

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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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 2008 Election)		
Ron Lauer	President	2008
Ellen Pool	Vice President	2008
Doug White	Board Member	2010
Robin Sevier	Board Member	2009
Brian Rohrig	Board Member	2009
Board of Education (After September 2008 Election)		
Ron Lauer	President	2011
Brian Rohrig	Vice President	2009
Doug White	Board Member	2011 *
Robin Sevier	Board Member	2009
Jerry Hoff	Board Member	2011
School Officials		
Steve Callison	Superintendent	2009
Linda Marley	Board Secretary/Treasurer Business Manager	2009
Gruhn Law Office	Attorney	2009

* Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2010 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 13 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 five years ended June 30, 2008 (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.

March 12, 2010

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,804,551 in fiscal 2008 to \$2,895,099 in fiscal 2009, while General Fund expenditures increased from \$2,529,444 in fiscal 2008 to \$2,552,731 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$458,666 in fiscal 2008 to a balance of \$801,034 in fiscal 2009, a 174.64% increase over the prior year.
- The increase in General Fund revenues was attributable to an increase in local and federal source revenues in fiscal 2009. The increase in expenditures was due primarily to an increase in support services.

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

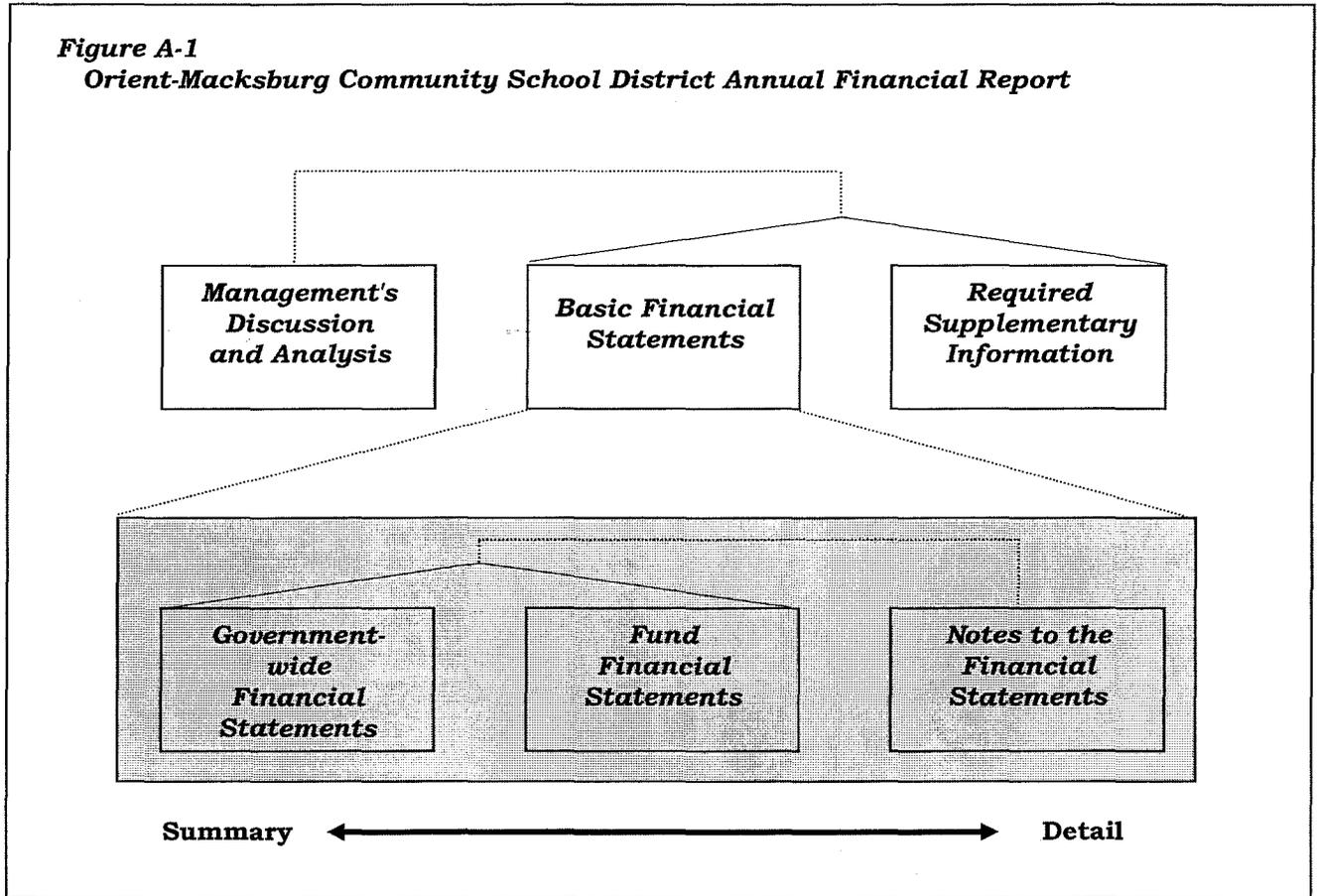


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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	<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, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 3,273,905	2,638,787	3,732	(29,835)	3,277,637	2,608,952	25.63%
Capital assets	1,311,469	1,367,530	6,513	9,390	1,317,982	1,376,920	-4.28%
Total assets	4,585,374	4,006,317	10,245	(20,445)	4,595,619	3,985,872	15.30%
Long-term obligations	451,110	485,000	0	0	451,110	485,000	-6.99%
Other liabilities	1,706,191	1,620,544	84,183	35,124	1,790,374	1,655,668	8.14%
Total liabilities	2,157,301	2,105,544	84,183	35,124	2,241,484	2,140,668	4.71%
Net assets:							
Invested in capital assets, net of related debt	871,469	882,530	6,513	9,390	877,982	891,920	-1.56%
Restricted	776,199	519,275	0	0	776,199	519,275	49.48%
Unrestricted	780,405	498,968	(80,451)	(64,959)	699,954	434,009	61.28%
Total net assets	\$ 2,428,073	1,900,773	(73,938)	(55,569)	2,354,135	1,845,204	27.58%

