

MANNING COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Manning Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--|----------------|---------------------|
| Board of Education (Before September 2004 Election) | | |
| Mindi Boyle | President | 2006 |
| Kimberly Fara | Vice President | 2005 |
| Scott Hodne | Board Member | 2004 |
| Jean Stadtlander | Board Member | 2005 |
| Brian Irlbeck | Board Member | 2006 |

| | | |
|---|----------------|------|
| Board of Education (After September 2004 Election) | | |
| Mindi Boyle | President | 2006 |
| Kimberly Fara | Vice President | 2005 |
| Scott Hodne | Board Member | 2007 |
| Jean Stadtlander | Board Member | 2005 |
| Brian Irlbeck | Board Member | 2006 |

School Officials

| | | |
|-----------------------|-------------------------------------|------|
| Roger Schmiedeskamp | Superintendent | 2005 |
| Dottie Schiltz | District Secretary and Treasurer | 2005 |
| Ahlers & Cooney, P.C. | Attorney | 2005 |

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(a professional corporation)
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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, Manning, Iowa as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2005 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 laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 38 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 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 two years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

September 20, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,438,506 in fiscal 2004 to \$3,756,079 in fiscal 2005, while General Fund expenditures increased from \$3,555,073 in fiscal 2004 to \$3,765,543 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from \$549,668 in fiscal 2004 to a balance of \$540,204 in fiscal 2005, a 1.72% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state sources in fiscal 2005. The increase in expenditures was due primarily to a decrease in the instruction functional area.

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 School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

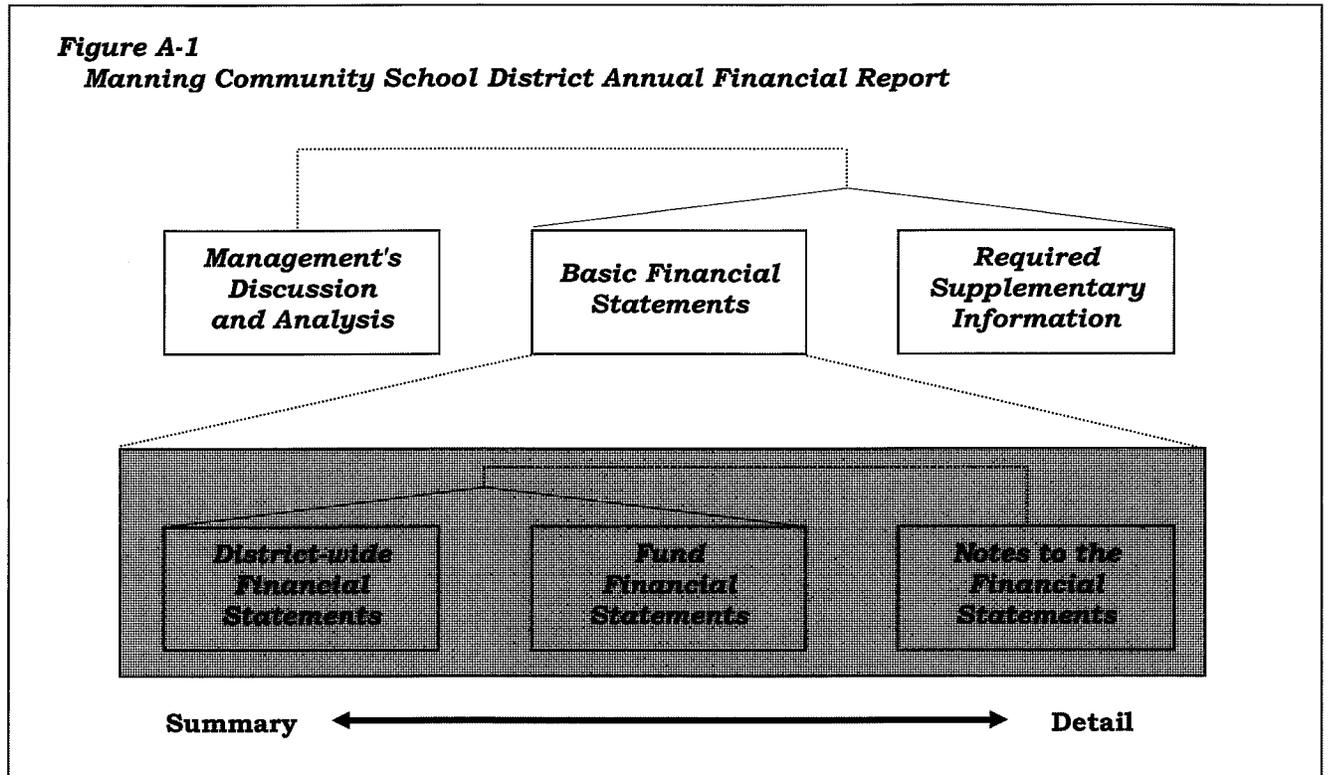


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund 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, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

| | Governmental Activities | | Business-type Activities | | Total School District | | Total Change |
|--|----------------------------|------------------|-----------------------------|---------------|--------------------------|------------------|-----------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2004-05 |
| Current and other assets | \$ 3,430,030 | 2,941,082 | 57,136 | 52,618 | 3,487,166 | 2,993,700 | 16.48% |
| Capital assets | 1,679,109 | 2,944,213 | 17,628 | 20,110 | 1,696,737 | 2,964,323 | -42.76% |
| Total assets | <u>5,109,139</u> | <u>5,885,295</u> | <u>74,764</u> | <u>72,728</u> | <u>5,183,903</u> | <u>5,958,023</u> | <u>-12.99%</u> |
| Long-term obligations | 220,852 | 0 | 0 | 0 | 220,852 | 0 | 100.00% |
| Other liabilities | 2,438,790 | 2,070,928 | 7,775 | 3,981 | 2,446,565 | 2,074,909 | 17.91% |
| Total liabilities | <u>2,659,642</u> | <u>2,070,928</u> | <u>7,775</u> | <u>3,981</u> | <u>2,667,417</u> | <u>2,074,909</u> | <u>28.56%</u> |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | 1,564,891 | 2,944,213 | 17,628 | 20,110 | 1,582,519 | 2,964,323 | -46.61% |
| Restricted | 384,645 | 345,892 | 0 | 0 | 384,645 | 345,892 | 11.20% |
| Unrestricted | 499,961 | 524,262 | 49,361 | 48,637 | 549,322 | 572,899 | -4.12% |
| Total net assets | <u>\$ 2,449,497</u> | <u>3,814,367</u> | <u>66,989</u> | <u>68,747</u> | <u>2,516,486</u> | <u>3,883,114</u> | <u>-35.19%</u> |

