

MANNING COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

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Manning Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2003 Election)</b>		
Kimberly Fara	President	2005
Mindi Boyle	Board Member	2003
Jean Stadtlander	Board Member	2005
Brian Irlbeck	Board Member	2003
Scott Hodne	Board Member	2004

<b>Board of Education (After September 2003 Election)</b>		
Mindi Boyle	President	2006
Kimberly Fara	Vice President	2005
Scott Hodne	Board Member	2004
Jean Stadtlander	Board Member	2005
Brian Irlbeck	Board Member	2006

**School Officials**

Roger Schmiedeskamp	Superintendent	2004
Dottie Schiltz	District Secretary and Treasurer	2004
Ahlers & Cooney, P.C.	Attorney	2004

# 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  
Manning Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Manning Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as 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, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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, business-type activities, each major fund, and the aggregate remaining fund information of the Manning Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

As described in Note 8 to the financial statements, during the year ended June 30, 2004, Manning Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2004, on our consideration of the Manning Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of

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laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Manning Community School District's basic financial statements. Another firm previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Nolte, Cornman & Johnson PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

August 27, 2004

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Manning 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### **2004 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$3,487,021 in fiscal 2003 to \$3,438,506 in fiscal 2004, while General Fund expenditures increased from \$3,434,643 in fiscal 2003 to \$3,555,073 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$666,235 in fiscal 2003 to a balance of \$549,668 in fiscal 2004, a 17% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state revenue in fiscal 2004. The increase in expenditures was due to an increase in all expenditure functional areas.

### **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 Manning 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 Manning 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 Manning Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