The District's combined net assets increased by 27.58%, or \$508,931, 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 49.48% or \$256,924 over the prior year. The increase was to the increased fund balances in the Special Revenue, Management Levy and Physical Plant and Equipment Levy and Capital Projects Funds.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased 61.28% or \$265,945. The increase was primarily due to the increase in the General Fund balance.

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 280,557	352,259	114,228	98,969	394,785	451,228	-12.51%
Operating grants and contributions and restricted interest	516,267	426,036	49,849	54,338	566,116	480,374	17.85%
General revenues:							
Property tax	1,352,194	1,369,090	0	0	1,352,194	1,369,090	-1.23%
Income surtax	171,094	85,242	0	0	171,094	85,242	100.72%
Statewide sales and service tax	133,237	143,725	0	0	133,237	143,725	-7.30%
Unrestricted state grants	763,167	831,900	0	0	763,167	831,900	-8.26%
Unrestricted investment revenue	7,060	20,433	12	56	7,072	20,489	-65.48%
Other	173,272	79,116	162	1,169	173,434	80,285	116.02%
Total revenues	3,396,848	3,307,801	164,251	154,532	3,561,099	3,462,333	2.85%
Program expenditures:							
Governmental activities:							
Instructional	1,837,423	1,949,147	0	0	1,837,423	1,949,147	-5.73%
Support services	825,608	756,722	0	0	825,608	756,722	9.10%
Non-instructional programs	1,823	1,881	182,620	213,137	184,443	215,018	-14.22%
Other expenditures	204,694	301,094	0	0	204,694	301,094	-32.02%
Total expenditures	2,869,548	3,008,844	182,620	213,137	3,052,168	3,221,981	-5.27%
Change in net assets	527,300	298,957	(18,369)	(58,605)	508,931	240,352	111.74%
Net assets beginning of year	1,900,773	1,601,816	(55,569)	3,036	1,845,204	1,604,852	14.98%
Net assets end of year	\$ 2,428,073	1,900,773	(73,938)	(55,569)	2,354,135	1,845,204	27.58%

In fiscal 2009, property tax, income surtax, and statewide sales and services tax and unrestricted state grants account for 71.23% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.89% of the revenue from business type activities.

The District's total revenues were \$3,561,099 of which \$3,396,848 was for governmental activities and \$164,251 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 2.85% in revenues and a 5.27% decrease in expenditures. The decrease in expenditures was related to a decrease in the instructional and other expenditures functional areas.

Governmental Activities

Revenues for governmental activities were \$3,396,848 and expenses were \$2,869,548.

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		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 1,837,423	1,949,147	-5.73%	1,131,710	1,260,002	-10.18%
Support services	825,608	756,722	9.10%	824,478	755,679	9.10%
Non-instructional	1,823	1,881	-3.08%	1,823	1,881	-3.08%
Other expenses	204,694	301,094	-32.02%	114,713	212,987	-46.14%
Totals	\$ 2,869,548	3,008,844	-4.63%	2,072,724	2,230,549	-7.08%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$280,557.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$516,267.
- The net cost of governmental activities was financed with \$1,656,525 in local tax, \$763,167 in unrestricted state grants, \$7,060 in interest income, and \$173,272 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$164,251 and expenses were \$182,620. 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, investment income and other general revenue.

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 \$1,436,986, compared to last year's ending fund balances of \$907,524.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Local revenues increased by \$71,470 and federal source revenues increased by \$34,802 or 30.15% compared to last year's revenue. Expenditures increased by \$17,836 or 0.71%. The increase was primarily due to the support services functional area even though the instructional area seen a decrease in expenditures. The increase in the fund balance was due to the revenues exceeding expenditures.
- The Management Levy fund balance increased from \$211,133 in 2008, to \$235,138 in 2009, due to decreased support services expenditures. Local revenues increased by \$8,330 or 10.63% and expenditures increased by \$17,136 or 37.64%. Revenues exceeded expenditures ensuring an increase in the fund balance.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$23,815 at June 30, 2008 to \$65,025 at June 30, 2009. The increase was primarily due to an

increase in local revenues of \$5,729 or 6.16% while expenditures decreased by \$18,233 or 22.44% primarily due to the decrease in facility acquisition expenditures.

- The Capital Projects fund balance increased from \$142,895 at June 30, 2008 to \$270,933, at June 30, 2009. The increase was due to decreased expenditures in the facilities acquisitions.

