

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Orient-Macksburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Ron Lauer	President	2011
Brian Rohrig	Vice President	2013
Doug White	Board Member	2011
Jerry Hoff	Board Member	2011
Wendi Eslinger	Board Member	2013
School Officials		
Doug Latham	Superintendent	2011
Julie Frederick	District Secretary/ Treasurer	2011
Ahlers & Cooney, P.C.	Attorney	2011
Gruhn Law Firm	Attorney	2011

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT

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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Orient-Macksburg Community School District at June 30, 2011, 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 23, 2012 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 are not required parts of the

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,714,488 in fiscal 2010 to \$2,443,755 in fiscal 2011, while General Fund expenditures decreased from \$2,576,958 in fiscal 2010 to \$2,576,289 in fiscal 2011. This resulted in a decrease in the District's General Fund balance from \$938,564 in fiscal 2010 to a balance of \$806,030 in fiscal 2011, a 14.12% decrease over the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local and federal source revenues in fiscal 2011. Expenditures were very comparable to the previous year.

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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

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

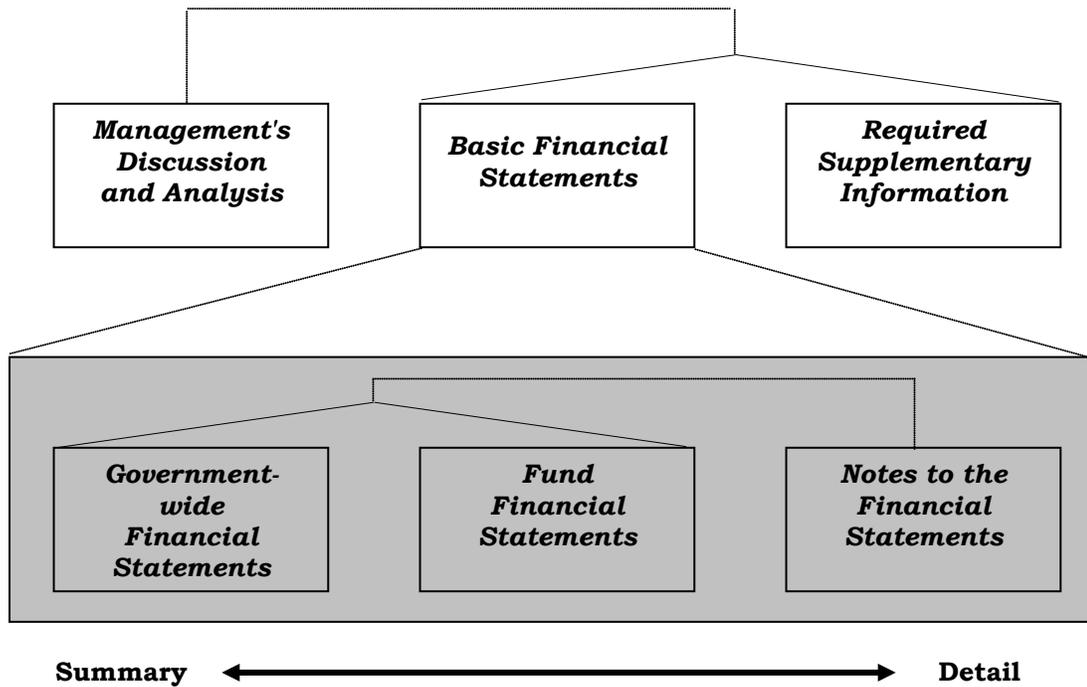


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 three enterprise funds, the School Nutrition, Day Care and Fitness Center 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, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 3,501,342	3,346,527	40,295	19,103	3,541,637	3,365,630	5.23%
Capital assets	1,320,059	1,292,093	5,626	3,637	1,325,685	1,295,730	2.31%
Total assets	4,821,401	4,638,620	45,921	22,740	4,867,322	4,661,360	4.42%
Long-term obligations	539,876	438,285	1,006	475	540,882	438,760	23.28%
Other liabilities	1,597,464	1,303,463	91,455	89,183	1,688,919	1,392,646	21.27%
Total liabilities	2,137,340	1,741,748	92,461	89,658	2,229,801	1,831,406	21.75%
Net assets:							
Invested in capital assets, net of related debt	980,059	902,093	5,626	3,637	985,685	905,730	8.83%
Restricted	1,021,977	1,015,112	-	-	1,021,977	1,015,112	0.68%
Unrestricted	682,025	979,667	(52,166)	(70,555)	629,859	909,112	-30.72%
Total net assets	\$ 2,684,061	2,896,872	(46,540)	(66,918)	2,637,521	2,829,954	-6.80%

The District's combined net assets decreased by 6.80%, or \$192,433, 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 0.68% or \$6,865 over the prior year. The increase was mainly due to the increased fund balance in the Capital Projects, Statewide Sales, Services and Use Tax Levy fund.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased 30.72% or \$279,253. The decrease was primarily due to the decrease in the General Fund balance.

