

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2006

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Orient-Macksburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Roger Roberts	President	2005
Evonne Lents	Vice President	2006
Brian Britten	Board Member	2007
Dave Collings	Board Member	2006
Ron Lauer	Board Member	2005
Board of Education (After September 2005 Election)		
Ron Lauer	President	2008
Evonne Lents	Vice President	2006
Dave Collings	Board Member	2006
Brian Britten	Board Member	2007
Ellen Pool	Board Member	2008
School Officials		
Jerry Waugh	Superintendent	2006
Sharon Cox	District Secretary/Treasurer and Business Manager	2006
Ahlers Law Office	Attorney	2006
Reynoldson Law Office	Attorney	2006
Gruhn Law Office	Attorney	2006

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, 2006, 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, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2006 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 33 through 34 are not required parts of the basic financial statements, but are supplementary

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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, 2005 (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.

August 28, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,932,694 in fiscal 2005 to \$2,545,151 in fiscal 2006, while General Fund expenditures increased from \$2,589,092 in fiscal 2005 to \$2,662,466 in fiscal 2006. This resulted in a decrease in the District's General Fund balance from \$424,141 in fiscal 2005 to a balance of \$297,791 in fiscal 2006, a 29.8% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local and state source revenues in fiscal 2006. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.
- 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 2005 to \$1,999 in fiscal year 2006.

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.