Proprietary Fund Highlights

- The School Nutrition Fund net assets increased from a deficit balance of \$8,638 at June 30, 2008 to, to a positive balance of \$4,672 at June 30, 2009, representing an increase of 154.09%. While revenues stayed steady, expenditures decreased by \$26,944 or 22.15%.
- The Day Care Fund net assets decreased from a deficit fund balance of \$46,931 at June 30, 2008 to deficit fund balance of \$78,610 at June 30, 2009, representing a decrease of 67.50%. Charges for services increased by \$11,957 or 27.00% while expenditures decreased by \$3,573 or 3.90%. Expenditures exceed revenues by \$31,679 ensuring an increasing deficit balance.

BUDGETARY HIGHLIGHTS

The District's revenues were \$17,155 less than budgeted revenues, a variance of 0.48%. 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 was exceeded in the support services functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$1,317,982, 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 an decrease of 4.28% compared to the previous year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$163,063.

The original cost of the District's capital assets was \$3,339,574. Governmental funds account for \$3,291,336 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 land improvements category. The District's land improvements totaled \$123,358 at June 30, 2008 compared to \$115,468, reported at June 30, 2009. This decrease resulted from the increased depreciation of the assets.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2009	2008	2009	2008	2009	2008	
Land	\$ 31,728	31,728	0	0	31,728	31,728	0.00%
Buildings	1,043,612	1,086,787	0	0	1,043,612	1,086,787	-3.97%
Land Improvements	115,468	123,358	0	0	115,468	123,358	-6.40%
Machinery and equipment	120,661	125,657	6,513	9,390	127,174	135,047	-5.83%
Total	\$ 1,311,469	1,367,530	6,513	9,390	1,317,982	1,376,920	-4.28%

Long-Term Debt

At June 30, 2009, the District had long-term debt outstanding of \$451,110 in general obligation bonds. This represents a decrease of 6.99% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$440,000 at June 30, 2009.

The District had an outstanding balance of \$11,110 for early retirement that is payable from the Special Revenue, Management Levy Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total Change
	School District		
	June 30,		
	2009	2008	
General obligation bonds	\$ 440,000	485,000	-9.28%
Early Retirement	11,110	0	100.00%
Total	\$ 451,110	485,000	-6.99%

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 consideration of our unspent authorized budget.
- Continued budget concerns at the 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 Doug Latham, Superintendent, 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, 2009

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 1,606,705	0	1,606,705
Receivables:			
Property tax:			
Delinquent	28,876	0	28,876
Succeeding year	1,437,227	0	1,437,227
Income surtax	133,417	0	133,417
Interfund	0	0	0
Accounts	0	0	0
Due from other governments	67,680	0	67,680
Inventories	0	3,732	3,732
Capital assets, net of accumulated depreciation	1,311,469	6,513	1,317,982
Total Assets	4,585,374	10,245	4,595,619
Liabilities			
Warrants in excess of bank balance	0	64,274	64,274
Accounts payable	27,509	0	27,509
Interest payable	2,689	0	2,689
Salaries and benefits payable	225,687	19,267	244,954
Deferred revenue:			
Succeeding year property tax	1,437,227	0	1,437,227
Other	13,079	0	13,079
Unearned revenue	0	642	642
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	50,000	0	50,000
Early Retirement	11,110	0	11,110
Portion due after one year:			
General obligation bonds	390,000	0	390,000
Total Liabilities	2,157,301	84,183	2,241,484
Net Assets			
Invested in capital assets, net of related debt	871,469	6,513	877,982
Restricted for:			
Categorical funding	118,003	0	118,003
Physical plant and equipment levy	65,025	0	65,025
Management levy	224,028	0	224,028
Capital projects	270,933	0	270,933
Debt service	47,972	0	47,972
Other special revenue purposes	16,884	0	16,884
Unrestricted	813,759	(80,451)	733,308
Total Net Assets	\$ 2,428,073	(73,938)	2,354,135

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	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	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,059,874	102,335	411,387	(546,152)	0	(546,152)
Special	300,544	72,525	11,319	(216,700)	0	(216,700)
Other	477,005	105,647	2,500	(368,858)	0	(368,858)
	<u>1,837,423</u>	<u>280,507</u>	<u>425,206</u>	<u>(1,131,710)</u>	<u>0</u>	<u>(1,131,710)</u>
Support services:						
Student	24,831	0	0	(24,831)	0	(24,831)
Instructional staff	113,312	0	0	(113,312)	0	(113,312)
Administration	367,004	0	0	(367,004)	0	(367,004)
Operation and maintenance of plant	184,489	0	0	(184,489)	0	(184,489)
Transportation	135,972	50	1,080	(134,842)	0	(134,842)
	<u>825,608</u>	<u>50</u>	<u>1,080</u>	<u>(824,478)</u>	<u>0</u>	<u>(824,478)</u>
Non-instructional programs	<u>1,823</u>	<u>0</u>	<u>0</u>	<u>(1,823)</u>		<u>(1,823)</u>
Other expenditures:						
Facilities acquisitions	40,851	0	0	(40,851)	0	(40,851)
Long-term debt interest	17,773	0	0	(17,773)	0	(17,773)
AEA flowthrough	89,981	0	89,981	0	0	0
Depreciation(unallocated)*	56,089	0	0	(56,089)	0	(56,089)
	<u>204,694</u>	<u>0</u>	<u>89,981</u>	<u>(114,713)</u>	<u>0</u>	<u>(114,713)</u>
Total governmental activities	2,869,548	280,557	516,267	(2,072,724)	0	(2,072,724)
Business Type activities:						
Non-instructional programs:						
Nutrition	94,691	57,978	49,849	0	13,136	13,136
Daycare	87,929	56,250	0	0	(31,679)	(31,679)
Total business type activities	<u>182,620</u>	<u>114,228</u>	<u>49,849</u>	<u>0</u>	<u>(18,543)</u>	<u>(18,543)</u>
Total	<u>\$ 3,052,168</u>	<u>394,785</u>	<u>566,116</u>	<u>(2,072,724)</u>	<u>(18,543)</u>	<u>(2,091,267)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 1,228,338	0	1,228,338
Debt service				63,102	0	63,102
Capital outlay				60,754	0	60,754
Income surtax				171,094	0	171,094
Statewide sales and services				133,237	0	133,237
Unrestricted state grants				763,167	0	763,167
Unrestricted investment earnings				7,060	12	7,072
Other				173,272	162	173,434
Total general revenues				<u>2,600,024</u>	<u>174</u>	<u>2,600,198</u>
Change in net assets				527,300	(18,369)	508,931
Net assets beginning of year				<u>1,900,773</u>	<u>(55,569)</u>	<u>1,845,204</u>
Net assets end of year				<u>\$ 2,428,073</u>	<u>(73,938)</u>	<u>2,354,135</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, 2009