The District's combined net assets decreased by 35.19%, or \$1,366,628, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents 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 \$38,753, or 11.2% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$23,577, or 4.12%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4
Changes of Net Assets

| | Governmental Activities | | Business-type Activities | | Total School District | | Total Change |
|--|-------------------------|-----------|--------------------------|---------|-----------------------|-----------|--------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2004-05 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 520,763 | 473,012 | 127,655 | 122,524 | 648,418 | 595,536 | 8.88% |
| Operating grants and contributions and restricted interest | 465,126 | 433,296 | 77,237 | 72,775 | 542,363 | 506,071 | 7.17% |
| General revenues: | | | | | | | |
| Property tax | 1,182,443 | 1,179,101 | 0 | 0 | 1,182,443 | 1,179,101 | 0.28% |
| Local option sales and services tax | 56,869 | 17,514 | 0 | 0 | 56,869 | 17,514 | 224.71% |
| Unrestricted state grants | 1,848,586 | 1,682,207 | 0 | 0 | 1,848,586 | 1,682,207 | 9.89% |
| Other | 28,367 | 13,913 | 552 | 315 | 28,919 | 14,228 | 103.25% |
| Total revenues | 4,102,154 | 3,799,043 | 205,444 | 195,614 | 4,307,598 | 3,994,657 | 7.83% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instructional | 2,634,671 | 2,476,339 | 0 | 0 | 2,634,671 | 2,476,339 | 6.39% |
| Support services | 1,202,267 | 875,168 | 0 | 0 | 1,202,267 | 875,168 | 37.38% |
| Non-instructional programs | 0 | 0 | 207,202 | 187,404 | 207,202 | 187,404 | 10.56% |
| Other expenses | 260,114 | 213,115 | 0 | 0 | 260,114 | 213,115 | 22.05% |
| Total expenses | 4,097,052 | 3,564,622 | 207,202 | 187,404 | 4,304,254 | 3,752,026 | 14.72% |
| Net income(loss) before restatement | 5,102 | 234,421 | (1,758) | 8,210 | 3,344 | 242,631 | -98.62% |
| Capital assets restatement(Note 10) | (1,369,972) | 0 | 0 | 0 | (1,369,972) | 0 | -100.00% |
| Changes in net assets | (1,364,870) | 234,421 | (1,758) | 8,210 | (1,366,628) | 242,631 | -663.25% |
| Beginning net assets | 3,814,367 | 3,579,946 | 68,747 | 60,537 | 3,883,114 | 3,640,483 | 6.66% |
| Ending net assets | \$ 2,449,497 | 3,814,367 | 66,989 | 68,747 | 2,516,486 | 3,883,114 | -35.19% |

Property tax and unrestricted state grants account for 70% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the increase in property tax monies. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs. The District saw an overall greater increase in revenues than the increase in expenditures, demonstrating an increase in the financial position for the year.

Governmental Activities

Revenues for governmental activities were \$4,102,154 and expenses were \$4,097,052. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities

| | Total Cost of Services | Net Cost of Services |
|------------------|---------------------------|-------------------------|
| Instruction | \$ 2,634,671 | 1,783,406 |
| Support services | 1,202,267 | 1,200,210 |
| Other expenses | 260,114 | 127,547 |
| Totals | <u>\$ 4,097,052</u> | <u>3,111,163</u> |

- The cost financed by users of the District's programs was \$520,763.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$465,126.
- The net cost of governmental activities was financed with \$1,182,443 in property tax, \$56,869 in local option sales and services tax, \$1,848,586 in unrestricted state grants and \$28,367 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$205,444 and expenses were \$207,202. 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 \$995,613, above last year's ending fund balances of a \$870,154. However, the primary reason for the increase in combined fund balances in fiscal 2005 is due to the local option sales and services tax monies.

Governmental Fund Highlights

- The District's declining General Fund financial position from is the product of many factors:
 - Increase in state aid grants during the year resulted in an increase in revenues.
 - The increase in expenditures was primarily due to the increase in the instruction functional area.

Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$68,747 at June 30, 2004 to \$66,989 at June 30, 2005, representing a decrease of 2.56%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$250,910 less than budgeted revenues, a variance of 5.74%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$1,696,737, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 6.03% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$112,199.

The original cost of the District's capital assets was \$4,869,157. Governmental funds account for \$4,813,907 with the remainder of \$55,250 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$75,276 at June 30, 2005, compared to \$98,070 reported at June 30, 2004.

Figure A-6
Capital Assets, Net of Depreciation

| | Governmental | | Business-type | | Total | | Total |
|-------------------------|--------------|-----------|---------------|--------|-----------------|-----------|---------|
| | Activities | | Activities | | School District | | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2004-05 |
| Land | \$ 23,100 | 25,100 | 0 | 0 | 23,100 | 25,100 | -8.66% |
| Buildings | 1,580,733 | 1,451,071 | 0 | 0 | 1,580,733 | 1,451,071 | 8.20% |
| Land improvements | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Machinery and equipment | 75,276 | 98,070 | 17,628 | 20,110 | 92,904 | 118,180 | -27.21% |
| Total | \$ 1,679,109 | 1,574,241 | 17,628 | 20,110 | 1,696,737 | 1,594,351 | 6.03% |

Long-Term Debt

At June 30, 2005, the District had \$220,852 in long-term debt outstanding. This represents an increase of 100% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding HVAC loan payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$220,852 at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

| | Total School District | | Total Change |
|-----------|-----------------------|------|-----------------|
| | 2005 | 2004 | |
| HVAC loan | \$ 220,852 | 0 | 100.0% |

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 4% across the board state increase in allowable growth for next year will not be enough to increase new monies, in fact the District will have a decrease due to declining enrollment. This will not be enough to offset a negotiating request of 8-10% increase in salaries.
- The 2005 SILO passed by Carroll County will increase District revenues by \$100,000 for 2005-2006 which will be included in a budget amendment. The District revenues will increase by \$200,000 for 2006-2007 and will be included in the FY 07 budget.
- The SILO increase allows for increased expenditures that include; a \$50,000 playground project started in 2006 and expected to be completed in 2007, a \$950,000 gymnasium project proposed for 2007, which will have long-term debt thru 2012. Other proposed projects include; on going carpet replacement, new bus purchase every other year, new automobile purchase in the next couple years, a paving project, an expansion to the bus barn and air conditioning for the cafeteria and kitchen area.

