

MANNING COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

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Independent Auditor's Report

To the Board of Education of
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, Manning, Iowa, as of and for the year ended June 30, 2010, 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, the business type activities, each major fund and the aggregate remaining fund information of Manning Community School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated April 27, 2011, on our consideration of Manning Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement

and presentation of the 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. The financial statements for the six years ended June 30, 2009, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

April 27, 2011

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,124,692 in fiscal 2009 to \$4,692,602 in fiscal 2010, while General Fund expenditures decreased from \$5,286,334 in fiscal 2009 to \$5,190,267 in fiscal 2010. The District's General Fund balance decreased from \$295,386 in fiscal 2009 to \$(202,279) in fiscal 2010, a 168% decrease.
- The fiscal year 2010 decrease in General Fund revenues was attributable to decreases in property tax, federal grants, tuition payments, and a 10% across the board cut in State aid. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2010. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

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 custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Manning Community School District Annual Financial Report

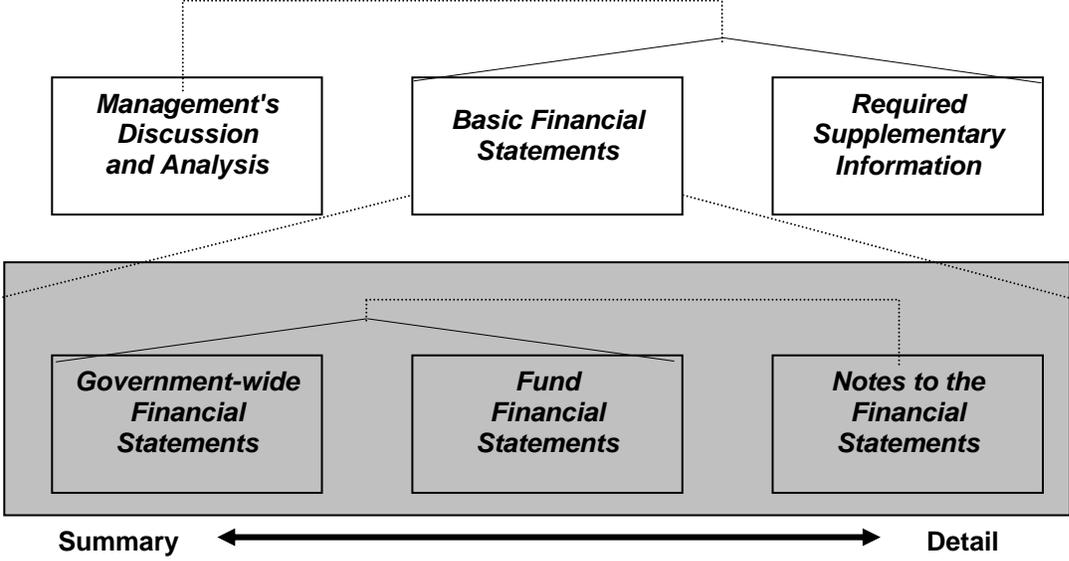


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary 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	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
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 fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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	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, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
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	All additions and deductions 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 financial 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 three 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 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 proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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 at June 30, 2010 compared to June 30, 2009.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2009-2010 %
	Governmental Activities		Business-type Activities		Total School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	6,065,178	3,161,662	(1,877)	14,402	6,063,301	3,176,064	-48%
Capital assets	3,081,152	3,600,421	55,680	48,062	3,136,832	3,648,483	16%
Total assets	9,146,330	6,762,083	53,803	62,464	9,200,133	6,824,547	-26%
Long-term liabilities	2,456,392	2,132,902	6,954	1,254	2,463,346	2,134,156	-13%
Other liabilities	3,985,073	2,181,363	3,821	17,692	3,988,894	2,199,055	-45%
Total liabilities	6,441,465	4,314,265	10,775	18,946	6,452,240	4,333,211	-33%
Net Assets:							
Invested in capital assets, net of related debt	1,732,340	1,530,125	55,680	48,062	1,788,020	1,578,187	-12%
Restricted	598,975	1,080,277	-	-	598,975	1,080,277	80%
Unrestricted	373,550	(162,584)	(12,652)	(4,544)	360,898	(167,128)	-146%
TOTAL NET ASSETS	2,704,865	2,447,818	43,028	43,518	2,747,893	2,491,336	-9%

The District's combined total net assets decreased by nearly 9%, or approximately \$256,557, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$481,302 or 80% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$528,026, or 146%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year and due to the 10% across the board cut in State aid.