	General	Special Revenue, Manage- ment Levy	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 1,003,829	233,645	369,231	1,606,705
Receivables:				
Property tax:				
Delinquent	24,668	1,493	2,715	28,876
Succeeding year	1,100,842	205,000	131,385	1,437,227
Income surtax	100,063	0	33,354	133,417
Due from other governments	38,812	0	28,868	67,680
Total Assets	\$ 2,268,214	440,138	565,553	3,273,905
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 27,509	0	0	27,509
Salaries and benefits payable	225,687	0	0	225,687
Deferred revenue:				
Succeeding year property tax	1,100,842	205,000	131,385	1,437,227
Income surtax	100,063	0	33,354	133,417
Other	13,079	0	0	13,079
Total liabilities	1,467,180	205,000	164,739	1,836,919
Fund balances:				
Reserved for:				
Categorical funding	97,526	0	20,477	118,003
Debt service	0	0	47,972	47,972
Unreserved	703,508	235,138	332,365	1,271,011
Total fund balances	801,034	235,138	400,814	1,436,986
Total Liabilities and Fund Balances	\$ 2,268,214	440,138	565,553	3,273,905

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, 2009

Total fund balances of governmental funds (page 16)	\$ 1,436,986
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,311,469
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.	(2,689)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	133,417
Long-term liabilities, including bonds payable and early retirement are not due and payable in the current period and, therefor, are not reported as liabilities in the governmental funds.	<u>(451,110)</u>
Net assets of governmental activities (page 14)	<u><u>\$ 2,428,073</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, 2009

	General	Special Revenue, Manage- ment Levy	Other Nonmajor Governmental Fund	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,271,749	70,089	294,926	1,636,764
Tuition	174,860	0	0	174,860
Other	171,556	16,584	100,389	288,529
State sources	1,126,712	0	0	1,126,712
Federal sources	150,222	0	0	150,222
Total revenues	<u>2,895,099</u>	<u>86,673</u>	<u>395,315</u>	<u>3,377,087</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,026,188	18,481	0	1,044,669
Special	333,102	0	0	333,102
Other	357,602	0	105,362	462,964
	<u>1,716,892</u>	<u>18,481</u>	<u>105,362</u>	<u>1,840,735</u>
Support services:				
Student	24,831	0	0	24,831
Instructional staff	82,351	4,386	23,419	110,156
Administration	365,889	753	0	366,642
Operation and maintenance of plant	164,230	20,059	0	184,289
Transportation	103,106	17,166	0	120,272
	<u>740,407</u>	<u>42,364</u>	<u>23,419</u>	<u>806,190</u>
Non-instructional programs:				
Food service operations	0	1,823	0	1,823
Other expenditures:				
Facilities acquisitions	0	0	45,875	45,875
Long-term debt:				
Principal	0	0	45,000	45,000
Interest	0	0	18,021	18,021
AEA flowthrough	89,981	0	0	89,981
	<u>89,981</u>	<u>0</u>	<u>108,896</u>	<u>198,877</u>
Total expenditures	<u>2,547,280</u>	<u>62,668</u>	<u>237,677</u>	<u>2,847,625</u>
Excess of revenues over expenditures before other financing sources(uses)	347,819	24,005	157,638	529,462
Other financing sources(uses):				
Transfers in	0	0	5,451	5,451
Transfers out	(5,451)	0	0	(5,451)
Total other financing sources(uses)	<u>(5,451)</u>	<u>0</u>	<u>5,451</u>	<u>0</u>
Net change in fund balances	342,368	24,005	163,089	529,462
Fund balance beginning of year	458,666	211,133	237,725	907,524
Fund balance end of year	<u>\$ 801,034</u>	<u>235,138</u>	<u>400,814</u>	<u>1,436,986</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, 2009

Net change in fund balances - total governmental funds (page 18) \$ 529,462

*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	\$ 81,283	
Depreciation expense	<u>(137,344)</u>	(56,061)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.	19,761
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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.	45,000
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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	(11,110)

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.	248
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Changes in net assets of governmental activities (page 15)	\$ 527,300
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ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2009