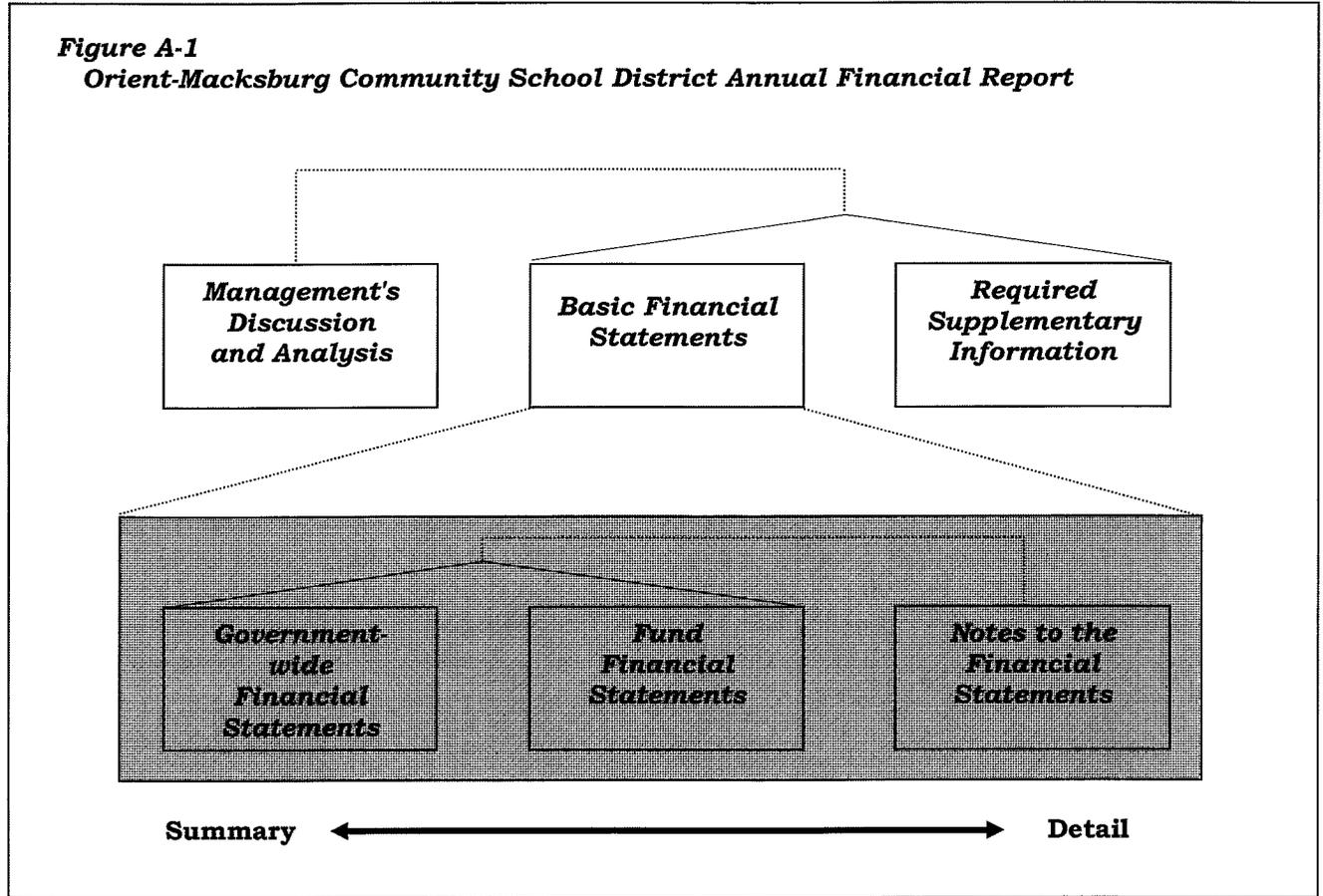


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has two kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, 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 two enterprise funds, the School Nutrition and Day Care Funds.

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 total net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business-Type		Total		Total Change
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 2,278,384	2,439,005	18,141	18,265	2,296,525	2,457,270	-6.54%
Capital assets	1,288,345	1,369,837	15,143	18,019	1,303,488	1,387,856	-6.08%
Total assets	<u>3,566,729</u>	<u>3,808,842</u>	<u>33,284</u>	<u>36,284</u>	<u>3,600,013</u>	<u>3,845,126</u>	<u>-6.37%</u>
Long-term obligations	558,840	602,336	0	0	558,840	602,336	-7.22%
Other liabilities	1,507,259	1,655,026	32,079	9,872	1,539,338	1,664,898	-7.54%
Total liabilities	<u>2,066,099</u>	<u>2,257,362</u>	<u>32,079</u>	<u>9,872</u>	<u>2,098,178</u>	<u>2,267,234</u>	<u>-7.46%</u>
Net assets:							
Invested in capital assets, net of related debt	769,571	783,358	15,143	18,019	784,714	801,377	-2.08%
Restricted	360,684	253,097	0	0	360,684	253,097	42.51%
Unrestricted	370,375	515,025	(13,938)	8,393	356,437	523,418	-31.90%
Total net assets	<u>\$ 1,500,630</u>	<u>1,551,480</u>	<u>1,205</u>	<u>26,412</u>	<u>1,501,835</u>	<u>1,577,892</u>	<u>-4.82%</u>

The District's combined net assets decreased by 4.82%, or \$76,057, 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 42.5% or \$107,587 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 31.9% or \$166,981.

Figure A-4 shows the changes in net assets for the years ended June 30, 2006 and 2005.

Figure A-4
Changes of Net Assets

	Governmental		Business-Type		Total		Total Change
	Activities		Activities		School District		
	June 30, 2006	2005	June 30, 2006	2005	June 30, 2006	2005	
Revenues:							
Program revenues:							
Charges for services	\$ 319,941	598,245	104,437	61,070	424,378	659,315	-35.63%
Operating grants and contributions and restricted interest	380,769	363,931	54,439	52,566	435,208	416,497	4.49%
Capital grants and contributions and restricted interest	0	31,673	0	0	0	31,673	-100.00%
General revenues:							
Property tax	1,301,472	1,431,130	0	0	1,301,472	1,431,130	-9.06%
Local option sales and service tax	139,634	130,301	0	0	139,634	130,301	0.00%
Unrestricted state grants	870,563	907,329	0	0	870,563	907,329	-4.05%
Other	55,394	4,692	97	92	55,491	4,784	1059.93%
Total revenues	3,067,773	3,467,301	158,973	113,728	3,226,746	3,581,029	-9.89%
Program expenses:							
Governmental activities:							
Instructional	1,964,742	1,852,224	0	0	1,964,742	1,852,224	6.07%
Support services	919,536	879,161	0	0	919,536	879,161	4.59%
Non-instructional programs	1,953	2,692	184,180	120,968	186,133	123,660	50.52%
Other expenses	232,392	193,345	0	0	232,392	193,345	20.20%
Total expenses	3,118,623	2,927,422	184,180	120,968	3,302,803	3,048,390	8.35%
Change in net assets	(50,850)	539,879	(25,207)	(7,240)	(76,057)	532,639	-114.28%
Net assets beginning of year	1,551,480	1,011,601	26,412	33,652	1,577,892	1,045,253	50.96%
Net assets end of year	\$ 1,500,630	1,551,480	1,205	26,412	1,501,835	1,577,892	-4.82%

In fiscal 2006, property tax and unrestricted state grants account for 70.8% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly 100% of the revenue from business type activities.