Figure A-4 shows the change in net assets for the years ended June 30, 2010 and 2009.

Figure A-4

	Change in Net Assets						Percentage Change 2009-2010 %
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	
Revenues							
Program revenues:							
Charges for services	1,411,442	1,222,407	129,123	129,529	1,540,565	1,351,936	-12%
Operating grants & contributions	779,202	943,837	86,821	87,042	866,023	1,030,879	19%
Capital grants & contributions	-	5,000	-	-	-	5,000	100%
General revenues:							
Property taxes	1,272,549	1,285,526	-	-	1,272,549	1,285,526	1%
Income surtax	205,542	178,658	-	-	205,542	178,658	-13%
Statewide sales & services tax	315,210	283,021	-	-	315,210	283,021	-10%
Unrestricted state grants	1,732,339	1,372,208	-	-	1,732,339	1,372,208	-21%
Unrestricted investment earnings	63,758	18,929	72	121	63,830	19,050	-70%
Other revenue	145,267	12,096	-	-	145,267	12,096	-92%
Total revenues	5,925,309	5,321,682	216,016	216,692	6,141,325	5,538,374	-10%
Expenses:							
Instruction	4,259,449	3,613,499	-	-	4,259,449	3,613,499	-15%
Support services	1,402,862	1,612,838	650	-	1,403,512	1,612,838	15%
Non-instructional programs	-	-	227,465	216,202	227,465	216,202	-5%
Other expenditures	335,787	352,392	-	-	335,787	352,392	5%
Total expenses	5,998,098	5,578,729	228,115	216,202	6,226,213	5,794,931	-7%
CHANGE IN NET ASSETS	(72,789)	(257,047)	(12,099)	490	(84,888)	(256,557)	-202%
Net assets beginning of year	2,777,654	2,704,865	55,127	43,028	2,832,781	2,747,893	-3%
Net assets end of year	2,704,865	2,447,818	43,028	43,518	2,747,893	2,491,336	-9%

In fiscal year 2010 property tax and unrestricted state grants account for 48% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 10% decrease in revenues and a 7% decrease in expenses. The decreases in expenses related to a decrease in the cost for Whole Grade Sharing and staff reduction.

Governmental Activities

Revenues for governmental activities were \$5,321,682 and expenses were \$5,578,729.

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 Cost of Services			Net Cost of Services		
	2009	2010	Percent Change 2009-2010	2009	2010	Percent Change 2009-2010
	\$	\$	%	\$	\$	%
Instruction	4,259,449	3,613,499	-15%	2,212,475	1,600,677	-28%
Support Services	1,402,862	1,612,838	15%	1,402,310	1,612,651	15%
Other Expenses	335,787	352,392	5%	192,669	194,157	1%
TOTAL	5,998,098	5,578,729	-7%	3,807,454	3,407,485	-11%

For the year ended June 30, 2010

- The cost financed by users of the District’s programs was \$1,222,407.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$943,837.
- The net cost of governmental activities was financed with \$1,747,205 in property and local other taxes and \$1,372,208 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$216,692 and expenses were \$216,202.

INDIVIDUAL FUND ANALYSIS

As previously noted, 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 a combined fund balance of \$805,908, well below last year’s ending fund balances of \$1,937,677. However, the primary reason for the decrease in combined fund balances in fiscal 2010 is due to expenditure of revenue bond proceeds received in fiscal 2009.

Governmental Fund Highlights

- The District’s deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues in these areas. There was a decrease in State aid due to the 10% across the board cut. There was also a decrease in revenue for Whole Grade Sharing. The decrease in revenues was not offset by the decrease in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$295,386 to \$(202,279), due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$60,025 in fiscal 2009 to \$139,650 in fiscal 2010. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund in order to reduce the prior year deficit and improve the financial condition of the fund.

- The Capital Projects Fund balance decreased from \$1,288,448 in 2009 to \$720,914 in 2010. The decrease in fund balance is due primarily to completion of projects requiring payment and movement of funds to Debt Service Funds.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$43,028 at June 30, 2009 to \$43,518 at June 30, 2010, representing an increase of approximately 1%. For fiscal 2010, the District increased meal prices, resulting in the increase in net assets.