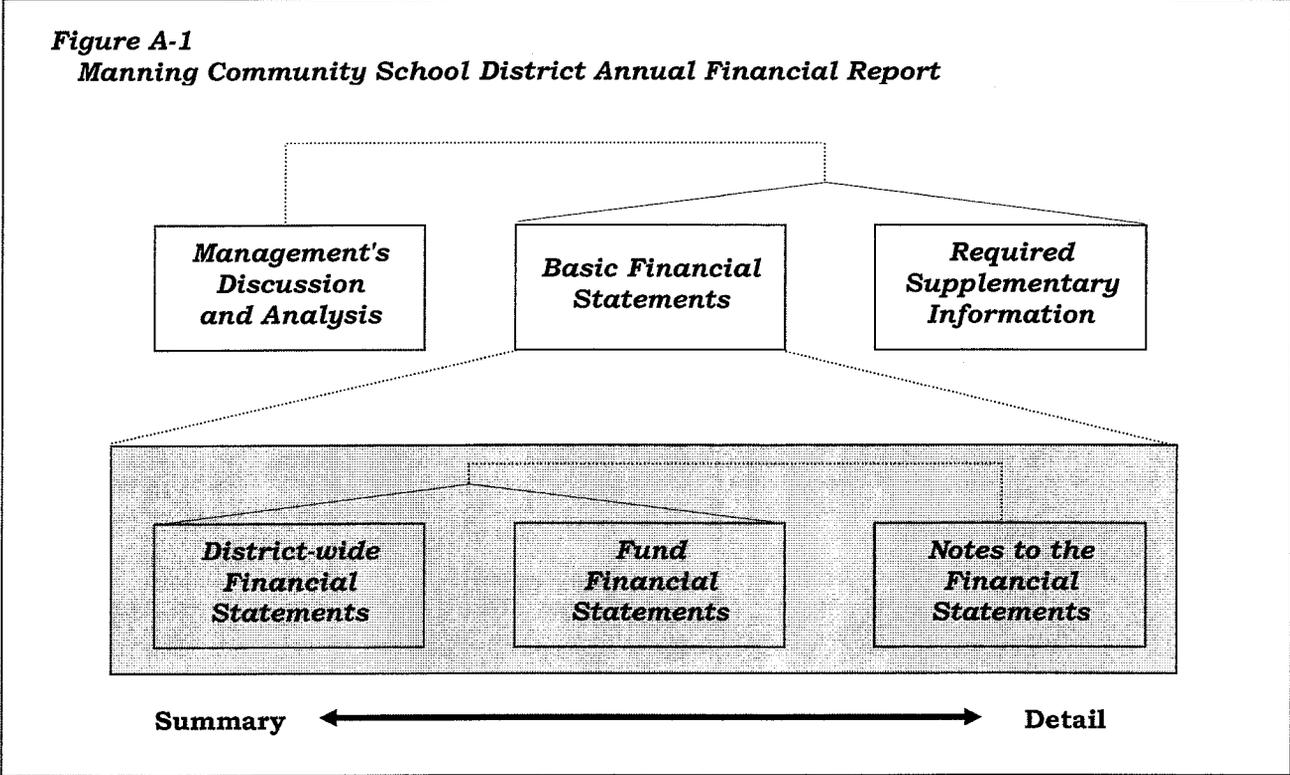


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>			
	District-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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
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

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## 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, and Capital Projects Fund.

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 2,941,082	52,618	2,993,700
Capital Assets	2,944,213	20,110	2,964,323
Total assets	<u>5,885,295</u>	<u>72,728</u>	<u>5,958,023</u>
Long-term obligations	0	0	0
Other liabilities	2,070,928	3,981	2,074,909
Total liabilities	<u>2,070,928</u>	<u>3,981</u>	<u>2,074,909</u>
Net assets:			
Invested in capital assets, net of related debt	2,944,213	20,110	2,964,323
Restricted	345,892	0	345,892
Unrestricted	524,262	48,637	572,899
Total net assets	<u>\$ 3,814,367</u>	<u>68,747</u>	<u>3,883,114</u>

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4  
Changes of Net Assets

	Governmental	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
Revenues:			
Program revenues:			
Charges for services	\$ 473,012	122,524	595,536
Operating grants and contributions and restricted interest	433,296	72,775	506,071
General revenues:			
Property tax	1,179,101	0	1,179,101
Local option sales and service tax	17,514	0	17,514
Unrestricted state grants	1,682,207	0	1,682,207
Unrestricted investment earnings	13,913	315	14,228
Total revenues	<u>3,799,043</u>	<u>195,614</u>	<u>3,994,657</u>
Program expenses:			
Governmental activities:			
Instructional	2,476,339	0	2,476,339
Support services	875,168	0	875,168
Non-instructional programs	0	187,404	187,404
Other expenses	213,115	0	213,115
Total expenses	<u>3,564,622</u>	<u>187,404</u>	<u>3,752,026</u>
Change in net assets	<u>\$ 234,421</u>	<u>8,210</u>	<u>242,631</u>

Property tax and unrestricted state grants account for approximately 72% of the total revenue. The District's expenses primarily relate to instruction and support services which account for approximately 89% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$3,799,043 and expenses were \$3,564,622.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,476,339	1,705,780
Support services	875,168	875,168
Other expenses	213,115	77,366
Totals	<u>\$ 3,564,622</u>	<u>2,658,314</u>

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- The cost financed by users of the District's programs was \$473,012.
  - Federal and state governments subsidized certain programs with grants and contributions totaling \$433,296.
  - The net cost of governmental activities was financed with \$1,179,101 in property and other taxes, \$17,514 in local option sales tax, \$1,682,207 in unrestricted state grants and \$13,913 in unrestricted investment earnings.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$195,614 and expenses were \$187,404. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Manning 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 \$870,154, below last year's ending fund balances of a \$1,037,250.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. A decrease in revenues and an increase in expenditures resulted in the General Fund balance to decrease.
- The General Fund balance decreased from \$666,235 to \$549,668 due in part to the prior year reduction in state aid.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$60,537 at June 30, 2003 to \$68,747 at June 30, 2004, representing an increase of approximately 14%.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$142,474 less than budgeted receipts, a variance of 3.43%. The most significant variance resulted from the District receiving less from state sources than originally anticipated.

Total expenditures were less than budgeted, primarily due 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 other expenditures functional area due to the timing of disbursements paid.

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## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested \$2,964,323, 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) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$94,035.