The District's total revenues were approximately \$3.23 million of which \$3.07 million was for governmental activities and \$.16 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 9.89% in revenues and an 8.35% increase in expenses. The increase in expenses was related to an increase in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$3,067,773 and expenses were \$3,118,623.

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	\$ 1,964,742	1,349,315
Support services	919,536	919,536
Non-instructional	1,953	1,953
Other expenses	232,392	147,109
Totals	\$ 3,118,623	2,417,913

- The cost financed by users of the District’s programs was \$319,941.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$380,769.
- The net cost of governmental activities was financed with \$1,301,472 in property tax, \$139,634 in local option sales and service tax, \$870,563 in unrestricted state grants and \$27,762 in interest income.

Business-Type Activities

Revenues of the District’s business-type activities were \$158,973 and expenses were \$184,180. The District’s business-type activities include the School Nutrition Fund and Day Care 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 \$672,814, compared to last year’s ending fund balances of \$685,972. However, the primary reason for the decrease was the decrease in revenues in the General Fund.

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 Levy fund balance increased from \$78,493 in 2005, to \$132,247 in 2006, due to an increase in the tax levy and decreased expenditures.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$9,133 to \$40,328, due to a decrease in total expenditures for the year.
- The Capital Projects fund balance increased from \$114,188 to \$129,807, due to receiving \$139,634 in local option sales and service tax during fiscal year 2006. Limited spending of these tax dollars also lent to the balance increase.

Proprietary Fund Highlights

- The School Nutrition Fund net assets decreased from \$26,412 at June 30, 2005 to \$12,414 at June 30, 2006, representing a decrease of 53%.
- The District started a Day Care Fund during the current year. At June 30, 2006 it had a deficit fund balance of \$11,209.

BUDGETARY HIGHLIGHTS

The District's revenues were \$164,084 less than budgeted revenues, a variance of 4.8%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District 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 support services and non-instructional functions due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$1.3 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 a decrease of 6.47% compared to the previous year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$119,169.

The original cost of the District's capital assets was \$3,044,604. Governmental funds account for \$2,996,366 with the remainder of \$48,238 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$195,221 at June 30, 2005 compared to \$156,196 reported at June 30, 2006. This decrease resulted from the current year depreciation.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 31,728	31,728	0	0	31,728	31,728	0.00%
Buildings	980,800	1,015,500	0	0	980,800	1,015,500	-3.54%
Improvements other than buildings	134,764	145,407	0	0	134,764	145,407	-7.90%
Machinery and equipment	141,053	177,202	15,143	18,019	156,196	195,221	-24.98%
Total	\$ 1,288,345	1,369,837	15,143	18,019	1,303,488	1,387,856	-6.47%

Long-Term Debt

At June 30, 2006, the District had long-term debt outstanding of \$558,840 in general obligation bonds and the loan for the Ford Excursion. This represents a decrease of approximately 7.2% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$550,000 at June 30, 2006.

The District also had total outstanding vehicle loan payable of \$8,840 at June 30, 2006.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30, 2006	2005	June 30, 2005-06
General obligation bonds	\$ 550,000	585,000	-6.0%
Vehicle loan	8,840	17,336	-49.0%
Totals	\$ 558,840	602,336	-7.2%

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, which began 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, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 845,744	9,297	855,041
Receivables:			
Property tax:			
Delinquent	27,550	0	27,550
Succeeding year	1,209,020	0	1,209,020
Income surtax	103,431	0	103,431
Interfund	26,939	0	26,939
Accounts	2,202	5,386	7,588
Due from other governments	63,498	0	63,498
Inventories	0	3,458	3,458
Capital assets, net of accumulated depreciation(Note 5)	1,288,345	15,143	1,303,488
Total Assets	3,566,729	33,284	3,600,013
Liabilities			
Interfund payable	0	26,939	26,939
Accounts payable	25,391	0	25,391
Interest payable	5,120	0	5,120
Salaries and benefits payable	248,286	3,824	252,110
Deferred revenue:			
Succeeding year property tax	1,209,020	0	1,209,020
Other	19,442	0	19,442
Unearned revenue	0	1,316	1,316
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds	40,000	0	40,000
Vehicle loan	8,840	0	8,840
Portion due after one year:			
General obligation bonds	510,000	0	510,000
Total Liabilities	2,066,099	32,079	2,098,178
Net Assets			
Investment in capital assets, net of related debt	769,571	15,143	784,714
Restricted for:			
Early intervention	19,745	0	19,745
Talented and gifted	2,262	0	2,262
Physical plant & equipment levy	40,328	0	40,328
Management levy	132,247	0	132,247
Capital projects	129,807	0	129,807
Other special revenue purposes	36,295	0	36,295
Unrestricted	370,375	(13,938)	356,437
Total Net Assets	\$ 1,500,630	1,205	1,501,835