	School Nutrition	Day Care	Total
Assets			
Cash and cash equivalents	\$ 598	0	598
Inventories	3,732	0	3,732
Capital assets, net of depreciation	6,513	0	6,513
Total Assets	10,843	0	10,843
Liabilities			
Warrants in excess of bank balance	0	64,872	64,872
Salary and benefits payable	5,529	13,738	19,267
Unearned revenues	642	0	642
Total Liabilities	6,171	78,610	84,781
Net Assets			
Invested in capital assets	6,513	0	6,513
Unrestricted	(1,841)	(78,610)	(80,451)
Total Net Assets	\$ 4,672	(78,610)	(73,938)

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, 2009

	School Nutrition	Day Care	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 57,978	56,250	114,228
Other miscellaneous income	162	0	162
Total operating revenues	<u>58,140</u>	<u>56,250</u>	<u>114,390</u>
Operating expenses:			
Non-instructional programs:			
Salaries	29,437	67,746	97,183
Benefits	9,032	7,524	16,556
Services	2,155	5,815	7,970
Supplies	51,190	6,844	58,034
Depreciation	2,877	0	2,877
Total operating expenses	<u>94,691</u>	<u>87,929</u>	<u>182,620</u>
Operating loss	(36,551)	(31,679)	(68,230)
Non-operating revenues:			
State sources	1,406	0	1,406
Federal sources	48,443	0	48,443
Interest income	12	0	12
Total non-operating revenues	<u>49,861</u>	<u>0</u>	<u>49,861</u>
Changes in net assets	13,310	(31,679)	(18,369)
Net assets beginning of year	<u>(8,638)</u>	<u>(46,931)</u>	<u>(55,569)</u>
Net assets end of year	<u>\$ 4,672</u>	<u>(78,610)</u>	<u>(73,938)</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 57,685	2,378	60,063
Cash received from miscellaneous operating activities	162	56,250	56,412
Cash payments to employees for services	(32,940)	(72,763)	(105,703)
Cash payments to suppliers for goods or services	(83,840)	(12,727)	(96,567)
Net cash used in operating activities	(58,933)	(26,862)	(85,795)
Cash flows from non-capital financing activities:			
State grants received	1,406	0	1,406
Federal grants received	42,868	0	42,868
Net cash provided by non-capital financing activities	44,274	0	44,274
Cash flows from investing and other financing activities:			
Interest on investments	12	0	12
Net decrease in cash and cash equivalents	(14,647)	(26,862)	(41,509)
Cash and cash equivalents at beginning of year	15,245	(38,010)	(22,765)
Cash and cash equivalents at end of year	\$ 598	(64,872)	(64,274)
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (36,551)	(31,679)	(68,230)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	5,575	0	5,575
Depreciation	2,877	0	2,877
Decrease in inventories	565	0	565
Decrease in accounts receivable	125	2,378	2,503
Decrease in accounts payable	(36,635)	(68)	(36,703)
Increase in salary and benefits payable	5,529	2,507	8,036
Decrease in unearned revenue	(418)	0	(418)
Net cash used in operating activities	\$ (58,933)	(26,862)	(85,795)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 598	(64,872)	(64,274)
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
During the year ended June 30, 2009, the District received Federal commodities valued at \$5,575.			
SEE NOTES TO BASIC FINANCIAL STATEMENTS			

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(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 Special Revenue - Management Levy Fund is utilized to account for the payment of property insurance and other management expenses.

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 financial statements:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded

as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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

Capital assets 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, 2009, expenditures in the support services functional area exceeded the amount budgeted

(2) Cash and Pooled Investments

The District's deposits in bank at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 1,246,526</u>

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) Transfers

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

Transfer to	Transfer from	Amount
Special Revenue, Physical Plant and Equipment	General Fund	\$ 5,451

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,728	0	0	31,728
Total capital assets not being depreciated	31,728	0	0	31,728
Capital assets being depreciated:				
Buildings	2,069,358	0	0	2,069,358
Land improvements	265,915	5,024	0	270,939
Machinery and equipment	843,052	76,259	0	919,311
Total capital assets being depreciated	3,178,325	81,283	0	3,259,608
Less accumulated depreciation for:				
Buildings	982,571	43,175	0	1,025,746
Land improvements	142,557	12,914	0	155,471
Machinery and equipment	717,395	81,255	0	798,650
Total accumulated depreciation	1,842,523	137,344	0	1,979,867
Total capital assets being depreciated, net	1,335,802	(56,061)	0	1,279,741
Governmental activities capital assets, net	\$ 1,367,530	(56,061)	0	1,311,469
	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	38,848	2,877	0	41,725
Business type activities capital assets, net	\$ 9,390	(2,877)	0	6,513

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 36,944
Special		9,694
Other		14,041
Support services:		
Instructional staff		3,156
Administration		362
Operation and maintenance of plant		200
Transportation		42,700
		<u>107,097</u>
Unallocated depreciation		<u>56,089</u>
Total governmental activities depreciation expense		<u>\$ 163,186</u>
Business type activities:		
Food services		<u>\$ 2,877</u>

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 485,000	0	45,000	440,000	50,000
Early Retirement	0	11,110	0	11,110	11,110
Total	<u>\$ 485,000</u>	<u>11,110</u>	<u>45,000</u>	<u>451,110</u>	<u>61,110</u>