The original cost of the District's capital assets was \$4,875,715. Governmental funds account for \$4,844,751 with the remainder of \$30,964 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$231,760 at June 30, 2004, compared to \$0 reported at June 30, 2003.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Land	\$ 30,000	0	30,000
Construction in progress	231,760	0	231,760
Buildings	2,534,255	0	2,534,255
Improvements other than buildings	50,128	0	50,128
Machinery and equipment	98,070	20,110	118,180
Total	\$ 2,944,213	20,110	2,964,323

### 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:

- A 2.5% across-the-board state cut did reduce revenues the District received during the 2003-2004 school year. This was due to a downward estimate in state revenues.
- The upcoming Iowa legislative session could again prove to be most challenging in respect to the state budget. The impact of state reductions to education is an unknown that we must be ready to address and compensate.

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## **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 Dottie Schiltz, Board Secretary, Manning Community School District, 209 Tenth Street, Manning, Iowa, 51455.

BASIC FINANCIAL STATEMENTS

MANNING COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents:			
ISCAP(Note 3)	\$ 560,242	0	560,242
Other	1,223,535	49,370	1,272,905
Receivables			
Property tax:			
Delinquent	12,934	0	12,934
Succeeding year	1,110,450	0	1,110,450
Accounts	5,166	25	5,191
Accrued ISCAP interest(Note 3)	1,074	0	1,074
Due from other funds	5	0	5
Due from other governments	27,676	0	27,676
Inventories	0	3,223	3,223
Capital assets, net of accumulated depreciation(Note 4)	2,944,213	20,110	2,964,323
<b>TOTAL ASSETS</b>	<b>5,885,295</b>	<b>72,728</b>	<b>5,958,023</b>
<b>LIABILITIES</b>			
Accounts payable	18,099	201	18,300
Salaries and benefits payable	377,801	569	378,370
ISCAP warrants payable(Note 3)	562,000	0	562,000
ISCAP accrued interest payable(Note 3)	1,628	0	1,628
ISCAP unamortized premium	945	0	945
Due to other funds	5	0	5
Deferred revenue:			
Succeeding year property tax	1,110,450	0	1,110,450
Other	0	3,211	3,211
<b>TOTAL LIABILITIES</b>	<b>2,070,928</b>	<b>3,981</b>	<b>2,074,909</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	2,944,213	20,110	2,964,323
Restricted for:			
Phase III	1,703	0	1,703
Talented and Gifted	9,001	0	9,001
Early Intervention	14,702	0	14,702
Capital projects	22,483	0	22,483
Management levy	88,601	0	88,601
Physical plant and equipment levy	18,448	0	18,448
Other special revenue purposes	190,954	0	190,954
Unrestricted	524,262	48,637	572,899
<b>TOTAL NET ASSETS</b>	<b>\$ 3,814,367</b>	<b>68,747</b>	<b>3,883,114</b>

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2004

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,659,652	404,515	297,547
Special instruction	493,241	68,497	0
Other instruction	323,446	0	0
	<u>2,476,339</u>	<u>473,012</u>	<u>297,547</u>
Support services:			
Student services	109,806	0	0
Instructional staff services	155,265	0	0
Administration services	393,158	0	0
Operation and maintenance of plant services	98,480	0	0
Transportation services	118,304	0	0
Central services	155	0	0
	<u>875,168</u>	<u>0</u>	<u>0</u>
Other expenditures:			
Facilities acquisitions	30,526	0	0
AEA flowthrough	135,749	0	135,749
Depreciation (unallocated) *	46,840	0	0
	<u>213,115</u>	<u>0</u>	<u>135,749</u>
Total governmental activities	3,564,622	473,012	433,296
Business-Type activities:			
Non-instructional programs:			
Nutrition services	187,404	122,524	72,775
Total business-type activities	<u>187,404</u>	<u>122,524</u>	<u>72,775</u>
Total	<u>\$ 3,752,026</u>	<u>595,536</u>	<u>506,071</u>

**General Revenues:**

Property tax levied for:  
  General purposes  
  Capital outlay  
Local option sales and services  
Unrestricted state grants  
Unrestricted investment earnings  
Total general revenues