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,018,772	113,556	280,171	(625,045)	0	(625,045)
Special instruction	347,342	70,557	15,165	(261,620)	0	(261,620)
Other instruction	598,628	135,828	150	(462,650)	0	(462,650)
	<u>1,964,742</u>	<u>319,941</u>	<u>295,486</u>	<u>(1,349,315)</u>	<u>0</u>	<u>(1,349,315)</u>
Support services:						
Student services	20,274	0	0	(20,274)	0	(20,274)
Instructional staff services	98,108	0	0	(98,108)	0	(98,108)
Administration services	399,463	0	0	(399,463)	0	(399,463)
Operation and maintenance of plant services	203,574	0	0	(203,574)	0	(203,574)
Transportation services	198,117	0	0	(198,117)	0	(198,117)
	<u>919,536</u>	<u>0</u>	<u>0</u>	<u>(919,536)</u>	<u>0</u>	<u>(919,536)</u>
Non-instructional programs	1,953	0	0	(1,953)		(1,953)
Other expenditures:						
Facilities acquisitions	69,291	0	0	(69,291)	0	(69,291)
Long-term debt interest	32,475	0	0	(32,475)	0	(32,475)
AEA flowthrough	85,283	0	85,283	0	0	0
Depreciation(unallocated)*	45,343	0	0	(45,343)	0	(45,343)
	<u>232,392</u>	<u>0</u>	<u>85,283</u>	<u>(147,109)</u>	<u>0</u>	<u>(147,109)</u>
Total governmental activities	3,118,623	319,941	380,769	(2,417,913)	0	(2,417,913)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	128,420	59,899	54,439	0	(14,082)	(14,082)
Daycare services	55,760	44,538	0	0	(11,222)	(11,222)
Total business-type activities	<u>184,180</u>	<u>104,437</u>	<u>54,439</u>	<u>0</u>	<u>(25,304)</u>	<u>(25,304)</u>
Total	\$ 3,302,803	424,378	435,208	(2,417,913)	(25,304)	(2,443,217)
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,167,558	0	1,167,558
Debt service				42,461	0	42,461
Capital outlay				91,453	0	91,453
Local option sales and services				139,634	0	139,634
Unrestricted state grants				870,563	0	870,563
Unrestricted investment earnings				27,762	97	27,859
Other				27,632	0	27,632
Total general revenues				<u>2,367,063</u>	<u>97</u>	<u>2,367,160</u>
Change in net assets				(50,850)	(25,207)	(76,057)
Net assets beginning of year				<u>1,551,480</u>	<u>26,412</u>	<u>1,577,892</u>
Net assets end of year				<u>\$ 1,500,630</u>	<u>1,205</u>	<u>1,501,835</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Manage- ment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 509,946	143,567	81,771	110,460	845,744
Receivables:					
Property tax					
Delinquent	22,661	2,430	0	2,459	27,550
Succeeding year	1,025,714	75,000	0	108,306	1,209,020
Income surtax	77,573	0	0	25,858	103,431
Interfund	15,770	0	12,000	0	27,770
Accounts	2,152	0	0	50	2,202
Due from other governments	27,462	0	36,036	0	63,498
Total Assets	\$ 1,681,278	220,997	129,807	247,133	2,279,215
Liabilities and Fund Balances					
Liabilities:					
Interfund payable	\$ 831	0	0	0	831
Accounts payable	11,641	13,750	0	0	25,391
Salaries and benefits payable	248,286	0	0	0	248,286
Deferred revenue:					
Succeeding year property tax	1,025,714	75,000	0	108,306	1,209,020
Income surtax	77,573	0	0	25,858	103,431
Other	19,442	0	0	0	19,442
Total liabilities	1,383,487	88,750	0	134,164	1,606,401
Fund balances:					
Reserved for:					
Debt service	0	0	0	36,346	36,346
Early intervention	19,745	0	0	0	19,745
Talented and gifted	2,262	0	0	0	2,262
Unreserved	275,784	132,247	129,807	76,623	614,461
Total fund balances	297,791	132,247	129,807	112,969	672,814
Total Liabilities and Fund Balances	\$ 1,681,278	220,997	129,807	247,133	2,279,215