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

Figure A-4
Changes of Net Assets

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 408,538	295,840	109,722	101,210	518,260	397,050	30.53%
Operating grants, contributions and restricted interest	257,429	585,809	68,854	59,366	326,283	645,175	-49.43%
General revenues:							
Local tax	1,034,460	1,430,356	-	-	1,034,460	1,430,356	-27.68%
Income surtax	135,378	161,439	-	-	135,378	161,439	-16.14%
Statewide sales, services and use tax	128,603	145,357	-	-	128,603	145,357	-11.53%
Unrestricted state grants	816,883	528,072	-	-	816,883	528,072	54.69%
Nonspecific program federal grants	22,233	-	-	-	22,233	-	100.00%
Unrestricted investment revenue	2,037	1,959	13	8	2,050	1,967	4.22%
Transfers	(2,177)	-	2,177	-	-	-	0.00%
Other	115,695	197,528	3,934	3,362	119,629	200,890	-40.45%
Total revenues	2,919,079	3,346,360	184,700	163,946	3,103,779	3,510,306	-11.58%
Program expenditures:							
Governmental activities:							
Instructional	1,919,829	1,930,553	-	-	1,919,829	1,930,553	-0.56%
Support services	1,040,033	711,221	1,839	1,006	1,041,872	712,227	46.28%
Non-instructional programs	1,562	1,751	162,483	155,920	164,045	157,671	4.04%
Other expenditures	170,466	234,036	-	-	170,466	234,036	-27.16%
Total expenditures	3,131,890	2,877,561	164,322	156,926	3,296,212	3,034,487	8.63%
Change in net assets	(212,811)	468,799	20,378	7,020	(192,433)	475,819	-140.44%
Net assets beginning of year, as restated	2,896,872	2,428,073	(66,918)	(73,938)	2,829,954	2,354,135	20.21%
Net assets end of year	\$ 2,684,061	2,896,872	(46,540)	(66,918)	2,637,521	2,829,954	-6.80%

In fiscal 2011, local tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 72.47% of the revenue from governmental activities while charges for services and operating grants and contributions account for 96.68% of the revenue from business type activities.

The District's total revenues were \$3,103,779 of which \$2,919,079 was for governmental activities and \$184,700 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 11.58% in revenues and an 8.63% increase in expenditures. The increase in expenditures was related to an increase in the support services functional area.

Governmental Activities

Revenues for governmental activities were \$2,919,079 and expenses were \$3,131,890.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
			Change			Change
	2011	2010	2010-11	2011	2010	2010-11
Instruction	\$ 1,919,829	1,930,553	-0.56%	1,357,000	1,146,133	18.40%
Support services	1,040,033	711,221	46.23%	1,033,747	710,184	45.56%
Non-instructional	1,562	1,751	-10.79%	1,562	1,751	-10.79%
Other expenses	170,466	234,036	-27.16%	73,614	137,844	-46.60%
Totals	\$ 3,131,890	2,877,561	8.84%	2,465,923	1,995,912	23.55%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$408,538.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$257,429.
- The net cost of governmental activities was financed with \$1,034,460 in local tax, \$135,378 in income surtax, \$128,603 in statewide sales, services and use tax, \$816,883 in unrestricted state grants, \$22,233 in nonspecific program federal grants, \$2,037 in interest income, and \$113,518 in other general revenues net of transfers.

Business type Activities

Revenues of the District's business type activities were \$184,700 and expenses were \$164,322. The District's business type activities include the School Nutrition Fund, Day Care Fund, and Fitness Center 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 \$1,763,499, compared to last year's ending fund balances of \$1,894,366.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. Local revenues decreased by \$249,058 and federal source revenues decreased by \$105,524 compared to last year's revenue. Expenditures were comparable to the previous year. The decrease in the fund balance was due to the expenditures exceeding revenues.

-
- The Capital Projects fund balance increased from \$491,405 at June 30, 2010 to \$531,946 at June 30, 2010. The increase in fund balance was due to increased revenues and decreased expenditures as compared to the previous year. The beginning balance was restated as a result of the Physical Plant and Equipment Levy fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54.

Proprietary Fund Highlights

- The School Nutrition Fund net assets increased from \$12,449 at June 30, 2010 to \$33,166 at June 30, 2011, representing an increase of 166.41%. The primary reason for the increase in net assets is due to the increase in federal source revenues combined with the decrease in salaries and benefits expenses during the fiscal year.
- The Day Care Fund net assets decreased from a deficit fund balance of \$79,367 at June 30, 2010 to a deficit fund balance of \$81,716 at June 30, 2011, representing a decrease of 2.96%. Expenditures exceeded revenues by \$2,349 ensuring an increasing deficit balance.
- The District started a Fitness Center during the year. The Fitness Center Fund net assets was \$2,010 at June 30, 2011.

BUDGETARY HIGHLIGHTS

The District's revenues were \$147,451 less than budgeted revenues, a variance of 4.52%. The most significant variance resulted from the District receiving less in states 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 due to timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$1,325,685, 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 increase of 2.31% 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 \$132,767.

The original cost of the District's capital assets was \$3,595,285. Governmental funds account for \$3,542,692 with the remainder of \$52,593 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 \$96,374 at June 30, 2011 compared to \$107,998 reported at June 30, 2010. The decrease resulted from annual depreciation.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 31,728	31,728	-	-	31,728	31,728	0.00%
Buildings	1,031,775	1,000,436	-	-	1,031,775	1,000,436	3.13%
Land Improvements	96,374	107,998	-	-	96,374	107,998	-10.76%
Machinery and equipment	160,182	151,931	5,626	3,637	165,808	155,568	6.58%
Total	\$ 1,320,059	1,292,093	5,626	3,637	1,325,685	1,295,730	2.31%

Long-Term Debt

At June 30, 2011, the District had long-term debt outstanding of \$540,882. This represents an increase of 23.28% 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 \$340,000 at June 30, 2011.