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, 2005

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|------------------|
| ASSETS | | | |
| Cash and cash equivalents: | | | |
| ISCAP (Note 4) | \$ 889,671 | 0 | 889,671 |
| Other | 1,315,988 | 54,558 | 1,370,546 |
| Receivables | | | |
| Property tax: | | | |
| Delinquent | 14,222 | 0 | 14,222 |
| Succeeding year | 1,105,961 | 0 | 1,105,961 |
| Accounts | 28 | 0 | 28 |
| Accrued ISCAP interest (Note 4) | 2,985 | 0 | 2,985 |
| Due from other governments | 101,175 | 0 | 101,175 |
| Inventories | 0 | 2,578 | 2,578 |
| Capital assets, net of accumulated depreciation (Note 5) | 1,679,109 | 17,628 | 1,696,737 |
| TOTAL ASSETS | 5,109,139 | 74,764 | 5,183,903 |
| LIABILITIES | | | |
| Accounts payable | 31,337 | 3,399 | 34,736 |
| Salaries and benefits payable | 397,588 | 789 | 398,377 |
| ISCAP warrants payable (Note 4) | 886,000 | 0 | 886,000 |
| ISCAP accrued interest payable (Note 4) | 3,196 | 0 | 3,196 |
| ISCAP unamortized premium | 10,335 | 0 | 10,335 |
| Accrued interest payable | 4,373 | 0 | 4,373 |
| Deferred revenue: | | | |
| Succeeding year property tax | 1,105,961 | 0 | 1,105,961 |
| Other | 0 | 3,587 | 3,587 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| HVAC loan | 60,039 | 0 | 60,039 |
| Portion due after one year: | | | |
| HVAC loan | 160,813 | 0 | 160,813 |
| TOTAL LIABILITIES | 2,659,642 | 7,775 | 2,667,417 |
| NET ASSETS | | | |
| Investment in capital assets, net of related debt | 1,564,891 | 17,628 | 1,582,519 |
| Restricted for: | | | |
| Salary improvement program | 916 | 0 | 916 |
| Phase III | 1,703 | 0 | 1,703 |
| Talented and Gifted | 6,933 | 0 | 6,933 |
| Early Intervention | 30,691 | 0 | 30,691 |
| Capital projects | 80,176 | 0 | 80,176 |
| Management levy | 63,800 | 0 | 63,800 |
| Other special revenue purposes | 200,426 | 0 | 200,426 |
| Unrestricted | 499,961 | 49,361 | 549,322 |
| TOTAL NET ASSETS | \$ 2,449,497 | 66,989 | 2,516,486 |

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

| | Program Revenues | | |
|---|---------------------|-------------------------|--|
| | Expenses | Charges for Services | Operating Grants, Contributions and Restricted Interest |
| Functions/Programs | | | |
| Governmental activities: | | | |
| Instruction: | | | |
| Regular instruction | \$ 1,749,940 | 462,561 | 308,117 |
| Special instruction | 554,573 | 57,726 | 22,861 |
| Other instruction | 330,158 | 0 | 0 |
| | <u>2,634,671</u> | <u>520,287</u> | <u>330,978</u> |
| Support services: | | | |
| Student services | 107,214 | 0 | 0 |
| Instructional staff services | 169,477 | 0 | 0 |
| Administration services | 418,248 | 0 | 0 |
| Operation and maintenance of plant services | 347,197 | 0 | 0 |
| Transportation services | 160,131 | 476 | 1,581 |
| | <u>1,202,267</u> | <u>476</u> | <u>1,581</u> |
| Other expenditures: | | | |
| Facilities acquisitions | 39,515 | 0 | 0 |
| Long-term debt interest | 9,323 | 0 | 0 |
| AEA flowthrough | 132,567 | 0 | 132,567 |
| Depreciation(unallocated)* | 78,709 | 0 | 0 |
| | <u>260,114</u> | <u>0</u> | <u>132,567</u> |
| Total governmental activities | 4,097,052 | 520,763 | 465,126 |
| Business-Type activities: | | | |
| Non-instructional programs: | | | |
| Nutrition services | 207,202 | 127,655 | 77,237 |
| Total business-type activities | <u>207,202</u> | <u>127,655</u> | <u>77,237</u> |
| Total | <u>\$ 4,304,254</u> | <u>648,418</u> | <u>542,363</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 10)

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.

Exhibit B

| Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------------|--------------------|
| Governmental Activities | Business-Type Activities | Total |
| (979,262) | 0 | (979,262) |
| (473,986) | 0 | (473,986) |
| (330,158) | 0 | (330,158) |
| <u>(1,783,406)</u> | <u>0</u> | <u>(1,783,406)</u> |
| (107,214) | 0 | (107,214) |
| (169,477) | 0 | (169,477) |
| (418,248) | 0 | (418,248) |
| (347,197) | 0 | (347,197) |
| (158,074) | 0 | (158,074) |
| <u>(1,200,210)</u> | <u>0</u> | <u>(1,200,210)</u> |
| (39,515) | 0 | (39,515) |
| (9,323) | 0 | (9,323) |
| 0 | 0 | 0 |
| (78,709) | 0 | (78,709) |
| <u>(127,547)</u> | <u>0</u> | <u>(127,547)</u> |
| (3,111,163) | 0 | (3,111,163) |
| 0 | (2,310) | (2,310) |
| 0 | (2,310) | (2,310) |
| <u>(3,111,163)</u> | <u>(2,310)</u> | <u>(3,113,473)</u> |
| \$ 1,065,730 | 0 | 1,065,730 |
| 116,713 | 0 | 116,713 |
| 56,869 | 0 | 56,869 |
| 1,848,586 | 0 | 1,848,586 |
| 28,367 | 552 | 28,919 |
| <u>3,116,265</u> | <u>552</u> | <u>3,116,817</u> |
| 5,102 | (1,758) | 3,344 |
| <u>2,444,395</u> | <u>68,747</u> | <u>2,513,142</u> |
| \$ <u>2,449,497</u> | <u>66,989</u> | <u>2,516,486</u> |