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, 2006

Total fund balances of governmental funds (page 15)	\$ 672,814
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	1,288,345
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.	(5,120)
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.	(558,840)
	(558,840)
Net assets of governmental activites (page 13)	<u><u>\$ 1,500,630</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Manage- ment Levy	Capital Projects	Other Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,062,755	104,803	139,634	133,914	1,441,106
Tuition	184,113	0	0	0	184,113
Other	47,205	8,505	2,767	132,896	191,373
State sources	1,119,038	50	0	53	1,119,141
Federal sources	132,040	0	0	0	132,040
Total revenues	<u>2,545,151</u>	<u>113,358</u>	<u>142,401</u>	<u>266,863</u>	<u>3,067,773</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	995,930	1,542	0	7,508	1,004,980
Special instruction	342,002	0	0	0	342,002
Other instruction	451,931	0	0	133,356	585,287
	<u>1,789,863</u>	<u>1,542</u>	<u>0</u>	<u>140,864</u>	<u>1,932,269</u>
Support services:					
Student services	20,274	0	0	0	20,274
Instructional staff services	85,562	3,317	0	8,929	97,808
Administration services	371,562	24,699	0	300	396,561
Operation and maintenance of plant services	175,695	18,919	7,000	0	201,614
Transportation services	134,227	9,174	56,202	0	199,603
	<u>787,320</u>	<u>56,109</u>	<u>63,202</u>	<u>9,229</u>	<u>915,860</u>
Non-instructional programs:					
Food service operations	0	1,953	0	0	1,953
Other expenditures:					
Facilities acquisitions	0	0	24,484	44,807	69,291
Long-term debt:					
Principal	0	0	0	43,496	43,496
Interest	0	0	0	32,779	32,779
AEA flowthrough	85,283	0	0	0	85,283
	<u>85,283</u>	<u>0</u>	<u>24,484</u>	<u>121,082</u>	<u>230,849</u>
Total expenditures	<u>2,662,466</u>	<u>59,604</u>	<u>87,686</u>	<u>271,175</u>	<u>3,080,931</u>
Excess(deficiency) of revenues over(under) expenditures	(117,315)	53,754	54,715	(4,312)	(13,158)
Other financing sources(uses):					
Transfers in	0	0	0	48,131	48,131
Transfers out	(9,035)	0	(39,096)	0	(48,131)
Total other financing sources(uses)	<u>(9,035)</u>	<u>0</u>	<u>(39,096)</u>	<u>48,131</u>	<u>0</u>
Net change in fund balances	(126,350)	53,754	15,619	43,819	(13,158)
Fund balance beginning of year	424,141	78,493	114,188	69,150	685,972
Fund balance end of year	<u>\$ 297,791</u>	<u>132,247</u>	<u>129,807</u>	<u>112,969</u>	<u>672,814</u>

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, 2006

Net change in fund balances - total governmental funds (page 17) \$ (13,158)

*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	\$ 34,801	
Depreciation expense	<u>(116,293)</u>	(81,492)

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. 43,496

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. 304

Changes in net assets of governmental activities (page 14) \$ (50,850)

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	School Nutrition	Day Care	Total
Assets			
Cash and cash equivalents	\$ 10,061	0	10,061
Interfund receivable	831	0	831
Accounts receivable	7	5,379	5,386
Inventories	3,458	0	3,458
Capital assets, net of accumulated depreciation (Note 6)	15,143	0	15,143
Total Assets	29,500	5,379	34,879
Liabilities			
Excess of warrants issued over bank balance	0	764	764
Interfund payable	15,770	12,000	27,770
Salary and benefits payable	0	3,824	3,824
Unearned revenues	1,316	0	1,316
Total Liabilities	17,086	16,588	33,674
Net Assets			
Investment in capital assets	15,143	0	15,143
Unrestricted	(2,729)	(11,209)	(13,938)
Total Net Assets	\$ 12,414	(11,209)	1,205

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	School Nutrition	Day Care	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 59,899	44,538	104,437
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	54,225	45,320	99,545
Benefits	7,450	5,752	13,202
Services	2,697	428	3,125
Supplies	61,172	4,260	65,432
Depreciation	2,876	0	2,876
Total operating expenses	128,420	55,760	184,180
Operating loss	(68,521)	(11,222)	(79,743)
Non-operating revenues:			
State sources	1,899	0	1,899
Federal sources	52,540	0	52,540
Interest income	84	13	97
Total non-operating revenues	54,523	13	54,536
Change in net assets	(13,998)	(11,209)	(25,207)
Net assets beginning of year	26,412	0	26,412
Net assets end of year	\$ 12,414	(11,209)	1,205