Changes in net assets

Net assets beginning of year, as restated (Note 8)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(957,590)	0	(957,590)
(424,744)	0	(424,744)
(323,446)	0	(323,446)
<u>(1,705,780)</u>	<u>0</u>	<u>(1,705,780)</u>
(109,806)	0	(109,806)
(155,265)	0	(155,265)
(393,158)	0	(393,158)
(98,480)	0	(98,480)
(118,304)	0	(118,304)
(155)	0	(155)
<u>(875,168)</u>	<u>0</u>	<u>(875,168)</u>
(30,526)	0	(30,526)
0	0	0
(46,840)	0	(46,840)
<u>(77,366)</u>	<u>0</u>	<u>(77,366)</u>
(2,658,314)	0	(2,658,314)
0	7,895	7,895
0	7,895	7,895
<u>(2,658,314)</u>	<u>7,895</u>	<u>(2,650,419)</u>
\$ 1,048,320	0	1,048,320
130,781	0	130,781
17,514	0	17,514
1,682,207	0	1,682,207
13,913	315	14,228
<u>2,892,735</u>	<u>315</u>	<u>2,893,050</u>
234,421	8,210	242,631
<u>3,579,946</u>	<u>60,537</u>	<u>3,640,483</u>
<u>\$ 3,814,367</u>	<u>68,747</u>	<u>3,883,114</u>

MANNING COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP	\$ 560,242	0	560,242
Other	902,422	321,113	1,223,535
Receivables:			
Property tax:			
Delinquent	11,169	1,765	12,934
Succeeding year	1,020,119	90,331	1,110,450
Accounts	5,166	0	5,166
Accrued ISCAP interest	1,074	0	1,074
Due from other funds	0	5	5
Due from other governments	25,533	2,143	27,676
<b>TOTAL ASSETS</b>	<b>\$ 2,525,725</b>	<b>415,357</b>	<b>2,941,082</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 13,559	4,540	18,099
Salaries and benefits payable	377,801	0	377,801
Due to other funds	5	0	5
ISCAP warrants payable	562,000	0	562,000
ISCAP accrued interest payable	1,628	0	1,628
ISCAP unamortized premium	945	0	945
Deferred revenue:			
Succeeding year property tax	1,020,119	90,331	1,110,450
Total liabilities	<u>1,976,057</u>	<u>94,871</u>	<u>2,070,928</u>
Fund balances:			
Reserved for:			
Phase III	1,703	0	1,703
Talented and Gifted	9,001	0	9,001
Early Intervention	14,702	0	14,702
Unreserved:			
Undesignated	524,262	320,486	844,748
Total fund balances	<u>549,668</u>	<u>320,486</u>	<u>870,154</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,525,725</b>	<b>415,357</b>	<b>2,941,082</b>

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2004

Total fund balances of governmental funds (page 16)	\$ 870,154
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	<u>2,944,213</u>
Net assets of governmental activites (page 13)	<u><u>\$ 3,814,367</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2004

	General	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 980,399	216,216	1,196,615
Tuition	265,955	0	265,955
Other	76,649	144,321	220,970
State sources	1,966,976	0	1,966,976
Federal sources	148,527	0	148,527
Total revenues	<u>3,438,506</u>	<u>360,537</u>	<u>3,799,043</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular instruction	1,657,357	0	1,657,357
Special instruction	493,241	0	493,241
Other instruction	198,489	132,223	330,712
	<u>2,349,087</u>	<u>132,223</u>	<u>2,481,310</u>
Support services:			
Student services	109,806	0	109,806
Instructional staff services	128,923	24,708	153,631
Administration services	391,572	0	391,572
Operation and maintenance of plant services	312,558	12,025	324,583
Transportation services	127,378	7,267	134,645
Central services	0	155	155
	<u>1,070,237</u>	<u>44,155</u>	<u>1,114,392</u>
Other expenditures:			
Facilities acquisitions	0	234,688	234,688
AEA flowthrough	135,749	0	135,749
	<u>135,749</u>	<u>234,688</u>	<u>370,437</u>
Total expenditures	<u>3,555,073</u>	<u>411,066</u>	<u>3,966,139</u>
Deficiency of revenues under expenditures	(116,567)	(50,529)	(167,096)
Fund balance beginning of year	666,235	371,015	1,037,250
Fund balance end of year	<u>\$ 549,668</u>	<u>320,486</u>	<u>870,154</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2004

Net change in fund balances - total governmental funds(page 18) \$ (167,096)