MANNING COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

| | General | Other Nonmajor Governmental Funds | Total |
|--|---------------------|--|------------------|
| ASSETS | | | |
| Cash and pooled investments: | | | |
| ISCAP(Note 3) | \$ 889,671 | 0 | 889,671 |
| Other | 874,882 | 441,106 | 1,315,988 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 13,057 | 1,165 | 14,222 |
| Succeeding year | 978,706 | 127,255 | 1,105,961 |
| Accounts | 0 | 28 | 28 |
| Accrued ISCAP interest(Note 4) | 2,985 | 0 | 2,985 |
| Due from other governments | 87,337 | 13,838 | 101,175 |
| TOTAL ASSETS | \$ 2,846,638 | 583,392 | 3,430,030 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 30,609 | 728 | 31,337 |
| Salaries and benefits payable | 397,588 | 0 | 397,588 |
| ISCAP warrants payable(Note 4) | 886,000 | 0 | 886,000 |
| ISCAP accrued interest payable(Note 4) | 3,196 | 0 | 3,196 |
| ISCAP unamortized premium | 10,335 | 0 | 10,335 |
| Deferred revenue: | | | |
| Succeeding year property tax | 978,706 | 127,255 | 1,105,961 |
| Total liabilities | <u>2,306,434</u> | <u>127,983</u> | <u>2,434,417</u> |
| Fund balances: | | | |
| Reserved for: | | | |
| Teacher Compensation | 916 | 0 | 916 |
| Phase III | 1,703 | 0 | 1,703 |
| Talented and Gifted | 6,933 | 0 | 6,933 |
| Early Intervention | 30,691 | 0 | 30,691 |
| Unreserved: | | | |
| Undesignated | 499,961 | 455,409 | 955,370 |
| Total fund balances | <u>540,204</u> | <u>455,409</u> | <u>995,613</u> |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 2,846,638 | 583,392 | 3,430,030 |

SEE NOTES TO FINANCIAL STATEMENTS.

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

| | | |
|--|-----------|--------------------------------|
| Total fund balances of governmental funds (page 17) | \$ | 995,613 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds. | | 1,679,109 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | | (4,373) |
| Long-term liabilities, including the HVAC loan, are not due and payable in the current period and, therefore, are not reported in the funds. | | <u>(220,852)</u> |
| Net assets of governmental activities (page 14) | \$ | <u><u>2,449,497</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, 2005

| | General | Other Nonmajor Governmental Funds | Total |
|--|-------------------|--|------------------|
| REVENUES: | | | |
| Local sources: | | | |
| Local tax | \$ 1,044,927 | 194,385 | 1,239,312 |
| Tuition | 327,854 | 0 | 327,854 |
| Other | 69,586 | 127,963 | 197,549 |
| State sources | 2,164,459 | 0 | 2,164,459 |
| Federal sources | 149,253 | 23,727 | 172,980 |
| Total revenues | <u>3,756,079</u> | <u>346,075</u> | <u>4,102,154</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular instruction | 1,750,442 | 0 | 1,750,442 |
| Special instruction | 554,573 | 0 | 554,573 |
| Other instruction | 218,654 | 114,043 | 332,697 |
| | <u>2,523,669</u> | <u>114,043</u> | <u>2,637,712</u> |
| Support services: | | | |
| Student services | 107,214 | 0 | 107,214 |
| Instructional staff services | 141,177 | 26,666 | 167,843 |
| Administration services | 416,661 | 0 | 416,661 |
| Operation and maintenance of plant services | 310,610 | 32,437 | 343,047 |
| Transportation services | 133,645 | 8,022 | 141,667 |
| | <u>1,109,307</u> | <u>67,125</u> | <u>1,176,432</u> |
| Other expenditures: | | | |
| Facilities acquisitions | 0 | 247,886 | 247,886 |
| Long-term debt: | | | |
| Principal | 0 | 29,148 | 29,148 |
| Interest and fiscal charges | 0 | 4,950 | 4,950 |
| AEA flowthrough | 132,567 | 0 | 132,567 |
| | <u>132,567</u> | <u>281,984</u> | <u>414,551</u> |
| Total expenditures | <u>3,765,543</u> | <u>463,152</u> | <u>4,228,695</u> |
| Deficiency of revenues under expenditures | (9,464) | (117,077) | (126,541) |
| Other financing sources(uses): | | | |
| Transfers in | 0 | 34,098 | 34,098 |
| Transfers out | 0 | (34,098) | (34,098) |
| Loan proceeds | 0 | 250,000 | 250,000 |
| Sale of property | 0 | 2,000 | 2,000 |
| Total other financing sources(uses) | <u>0</u> | <u>252,000</u> | <u>252,000</u> |
| Net change in fund balance | (9,464) | 134,923 | 125,459 |
| Fund balance beginning of year | 549,668 | 320,486 | 870,154 |
| Fund balance end of year | <u>\$ 540,204</u> | <u>455,409</u> | <u>995,613</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, 2005

Net change in fund balances - total governmental funds (page 19) \$ 125,459

**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 | \$ 214,585 | |
| Depreciation expense | (109,717) | 104,868 |
| | | <u>104,868</u> |

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 liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

| | | |
|--------|--------------|------------------|
| Issued | \$ (250,000) | |
| Repaid | 29,148 | (220,852) |
| | | <u>(220,852)</u> |

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.

