
Debt Service	Capital Projects	19,300
Total		$ 28,335

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

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05A	6/30/2004	6/30/2005	0	53	0	0
2005-06A	6/28/2005	6/28/2006	190,842	0	190,000	36
Total			$ 190,842	53	190,000	36

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	$ 0	125,000	125,000	0

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2005-06A	3.500%	3.903%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 31,728	0	0	31,728
Total capital assets not being depreciated	31,728	0	0	31,728
Capital assets being depreciated:				
Buildings	1,885,000	0	0	1,885,000
Land improvements	225,747	29,768	0	255,515
Machinery and equipment	743,090	78,533	26,101	795,522
Total capital assets being depreciated	2,853,837	108,301	26,101	2,936,037
Less accumulated depreciation for:				
Buildings	834,800	34,700	0	869,500
Land improvements	99,465	10,643	0	110,108
Machinery and equipment	584,306	60,115	26,101	618,320
Total accumulated depreciation	1,518,571	105,458	26,101	1,597,928
Total capital assets being depreciated, net	1,335,266	2,843	0	1,338,109
Governmental activities capital assets, net	$ 1,366,994	2,843	0	1,369,837

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	$ 48,238	0	0	48,238
Less accumulated depreciation	27,343	2,876	0	30,219
Business-type activities capital assets, net	$ 20,895	(2,876)	0	18,019

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 8,819
Special	5,340
Other	13,341
Support services:	
Instructional staff services	860
Administration services	2,355
Operation and maintenence of plant services	1,960
Transportation	27,440
	60,115
Unallocated depreciation	45,343
Total governmental activities depreciation expense	$ 105,458
Business-type activities:	
Food services	$ 2,876

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	$ 620,000	0	35,000	585,000	35,000
Vehicle loan	25,500	0	8,164	17,336	8,496
Early retirement	22,251	0	22,251	0	0
Total	$ 667,751	0	65,415	602,336	43,496

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are equal to a cash payment of 22% of the basic yearly salary and one daily rate of pay for each two days of unused accumulated sick leave days. Early retirement expenditures for the year ended June 30, 2005 totaled $22,251.

Vehicle Loan Payable

During the year ended June 30, 2004, the District obtained financing for a Ford Excursion. The following is a schedule of payments under the agreement in effect at June 30, 2005.

Year Ending June 30,	Interest Rate	Loans dated June 30, 2004 Principal	Interest	Total
2006	4.00 %	$ 8,496	539	9,035
2007	4.00	8,840	193	9,033
Total		$ 17,336	732	18,068

General Obligation

Details of the District's June 30, 2005 General Obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue May 27, 1997 Principal	Interest	Total
2006	5.20 %	$ 35,000	32,540	67,540
2007	5.25	40,000	30,720	70,720
2008	5.30	40,000	28,620	68,620
2009	5.40	40,000	26,500	66,500
2010	5.50	45,000	24,340	69,340
2011	5.55	45,000	21,865	66,865
2012	5.60	50,000	19,367	69,367
2013	5.65	50,000	16,567	66,567
2014	5.70	55,000	13,743	68,743
2015	5.70	60,000	10,607	70,607
2016	5.75	60,000	7,188	67,188
2017	5.75	65,000	3,738	68,738
Total		$ 585,000	235,795	820,795

(8) 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 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were $91,671, $90,142 and $94,178, respectively, equal to the required contributions for each year.

(9) Risk Management

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

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to be $2.2 million. The District's share of this assessment was $58 paid with the 2004-2005 premiums and 2% of the 2005-2006 premium will be paid along with the 2005-2006 premium, an amount that is unknown at this time. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were $2,913.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

Orient-Macksburg 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 $86,123 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. Disbursements in the other expenditures functional area exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	$ 2,097,965	61,289
State sources	1,162,358	2,063
Federal sources	131,791	50,503
Total receipts	3,392,114	113,855
Disbursements:		
Instruction	1,902,345	0
Support services	856,694	0
Non-instructional programs	2,692	119,619
Other expenditures	221,234	0
Total disbursements	2,982,965	119,619
Excess(deficiency) of receipts over(under) disbursements	409,149	(5,764)
Balance beginning of year	397,477	12,802
Balance end of year	$ 806,626	7,038

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance - Positive (Negative)
2,159,254	2,245,282	2,245,282	(86,028)
1,164,421	1,215,372	1,215,372	(50,951)
182,294	210,000	210,000	(27,706)
3,505,969	3,670,654	3,670,654	(164,685)
1,902,345	2,219,096	2,219,096	316,751
856,694	986,000	986,000	129,306
122,311	128,321	128,321	6,010
221,234	203,222	203,222	(18,012)
3,102,584	3,536,639	3,536,639	434,055
403,385	134,015	134,015	269,370
410,279	542,575	542,575	(132,296)
813,664	676,590	676,590	137,074