During fiscal 2011, the District entered into an Apple Computer lease. The District still owes \$147,370 at June 30, 2011.

The District had an outstanding balance of \$15,380 for early retirement that is payable from the Special Revenue, Management Levy Fund and General Fund.

The District had a net OPEB liability payable of \$38,132 as of June 30, 2011; \$37,126 attributable to governmental activities and \$1,006 attributable to business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
General obligation bonds	\$ 340,000	390,000	-	-	340,000	390,000	-12.82%
Computer lease	147,370	-	-	-	147,370	-	100.00%
Early retirement	15,380	30,760	-	-	15,380	30,760	-50.00%
Net OPEB liability	37,126	17,525	1,006	475	38,132	18,000	111.84%
Total	\$ 539,876	438,285	1,006	475	540,882	438,760	23.28%

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.
 - On July 1, 2011, the IPERS increase to 8.07% will increase the Orient-Macksburg Community Schools employer benefits costs during fiscal 2012. An additional increase to 8.67% is anticipated for FY13.

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 Julie Frederick, District Secretary/Treasurer, 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, 2011

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 2,073,841	33,375	2,107,216
Receivables:			
Property tax:			
Delinquent	17,384	-	17,384
Succeeding year	1,098,324	-	1,098,324
Income surtax	143,752	-	143,752
Accounts	573	3,038	3,611
Due from other governments	167,468	-	167,468
Inventories	-	3,882	3,882
Capital assets, net of accumulated depreciation	1,320,059	5,626	1,325,685
Total assets	4,821,401	45,921	4,867,322
Liabilities			
Warrants in excess of bank balance	-	73,869	73,869
Accounts payable	224,068	-	224,068
Interest payable	3,373	-	3,373
Salaries and benefits payable	227,159	16,440	243,599
Deferred revenue:			
Succeeding year property tax	1,098,324	-	1,098,324
Other	44,540	-	44,540
Unearned revenue	-	1,146	1,146
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	50,000	-	50,000
Computer lease payable	48,674	-	48,674
Early retirement payable	15,380	-	15,380
Portion due after one year:			
General obligation bonds payable	290,000	-	290,000
Computer lease payable	98,696	-	98,696
OPEB liability	37,126	1,006	38,132
Total liabilities	2,137,340	92,461	2,229,801
Net Assets			
Invested in capital assets, net of related debt	980,059	5,626	985,685
Restricted for:			
Categorical funding	79,888	-	79,888
Student activities	30,120	-	30,120
Management levy purposes	332,814	-	332,814
Debt service	47,209	-	47,209
School infrastructure	423,047	-	423,047
Physical plant and equipment	108,899	-	108,899
Unrestricted	682,025	(52,166)	629,859
Total net assets	\$ 2,684,061	(46,540)	2,637,521