BUDGETARY HIGHLIGHTS

The District's receipts were \$825,575 less than budgeted receipts, a variance of 13%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$3.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 16% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$134,630.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2009-2010 %
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Land	23,100	23,100	-	-	23,100	23,100	0%
Construction in progress	1,332,924	1,943,309	-	-	1,332,924	1,943,309	46%
Buildings	1,363,696	1,291,300	-	-	1,363,696	1,291,300	-5%
Improvements	231,364	240,560	-	-	231,364	240,560	4%
Equipment & furniture	130,068	102,152	55,680	48,062	185,748	150,214	-19%
TOTAL	3,081,152	3,600,421	55,680	48,062	3,136,832	3,648,483	16%

Long-Term Debt

At June 30, 2010 the District had \$2,132,902 in revenue and other long-term debt outstanding. This represents an increase of approximately 35% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage
	2009	2010	Change
	\$	\$	2009-2010
			%
Governmental activities:			
Revenue bonds	2,325,888	2,070,296	-11%
Compensated absences	130,504	-	-100%
Termination benefits	-	42,546	100%
Net OPEB liability	-	20,060	100%
	<u>2,456,392</u>	<u>2,132,902</u>	<u>-13%</u>
Business type activities:			
Compensated absences	6,954	-	-100%
Net OPEB liability	-	1,254	100%
	<u>6,954</u>	<u>1,254</u>	<u>-82%</u>

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:

- School financing is highly dependent upon student enrollment. The District's October 2010 weighted enrollment decreased by twelve students. This drop in enrollment will decrease the District's funding for fiscal year 2012.
- Although the District has experienced declining enrollment for the past three years, this trend looks to continue.
- The District has evaluated the condition of its transportation vehicles and determined that it will be necessary to purchase one bus a year when we are reorganized with IKM. The Physical Plant and Equipment Levy Fund will be used.
- Fiscal 2011 is the last year of a three-year contract with the IKM-Manning Education Teacher Association (SETA). The District will negotiate a new agreement during fiscal 2011. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- With reorganization the IKM-Manning School District will not be eligible for REAP Funds.

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 Mary Heller Board Secretary/Business Manager, Manning Community School District, 209 Tenth Street, Manning, Iowa 51455.

BASIC FINANCIAL STATEMENTS

MANNING COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,110,662	11,078	1,121,740
Receivables:			
Property tax:			
Delinquent	15,160	-	15,160
Succeeding year	1,669,475	-	1,669,475
Accounts	1,059	-	1,059
Due from other governments	365,306	-	365,306
Inventories	-	3,324	3,324
Capital assets, net of accumulated depreciation	3,600,421	48,062	3,648,483
Total assets	6,762,083	62,464	6,824,547
Liabilities			
Accounts payable	71,366	-	71,366
Salaries and benefits payable	392,411	14,371	406,782
Deferred revenue:			
Succeeding year property tax	1,669,475	-	1,669,475
Other	48,111	3,321	51,432
Long-term liabilities:			
Portion due within one year:			
Termination benefits	17,019	-	17,019
Portion due after one year:			
Revenue bonds payable	2,070,296	-	2,070,296
Termination benefits	25,527	-	25,527
Net OPEB liability	20,060	1,254	21,314
Total liabilities	4,314,265	18,946	4,333,211
Net assets			
Invested in capital assets, net of related debt	1,530,125	48,062	1,578,187
Restricted for:			
Categorical funding	56,506	-	56,506
Management levy	17,197	-	17,197
Physical plant and equipment levy	197,780	-	197,780
Other special revenue purposes	87,552	-	87,552
Sales tax capital projects	720,914	-	720,914
Debt service	328	-	328
Unrestricted	(162,584)	(4,544)	(167,128)
Total net assets	2,447,818	43,518	2,491,336

See notes to financial statements.