***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	\$ 492,857	
Depreciation expense	(91,340)	401,517

Changes in net assets of governmental activities(page 15) \$ 234,421

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2004

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 49,370
Accounts receivable	25
Inventories	3,223
Capital assets, net of accumulated depreciation	<u>20,110</u>
Total assets	<u>72,728</u>
LIABILITIES	
Accounts payable	201
Salaries and benefits payable	569
Deferred revenue	<u>3,211</u>
Total liabilities	<u>3,981</u>
NET ASSETS	
Invested in capital assets, net of related debt	20,110
Unrestricted	<u>48,637</u>
Total net assets	<u>\$ 68,747</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2004

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 122,524
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	67,843
Benefits	25,231
Services	285
Supplies	91,350
Depreciation	2,695
Total operating expenses	187,404
Operating loss	(64,880)
Non-operating revenues:	
State sources	2,865
Federal sources	69,910
Interest on investments	315
Total non-operating revenues	73,090
Change in net assets	8,210
Net assets beginning of year	60,537
Net assets end of year	\$ 68,747

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 122,453
Cash received from miscellaneous operating activities	288
Cash payments to employees for services	(93,980)
Cash payments to suppliers for goods or services	(73,311)
Net cash used in operating activities	(44,550)
Cash flows from non-capital financing activities:	
State grants received	2,865
Federal grants received	54,437
Net cash provided by non-capital financing activities	57,302
Cash flows from capital and related financing activities:	
Disposal of capital assets	114
Net cash provided by capital and related financing activities	114
Cash flows from investing activities:	
Interest on investments	315
Net cash provided by investing activities	315
Net increase in cash and cash equivalents	13,181
Cash and cash equivalents at beginning of year	36,189
Cash and cash equivalents at end of year	\$ 49,370
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (64,880)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	15,473
Depreciation	2,695
Decrease in inventories	2,650
Increase in accounts receivable	(25)
Increase in accounts payable	201
Decrease in salaries and benefits payable	(906)
Increase in deferred revenue	242
Net cash used in operating activities	\$ (44,550)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 49,370

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2004, the District received Federal commodities valued at \$15,473.

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(1) **Summary of Significant Accounting Policies**

The Manning 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 city of Manning, Iowa, and the predominate agricultural territory in Crawford, Shelby, Audubon, and Carroll 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, Manning Community School District has included all funds, organizations, account groups, 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 Manning 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 Crawford, Shelby, Audubon, and Carroll Counties 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 and proprietary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

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

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary financial statements are reported using the "economic resources measurement focus". The Government-wide and proprietary fund financial statements are reported using the

accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable

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

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-20 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted

by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004 expenditures in the other expenditures functional program area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2004 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool 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 and the Treasurer of the State of Iowa; 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.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$278,581 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires Investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1/30/04	1/28/05	\$ 197,335	1,074	196,000	1,628
2004-05A	6/30/04	6/30/05	362,907	0	366,000	0
			<u>\$ 560,242</u>	<u>1,074</u>	<u>562,000</u>	<u>1,628</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04B	\$ 0	200,000	200,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.000%	1.050%
2003-04B	2.000%	1.310%
2004-05A	3.000%	2.463%

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as restated (Note 8)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 30,000	0	0	30,000
Construction in progress	0	405,625	173,865	231,760
Total capital assets not being depreciated	30,000	405,625	173,865	261,760
Capital assets being depreciated:				
Buildings	3,477,502	204,162	0	3,681,664
Improvements other than buildings	125,320	0	0	125,320
Machinery and equipment	719,072	56,935	0	776,007
Total capital assets being depreciated	4,321,894	261,097	0	4,582,991
Less accumulated depreciation for:				
Buildings	1,113,101	34,308	0	1,147,409
Improvements other than buildings	62,660	12,532	0	75,192
Machinery and equipment	633,437	44,500	0	677,937
Total accumulated depreciation	1,809,198	91,340	0	1,900,538
Total capital assets being depreciated, net	2,512,696	169,757	0	2,682,453
Governmental activities capital assets, net	\$ 2,542,696	575,382	173,865	2,944,213
Business-type activities:				
Machinery and equipment	\$ 32,332	0	1,368	30,964
Less accumulated depreciation	9,413	2,695	1,254	10,854
Business-type activities capital assets, net	\$ 22,919	(2,695)	114	20,110

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 7,290
Other		1,817
Support services:		
Instructional Staff		1,634
Administration		1,586
Operation and maintenance of plant		5,657
Transportation		26,516
		44,500
Unallocated depreciation		46,840
Total governmental activities depreciation expense		\$ 91,340
Business-type activities:		
Food services		\$ 2,695
Total business-type activities depreciation expense		\$ 2,695

## (5) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$135,579, \$127,723,

\$125,050, respectively, equal to the required contributions for each year.