(4,373)

Changes in net assets of governmental activities (page 16)

\$ 5,102

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

| | School Nutrition |
|--|---------------------|
| ASSETS | |
| Cash and pooled investments | \$ 54,558 |
| Inventories | 2,578 |
| Capital assets, net of accumulated depreciation (Note 5) | 17,628 |
| Total assets | 74,764 |
| LIABILITIES | |
| Accounts payable | 3,399 |
| Salaries and benefits payable | 789 |
| Deferred revenue: | |
| Other | 3,587 |
| Total liabilities | 7,775 |
| NET ASSETS | |
| Investment in capital assets | 17,628 |
| Unrestricted | 49,361 |
| Total net assets | \$ 66,989 |

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, 2005

| | School Nutrition |
|--|---------------------|
| Operating revenues: | |
| Local sources: | |
| Charges for services | \$ 127,655 |
| Operating expenses: | |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | 75,925 |
| Benefits | 27,447 |
| Services | 5,631 |
| Supplies | 95,717 |
| Depreciation | 2,482 |
| Total operating expenses | 207,202 |
| Operating loss | (79,547) |
| Non-operating revenues: | |
| State sources | 3,067 |
| Federal sources | 74,170 |
| Interest on investments | 552 |
| Total non-operating revenues | 77,789 |
| Change in net assets | (1,758) |
| Net assets beginning of year, as restated (Note 10) | 68,747 |
| Net assets end of year | \$ 66,989 |

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

| | School Nutrition |
|--|---------------------|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | \$ 127,069 |
| Cash received from miscellaneous operating activities | 987 |
| Cash payments to employees for services | (103,152) |
| Cash payments to suppliers for goods or services | (83,221) |
| Net cash used in operating activities | (58,317) |
| Cash flows from non-capital financing activities: | |
| State grants received | 3,067 |
| Federal grants received | 59,886 |
| Net cash provided by non-capital financing activities | 62,953 |
| Cash flows from investing activities: | |
| Interest on investments | 552 |
| Net cash provided by investing activities | 552 |
| Net increase in cash and cash equivalents | 5,188 |
| Cash and cash equivalents at beginning of year | 49,370 |
| Cash and cash equivalents at end of year | \$ 54,558 |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (79,547) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Commodities consumed | 14,284 |
| Depreciation | 2,482 |
| Decrease in inventories | 645 |
| Decrease in accounts receivable | 25 |
| Increase in accounts payable | 3,198 |
| Increase in salaries and benefits payable | 220 |
| Increase in deferred revenue | 376 |
| Net cash used in operating activities | \$ (58,317) |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET: | |
| Current assets: | |
| Cash and pooled investments | \$ 54,558 |

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at \$14,284.

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

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

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

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

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

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

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

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

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

financial records.

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are

recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|---------------------------------|----------|
| Land | \$ 1,500 |
| Buildings | 1,500 |
| Land improvements | 1,500 |
| Machinery and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other machinery 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 |
| Land improvements | 20 years |
| Machinery and equipment | 5-20 years |

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004 expenditures did not exceed budgeted amounts.

(2) **Cash and Pooled Investments**

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

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

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

| | |
|-----------------------|---------------------------|
| | <u>Amortized Cost</u> |
| Diversified Portfolio | <u>\$ 526,331</u> |

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

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

(3) **Transfers**

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

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|--------------------------------------|------------------|
| Debt Service | Physical Plant and Equipment Levy | <u>\$ 34,098</u> |

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

(4) Iowa School Cash Anticipation Program (ISCAP)

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

| Series | Warrant Date | Final | Accrued | | Accrued | |
|----------|--------------|------------------|-------------------|---------------------|------------------|------------------|
| | | Warrant Maturity | Investments | Interest Receivable | Warrants Payable | Interest Payable |
| 2004-05A | 6/30/04 | 6/30/05 | \$ 68 | 0 | 0 | 0 |
| 2004-05B | 1/28/05 | 1/27/06 | 209,604 | 2,840 | 209,000 | 3,066 |
| 2005-06A | 6/28/05 | 6/28/06 | 679,999 | 145 | 677,000 | 130 |
| | | | <u>\$ 889,671</u> | <u>2,985</u> | <u>886,000</u> | <u>3,196</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 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity in the General Fund for the year ended June 30, 2005 was noted.

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

| Series | Interest Rates on Warrants | Interest Rates on Investments |
|----------|----------------------------|-------------------------------|
| 2004-05A | 3.000% | 2.463% |
| 2004-05B | 3.500% | 3.232% |
| 2005-06A | 3.500% | 3.903% |

(5) Capital Assets

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

| | Balance Beginning of Year, as restated (Note 10) | Increases | Decreases | Balance End of Year |
|--|---|----------------|--------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 25,100 | 0 | 2,000 | 23,100 |
| Total capital assets not being depreciated | <u>25,100</u> | <u>0</u> | <u>2,000</u> | <u>23,100</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 3,681,664 | 208,371 | 0 | 3,890,035 |
| Land improvements | 125,320 | 0 | 0 | 125,320 |
| Machinery and equipment | 776,007 | 8,214 | 8,769 | 775,452 |
| Total capital assets being depreciated | <u>4,582,991</u> | <u>216,585</u> | <u>8,769</u> | <u>4,790,807</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 2,230,593 | 78,709 | 0 | 2,309,302 |
| Land improvements | 125,320 | 0 | 0 | 125,320 |
| Machinery and equipment | 677,937 | 31,008 | 8,769 | 700,176 |
| Total accumulated depreciation | <u>3,033,850</u> | <u>109,717</u> | <u>8,769</u> | <u>3,134,798</u> |
| Total capital assets being depreciated, net | <u>1,549,141</u> | <u>106,868</u> | <u>0</u> | <u>1,656,009</u> |
| Governmental activities capital assets, net | <u>\$ 1,574,241</u> | <u>106,868</u> | <u>2,000</u> | <u>1,679,109</u> |
| | | | | |
| Business-type activities: | | | | |
| Machinery and equipment | \$ 55,250 | 0 | 0 | 55,250 |
| Less accumulated depreciation | 35,140 | 2,482 | 0 | 37,622 |
| Business-type activities capital assets, net | <u>\$ 20,110</u> | <u>(2,482)</u> | <u>0</u> | <u>17,628</u> |

Depreciation expense was charged by the District as follows:

| | |
|---|-------------------|
| Governmental activities: | |
| Instruction: | |
| Regular | \$ 2,267 |
| Other | 2,906 |
| Support services: | |
| Instructional Staff | 1,634 |
| Administration | 1,587 |
| Operation and maintenance of plant | 4,150 |
| Transportation | 18,464 |
| | <u>31,008</u> |
| Unallocated depreciation | <u>78,709</u> |
| Total governmental activities depreciation expense | <u>\$ 109,717</u> |
| Business-type activities: | |
| Food services | \$ 2,482 |
| Total business-type activities depreciation expense | <u>\$ 2,482</u> |

(6) Long-Term Liabilities

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

| | Balance | | | Balance | Due |
|-----------|-----------|-----------|-----------|---------|----------|
| | Beginning | | | End of | Within |
| | of Year | Additions | Deletions | Year | One Year |
| HVAC loan | \$ 0 | 250,000 | 29,148 | 220,852 | 60,039 |