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE-
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005

	Governmental Fund Types		
	Cash Basis	Accrual Adjust-ments	Accrual Basis
Revenues	$ 3,392,114	74,108	3,466,222
Expenses	2,982,965	13,015	2,995,980
Net	409,149	61,093	470,242
Beginning fund balances	397,477	(181,747)	215,730
Ending fund balances	$ 806,626	(120,654)	685,972

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjust-ments	Accrual Basis
Revenues	$ 113,855	(127)	113,728
Expenses	119,619	1,349	120,968
Net	(5,764)	(1,476)	(7,240)
Beginning net assets	12,802	20,850	33,652
Ending net assets	$ 7,038	19,374	26,412

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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

During the year ended June 30, 2005, disbursements in the other expenditures functional area exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue Funds						
	Manage-ment	Physical Plant & Equipment Levy	Student Activity	Total Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
ASSETS							
Cash and pooled investments	$ 76,300	7,673	38,495	122,468	68,600	19,703	210,771
Receivables:							
Property tax:							
Current year delinquent	2,032	1,444	0	3,476	0	1,578	5,054
Succeeding year	105,000	63,987	0	168,987	0	42,540	211,527
Income surtax	0	25,858	0	25,858	0	0	25,858
Accounts	0	0	241	241	0	0	241
Accrued interest	161	16	0	177	185	0	362
Due from other governments	0	0	0	0	45,403	0	45,403
TOTAL ASSETS	$ 183,493	98,978	38,736	321,207	114,188	63,821	499,216
LIABILITIES AND FUND EQUITY							
Liabilities:							
Deferred revenue:							
Succeeding year property tax	105,000	63,987	0	168,987	0	42,540	211,527
Income surtax	0	25,858	0	25,858	0	0	25,858
	105,000	89,845	0	194,845	0	42,540	237,385
Fund equity:							
Fund balances:							
Unreserved:							
Debt service	0	0	0	0	0	21,281	21,281
Unreserved:							
Undesignated	78,493	9,133	38,736	126,362	114,188	0	240,550
Total fund balances	78,493	9,133	38,736	126,362	114,188	21,281	261,831
TOTAL LIABILITIES AND FUND EQUITY	$ 183,493	98,978	38,736	321,207	114,188	63,821	499,216

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	Special Revenue						
	Manage-ment	Physical Plant & Equipment Levy	Student Activity	Total Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	$ 89,810	90,192	0	180,002	130,301	69,195	379,498
Other	1,044	6,922	119,883	127,849	742	332	128,923
State sources	42	31	0	73	0	34	107
Federal sources	0	25,000	0	25,000	0	0	25,000
TOTAL REVENUES	90,896	122,145	119,883	332,924	131,043	69,561	533,528
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	27,521	22,144	0	49,665	0	0	49,665
Other instruction	0	0	114,062	114,062	0	0	114,062
	27,521	22,144	114,062	163,727	0	0	163,727
Support services:							
Instructional staff services	1,004	1,030	0	2,034	0	0	2,034
Administration services	4,321	0	0	4,321	0	0	4,321
Operation and maintenance of plant services	11,245	70,730	0	81,975	0	0	81,975
Transportation services	8,950	0	0	8,950	0	0	8,950
Other support services	8,078	0	0	8,078	0	0	8,078
	33,598	71,760	0	105,358	0	0	105,358
Non-instructional programs:							
Food service operations	2,692	0	0	2,692	0	0	2,692
Other expenditures:							
Facilities acquisitions	0	56,733	0	56,733	0	0	56,733
Long-term debt:							
Principal	0	0	0	0	0	43,164	43,164
Interest and fiscal charges	0	0	0	0	0	35,214	35,214
	0	56,733	0	56,733	0	78,378	135,111
TOTAL EXPENDITURES	63,811	150,637	114,062	328,510	0	78,378	406,888
Other financing sources(uses):							
Transfers in	0	0	0	0	0	28,335	28,335
Transfers out	0	0	0	0	(19,300)	0	(19,300)
Total other financing sources(uses)	0	0	0	0	(19,300)	28,335	9,035
Net change in fund balances	27,085	(28,492)	5,821	4,414	111,743	19,518	135,675
Fund balance beginning of year	51,408	37,625	32,915	121,948	2,445	1,763	126,156
Fund balance end of year	$ 78,493	9,133	38,736	126,362	114,188	21,281	261,831