**(6) Risk Management**

Manning 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.

**(7) 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 \$135,749 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(8) Accounting Change and Restatements**

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absences and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus, Statement Number 38, Certain Financial Statement Note Disclosures, and Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include Government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

Beginning capital assets for governmental activities of \$4,179,875 were restated to \$4,351,864. The restatement primarily includes assets above the District's capitalization threshold.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund		
	General	Other Nonmajor Governmental Funds	Total
Net assets, June 30, 2003, as previously reported	\$ 666,235	371,015	1,037,250
GASB Interpretation 6 adjustments	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ 666,235</u>	<u>371,015</u>	<u>1,037,250</u>
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$1,809,198			<u>2,542,696</u>
Net assets, July 1, 2003, as restated			<u>\$ 3,579,946</u>

**(9) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2004, disbursements in the other expenditures functional program area exceeded the amount budgeted.

REQUIRED SUPPLEMENTAL INFORMATION

MANNING COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 1,702,470	123,170
State sources	1,971,534	2,865
Federal sources	142,205	69,910
Total revenues	<u>3,816,209</u>	<u>195,945</u>
Disbursements:		
Instruction	2,481,696	0
Support services	1,104,579	0
Non-instructional programs	0	182,764
Other expenditures	373,721	0
Total expenditures	<u>3,959,996</u>	<u>182,764</u>
Excess(deficiency) of receipts over(under) disbursements	(143,787)	13,181
Other financing sources, net	<u>0</u>	<u>0</u>
Excess(deficiency) of receipts over(under) disbursements	(143,787)	13,181
Balance beginning of year	<u>1,367,322</u>	<u>36,189</u>
Balance end of year	<u>\$ 1,223,535</u>	<u>49,370</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
1,825,640	1,871,768	1,871,768	(46,128)
1,974,399	2,162,860	2,162,860	(188,461)
212,115	120,000	120,000	92,115
<u>4,012,154</u>	<u>4,154,628</u>	<u>4,154,628</u>	<u>(142,474)</u>
2,481,696	3,517,955	3,517,955	1,036,259
1,104,579	1,326,749	1,326,749	222,170
182,764	202,851	202,851	20,087
373,721	145,503	145,503	(228,218)
<u>4,142,760</u>	<u>5,193,058</u>	<u>5,193,058</u>	<u>1,050,298</u>
(130,606)	(1,038,430)	(1,038,430)	(907,824)
0	0	0	0
(130,606)	(1,038,430)	(1,038,430)	(907,824)
<u>1,403,511</u>	<u>1,171,702</u>	<u>1,171,702</u>	<u>231,809</u>
<u>1,272,905</u>	<u>133,272</u>	<u>133,272</u>	<u>1,139,633</u>

MANNING COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 3,816,209	(17,166)	3,799,043
Expenditures	3,959,996	6,143	3,966,139
Net	(143,787)	(23,309)	(167,096)
Other financing sources, net	0	0	0
Beginning fund balances	1,367,322	(330,072)	1,037,250
Ending fund balances	\$ 1,223,535	(353,381)	870,154

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 195,945	(331)	195,614
Expenditures	182,764	4,640	187,404
Net	13,181	(4,971)	8,210
Other financing sources, net	0	0	0
Beginning fund balances	36,189	24,348	60,537
Ending fund balances	\$ 49,370	19,377	68,747

MANNING COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2004

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

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

During the year ended June 30, 2004, disbursements in the other expenditures functional program area exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