SEE NOTES TO FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	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	\$ 1,033,095	247,573	39,921	(745,601)	-	(745,601)
Special	357,897	29,856	11,316	(316,725)	-	(316,725)
Other	528,837	131,109	103,054	(294,674)	-	(294,674)
	<u>1,919,829</u>	<u>408,538</u>	<u>154,291</u>	<u>(1,357,000)</u>	<u>-</u>	<u>(1,357,000)</u>
Support services:						
Student	32,842	-	5,090	(27,752)	-	(27,752)
Instructional	237,460	-	-	(237,460)	-	(237,460)
Administration	358,913	-	-	(358,913)	-	(358,913)
Operation and maintenance of plant	290,274	-	-	(290,274)	-	(290,274)
Transportation	120,544	-	1,196	(119,348)	-	(119,348)
	<u>1,040,033</u>	<u>-</u>	<u>6,286</u>	<u>(1,033,747)</u>	<u>-</u>	<u>(1,033,747)</u>
Non-instructional programs	1,562	-	-	(1,562)	-	(1,562)
Other expenditures:						
Long-term debt interest	15,915	-	-	(15,915)	-	(15,915)
AEA flowthrough	96,852	-	96,852	-	-	-
Depreciation(unallocated)*	57,699	-	-	(57,699)	-	(57,699)
	<u>170,466</u>	<u>-</u>	<u>96,852</u>	<u>(73,614)</u>	<u>-</u>	<u>(73,614)</u>
Total governmental activities	3,131,890	408,538	257,429	(2,465,923)	-	(2,465,923)
Business Type activities:						
Support services:						
Operation and maintenance of plant	1,839	-	-	-	(1,839)	(1,839)
Non-instructional programs:						
Nutrition	94,876	45,834	68,854	-	19,812	19,812
Daycare	67,607	61,878	-	-	(5,729)	(5,729)
Fitness center	-	2,010	-	-	2,010	2,010
Total business type activities	<u>164,322</u>	<u>109,722</u>	<u>68,854</u>	<u>-</u>	<u>14,254</u>	<u>14,254</u>
Total	<u>\$ 3,296,212</u>	<u>518,260</u>	<u>326,283</u>	<u>(2,465,923)</u>	<u>14,254</u>	<u>(2,451,669)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 904,911	-	904,911
Debt service				63,372	-	63,372
Capital outlay				66,177	-	66,177
Income surtax				135,378	-	135,378
Statewide sales, services and use tax				128,603	-	128,603
Unrestricted state grants				816,883	-	816,883
Nonspecific program federal grants				22,233	-	22,233
Unrestricted investment earnings				2,037	13	2,050
Other				115,695	3,934	119,629
Transfers				(2,177)	2,177	-
Total general revenues				<u>2,253,112</u>	<u>6,124</u>	<u>2,259,236</u>
Change in net assets				(212,811)	20,378	(192,433)
Net assets beginning of year				<u>2,896,872</u>	<u>(66,918)</u>	<u>2,829,954</u>
Net assets end of year				<u>\$ 2,684,061</u>	<u>(46,540)</u>	<u>2,637,521</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 1,150,292	499,091	424,458	2,073,841
Receivables:				
Property tax:				
Delinquent	15,207	1,112	1,065	17,384
Succeeding year	963,613	71,426	63,285	1,098,324
Income surtax	107,814	35,938	-	143,752
Accounts	573	-	-	573
Due from other governments	133,382	34,086	-	167,468
Total assets	\$ 2,370,881	641,653	488,808	3,501,342
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 221,725	2,343	-	224,068
Salaries and benefits payable	227,159	-	-	227,159
Deferred revenue:				
Succeeding year property tax	963,613	71,426	63,285	1,098,324
Income surtax	107,814	35,938	-	143,752
Other	44,540	-	-	44,540
Total liabilities	1,564,851	109,707	63,285	1,737,843
Fund balances:				
Restricted for:				
Categorical funding	79,888	-	-	79,888
Student activities	-	-	30,120	30,120
Management levy purposes	-	-	348,194	348,194
Debt service	-	-	47,209	47,209
School infrastructure	-	423,047	-	423,047
Physical plant and equipment	-	108,899	-	108,899
Unassigned	726,142	-	-	726,142
Total fund balances	806,030	531,946	425,523	1,763,499
Total liabilities and fund balances	\$ 2,370,881	641,653	488,808	3,501,342

SEE NOTES TO FINANCIAL STATEMENTS

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

Total fund balances of governmental funds(page 20) \$ 1,763,499

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

Capital assets used in governmental activities are not
 financial resources and, therefore, are not reported as
 assets in the governmental funds. 1,320,059

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. (3,373)

Accounts receivable income surtax, are not yet available
 to finance expenditures of the current fiscal period. 143,752

Long-term liabilities, including bonds payable, leases payable,
 early retirement and other post employment benefits payable
 are not due and payable in the current period and, therefor,
 are not reported as liabilities in the governmental funds. (539,876)

Net assets of governmental activities(page 18) \$ 2,684,061

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,011,965	230,464	63,372	1,305,801
Tuition	272,614	-	-	272,614
Other	63,679	55,872	135,153	254,704
State sources	945,467	-	-	945,467
Federal sources	150,030	-	-	150,030
Total revenues	2,443,755	286,336	198,525	2,928,616
Expenditures:				
Current:				
Instruction:				
Regular	1,006,438	-	15,650	1,022,088
Special	341,131	-	-	341,131
Other	403,880	-	124,257	528,137
	1,751,449	-	139,907	1,891,356
Support services:				
Student	32,842	-	-	32,842
Instructional	89,915	201,610	116	291,641
Administration	357,090	-	636	357,726
Operation and maintenance of plant	167,186	-	23,602	190,788
Transportation	80,955	13,052	6,651	100,658
	727,988	214,662	31,005	973,655
Non-instructional programs:				
Food service operations	-	-	1,562	1,562
Other expenditures:				
Facilities acquisitions	-	178,472	-	178,472
Long-term debt:				
Principal	-	-	99,968	99,968
Interest and fiscal charges	-	-	14,956	14,956
AEA flowthrough	96,852	-	-	96,852
	96,852	178,472	114,924	390,248
Total expenditures	2,576,289	393,134	287,398	3,256,821
Deficiency of revenues under expenditures before other financing sources(uses)	(132,534)	(106,798)	(88,873)	(328,205)
Other financing sources(uses):				
Proceeds from lease purchase	-	197,338	-	197,338
Transfer in	-	-	49,999	49,999
Transfer out	-	(49,999)	-	(49,999)
Total other financing sources(uses)	-	147,339	49,999	197,338
Net change in fund balances	(132,534)	40,541	(38,874)	(130,867)
Fund balances beginning of year, as restated	938,564	491,405	464,397	1,894,366
Fund balances end of year	\$ 806,030	531,946	425,523	1,763,499

SEE NOTES TO 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, 2011

Net change in fund balances - total governmental funds(page 22) \$ (130,867)

**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	\$ 158,367	
Depreciation expense	(130,401)	27,966

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (7,360)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. 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. Current year issues exceeded repayments, as follows:

Issued	\$ (197,338)	
Repaid	99,968	(97,370)

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	15,380	
Other postemployment benefits	(19,601)	(4,221)

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. (959)