General Obligation

Details of the District's June 30, 2009 General Obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate	Issue dated February 15, 2008		
		Principal	Interest	Total
2010	3.30	% \$ 50,000	16,135	66,135
2011	3.40	50,000	14,485	64,485
2012	3.50	50,000	12,785	62,785
2013	3.60	55,000	11,035	66,035
2014	3.70	55,000	9,055	64,055
2015-17	3.80-4.00	180,000	14,160	194,160
Total		<u>\$ 440,000</u>	<u>77,655</u>	<u>517,655</u>

from their employment with the District. The requirements for early retirement is: 1) they have completed 20 years of full time contracted service with the District, 2) they will attain the age of at least 55 at the time of application and 3) the early retirement application has to be submitted by a date determined by the board. The remaining liability for the 2007-08 early retirement was \$11,110. The District did not offer early retirement in 2008-09 fiscal year.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$93,358, \$94,763, and \$91,140, respectively, equal to the required contributions for each year.

(7) 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 the District dental coverage and protection.

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, 2009 were \$3,042.

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.

(8) 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 \$89,981 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Budget Overexpenditure

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

(10) Deficit Fund Balance

The District has a deficit unrestricted net assets in the Enterprise, Day Care Fund of \$78,910.

The District's Enterprise Funds had a combined deficit unrestricted assets of \$73,938.

(11) Categorical Funding

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

Project	Amount
Weighted at-risk programs	\$ 4,997
Dropout and dropout prevention	25,257
Beginning teacher mentoring and induction program	61
Additional Teacher Contract Day	281
Market Factor	982
Iowa Early Intervention Block Grant	39,888
Empowerment Professional Development Grant	600
Professional development for model core curriculum	3,334
Professional development	22,126
School Infrastructure Supplemental Amount(Capital Projects)	<u>20,477</u>
Total	<u>\$ 118,003</u>

(12) Other Postemployment Benefits (OPEB)

GASB Statement Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This statement establishes standards for the measurement, recognition, and display of other postemployment benefits expenses and related liabilities or assets note disclosures, and if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement Number 45 for the year ending June 30, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 2,100,153	114,402	2,214,555	2,210,461	2,210,461	4,094
State sources	1,126,712	1,406	1,128,118	1,121,032	1,121,032	7,086
Federal sources	150,222	48,443	198,665	227,000	227,000	(28,335)
Total revenues	<u>3,377,087</u>	<u>164,251</u>	<u>3,541,338</u>	<u>3,558,493</u>	<u>3,558,493</u>	<u>(17,155)</u>
Expenditures/expenses:						
Instruction	1,840,735	0	1,840,735	2,150,833	2,150,833	310,098
Support services	806,190	0	806,190	670,936	670,936	(135,254)
Non-instructional programs	1,823	182,620	184,443	189,535	189,535	5,092
Other expenditures	198,877	0	198,877	274,791	274,791	75,914
Total expenditures/expenses	<u>2,847,625</u>	<u>182,620</u>	<u>3,030,245</u>	<u>3,286,095</u>	<u>3,286,095</u>	<u>255,850</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	529,462	(18,369)	511,093	272,398	272,398	238,695
Balance beginning of year	<u>907,524</u>	<u>(55,569)</u>	<u>851,955</u>	<u>1,039,666</u>	<u>1,039,666</u>	<u>(187,711)</u>
Balance end of year	<u>\$ 1,436,986</u>	<u>(73,938)</u>	<u>1,363,048</u>	<u>1,312,064</u>	<u>1,312,064</u>	<u>50,984</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

This budgetary comparison is presented as required Supplementary Information in accordance with Governmental Accounting 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, 2009, expenditures in the support services functional area exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue					Total Nonmajor Governmental Funds
	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	
Assets						
Cash and pooled investments	\$ 16,884	63,693	80,577	242,065	46,589	369,231
Receivables:						
Property tax:						
Current year delinquent	0	1,332	1,332	0	1,383	2,715
Succeeding year	0	64,850	64,850	0	66,535	131,385
Income surtax	0	33,354	33,354	0	0	33,354
Due from other governments	0	0	0	28,868	0	28,868
Total Assets	\$ 16,884	163,229	180,113	270,933	114,507	565,553
Liabilities and Fund Balances						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	\$ 0	64,850	64,850	0	66,535	131,385
Income surtax	0	33,354	33,354	0	0	33,354
Total Liabilities	0	98,204	98,204	0	66,535	164,739
Fund balances:						
Reserved for:						
Categorical funding	0	0	0	20,477	0	20,477
Debt service	0	0	0	0	47,972	47,972
Unreserved	16,884	65,025	81,909	250,456	0	332,365
Total fund balances	16,884	65,025	81,909	270,933	47,972	400,814
Total Liabilities and Fund Balances	\$ 16,884	163,229	180,113	270,933	114,507	565,553