MANNING COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2004

	Special Revenue Funds						
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
<b>ASSETS</b>							
Cash and pooled investments	\$ 87,917	106,227	17,998	87,362	299,504	21,609	321,113
Receivables:							
Property tax:							
Current year delinquent	684	0	1,081	0	1,765	0	1,765
Succeeding year	20,000	0	70,331	0	90,331	0	90,331
Due from other funds	0	0	0	5	5	0	5
Due from other governments	0	0	0	0	0	2,143	2,143
<b>TOTAL ASSETS</b>	<b>\$ 108,601</b>	<b>106,227</b>	<b>89,410</b>	<b>87,367</b>	<b>391,605</b>	<b>23,752</b>	<b>415,357</b>
<b>LIABILITIES AND FUND EQUITY</b>							
Liabilities:							
Accounts payable	\$ 0	2,640	631	0	3,271	1,269	4,540
Deferred revenue:							
Succeeding year property tax	20,000	0	70,331	0	90,331	0	90,331
Total Liabilities	20,000	2,640	70,962	0	93,602	1,269	94,871
Fund equity:							
Fund balances:							
Unreserved:							
Undesignated	88,601	103,587	18,448	87,367	298,003	22,483	320,486
Total fund balances	88,601	103,587	18,448	87,367	298,003	22,483	320,486
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 108,601</b>	<b>106,227</b>	<b>89,410</b>	<b>87,367</b>	<b>391,605</b>	<b>23,752</b>	<b>415,357</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MANNING COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2004

	Special Revenue Funds						
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 67,921	0	130,781	0	198,702	17,514	216,216
Other	550	134,099	7,355	2,317	144,321	0	144,321
TOTAL REVENUES	68,471	134,099	138,136	2,317	343,023	17,514	360,537
EXPENDITURES:							
Current:							
Instruction:							
Other instruction	0	131,323	0	900	132,223	0	132,223
Support services:							
Instructional staff	24,708	0	0	0	24,708	0	24,708
Operation and maintenance of plant services	12,025	0	0	0	12,025	0	12,025
Student transportation	7,267	0	0	0	7,267	0	7,267
Central support services	155	0	0	0	155	0	155
Other expenditures:							
Facilities acquisitions	0	0	205,395	0	205,395	29,293	234,688
TOTAL EXPENDITURES	44,155	131,323	205,395	900	381,773	29,293	411,066
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	24,316	2,776	(67,259)	1,417	(38,750)	(11,779)	(50,529)
FUND BALANCE BEGINNING OF YEAR	64,285	100,811	85,707	85,950	336,753	34,262	371,015
FUND BALANCE END OF YEAR	\$ 88,601	103,587	18,448	87,367	298,003	22,483	320,486

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MANNING COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Boys Athletics	\$ 4,000	0	0	4,000
Girls Athletics	7,000	0	0	7,000
Activity Tickets	35,000	0	0	35,000
FFA	4,000	0	0	4,000
Student Council	5,000	0	0	5,000
HS Drama	(129)	937	722	86
HS Vocal Music	1,849	8,128	7,377	2,600
HS Instrumental Music	484	8,530	8,913	101
Athletic Ticket	778	605	649	734
HS Boys Athletic	6,529	19,783	21,859	4,230
HS Basketball	40	2,042	0	2,082
Football	0	204	204	0
HS Girls Athletics	6,346	11,528	13,369	4,505
Girls Basketball	100	0	50	50
HS Activity Tickets	10,415	7,350	13,071	4,694
HS Book Club	1,900	2,333	1,996	2,237
HS Business Club	(164)	7,132	6,774	194
Class of 2004	2,282	84	2,366	0
Class of 2005	183	11,486	10,103	796
Class of 2006	55	123	0	1,171
Class of 2007	(48)	102	8	46
HS Concessions	445	0	212	233
Elementary 3rd Grade	0	46	0	46
Res For Activity	0	369	166	203
High School Resource	0	50	40	10
HS FFA	6,182	16,339	15,822	6,699
Checking Account Interest	4,742	418	0	5,160
HS National Honor Society	24	15	38	1
HS Pep Club	(1,265)	1,848	654	(71)
HS Pop Machine	3,499	8,873	6,477	5,895
HS Other Student Act	387	282	283	386
HS Student Council	1,608	4,608	4,858	1,358
HS Yearbook	(761)	20,884	15,312	4,811
Elementary Fundraisers	330	0	0	330
<b>Total</b>	<b>\$ 100,811</b>	<b>134,099</b>	<b>131,323</b>	<b>103,587</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 1,196,615	1,118,007	1,067,499	1,039,530
Tuition	265,955	186,948	221,909	226,593
Other	220,970	306,531	212,345	228,757
State sources	1,966,976	2,062,610	2,009,745	1,974,119
Federal sources	148,527	168,719	122,375	137,552
Total	<u>\$ 3,799,043</u>	<u>3,842,815</u>	<u>3,633,873</u>	<u>3,606,551</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,657,357	1,577,517	1,616,910	1,563,956
Special instruction	493,241	492,272	373,984	394,694
Other instruction	330,712	297,390	413,031	324,295
Support services:				
Student services	109,806	104,849	93,975	111,244
Instructional staff services	153,631	119,402	102,931	102,021
Administration services	391,572	373,660	373,958	349,207
Operation and maintenance of plant services	324,583	377,389	331,436	377,264
Transportation services	134,645	179,909	127,782	175,240
Central services	155	0	1,230	306
Other expenditures:				
Facilities acquisitions	234,688	6,785	15,539	10,000
Long-term debt:				
Principal	0	0	74,314	70,492
Interest and other charges	0	0	2,995	6,817
AEA flow-through	135,749	145,786	144,865	146,602
Total	<u>\$ 3,966,139</u>	<u>3,674,959</u>	<u>3,672,950</u>	<u>3,632,138</u>