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Annual	$ 2,373	6,756	7,644	1,485
Athletics	2,560	25,750	22,951	5,359
Band student club	71	0	25	46
Bank interest	0	610	610	0
HS reading club	197	972	971	198
Cheerleaders	55	975	687	343
Drill team	1,702	3,309	3,342	1,669
Class of 04	968	4	419	553
Class of 05	6,248	151	6,179	220
Class of 06	1,233	27,235	19,792	8,676
Class of 07	106	963	84	985
FFA	104	31,222	30,497	829
Ind tech club	100	0	0	100
MS reading club	876	6,483	5,819	1,540
Musical	1,041	313	1,151	203
NHS	(62)	251	99	90
Plays	1,872	253	380	1,745
Secondary Pepsi	2,231	3,037	2,956	2,312
Student council	527	757	780	504
Teen leadership	193	1	0	194
Carnival	151	1	0	152
Foods club	0	649	632	17
Elem reading club	10,076	9,969	8,665	11,380
Snack shack	187	0	187	0
Dance club	106	222	192	136
Total	$ 32,915	119,883	114,062	38,736

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 4

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	$ 1,667,689	1,450,519	1,328,459	1,192,508
Tuition	357,180	301,638	369,101	260,125
Other	145,093	157,826	175,163	151,558
State sources	1,161,841	1,082,862	1,068,478	1,062,801
Federal sources	134,419	114,604	137,784	105,389
Total	$ 3,466,222	3,107,449	3,078,985	2,772,381
Expenditures:				
Instruction:				
Regular instruction	$ 1,073,567	1,165,472	1,179,966	1,062,856
Special instruction	322,037	488,633	443,886	415,555
Other instruction	527,096	376,388	361,738	311,707
Support services:				
Student services	36,621	27,840	29,550	21,927
Instructional staff services	28,307	36,089	33,628	51,862
Administration services	404,494	381,141	377,840	369,227
Operation and maintenance of plant services	261,624	203,028	175,645	227,377
Transportation services	110,230	97,651	189,366	117,839
Other support services	8,078	27,738	38,553	9,838
Non-instructional programs:				
Food service operations	2,692	1,724	0	0
Other expenditures:				
Facilities acquisitions	56,733	20,136	0	0
Long Term debt:				
Principal	43,164	39,837	41,183	43,197
Interest and fiscal charges	35,214	36,230	38,234	40,432
AEA flow-through	86,123	86,409	92,208	92,583
Total	$ 2,995,980	2,988,316	3,001,797	2,764,400

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

To the Board of Education of the
Orient-Macksburg 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 Orient-Macksburg Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 3, 2005. 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 Orient-Macksburg Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Orient-Macksburg 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 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, 2005 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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Orient-Macksburg 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.

NOLTE, CORNMAN & JOHNSON, P.C.

November 3, 2005

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-05 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 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 that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

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

Conclusion - Response accepted.

I-B-05 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - We will implement pre-numbered tickets.

Conclusion – Response accepted.

I-C-05 Authorized Check Signatures - Checks written from the Nutrition Fund have two signatures; however, the board president is not signing all of the checks.

Recommendation - The Board President and Board Secretary are required to sign all checks written by the District in compliance with Chapter 291.1 of the Code of Iowa. The Board President may, however, designate an individual other than him or herself to sign checks on their behalf.

Response - We will have the required signatures.

Conclusion - Response accepted.

I-D-05 Student Activity Fund - We noted during our audit that the Student Activity Fund included the Elementary Reading Club, a Class of 2004 account and a petty cash fund that was not included on the District's books. The Elementary Reading Club account had expenditures for reading materials and related supplies that are more instructional in nature. The Elementary Reading Club account also appeared to have fundraisers where no designated purpose was identified.

Recommendation - The Elementary Reading Club's remaining account balance should be moved to the General Fund because most expenditure from this account appear to be instructional in nature. Instructional materials are to be purchased from the General Fund. For fundraisers sponsored by the District, officials of the District should make sure there is a definite purpose for the proceeds from the fundraiser. The Class of 2004 account balance should be closed and reallocated to other funds inside the Activity Fund. The Activity Fund can have petty cash; however, the petty cash should be included on the District's books.

Response - We will evaluate the accounts and make the necessary changes.

Conclusion - Response accepted.

I-E-05 Receipting Process - We noted during the audit in the Activity Fund that a pre-numbered receipt book was not used. Also, receipts were not written and given to the persons from whom money was received. Deposit slips in the Nutrition Fund contained no detail of where or whom the money came from.

Recommendation - The District should review receipting procedures to ensure there is proper documentation of the flow of money through the receipting process. The District should consider listing the checks included in deposits on the bank's deposit slips.

Response - We will make the necessary changes.

Conclusion - Response accepted.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

II-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, exceeded the amount budgeted in the other expenditures functional area.

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

Response - We will amend the budget in the future when necessary.

Conclusion - Response accepted.

II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 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-E-05 Business Transactions - No business transactions between the District and District officials were noted.

II-F-05 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-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-I-05 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-05 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.