Changes in net assets of governmental activities(page 19) \$ (212,811)

SEE NOTES TO FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	School Nutrition	Day Care	Fitness Center	Total
Assets				
Cash and cash equivalents	\$ 31,365	-	2,010	33,375
Accounts receivable	32	3,006	-	3,038
Inventories	3,882	-	-	3,882
Capital assets, net of depreciation	5,626	-	-	5,626
Total assets	40,905	3,006	2,010	45,921
Liabilities				
Warrants in excess of bank balance	-	73,869	-	73,869
Salary and benefits payable	5,587	10,853	-	16,440
Unearned revenues	1,146	-	-	1,146
OPEB liability	1,006	-	-	1,006
Total liabilities	7,739	84,722	-	92,461
Net assets				
Invested in capital assets	5,626	-	-	5,626
Unrestricted	27,540	(81,716)	2,010	(52,166)
Total net assets	\$ 33,166	(81,716)	2,010	(46,540)

SEE NOTES TO FINANCIAL STATEMENTS

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

	Business Type Activities:			
	Enterprise Funds			
	School Nutrition	Day Care	Fitness Center	Total
Operating revenue:				
Local sources:				
Charges for services	\$ 45,834	61,878	2,010	109,722
Miscellaneous	554	3,380	-	3,934
Total operating revenue	46,388	65,258	2,010	113,656
Operating expenses:				
Support services:				
Operation and maintenance of plant:				
Services	1,839	-	-	1,839
Non-instructional programs:				
Salaries	34,073	53,503	-	87,576
Benefits	5,519	12,239	-	17,758
Services	704	-	-	704
Supplies	52,214	1,865	-	54,079
Depreciation	2,366	-	-	2,366
	94,876	67,607	-	162,483
Total operating expenses	96,715	67,607	-	164,322
Operating income(loss)	(50,327)	(2,349)	2,010	(50,666)
Non-operating revenues:				
Interest	13	-	-	13
State sources	1,207	-	-	1,207
Federal sources	67,647	-	-	67,647
Total non-operating revenues	68,867	-	-	68,867
Net income(loss) before other financing sources	18,540	(2,349)	2,010	18,201
Other financing sources:				
Capital contributions	2,177	-	-	2,177
Change in net assets	20,717	(2,349)	2,010	20,378
Net assets beginning of year	12,449	(79,367)	-	(66,918)
Net assets end of year	\$ 33,166	(81,716)	2,010	(46,540)

SEE NOTES TO FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition	Day Care	Fitness Center	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 46,561	-	-	46,561
Cash received from miscellaneous operating activities	554	65,342	2,010	67,906
Cash payments to employees for services	(39,169)	(57,651)	-	(96,820)
Cash payments to suppliers for goods or services	(49,082)	(1,865)	-	(50,947)
Net cash provided by(used in) operating activities	(41,136)	5,826	2,010	(33,300)
Cash flows from non-capital financing activities:				
State grants received	1,207	-	-	1,207
Federal grants received	62,387	-	-	62,387
Net cash provided by non-capital financing activities	63,594	-	-	63,594
Cash flows from investing and other financing activities:				
Interest on investments	13	-	-	13
Cash flows from other financing activities:				
Purchase of assets	(2,178)	-	-	(2,178)
Net increase in cash and cash equivalents	20,293	5,826	2,010	28,129
Cash and cash equivalents at beginning of year	11,072	(79,695)	-	(68,623)
Cash and cash equivalents at end of year	\$ 31,365	(73,869)	2,010	(40,494)
Reconciliation of operating income(loss) to net cash used in operating activities:				
Operating income(loss)	\$ (50,327)	(2,349)	2,010	(50,666)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	5,260	-	-	5,260
Depreciation	2,366	-	-	2,366
Decrease in inventories	415	-	-	415
Decrease in accounts receivable	612	84	-	696
Increase(Decrease) in salary and benefits payable	(108)	8,091	-	7,983
Increase in OPEB liability	531	-	-	531
Increase in unearned revenue	115	-	-	115
Net cash provided by(used in) operating activities	\$ (41,136)	5,826	2,010	(33,300)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$5,260.

During the year ended June 30, 2011, the District received \$2,177 in contributed capital from the General Fund.

SEE NOTES TO FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

The District's proprietary funds are the Enterprise, School Nutrition Fund, Enterprise, Day Care Fund, and Enterprise, Fitness Center 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.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
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
Intangibles	2 or more
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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the support services functional area exceeded the amounts budgeted.

(2) Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,916,075 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 49,999</u>