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, 2009

	Special Revenue					Total Nonmajor Governmental Funds
	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ 0	98,587	98,587	133,237	63,102	294,926
Other	98,736	185	98,921	1,082	386	100,389
TOTAL REVENUES	98,736	98,772	197,508	134,319	63,488	395,315
EXPENDITURES:						
Current:						
Instruction:						
Other	105,362	0	105,362	0	0	105,362
Support services:						
Instructional staff	0	23,419	23,419	0	0	23,419
Other expenditures:						
Facilities acquisitions	0	39,594	39,594	6,281	0	45,875
Long-term debt:						
Principal	0	0	0	0	45,000	45,000
Interest	0	0	0	0	18,021	18,021
TOTAL EXPENDITURES	105,362	63,013	168,375	6,281	63,021	237,677
DEFICIENCY OF REVENUES UNDER EXPENDITURES BEFORE OTHER FINANCING SOURCES	(6,626)	35,759	29,133	128,038	467	157,638
Other financing sources:						
Transfers in	0	5,451	5,451	0	0	5,451
Total other financing sources	0	5,451	5,451	0	0	5,451
Net change in fund balances	(6,626)	41,210	34,584	128,038	467	163,089
Fund balances beginning of year	23,510	23,815	47,325	142,895	47,505	237,725
Fund balances end of year	\$ 16,884	65,025	81,909	270,933	47,972	400,814

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, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Annual	\$ 971	7,330	7,801	500
Band Student Club	(2)	2	0	0
Bank Interest	6	219	318	(93)
HS Reading Club	3	0	3	0
Athletics	3,631	26,919	28,521	2,029
Lights BB field	2,008	4	0	2,012
Cheerleaders	652	979	1,062	569
Drill team	1,583	4	232	1,355
Class of 2006	180	0	180	0
Class of 2007	162	0	162	0
Class of 2008	(391)	391	0	0
Class of 2009	8,945	561	8,584	922
Class of 2010	0	19,313	15,149	4,164
Class of 2011	0	384	31	353
FFA	1,250	31,529	30,568	2,211
Ind tech club	8	0	8	0
MS reading club	51	2,689	2,241	499
Musical	9	0	9	0
NHS	(143)	245	172	(70)
Plays	211	1	0	212
Secondary Pepsi	467	837	1,129	175
Student council	244	3,042	2,632	654
Foods club	(36)	433	276	121
Elem reading club	3,679	3,854	6,262	1,271
Dance club	22	0	22	0
Total	\$ 23,510	98,736	105,362	16,884

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 SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 1,636,764	1,577,581	1,414,094	1,441,106	1,667,689	1,450,519
Tuition	174,860	232,654	242,996	184,113	357,180	301,638
Other	288,529	219,154	183,840	191,373	145,093	157,826
State sources	1,126,712	1,162,992	1,080,173	1,119,141	1,161,841	1,082,862
Federal sources	150,222	115,420	199,801	132,040	134,419	114,604
Total	\$ 3,377,087	3,307,801	3,120,904	3,067,773	3,466,222	3,107,449
Expenditures:						
Instruction:						
Regular	\$ 1,044,669	1,089,674	1,200,060	1,004,980	1,073,567	1,165,472
Special	333,102	304,451	321,654	342,002	322,037	488,633
Other	462,964	518,078	546,657	585,287	527,096	376,388
Support services:						
Student	24,831	24,559	23,125	20,274	36,621	27,840
Instructional staff	110,156	64,411	71,329	97,808	28,307	36,089
Administration	366,642	333,968	363,176	396,561	404,494	381,141
Operation and maintenance of plant	184,289	178,022	185,764	201,614	261,624	203,028
Transportation	120,272	103,933	96,322	199,603	110,230	97,651
Other support	0	0	0	0	8,078	27,738
Non-instructional programs:						
Food service operations	1,823	1,881	2,579	1,953	2,692	1,724
Other expenditures:						
Facilities acquisitions	45,875	303,930	153,185	69,291	56,733	20,136
Long Term debt:						
Principal	45,000	40,000	48,840	43,496	43,164	39,837
Interest	18,021	26,576	30,910	32,779	35,214	36,230
AEA flow-through	89,981	88,107	86,448	85,283	86,123	86,409
Total	\$ 2,847,625	3,077,590	3,130,049	3,080,931	2,995,980	2,988,316

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 of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 12, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Orient-Macksburg Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Orient-Macksburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Orient-Macksburg Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Orient-Macksburg Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Orient-Macksburg Community School District's financial statements that is more than inconsequential will not be prevented or detected by Orient-Macksburg Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Orient-Macksburg Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

Compliance and Other Matters

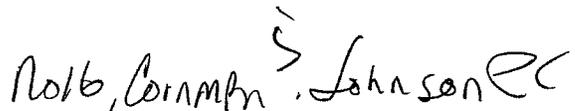
As part of obtaining reasonable assurance about whether Orient-Macksburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could 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, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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.

March 12, 2010

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person should open the mail and prepare an initial listing of the checks received and should later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks issued 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 - The District will review its procedures and make changes when feasible.

Conclusion - Response accepted.

CONTROL DEFICIENCIES:

I-B-09 Gate Admissions - It was noted that the District does not use pre-numbered tickets for all events that requires an admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.

- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response The District has implemented the use of pre-numbered tickets for all events that require admission.

Conclusion - Response accepted.

- I-C-09 Commodity Pricing - We noted that during our audit of the Enterprise, School Nutrition Fund that the District did not price out the commodity inventory using the correct values at the end of the year.

Recommendation - The District should review their procedures in place for the calculation of the commodity inventory prices. The State of Iowa through the Department of Education provides a price guide commodity listing to aid in this calculation. The District needs to use the correct price values by using the Commodity including storage and transportation column for the correct inventory values at year end.

Response - The District will implement and use the correct pricing values.

Conclusion - Response accepted.

- I-D-09 Non-certified Time Sheets - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks. Wages received from officiating needs to be on the employee’s W-2’s and should be reported on the District’s payroll reports.