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 59,102	0	59,102
Cash received from miscellaneous operating activities	39	39,159	39,198
Cash payments to employees for services	(61,684)	(47,248)	(108,932)
Cash payments to suppliers for goods or services	(56,109)	(4,688)	(60,797)
Net cash used in operating activities	(58,652)	(12,777)	(71,429)
Cash flows from non-capital financing activities:			
Interfund loan to the General Fund	7,159	0	7,159
Interfund loan from the Capital Projects Fund	0	12,000	12,000
State grants received	1,899	0	1,899
Federal grants received	44,753	0	44,753
Net cash provided by non-capital financing activities	53,811	12,000	65,811
Cash flows from investing and other financing activities:			
Interest on investments	84	13	97
Net decrease in cash and cash equivalents	(4,757)	(764)	(5,521)
Cash and cash equivalents at beginning of year	14,818	0	14,818
Cash and cash equivalents at end of year	\$ 10,061	(764)	9,297
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (68,521)	(11,222)	(79,743)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	7,787	0	7,787
Depreciation	2,876	0	2,876
Increase in inventories	(27)	0	(27)
Decrease(increase) in accounts receivable	9	(5,379)	(5,370)
Decrease in accounts payable	(9)	0	(9)
Increase in salary and benefits payable	0	3,824	3,824
Decrease in unearned revenue	(767)	0	(767)
Net cash used in operating activities	\$ (58,652)	(12,777)	(71,429)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 10,061	(764)	9,297
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
During the year ended June 30, 2006, the District received Federal commodities valued at \$7,787.			
SEE NOTES TO BASIC FINANCIAL STATEMENTS.			

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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

The Special Revenue, Management Levy Fund is utilized to account for the payment of property insurance.

The District's proprietary funds are the Enterprise, School Nutrition Fund and Enterprise, Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the day care service provided by the District.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the 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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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.

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

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

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services and non-instructional functions exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits in bank at June 30, 2006 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, 2006, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Iowa Schools Joint Investment Trust	\$ 752,452

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, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Enterprise:	
General	School Nutrition	\$ 15,770
	Enterprise:	
School Nutrition	General	831
	Enterprise:	
Capital Projects	Day Care	12,000
		<u>\$ 28,601</u>

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, 2007.

(4) Transfers

The detail of transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 9,035
Debt Service	Capital Projects	39,096
Total		<u>\$ 48,131</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 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	<u>31,728</u>	<u>0</u>	<u>0</u>	<u>31,728</u>
Capital assets being depreciated:				
Buildings	1,885,000	0	0	1,885,000
Land improvements	255,515	0	0	255,515
Machinery and equipment	795,522	34,801	6,200	824,123
Total capital assets being depreciated	<u>2,936,037</u>	<u>34,801</u>	<u>6,200</u>	<u>2,964,638</u>
Less accumulated depreciation for:				
Buildings	869,500	34,700	0	904,200
Land improvements	110,108	10,643	0	120,751
Machinery and equipment	618,320	70,950	6,200	683,070
Total accumulated depreciation	<u>1,597,928</u>	<u>116,293</u>	<u>6,200</u>	<u>1,708,021</u>
Total capital assets being depreciated, net	<u>1,338,109</u>	<u>(81,492)</u>	<u>0</u>	<u>1,256,617</u>
Governmental activities capital assets, net	<u>\$ 1,369,837</u>	<u>(81,492)</u>	<u>0</u>	<u>1,288,345</u>
	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	30,219	2,876	0	33,095
Business-type activities capital assets, net	<u>\$ 18,019</u>	<u>(2,876)</u>	<u>0</u>	<u>15,143</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 19,693
Special	5,340
Other	13,341
Support services:	
Instructional staff services	300
Administration services	2,902
Operation and maintenance of plant services	1,960
Transportation	27,414
	<u>70,950</u>
Unallocated depreciation	<u>45,343</u>
Total governmental activities depreciation expense	<u>\$ 116,293</u>
Business-type activities:	
Food services	<u>\$ 2,876</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 585,000	0	35,000	550,000	40,000
Vehicle loan	17,336	0	8,496	8,840	8,840
Total	\$ 602,336	0	43,496	558,840	48,840

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, 2006.

Year Ending June 30,	Interest Rate	Loans dated June 30, 2004		
		Principal	Interest	Total
2007	4.00	\$ 8,840	193	9,033

General Obligation

Details of the District's June 30, 2006 General Obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue May 27, 1997		
		Principal	Interest	Total
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		\$ 550,000	203,255	753,255

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a

publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 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, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$91,262, \$91,671 and \$90,142, respectively, equal to the required contributions for each year.