MANNING COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,515,064	1,055,338	644,723	-
Special	596,706	34,358	79,515	-
Other	501,729	132,524	66,364	-
	<u>3,613,499</u>	<u>1,222,220</u>	<u>790,602</u>	<u>-</u>
Support services:				
Student	72,788	-	-	-
Instructional staff	314,371	-	-	-
Administration	593,145	-	-	-
Operation and maintenance of plant	411,177	-	-	-
Transportation	221,357	187	-	-
	<u>1,612,838</u>	<u>187</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	1,714	-	-	5,000
Long-term debt interest	102,925	-	328	-
AEA flowthrough	152,907	-	152,907	-
Depreciation (unallocated)*	94,846	-	-	-
	<u>352,392</u>	<u>-</u>	<u>153,235</u>	<u>5,000</u>
Total governmental activities	5,578,729	1,222,407	943,837	5,000
Business type activities:				
Non-instructional programs:				
Food service operations	216,202	129,529	87,042	-
Total	<u>5,794,931</u>	<u>1,351,936</u>	<u>1,030,879</u>	<u>5,000</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(815,003)	-	(815,003)
(482,833)	-	(482,833)
<u>(302,841)</u>	-	<u>(302,841)</u>
<u>(1,600,677)</u>	-	<u>(1,600,677)</u>
(72,788)	-	(72,788)
(314,371)	-	(314,371)
(593,145)	-	(593,145)
(411,177)	-	(411,177)
(221,170)	-	(221,170)
<u>(1,612,651)</u>	-	<u>(1,612,651)</u>
3,286	-	3,286
(102,597)	-	(102,597)
-	-	-
<u>(94,846)</u>	-	<u>(94,846)</u>
<u>(194,157)</u>	-	<u>(194,157)</u>
(3,407,485)	-	(3,407,485)
-	369	369
<u>(3,407,485)</u>	<u>369</u>	<u>(3,407,116)</u>
1,208,643	-	1,208,643
76,883	-	76,883
178,658	-	178,658
283,021	-	283,021
1,372,208	-	1,372,208
18,929	121	19,050
12,096	-	12,096
<u>3,150,438</u>	<u>121</u>	<u>3,150,559</u>
(257,047)	490	(256,557)
<u>2,704,865</u>	<u>43,028</u>	<u>2,747,893</u>
<u><u>2,447,818</u></u>	<u><u>43,518</u></u>	<u><u>2,491,336</u></u>

MANNING COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	116,433	708,605	285,624	1,110,662
Receivables:				
Property tax:				
Delinquent	13,511	-	1,649	15,160
Succeeding year	1,558,019	-	111,456	1,669,475
Accounts	1,059	-	-	1,059
Due from other governments	247,684	59,492	58,130	365,306
Total assets	<u>1,936,706</u>	<u>768,097</u>	<u>456,859</u>	<u>3,161,662</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	24,183	47,183	-	71,366
Salaries and benefits payable	392,411	-	-	392,411
Deferred revenue:				
Succeeding year property tax	1,558,019	-	111,456	1,669,475
Income surtax	116,261	-	58,130	174,391
Other	48,111	-	-	48,111
Total liabilities	<u>2,138,985</u>	<u>47,183</u>	<u>169,586</u>	<u>2,355,754</u>
Fund balances:				
Reserved for:				
Categorical funding	56,506	-	-	56,506
Debt service	-	-	328	328
Unreserved reported in:				
General fund	(258,785)	-	-	(258,785)
Special revenue funds	-	-	286,945	286,945
Capital projects funds	-	720,914	-	720,914
Total fund balances	<u>(202,279)</u>	<u>720,914</u>	<u>287,273</u>	<u>805,908</u>
Total liabilities and fund balances	<u>1,936,706</u>	<u>768,097</u>	<u>456,859</u>	<u>3,161,662</u>

MANNING COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2010

	\$
Total fund balances of governmental funds (Exhibit C)	805,908
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,600,421
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	174,391
Long-term liabilities, including bonds payable, termination benefits and other postemployment benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,132,902)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,447,818</u></u>

MANNING COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2010

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,266,900	283,021	193,222	1,743,143
Tuition	250,007	-	-	250,007
Other	860,069	2,920	145,764	1,008,753
State sources	1,966,291	-	91	1,966,382
Federal sources	349,335	-	-	349,335
Total revenues	<u>4,692,602</u>	<u>285,941</u>	<u>339,077</u>	<u>5,317,620</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,588,063	-	6,253	2,594,316
Special	592,945	-	-	592,945
Other	376,076	-	124,086	500,162
	<u>3,557,084</u>	<u>-</u>	<u>130,339</u>	<u>3,687,423</u>
Support services:				
Student	72,475	-	-	72,475
Instructional staff	282,621	-	31,123	313,744
Administration	590,206	-	1,058	591,264
Operation and maintenance of plant	349,302	-	60,308	409,610
Transportation	185,672	-	6,131	191,803
	<u>1,480,276</u>	<u>-</u>	<u>98,620</u>	<u>1,578,896</u>
Other expenditures:				
Facilities acquisition	-	611,563	32,182	643,745
Long-term debt:				
Principal	-	-	255,592	255,592
Interest and fiscal charges	-	-	130,826	130,826
AEA flowthrough	152,907	-	-	152,907
	<u>152,907</u>	<u>611,563</u>	<u>418,600</u>	<u>1,183,070</u>
Total expenditures	<u>5,190,267</u>	<u>611,563</u>	<u>647,559</u>	<u>6,449,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(497,665)</u>	<u>(325,622)</u>	<u>(308,482)</u>	<u>(1,131,769)</u>
Other financing sources (uses):				
Operating transfers in	-	-	241,912	241,912
Operating transfers out	-	(241,912)	-	(241,912)
Total other financing sources (uses)	<u>-</u>	<u>(241,912)</u>	<u>241,912</u>	<u>-</u>
Net change in fund balances	(497,665)	(567,534)	(66,570)	(1,131,769)
Fund balances beginning of year	295,386	1,288,448	353,843	1,937,677
Fund balances end of year	<u>(202,279)</u>	<u>720,914</u>	<u>287,273</u>	<u>805,908</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