Response - The District will implement the use of time sheets for all uncertified coaches.

Conclusion - Response accepted.

- I-E-09 Board Policies - We noted during our audit, that the District’s travel reimbursement rate included in the Board policy was not consistent with the rate approved by the Board.

Recommendation - The District should update their policy to match the Board approved rate.

Response - The District will review procedures and update or implement the necessary policies.

Conclusion - Response accepted.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009, exceeded the amounts budgeted in the support services expenditures function.

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

Response - The District will periodically review expenditures and amend the budget as necessary.

Conclusion - Response accepted.

II-B-09 Questionable Disbursements - We noted during our audit that the District wrote checks for purchase of gift cards. The gift cards were given as rewards to the students who were the top sellers. Gift cards for these purposes do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will review its procedures and policies and make the necessary changes.

Conclusion - Response accepted.

II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jerry Hoff, Board Member	School	
Bus Driver	Employment	\$4,147

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction with Jerry Hoff does appear to represent a conflict of interest.

Recommendation - Chapter 279.7A of the Code of Iowa states "A member of the board of directors of a school corporation shall not have an interest, direct or indirect, in a contract for the purchase of goods, including materials and profits, and the performance of services for the director's school corporation." The District should consult legal counsel to resolve the conflict of interest.

Response - The District has resolved this matter.

Conclusion - Response accepted.

- II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Service Tax - During our audit, there was no instances of non-compliance noted with the use of the statewide sales and services tax revenue provisions Chapter 423F.3 of the Code of Iowa.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales services tax are as follows:

Beginning Balance	\$	0
Statewide sales and services tax revenue		133,237
Expenditures/transfers out:		
School infrastructure:		
Buildings		6,281
Ending Balance	\$	<u>126,956</u>

- II-L-09 Authorized Check Signatures - We noted during the audit, instances of checks missing either the Board Secretary or the Board President's 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 issued. 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 her 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 of the Code of Iowa.

Response - The District has implemented in procedures and policies.

Conclusion - Response accepted.

II-M-09 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District is implementing this recommendation.

Conclusion - Response accepted.

II-N-09 PPEL Expenditures - We noted during our audit that, the District is currently making purchases from the Special Revenues , Physical Plant and Equipment Levy (PPEL) Fund which do not appear to be in compliance with Chapter 298.3 of the Code of Iowa. The District purchased digital flip cameras totaling \$2,005.64 from the Special Revenue, PPEL Fund that was less than the \$500 per item threshold.

Recommendation - The District should review their procedures to ensure that future purchases made from these funds are in compliance with Chapter 298 of the Code of Iowa. The District should make the corrective transfer of \$2,005.64 from the General Fund to Special Revenue: Physical Plant and Equipment Levy Fund.

Response - The District has made the corrective transfer and is reviewing their policies and procedures to be in accordance with Chapter 298.3 of the Code of Iowa.

Conclusion - Response accepted.

II-O-09 Coaching Contracts - During our audit we noted that the District was missing a coaching contract from his file.

Recommendation - Chapter 279.19A of the code of Iowa states "School Districts employing individuals to coach interscholastic athletic sports shall be issued a separate contract for each of these sports." The District should review its policies and procedures of coaching contracts and ensure that record retention of the contracts is followed.

Response - The District has made a note of missing a contract and will review its policies and procedures to ensure compliance.

Conclusion - Response accepted.

II-P-09 Student Activity Fund - During our audit concerns arose about 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). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation -The Reading Club and the Secondary Pepsi expenditures do not appear to meet the guidelines for inclusion in the Student Activity Fund. The accounts balance should be transferred to the General Fund.

Currently, donations from Target are recorded in the Elementary account in the Student Activity Fund. Target donations are considered an undesignated donation, therefore, pending Board designation they should be receipted into the General Fund for use as determined by the Board of Directors. The designation should be noted annually in the District's board minutes.

Also, the District is receipting Lifetouch commissions into the Activity Fund. Commissions are based on a percentage of sales and should be receipted into the General Fund.

Response - The District will make the necessary transfers.

Conclusion - Response accepted.

II-Q-09 Signing of All Contracts - We noted during our audit that the Board President was not signing all contracts according to Chapter 291.1 of the Code of Iowa.

Recommendation - The District shall have the Board President signing any and all contracts the District enters into, to comply with Chapter 291.1 of the Code of Iowa.

Response - The District has implemented the recommendation and the Board President is signing all officiating contracts.

Conclusion - Response accepted.

II-R-09 Financial Condition - During our audit we noted that the District had deficit unrestricted assets in the Enterprise, Nutrition Fund of \$1,841 and in the Day Care Fund of \$78,610. The total Enterprise Fund had a deficit net assets of \$73,938.

Recommendation - The District should continue to monitor these funds and accounts and investigate and implement alternatives to eliminate these deficits.

Response - The District will continue to monitor these accounts and exploring options to eliminate the deficit balances.

Conclusion - Response accepted.

II-S-09 Supporting Documents for Payments to Officials - We noted during the audit that, where officials including substitutes were being paid the night of the event.

Recommendation - Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The district should have a policy and (athletic) officials should be informed

that payment will be made in this manner unless a valid contract exists. Copies of the signed contracts should be supplied to the accounting staff before checks are issued. The signed contract should then be kept with the paid bills.

Response - The District has implemented this recommendation.

Conclusion - Response accepted.