(8) 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.

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, 2006 were \$1,283.

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.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$85,283 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. Expenditures in the support services and non-instructional functions exceeded the amounts budgeted.

(11) Deficit Fund Balance

The District has a deficit unrestricted fund balances in the Enterprise, School Nutrition and the Enterprise, Day Care Fund of \$2,729 and \$11,209, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 1,816,592	104,534	1,921,126	1,983,319	1,983,319	(62,193)
State sources	1,119,141	1,899	1,121,040	1,192,511	1,192,511	(71,471)
Federal sources	132,040	52,540	184,580	215,000	215,000	(30,420)
Total revenues	<u>3,067,773</u>	<u>158,973</u>	<u>3,226,746</u>	<u>3,390,830</u>	<u>3,390,830</u>	<u>(164,084)</u>
Expenditures:						
Instruction	1,932,269	0	1,932,269	2,172,440	2,172,440	240,171
Support services	915,860	0	915,860	843,500	843,500	(72,360)
Non-instructional programs	1,953	184,180	186,133	175,002	175,002	(11,131)
Other expenditures	230,849	0	230,849	385,205	385,205	154,356
Total expenditures	<u>3,080,931</u>	<u>184,180</u>	<u>3,265,111</u>	<u>3,576,147</u>	<u>3,576,147</u>	<u>311,036</u>
Excess(deficiency) of revenues over(under) expenditures	(13,158)	(25,207)	(38,365)	(185,317)	(185,317)	146,952
Balance beginning of year	<u>685,972</u>	<u>26,412</u>	<u>712,384</u>	<u>831,123</u>	<u>831,123</u>	<u>(118,739)</u>
Balance end of year	<u>\$ 672,814</u>	<u>1,205</u>	<u>674,019</u>	<u>645,806</u>	<u>645,806</u>	<u>28,213</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

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 GAAP basis. Encumbrances are not recognized on the GAAP 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, 2006, expenditures in the support services and non-instructional functions exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

OTHER SUPPLEMENTARY INFORMATION

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Physical Plant & Equipment Levy	Student Activity	Total Special Revenue	Debt Service	
Assets					
Cash and pooled investments	\$ 38,859	36,245	75,104	35,356	110,460
Receivables:					
Property tax:					
Current year delinquent	1,469	0	1,469	990	2,459
Succeeding year	62,586	0	62,586	45,720	108,306
Income surtax	25,858	0	25,858	0	25,858
Accounts	0	50	50	0	50
Total Assets	\$ 128,772	36,295	165,067	82,066	247,133
Liabilities and Fund Balances					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	62,586	0	62,586	45,720	108,306
Income surtax	25,858	0	25,858	0	25,858
Total Liabilities	88,444	0	88,444	45,720	134,164
Fund balances:					
Reserved for:					
Debt service	0	0	0	36,346	36,346
Unreserved	40,328	36,295	76,623	0	76,623
Total fund balances	40,328	36,295	76,623	36,346	112,969
Total Liabilities and Fund Balances	\$ 128,772	36,295	165,067	82,066	247,133

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, 2006

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Physical Plant & Equipment Levy	Student Activity	Total Special Revenue	Debt Service	
REVENUES:					
Local sources:					
Local tax	\$ 91,453	0	91,453	42,461	133,914
Other	954	130,915	131,869	1,027	132,896
State sources	32	0	32	21	53
TOTAL REVENUES	92,439	130,915	223,354	43,509	266,863
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	7,508	0	7,508	0	7,508
Other instruction	0	133,356	133,356	0	133,356
	7,508	133,356	140,864	0	140,864
Support services:					
Instructional staff services	8,929	0	8,929	0	8,929
Administration services	0	0	0	300	300
	8,929	0	8,929	300	9,229
Other expenditures:					
Facilities acquisitions	44,807	0	44,807	0	44,807
Long-term debt:					
Principal	0	0	0	43,496	43,496
Interest	0	0	0	32,779	32,779
	44,807	0	44,807	76,275	121,082
TOTAL EXPENDITURES	61,244	133,356	194,600	76,575	271,175
Other financing sources:					
Transfers in	0	0	0	48,131	48,131
Net change in fund balances	31,195	(2,441)	28,754	15,065	43,819
Fund balances beginning of year	9,133	38,736	47,869	21,281	69,150
Fund balances end of year	\$ 40,328	36,295	76,623	36,346	112,969