The transfer from Capital Projects: Statewide Sales, Services and Use Tax to Debt Service was needed for the principal and interest payment of the computer lease.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 48,238	4,355	-	52,593
Less accumulated depreciation	44,601	2,366	-	46,967
Business type activities capital assets, net	<u>\$ 3,637</u>	<u>1,989</u>	<u>-</u>	<u>5,626</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,728	-	-	31,728
Total capital assets not being depreciated	<u>31,728</u>	-	-	<u>31,728</u>
Capital assets being depreciated:				
Buildings	2,069,358	77,414	-	2,146,772
Land improvements	275,092	-	-	275,092
Machinery and equipment	1,008,147	80,953	-	1,089,100
Total capital assets being depreciated	<u>3,352,597</u>	<u>158,367</u>	-	<u>3,510,964</u>
Less accumulated depreciation for:				
Buildings	1,068,922	46,075	-	1,114,997
Land improvements	167,094	11,624	-	178,718
Machinery and equipment	856,216	72,702	-	928,918
Total accumulated depreciation	<u>2,092,232</u>	<u>130,401</u>	-	<u>2,222,633</u>
Total capital assets being depreciated, net	<u>1,260,365</u>	<u>27,966</u>	-	<u>1,288,331</u>
Governmental activities capital assets, net	<u>\$ 1,292,093</u>	<u>27,966</u>	-	<u>1,320,059</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 16,385
Special	16,766
Other	700
Support services:	
Instructional staff	17,764
Administration	1,501
Transportation	<u>19,586</u>
	72,702
Unallocated depreciation	<u>57,699</u>
Total governmental activities depreciation expense	<u>\$ 130,401</u>
Business type activities:	
Food services	<u>\$ 2,366</u>

(5) **Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 390,000	-	50,000	340,000	50,000
Computer lease	-	197,338	49,968	147,370	48,674
Early retirement	30,760	-	15,380	15,380	15,380
Net OPEB liability	17,525	19,601	-	37,126	-
Total	\$ 438,285	216,939	115,348	539,876	114,054
Business type activities:					
Net OPEB liability	\$ 475	531	-	1,006	-

General Obligation

Details of the District's June 30, 2011 General Obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate	Issue dated February 15, 2008		
		Principal	Interest	Total
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	3.80	60,000	7,020	67,020
2016	3.90	60,000	4,740	64,740
2017	4.00	60,000	2,400	62,400
Total		\$ 340,000	47,035	387,035

Computer Lease Payable

During the year ended June 30, 2011, the District entered into a lease agreement with Apple Computer Inc. for computers for the District's one on one initiative. Details of the District's June 30, 2011 computer lease indebtedness are as follows:

Year Ending June 30,	Interest Rate	Computer lease dated July 1, 2010		
		Principal	Interest	Total
2012	3.60	% \$ 48,673	1,326	49,999
2013	3.70	49,124	876	50,000
2014	3.80	49,573	426	49,999
Total		\$ 147,370	2,628	149,998

Early Retirement

The District determines to offer early retirement on an as needed basis. The purpose of this Plan is to provide the District's employees with options and opportunities for early retirement from their employment with the District. The requirements for early retirement is: 1) they have completed 15 years of full time contracted service with the District, 2) they will attain the age of at least 55 on or before July 31st of the year they retire 3)the early retirement application has to be submitted by a date determined by the board. During the year ended June 30, 2011, the District paid early retirement benefits of \$15,380.

(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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$103,878, \$96,642, and \$93,358, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription

drug benefits for retirees and their spouses. There are 28 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 51,000
Interest on net OPEB obligation	810
Adjustment to annual required contribution	(678)
Annual OPEB cost	<u>51,132</u>
Contributions made	<u>(31,000)</u>
Increase in net OPEB obligation	20,132
Net OPEB obligation beginning of year	18,000
Net OPEB obligation end of year	<u><u>\$ 38,132</u></u>

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

For the year ended June 30, 2011, the District contributed \$31,000 to the medical plan. Plan members eligible for benefits contributed \$46,000, or 59.74% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 51,000	64.71%	\$ 18,000
2011	\$ 51,132	60.63%	\$ 38,132

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$637,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$637,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$618,764, and the ratio of the UAAL to covered payroll was 102.95%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The health cost trend rate is 11% a year. For the year ending, grading down 0.5% until 5% in 2022.

Mortality rates are from the RP2000 Table, applied on a gender-specific basis.

Projected claim costs of the medical plan are \$905 per month for retirees and spouses less than 65. The implicit subsidy portion of UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides 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, 2011 were \$2,177.

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

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$96,852 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Deficit Fund Balance

The District has a deficit unrestricted net assets in the Enterprise, Day Care Fund of \$81,716.

The District's Business Type Activities had a combined deficit unrestricted net assets of \$52,166, and a total net assets deficit of \$46,540.

(11) Categorical Funding

The District's ending restricted balance for categorical funding at June 30, 2011 is comprised of the following:

Project	Amount
Statewide voluntary preschool	\$ 8,906
Beginning teacher mentoring and induction program	1,506
Empowerment Professional Development Grant	600
Professional development for model core curriculum	12,519
Professional development	33,956
Educator quality, basic salary	22,401
Total	<u>\$ 79,888</u>

(12) Budget Over Expenditure

During the year ended June 30, 2011, expenditures in the support services functional area exceeded the amounts budgeted.