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 Compliance and on Internal Control over Financial Reporting

To the Board of Education of the  
Manning Community School District:

We have audited the financial statements of Manning Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 27, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether Manning Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 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. Prior year statutory comments have all been resolved except for II-A-04 and II-K-04.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Manning Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

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

reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04 and I-C-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Manning Community School District and other parties to whom Manning Community School District may report. 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 Manning Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

August 27, 2004

MANNING COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review office procedures, although we have taken steps to utilize other secretaries. In some of these duties, it may be impossible to change.

Conclusion – Response accepted.

I-B-04 Activity Admissions – The Activity gate admissions and change box were not reconciled with pre-numbered tickets.

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

Response – We have begun to take steps to utilize the use of pre-numbered tickets.

Conclusion – Response accepted.

I-C-04 Fixed Assets – Written approval for disposal of fixed assets was not required.

Recommendation – The Board should establish a policy incorporating the requirements of Chapter 297 of the Code of Iowa, including written approval for all asset dispositions.

Response – Capitalization policy covered in Policy 805.1, School District Records, was updated June 28, 2004. Additional review/update of 805.1 will include disposal of district property guidelines.

Conclusion – Response accepted.

I-D-04 Supporting Documents for Payments to Officials - Payments made to officials from the Student Activity fund do not have supporting documentation.

Recommendation - The copy of the contract made for each official should be used as the support for payment.

Response – The athletic director was contacted to provide copies of contracts with invoice requests. Contracts for the past year will be included with 2003-04 invoice records.

Conclusion – Response accepted.

MANNING COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

II-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution for First National Bank was exceeded during the year ended June 30, 2004.

Recommendation - The district should increase their depository limits.

Response – Depository limits were evaluated and have been increased to \$1.5 million. Minutes of the July 7, 2004 board meeting document this action.

Conclusion – Response accepted.

II-B-04 Certified Budget - District disbursements for the year ended June 30, 2004 exceeded the amount budgeted in the other expenditures program area.

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

Response – An HVAC project presented time warp between loan receipt/payments. Also, understanding of how the four budget areas are tracked by functional areas rather than by fund areas, has been clarified. PPEL expenses were accounted for under “other support services” versus “other expenditures” as was taught/understood from budget workshops and previous auditors.

Conclusion – Response accepted.

II-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jean Stadlander, School Board Member Spouse of owner of Manning Insurance	Insurance	\$ 44,155

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

II-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-I-04 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-04 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-04 Financial Condition - The District had a Student Activity Fund account with a negative balance at June 30, 2004.

Recommendation - The District should continue to monitor this account and investigate alternatives to eliminate the deficit.

Response – The Student Activity Fund had a group which was still working against resale items purchased for fundraisers. Overall picture activity account was not in negative. Specific activity is now in positive territory.

Conclusion – Response accepted.