Heating, Ventilation and Air Conditioning Project (HVAC)

During the year ended June 30, 2005, the District entered into a loan agreement for \$250,000 to pay for costs related to the HVAC project. Details of the District's June 30, 2005 HVAC indebtedness paid from the Special Revenue, Physical Plant and Equipment Levy Fund are as follows:

| Year Ending June 30, | HVAC Loan Dated July 6, 2004 | | | |
|----------------------------|------------------------------|------------|----------|---------|
| | Interest Rates | Principal | Interest | Total |
| 2006 | 3.96% | 60,039 | 8,157 | 68,196 |
| 2007 | 3.96 | 62,440 | 5,756 | 68,196 |
| 2008 | 3.96 | 64,937 | 3,259 | 68,196 |
| 2009 | 3.96 | 33,436 | 662 | 34,098 |
| Total | | \$ 220,852 | 17,834 | 238,686 |

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$141,981, \$135,579, \$127,723, respectively, equal to the required contributions for each year.

(8) 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.

(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 \$132,567 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Accounting Restatement

This restatement is due to asset listing errors. The restatement of the capital assets and net assets are as follows:

| | Balance 6/30/2004 as Previously Reported | Increases | Decreases | Balance 7/1/2004 as restated |
|---|---|--------------------|----------------|------------------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 30,000 | 0 | 4,900 | 25,100 |
| Construction in progress | 231,760 | 0 | 231,760 | 0 |
| Total capital assets not being depreciated | <u>261,760</u> | <u>0</u> | <u>236,660</u> | <u>25,100</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 3,681,664 | 0 | 0 | 3,681,664 |
| Land improvements | 125,320 | 0 | 0 | 125,320 |
| Machinery and equipment | 776,007 | 0 | 0 | 776,007 |
| Total capital assets being depreciated | <u>4,582,991</u> | <u>0</u> | <u>0</u> | <u>4,582,991</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,147,409 | 1,083,184 | 0 | 2,230,593 |
| Land improvements | 75,192 | 50,128 | 0 | 125,320 |
| Machinery and equipment | 677,937 | 0 | 0 | 677,937 |
| Total accumulated depreciation | <u>1,900,538</u> | <u>1,133,312</u> | <u>0</u> | <u>3,033,850</u> |
| Total capital assets being depreciated, net | <u>2,682,453</u> | <u>(1,133,312)</u> | <u>0</u> | <u>1,549,141</u> |
| Governmental activities capital assets, net | <u>\$ 2,944,213</u> | <u>(1,133,312)</u> | <u>236,660</u> | <u>1,574,241</u> |

The effect of the adjustment to restate capital assets results in a change to the previously reported governmental activities, net assets as follows:

| | |
|---|---------------------|
| Net assets, June 30, 2004, as previously reported | \$ 3,814,367 |
| Capital assets adjustment, net | <u>(1,369,972)</u> |
| Net assets, July 1, 2004, as restated | <u>\$ 2,444,395</u> |

The business-type activities capital asset restatement is due to the omission of fully-depreciated assets prior year. The restatement of the capital assets are as follows:

| | Balance 6/30/2004 as Previously Reported | Increases | Decreases | Balance 7/1/2004 as restated |
|--|---|-----------|-----------|------------------------------------|
| Business-type activities: | | | | |
| Machinery and equipment | \$ 30,964 | 24,286 | 0 | 55,250 |
| Less accumulated depreciation | 10,854 | 24,286 | 0 | 35,140 |
| Business-type activities capital assets, net | <u>\$ 20,110</u> | <u>0</u> | <u>0</u> | <u>20,110</u> |

The effect of the adjustment to restate the capital assets results in a change to the previously reported business-type activities, net assets as follows:

| | | |
|---|----|----------------------|
| Net assets, June 30, 2004, as previously reported | \$ | 68,747 |
| Capital assets adjustment, net | | <u>0</u> |
| Net assets, July 1, 2004, as restated | \$ | <u><u>68,747</u></u> |

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, 2005

| | Governmental Fund Types Actual | Proprietary Fund Type Actual |
|---|--------------------------------------|------------------------------------|
| Receipts: | | |
| Local sources | \$ 1,718,617 | 128,608 |
| State sources | 2,018,820 | 3,067 |
| Intermediate sources | 0 | 0 |
| Federal sources | 173,744 | 74,170 |
| Total revenues | <u>3,911,181</u> | <u>205,845</u> |
| Disbursements: | | |
| Instruction | 2,461,826 | 0 |
| Support services | 1,192,446 | 0 |
| Non-instructional programs | 0 | 200,657 |
| Other expenditures | 416,451 | 0 |
| Total expenditures | <u>4,070,723</u> | <u>200,657</u> |
| Excess(deficiency) of receipts over(under) disbursements | (159,542) | 5,188 |
| Other financing sources, net | <u>252,000</u> | <u>0</u> |
| Excess(deficiency) of receipts over(under) disbursements | 92,458 | 5,188 |
| Balance beginning of year | <u>1,223,530</u> | <u>49,370</u> |
| Balance end of year | <u>\$ 1,315,988</u> | <u>54,558</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

| Total Actual | Budgeted Amounts | | Final to Actual Variance - Positive (Negative) |
|------------------|------------------|------------------|--|
| | Original | Final | |
| 1,847,225 | 1,897,821 | 1,897,821 | (50,596) |
| 2,021,887 | 2,170,115 | 2,170,115 | (148,228) |
| 0 | 38,000 | 38,000 | (38,000) |
| 247,914 | 262,000 | 262,000 | (14,086) |
| <u>4,117,026</u> | <u>4,367,936</u> | <u>4,367,936</u> | <u>(250,910)</u> |
| 2,461,826 | 2,593,117 | 2,891,754 | 429,928 |
| 1,192,446 | 1,269,000 | 1,253,000 | 60,554 |
| 200,657 | 220,000 | 220,000 | 19,343 |
| 416,451 | 384,137 | 485,000 | 68,549 |
| <u>4,271,380</u> | <u>4,466,254</u> | <u>4,849,754</u> | <u>578,374</u> |
| (154,354) | (98,318) | (481,818) | 327,464 |
| 252,000 | 0 | 0 | 252,000 |
| 97,646 | (98,318) | (481,818) | 579,464 |
| <u>1,272,900</u> | <u>1,266,604</u> | <u>1,266,604</u> | <u>6,296</u> |
| <u>1,370,546</u> | <u>1,168,286</u> | <u>784,786</u> | <u>585,760</u> |