(13) Accounting Change/Restatement

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

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010 as previously reported	\$ 382,769	108,636
Changes in fund type classification per implementation of GASB Statement No. 54	108,636	(108,636)
Balances July 1, 2010, as restated	<u>\$ 491,405</u>	<u>0</u>

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT

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, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 1,833,119	113,669	1,946,788	1,950,732	1,950,732	(3,944)
State sources	945,467	1,207	946,674	1,102,858	1,102,858	(156,184)
Federal sources	150,030	67,647	217,677	205,000	205,000	12,677
Total revenues	2,928,616	182,523	3,111,139	3,258,590	3,258,590	(147,451)
Expenditures/expenses:						
Instruction	1,891,356	-	1,891,356	2,265,180	2,265,180	373,824
Support services	973,655	1,839	975,494	973,276	973,276	(2,218)
Non-instructional programs	1,562	162,483	164,045	233,044	233,044	68,999
Other expenditures	390,248	-	390,248	412,092	412,092	21,844
Total expenditures/expenses	3,256,821	164,322	3,421,143	3,883,592	3,883,592	462,449
Excess(Deficiency) of revenues over(under) expenditures/expenses	(328,205)	18,201	(310,004)	(625,002)	(625,002)	314,998
Other financing sources, net	197,338	2,177	199,515	1,000	1,000	201,515
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(130,867)	20,378	(110,489)	(624,002)	(624,002)	516,513
Balance beginning of year	1,894,366	(66,918)	1,827,448	1,527,111	1,527,111	300,337
Balance end of year	\$ 1,763,499	(46,540)	1,716,959	903,109	903,109	816,850

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

This budgetary comparison is presented as required Supplementary Information in accordance with Governmental Accounting 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, 2011, expenditures in the support services functional area exceeded the amounts budgeted.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 637,000	\$ 637,000	0.0%	\$ 887,365	71.79%
2011	July 1, 2009	\$ -	\$ 637,000	\$ 637,000	0.0%	\$ 618,764	102.95%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue				Total Nonmajor Governmental Funds
	Student Activity	Management Levy	Total Special Revenue Funds	Debt Service	
Assets					
Cash and pooled investments	\$ 30,120	348,194	378,314	46,144	424,458
Receivables:					
Property tax:					
Delinquent	-	-	-	1,065	1,065
Succeeding year	-	-	-	63,285	63,285
Total assets	\$ 30,120	348,194	378,314	110,494	488,808
Liabilities and Fund Balances					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ -	-	-	63,285	63,285
Fund balances:					
Restricted for:					
Student activities	30,120	-	30,120	-	30,120
Management levy purposes	-	348,194	348,194	-	348,194
Debt service	-	-	-	47,209	47,209
Total fund balances	30,120	348,194	378,314	47,209	425,523
Total liabilities and fund balances	\$ 30,120	348,194	378,314	110,494	488,808

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, 2011

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Student Activity	Management Levy	Total Special Revenue Funds		
Revenues:					
Local sources:					
Local tax	\$ -	-	-	63,372	63,372
Other	130,300	4,792	135,092	61	135,153
Total revenues	130,300	4,792	135,092	63,433	198,525
Expenditures:					
Current:					
Instruction:					
Regular	-	15,650	15,650	-	15,650
Other	124,257	-	124,257	-	124,257
Support services:					
Instructional	-	116	116	-	116
Administration	-	636	636	-	636
Operation and maintenance of plant	-	23,602	23,602	-	23,602
Transportation	-	6,651	6,651	-	6,651
Non-instructional programs:					
Food service operations	-	1,562	1,562	-	1,562
Other expenditures:					
Long-term debt:					
Principal	-	-	-	99,968	99,968
Interest and fiscal charges	-	-	-	14,956	14,956
Total expenditures	124,257	48,217	172,474	114,924	287,398
Excess(Deficiency) of revenues over (under) expenditures	6,043	(43,425)	(37,382)	(51,491)	(88,873)
Other financing sources:					
Transfer in	-	-	-	49,999	49,999
Net change in fund balances	6,043	(43,425)	(37,382)	(1,492)	(38,874)
Fund balances beginning of year, as restated	24,077	391,619	415,696	48,701	464,397
Fund balances end of year	\$ 30,120	348,194	378,314	47,209	425,523

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 388,961	110,130	499,091
Receivables:			
Property tax:			
Delinquent	-	1,112	1,112
Succeeding year	-	71,426	71,426
Income surtax	-	35,938	35,938
Due from other governments	34,086	-	34,086
Total assets	\$ 423,047	218,606	641,653
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	2,343	2,343
Deferred revenue:			
Succeeding year property tax	-	71,426	71,426
Income surtax	-	35,938	35,938
Total liabilities	-	109,707	109,707
Fund balances:			
Restricted for:			
School infrastructure	423,047	-	423,047
Physical plant and equipment	-	108,899	108,899
Total fund balances	423,047	108,899	531,946
Total liabilities and fund balances	\$ 423,047	218,606	641,653

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 128,603	101,861	230,464
Other	343	55,529	55,872
Total revenues	128,946	157,390	286,336
Expenditures:			
Support services:			
Instructional	197,338	4,272	201,610
Transportation	-	13,052	13,052
Other expenditures:			
Facilities acquisitions	38,669	139,803	178,472
Total expenditures	236,007	157,127	393,134
Excess(Deficiency) of revenues over (under) expenditures	(107,061)	263	(106,798)
Other financing sources(uses):			
Proceeds from lease purchase	197,338	-	197,338
Transfer out	(49,999)	-	(49,999)
Total other financing sources(uses)	147,339	-	147,339
Net change in fund balances	40,278	263	40,541
Fund balances beginning of year, as restated	382,769	108,636	491,405
Fund balances end of year	\$ 423,047	108,899	531,946