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, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Annual	\$ 1,485	6,381	6,304	1,562
Athletics	5,359	29,334	30,663	4,030
Band student club	46	22	131	(63)
Bank interest	0	3,585	3,562	23
Lights BB field	0	2,002	0	2,002
HS reading club	198	2	0	200
Cheerleaders	343	188	201	330
Drill team	1,669	2,239	2,633	1,275
Class of 04	553	3	556	0
Class of 05	220	1	221	0
Class of 06	8,676	921	7,656	1,941
Class of 07	985	26,629	20,374	7,240
Class of 08	0	74	0	74
FFA	829	33,417	32,402	1,844
Ind tech club	100	50	119	31
MS reading club	1,540	4,145	4,389	1,296
Musical	203	6,548	2,635	4,116
NHS	90	562	560	92
Plays	1,745	67	98	1,714
Secondary Pepsi	2,312	3,230	4,462	1,080
Student council	504	941	889	556
Teen leadership	194	1	(1)	196
Carnival	152	152	167	137
Foods club	17	648	653	12
Elem reading club	11,380	9,773	14,682	6,471
Dance club	136	0	0	136
Total	\$ 38,736	130,915	133,356	36,295

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 1,441,106	1,667,689	1,450,519	1,328,459
Tuition	184,113	357,180	301,638	369,101
Other	191,373	145,093	157,826	175,163
State sources	1,119,141	1,161,841	1,082,862	1,068,478
Federal sources	132,040	134,419	114,604	137,784
Total	\$ 3,067,773	3,466,222	3,107,449	3,078,985
Expenditures:				
Instruction:				
Regular instruction	\$ 1,004,980	1,073,567	1,165,472	1,179,966
Special instruction	342,002	322,037	488,633	443,886
Other instruction	585,287	527,096	376,388	361,738
Support services:				
Student services	20,274	36,621	27,840	29,550
Instructional staff services	97,808	28,307	36,089	33,628
Administration services	396,561	404,494	381,141	377,840
Operation and maintenance of plant services	201,614	261,624	203,028	175,645
Transportation services	199,603	110,230	97,651	189,366
Other support services	0	8,078	27,738	38,553
Non-instructional programs:				
Food service operations	1,953	2,692	1,724	0
Other expenditures:				
Facilities acquisitions	69,291	56,733	20,136	0
Long Term debt:				
Principal	43,496	43,164	39,837	41,183
Interest	32,779	35,214	36,230	38,234
AEA flow-through	85,283	86,123	86,409	92,208
Total	\$ 3,080,931	2,995,980	2,988,316	3,001,797

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, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 28, 2006. 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 opinion 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 items I-A-06 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 such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 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 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.

August 28, 2006

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 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-06 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should submit the outstanding checks to the State Treasurer as unclaimed property.

Response - We are researching our outstanding checks and taking the recommended approaches to reduce the number of checks that are outstanding.

Conclusion - Response accepted.

I-C-06 Check Signatures - We noted during our audit, instances of one signature on the District's checks. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - We will review our procedures to ensure that two signatures are affixed to all checks.

Conclusion - Response accepted.

I-D-06 Student Activity Fund - During our audit issues arose about the properness of certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). More specifically, there was copier paper and ink cartridges purchases from the Elementary Reading Club.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - We are reviewing transactions to make sure they qualify for Activity Fund expenses.

Conclusion - Response accepted.

I-E-06 Deposits Slips - We noted during our audit instances of deposit slips in the Student Activity and Nutrition Funds which lacked detail support for what was deposited into the bank.

Recommendation - The District should improve the detail on the deposit slips to show which receipts make up the deposits.

Response - We will comply with the recommendation.

Conclusion - Response accepted.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

II-A-06 Certified Budget - District expenditures for the year ended June 30, 2006, exceeded the amounts budgeted in the support services and non-instructional functions. The District also exceeded its unspent authorized budget for the year ended June 30, 2006 by approximately \$179,000.

Recommendation -The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Response - We will comply and amend if necessary in the future.

Conclusion - Response accepted.

II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-06 Business Transactions - No business transactions between the District and District officials were noted.

II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-06 Financial Condition - During our audit we noted that the District had deficit unrestricted fund balances in the Enterprise, School Nutrition Fund of \$2,729 and in the Enterprise, Day Care Fund of \$11,209.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit.

Response - We are investigating alternatives to eliminate the deficits in these funds.

Conclusion - Response accepted.