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

| | Governmental Funds | | |
|------------------------------|--------------------|------------------|------------------|
| | Cash | Accrual | Modified |
| | Basis | Adjust- ments | Accrual Basis |
| Revenues | \$ 3,911,181 | 190,973 | 4,102,154 |
| Expenditures | 4,070,723 | 157,972 | 4,228,695 |
| Net | (159,542) | 33,001 | (126,541) |
| Other financing sources, net | 252,000 | 0 | 252,000 |
| Beginning fund balances | 1,223,530 | (353,376) | 870,154 |
| Ending fund balances | \$ 1,315,988 | (320,375) | 995,613 |

| | Proprietary Fund | | |
|-------------------------|------------------|------------------|------------------|
| | Enterprise | | |
| | Cash | Accrual | Modified |
| | Basis | Adjust- ments | Accrual Basis |
| Revenues | \$ 205,845 | (401) | 205,444 |
| Expenditures | 200,657 | 6,545 | 207,202 |
| Net | 5,188 | (6,946) | (1,758) |
| Beginning fund balances | 49,370 | 19,377 | 68,747 |
| Ending fund balances | \$ 54,558 | 12,431 | 66,989 |

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as 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.

OTHER SUPPLEMENTAL INFORMATION

MANNING COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

| | Special Revenue Funds | | | | | | |
|--|-----------------------|---------------------|--|---------------------|-----------------------------|---------------------|--|
| | Manage- ment | Student Activity | Physical Plant and Equipment Levy | Expendable Trust | Total Special Revenue | Capital Projects | Total Nonmajor Governmental Funds |
| ASSETS | | | | | | | |
| Cash and pooled investments | \$ 63,550 | 110,661 | 110,092 | 90,465 | 374,768 | 66,338 | 441,106 |
| Receivables: | | | | | | | |
| Property tax: | | | | | | | |
| Current year delinquent | 250 | 0 | 915 | 0 | 1,165 | 0 | 1,165 |
| Succeeding year | 51,000 | 0 | 76,255 | 0 | 127,255 | 0 | 127,255 |
| Accounts | 0 | 28 | 0 | 0 | 28 | 0 | 28 |
| Due from other governments | 0 | 0 | 0 | 0 | 0 | 13,838 | 13,838 |
| TOTAL ASSETS | \$ 114,800 | 110,689 | 187,262 | 90,465 | 503,216 | 80,176 | 583,392 |
| LIABILITIES AND FUND EQUITY | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 0 | 728 | 0 | 0 | 728 | 0 | 728 |
| Deferred revenue: | | | | | | | |
| Succeeding year property tax | 51,000 | 0 | 76,255 | 0 | 127,255 | 0 | 127,255 |
| Total Liabilities | 51,000 | 728 | 76,255 | 0 | 127,983 | 0 | 127,983 |
| Fund equity: | | | | | | | |
| Fund balances: | | | | | | | |
| Unreserved: | | | | | | | |
| Undesignated | 63,800 | 109,961 | 111,007 | 90,465 | 375,233 | 80,176 | 455,409 |
| Total fund balances | 63,800 | 109,961 | 111,007 | 90,465 | 375,233 | 80,176 | 455,409 |
| TOTAL LIABILITIES AND FUND EQUITY | \$ 114,800 | 110,689 | 187,262 | 90,465 | 503,216 | 80,176 | 583,392 |

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, 2005

| | Special Revenue Funds | | | | | | | Total Nonmajor Governmental Funds |
|--|-----------------------|---------------------|--|---------------------|-----------------------------|-----------------|---------------------|--|
| | Manage- ment | Student Activity | Physical Plant and Equipment Levy | Expendable Trust | Total Special Revenue | Debt Service | Capital Projects | |
| REVENUES: | | | | | | | | |
| Local sources: | | | | | | | | |
| Local tax | \$ 20,803 | 0 | 116,713 | 0 | 137,516 | 0 | 56,869 | 194,385 |
| Other | 1,800 | 119,717 | 1,824 | 3,798 | 127,139 | 0 | 824 | 127,963 |
| Federal sources | 0 | 0 | 23,727 | 0 | 23,727 | 0 | 0 | 23,727 |
| TOTAL REVENUES | 22,603 | 119,717 | 142,264 | 3,798 | 288,382 | 0 | 57,693 | 346,075 |
| EXPENDITURES: | | | | | | | | |
| Current: | | | | | | | | |
| Instruction: | | | | | | | | |
| Other instruction | 0 | 113,343 | 0 | 700 | 114,043 | 0 | 0 | 114,043 |
| Support services: | | | | | | | | |
| Instructional staff | 26,666 | 0 | 0 | 0 | 26,666 | 0 | 0 | 26,666 |
| Operation and maintenance of plant services | 12,716 | 0 | 19,721 | 0 | 32,437 | 0 | 0 | 32,437 |
| Student transportation | 8,022 | 0 | 0 | 0 | 8,022 | 0 | 0 | 8,022 |
| Other expenditures: | | | | | | | | |
| Facilities acquisitions | 0 | 0 | 247,886 | 0 | 247,886 | 0 | 0 | 247,886 |
| Long-term debt: | | | | | | | | |
| Principal | 0 | 0 | 0 | 0 | 0 | 29,148 | 0 | 29,148 |
| Interest and fiscal charges | 0 | 0 | 0 | 0 | 0 | 4,950 | 0 | 4,950 |
| TOTAL EXPENDITURES | 47,404 | 113,343 | 267,607 | 700 | 429,054 | 34,098 | 0 | 463,152 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (24,801) | 6,374 | (125,343) | 3,098 | (140,672) | (34,098) | 57,693 | (117,077) |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Transfers in | 0 | 0 | 0 | 0 | 0 | 34,098 | 0 | 34,098 |
| Transfers out | 0 | 0 | (34,098) | 0 | (34,098) | 0 | 0 | (34,098) |
| Loan proceeds | 0 | 0 | 250,000 | 0 | 250,000 | 0 | 0 | 250,000 |
| Sale of property | 0 | 0 | 2,000 | 0 | 2,000 | 0 | 0 | 2,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | 0 | 0 | 217,902 | 0 | 217,902 | 34,098 | 0 | 252,000 |
| NET CHANGE IN FUND BALANCE | (24,801) | 6,374 | 92,559 | 3,098 | 77,230 | 0 | 57,693 | 134,923 |
| FUND BALANCE BEGINNING OF YEAR | 88,601 | 103,587 | 18,448 | 87,367 | 298,003 | 0 | 22,483 | 320,486 |
| FUND BALANCE END OF YEAR | \$ 63,800 | 109,961 | 111,007 | 90,465 | 375,233 | 0 | 80,176 | 455,409 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