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, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Annual	\$ 1,662	5,532	4,077	3,117
Bank Interest	3	144	145	2
Athletics	5,984	61,063	57,896	9,151
Lights BB field	853	1	550	304
Cheerleaders	788	769	794	763
Drill team	1,357	1,376	1,887	846
Class of 2009	804	1	-	805
Class of 2010	1,729	1	856	874
Class of 2011	5,183	798	4,367	1,614
Class of 2012	-	26,263	19,178	7,085
FFA	3,539	21,434	23,856	1,117
MS reading club	696	3,765	3,541	920
NHS	80	-	-	80
Plays	213	-	-	213
Secondary Pepsi	2	-	-	2
Student council	(286)	2,844	1,925	633
Foods club	83	297	337	43
Elem reading club	1,387	6,012	4,848	2,551
Total	\$ 24,077	130,300	124,257	30,120

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 EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 1,305,801	1,719,457	1,631,417	1,577,581	1,414,094	1,441,106	1,667,689	1,450,519
Tuition	272,614	194,302	174,860	232,654	242,996	184,113	357,180	301,638
Other	254,704	297,734	293,876	219,154	183,840	191,373	145,093	157,826
State sources	945,467	858,242	1,126,712	1,162,992	1,080,173	1,119,141	1,161,841	1,082,862
Federal sources	150,030	255,554	150,222	115,420	199,801	132,040	134,419	114,604
Total	\$ 2,928,616	3,325,289	3,377,087	3,307,801	3,120,904	3,067,773	3,466,222	3,107,449
Expenditures:								
Instruction:								
Regular	\$ 1,022,088	1,082,877	1,044,669	1,089,674	1,200,060	1,004,980	1,073,567	1,165,472
Special	341,131	332,997	333,102	304,451	321,654	342,002	322,037	488,633
Other	528,137	518,384	462,964	518,078	546,657	585,287	527,096	376,388
Support services:								
Student	32,842	27,422	24,831	24,559	23,125	20,274	36,621	27,840
Instructional	291,641	90,749	110,156	64,411	71,329	97,808	28,307	36,089
Administration	357,726	326,164	366,642	333,968	363,176	396,561	404,494	381,141
Operation and maintenance of plant	190,788	164,196	184,289	178,022	185,764	201,614	261,624	203,028
Transportation	100,658	93,080	120,272	103,933	96,322	199,603	110,230	97,651
Other support	-	-	-	-	-	-	8,078	27,738
Non-instructional programs:								
Food service operations	1,562	1,751	1,823	1,881	2,579	1,953	2,692	1,724
Other expenditures:								
Facilities acquisitions	178,472	70,938	45,875	303,930	153,185	69,291	56,733	20,136
Long Term debt:								
Principal	99,968	50,000	45,000	40,000	48,840	43,496	43,164	39,837
Interest and fiscal charges	14,956	16,535	18,021	26,576	30,910	32,779	35,214	36,230
AEA flow-through	96,852	96,192	89,981	88,107	86,448	85,283	86,123	86,409
Total	\$ 3,256,821	2,871,285	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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 23, 2012. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-11 to be a significant deficiency.

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

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 23, 2012

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person 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 where possible.

Conclusion - Response accepted.

I-B-11 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.

Response - The District is implementing the use of time sheets for all coaches who are non-certified.

Conclusion - Response accepted.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - During the year ended June 30, 2011, expenditures in the support services functional area exceeded the amounts budgeted.
- 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 - In the future the District will monitor expenditures more closely and amend the budget accordingly.
- Conclusion - Response accepted.
- II-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-11 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance noted with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$	382,769
Revenues/transfers in:			
Sales tax revenues	\$	128,603	
Other local revenues		343	
Sale of long-term debt		197,338	326,284
			<u>709,053</u>
Expenditures/transfers out:			
Buildings purchased		20,397	
Equipment		197,338	
Other		18,272	
Transfers to other funds:			
Debt service fund		49,999	286,006
			<u>286,006</u>
Ending balance		\$	<u>423,047</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-11 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.

We noted during our audit that the District has an Elementary Reading Club account in the Student Activity Fund. It would appear that this account appears to be more administratively maintained in nature, rather than maintained by a student club or organization.

We noted during our audit that the Student Activity Fund had an interest account. However, this interest account was not allocated out to various accounts.

We noted during our audit that the District has two old class accounts: Class of 2009 and Class of 2010.

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

Interest in the Student Activity Fund should be allocated among the various accounts at least on an annual basis. The interest should be recognized by the individual clubs that earned the interest.

Upon graduation, the remaining balance in old class accounts should be redistributed to other individual activity fund accounts, or used as startup funds for the next incoming class.

Response - The Elementary Reading Club will remain in the Student Activity Fund, but the District will monitor expenditures more closely to ensure that they are meeting the necessary guidelines for inclusion in the Student Activity Fund.

Interest is currently being allocated among the various accounts monthly.

The District is currently expending the remaining balance in old class accounts.

Conclusion - Response accepted.

II-N-11 Financial Condition - During our audit we noted that the District had deficit unrestricted assets in the Enterprise Day Care Fund of \$81,716. The total Business Type Activities had a deficit net assets of \$52,166, and had a deficit total net assets of \$46,540.

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

Response - The District continues to monitor accounts exploring options and making changes where necessary.

Conclusion - Response accepted.