| Account | Balance Beginning of Year | Revenues | Expendi- tures | Balance End of Year |
|---------------------------|---------------------------------|----------------|-------------------|---------------------------|
| Boys Athletics | \$ 4,000 | 0 | 0 | 4,000 |
| Girls Athletics | 7,000 | 5,000 | 0 | 12,000 |
| Activity Tickets | 35,000 | 10,000 | 0 | 45,000 |
| FFA | 4,000 | 0 | 0 | 4,000 |
| Student Council | 5,000 | 0 | 0 | 5,000 |
| HS Drama | 86 | 601 | 422 | 265 |
| HS Vocal Music | 2,600 | 2,929 | 1,885 | 3,644 |
| HS Instrumental Music | 101 | 4,562 | 4,524 | 139 |
| Athletic Ticket | 734 | 0 | 671 | 63 |
| HS Boys Athletic | 4,230 | 25,544 | 29,974 | 1,800 |
| HS Basketball | 2,082 | 0 | 785 | 1,297 |
| HS Girls Athletics | 4,505 | 9,893 | 12,231 | 3,314 |
| Girls Basketball | 50 | 307 | 357 | 0 |
| HS Activity Tickets | 4,694 | 4,738 | 7,838 | 1,594 |
| HS Book Club | 2,237 | 2,569 | 2,329 | 2,477 |
| HS Business Club | 194 | 1,418 | 700 | 912 |
| Class of 2005 | 796 | 194 | 990 | 0 |
| Class of 2006 | 1,171 | 11,047 | 0 | 5,071 |
| Class of 2007 | 46 | 189 | 0 | 235 |
| Class of 2008 | 0 | 185 | 80 | 105 |
| HS Concessions | 233 | 0 | 0 | 233 |
| Elementary 3rd Grade | 46 | 0 | 0 | 46 |
| Res For Activity | 203 | 270 | 0 | 473 |
| High School Resource | 10 | 0 | 1 | 9 |
| HS FFA | 6,699 | 19,737 | 22,689 | 5,747 |
| Checking Account Interest | 5,160 | 663 | 5,024 | 799 |
| HS National Honor Society | 1 | 30 | 0 | 31 |
| HS Pep Club | (71) | 1,253 | 499 | 683 |
| HS Pop Machine | 5,895 | 2,636 | 6,450 | 2,081 |
| HS Other Student Act | 386 | 248 | 257 | 377 |
| HS Student Council | 1,358 | 4,684 | 5,452 | 590 |
| HS Yearbook | 4,811 | 11,020 | 10,185 | 7,646 |
| Elementary Fundraisers | 330 | 0 | 0 | 330 |
| Total | \$ 103,587 | 119,717 | 113,343 | 109,961 |

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, | | | |
| | 2005 | 2004 | 2003 | 2002 |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 1,239,312 | 1,196,615 | 1,118,007 | 1,067,499 |
| Tuition | 327,854 | 265,955 | 186,948 | 221,909 |
| Other | 197,549 | 220,970 | 306,531 | 212,345 |
| State sources | 2,164,459 | 1,966,976 | 2,062,610 | 2,009,745 |
| Federal sources | 172,980 | 148,527 | 168,719 | 122,375 |
| Total | \$ 4,102,154 | 3,799,043 | 3,842,815 | 3,633,873 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 1,750,442 | 1,657,357 | 1,577,517 | 1,616,910 |
| Special instruction | 554,573 | 493,241 | 492,272 | 373,984 |
| Other instruction | 332,697 | 330,712 | 297,390 | 413,031 |
| Support services: | | | | |
| Student services | 107,214 | 109,806 | 104,849 | 93,975 |
| Instructional staff services | 167,843 | 153,631 | 119,402 | 102,931 |
| Administration services | 416,661 | 391,572 | 373,660 | 373,958 |
| Operation and maintenance of plant services | 343,047 | 324,583 | 377,389 | 331,436 |
| Transportation services | 141,667 | 134,645 | 179,909 | 127,782 |
| Other support services | 0 | 155 | 0 | 1,230 |
| Other expenditures: | | | | |
| Facilities acquisitions | 247,886 | 234,688 | 6,785 | 15,539 |
| Long-term debt: | | | | |
| Principal | 29,148 | 0 | 0 | 74,314 |
| Interest and other charges | 4,950 | 0 | 0 | 2,995 |
| AEA flow-through | 132,567 | 135,749 | 145,786 | 144,865 |
| Total | \$ 4,228,695 | 3,966,139 | 3,674,959 | 3,672,950 |

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
Manning 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 Manning Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 20, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

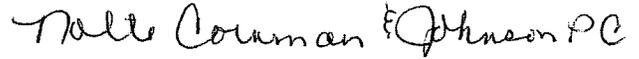
Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Manning Community School District and other parties to whom Manning 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 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.

September 20, 2005

MANNING COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS:

I-A-05 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 procedures and will continue with previous actions taken to utilize other secretarial and administrative staff in the process of cash receipts and deposits. However, in some cases this may be impossible to change, but every attempt to improve procedures will be made.

Conclusion - Response accepted.

I-B-05 Check Signatures - It was noted in the Student Activity Fund that a check cleared the bank that had only one signature.

Recommendation – The Board President and Board Secretary are required to sign all checks written by the District in compliance with Chapter 291.1 of the Code of Iowa. However, the Board President may designate an individual other than himself to sign checks in his absence.

Response - We will review our procedures to ensure that all checks written have two signatures.

Conclusion - Response accepted.

MANNING COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

- II-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005 did not exceed budgeted amounts.
- II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-05 Business Transactions - 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 | \$ 47,788 |
| Mindi Boyle, School Board Member Spouse of president of American Interstate Bank of Manning | Purchased Services | \$ - |

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-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.