Year ended June 30, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(1,131,769)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	646,281	
Depreciation expense	<u>(127,012)</u>	519,269
Income surtaxes and receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		4,062
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		255,592
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.		27,901
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(42,546)	
Compensated absences	130,504	
Other postemployment benefits	<u>(20,060)</u>	<u>67,898</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>(257,047)</u></u>

MANNING COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	11,078
Inventories	3,324
Capital assets, net of accumulated depreciation	<u>48,062</u>
Total assets	<u>62,464</u>
Liabilities	
Salaries and benefits payable	14,371
Deferred revenue	3,321
Net OPEB liability	<u>1,254</u>
Total liabilities	<u>18,946</u>
Net assets	
Invested in capital assets	48,062
Unrestricted	<u>(4,544)</u>
Total net assets	<u><u>43,518</u></u>

MANNING COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>129,529</u>
Operating expenses:	
Non-instructional programs:	
Salaries	84,469
Benefits	24,274
Purchased services	516
Supplies	99,292
Depreciation	7,618
Other	33
Total operating expenses	<u>216,202</u>
Operating gain (loss)	<u>(86,673)</u>
Non-operating revenue:	
State sources	2,080
Federal sources	84,962
Interest income	121
Total non-operating revenue	<u>87,163</u>
Change in net assets	490
Net assets beginning of year	<u>43,028</u>
Net assets end of year	<u><u>43,518</u></u>

MANNING COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	128,590
Cash received from miscellaneous operating activities	632
Cash payments to employees for services	(100,265)
Cash payments to suppliers for goods or services	<u>(86,625)</u>
Net cash used by operating activities	<u>(57,668)</u>
Cash flows from non-capital financing activities:	
State grants received	2,080
Federal grants received	<u>71,940</u>
Net cash provided by non-capital financing activities	<u>74,020</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>121</u>
Net increase (decrease) in cash and cash equivalents	16,473
Cash and cash equivalents at beginning of year	<u>(5,395)</u>
Cash and cash equivalents at end of year	<u><u>11,078</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(86,673)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	13,022
Depreciation	7,618
Decrease (increase) in inventories	194
(Decrease) increase in accounts payable	(6,954)
(Decrease) increase in salaries and benefits payable	14,178
(Decrease) increase in deferred revenue	(307)
(Decrease) increase in net OPEB liability	<u>1,254</u>
Net cash used in operating activities	<u><u>(57,668)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$13,022 of federal commodities.

MANNING COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	98,643
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>98,643</u></u>

MANNING COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	2,979
Deductions:	
Support services:	
Scholarships awarded	<u>1,500</u>
Change in net assets	1,479
Net assets beginning of year	<u>97,164</u>
Net assets end of year	<u><u>98,643</u></u>

MANNING COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

1. Summary of Significant Accounting Policies

Manning Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Manning, Iowa and the predominately agricultural territory in a portion of 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, 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 that 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 does 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 County Assessor's 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 service.

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 attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which 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 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as 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 revenues 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 expenditures, including instruction, support and other costs.

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

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

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 judgements, 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 the 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, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is 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 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 became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009, through June 30, 2010, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair 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.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	1,500
Buildings	1,500
Improvements other than buildings	1,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	3-10 years
Furniture and equipment	5-20 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are 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 in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and 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, 2010, expenditures in the other expenditures function exceeded the amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	<hr/>
	\$
Diversified Portfolio	31

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

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental, Debt Service	Capital Projects Fund	241,912

This transfer moved 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 School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. 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. The interest rate on the Series 2009-10A warrants was 2.5%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co., NA prime rate plus 50 basis points with a minimum interest rate of 4.5% A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2009-10A	6/25/09	6/23/10	-	245,000	245,000	-
2009-10B	2/1/10	1/21/11	-	-	-	-
			-	245,000	245,000	-

During the year ended June 30, 2010, the District paid \$7,476 of interest on the ISCAP warrants.

5. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	1,332,924	610,385	-	1,943,309
Land	23,100	-	-	23,100
Total capital assets not being depr.	<u>1,356,024</u>	<u>610,385</u>	<u>-</u>	<u>1,966,409</u>
Capital assets being depreciated:				
Buildings	3,988,125	7,517	-	3,995,642
Improvements other than buildings	399,852	24,129	-	423,981
Furniture and equipment	1,021,972	4,250	55,552	970,670
Total capital assets being deprec.	<u>5,409,949</u>	<u>35,896</u>	<u>55,552</u>	<u>5,390,293</u>
Less accumulated depreciation for:				
Buildings	2,624,429	79,913	-	2,704,342
Improvements other than buildings	168,488	14,933	-	183,421
Furniture and equipment	891,904	32,166	55,552	868,518
Total accumulated depreciation	<u>3,684,821</u>	<u>127,012</u>	<u>55,552</u>	<u>3,756,281</u>
Total capital assets being depreciated, net	<u>1,725,128</u>	<u>(91,116)</u>	<u>-</u>	<u>1,634,012</u>
Governmental activities capital assets, net	<u>3,081,152</u>	<u>519,269</u>	<u>-</u>	<u>3,600,421</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	110,819	-	-	110,819
Less accumulated depreciation	55,139	7,618	-	62,757
Business type activities capital assets, net	<u>55,680</u>	<u>(7,618)</u>	<u>-</u>	<u>48,062</u>

Depreciation expense was charged to the following functions:

	Amount \$
Governmental activities:	
Instruction:	
Regular	2,925
Support Services:	
Transportation	29,241
	<u>32,166</u>
Unallocated depreciation	94,846
Total depreciation expense – governmental activities	<u>127,012</u>
Business type activities:	
Food services	7,618
	<u>7,618</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Revenue bonds	2,325,888	-	255,592	2,070,296	-
Compensated absences	130,504	-	130,504	-	-
Termination benefits	-	42,546	-	42,546	17,019
Net OPEB liability	-	20,060	-	20,060	-
Total	2,456,392	62,606	386,096	2,132,902	17,019

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Compensated absences	6,954	-	6,954	-	-
Net OPEB liability	-	1,254	-	1,254	-
	6,954	1,254	6,954	1,254	-

Termination Benefits

During fiscal year 2010, the District offered a voluntary early retirement plan for employees. Eligible employees must have completed at least twenty years of consecutive service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

The District will pay up to \$6,121 per year for health insurance premiums until the retiree is age 65.

At June 30, 2010, the District has obligations to three participants with a total liability of \$42,546.

Revenue Bonds

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 26, 2008			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	4.90	-	14,615	14,615
2012	4.90	125,000	27,105	152,105
2013	4.90	135,000	22,550	157,550
2014	4.90	140,000	17,460	157,460
2015	4.90	140,000	12,000	152,000
2016-2017	4.90-5.00	230,000	8,600	238,600
		770,000	102,330	872,330

Bond Issue of May 12, 2009				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	4.90	-	34,848	34,848
2012	4.90	-	69,695	69,695
2013	4.90	-	69,695	69,695
2014	4.90	-	69,695	69,695
2015	4.90	-	69,695	69,695
2016-2020	4.90-5.10	300,000	326,175	626,175
2021-2025	5.20-5.50	510,000	206,554	716,554
2026-2029	5.55-5.70	485,000	56,724	541,724
		<u>1,295,000</u>	<u>903,081</u>	<u>2,198,081</u>

Bond Issue of June 20, 2006				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011		-	*	-
2012		5,296	*	5,296
		<u>5,296</u>	<u>*</u>	<u>5,296</u>

*Interest is paid by the National Safe Surfacing Initiative, LLC (NSSI). On June 20, 2006 the NSSI deposited \$4,331 total interest due to maturity on the revenue bond, into an irrevocable escrow account established pursuant to an escrow agreement between the District, NSSI and Great Western Bank, escrow agent. The account is owned by NSSI and held by the escrow agent. Interest on the revenue bonds is due annually on January 1 and is paid directly from the escrow account.

The District has pledged future statewide sales, services and use tax revenues to repay the \$26,480 of bonds issued in June 2006 of which the District is responsible for the principal only and an outside party pays the interest. The District has also pledged future statewide sales and services tax revenues to repay the \$1,015,000 bonds issued in June 2008 and the \$1,295,000 bonds issued in May 2009. The bonds were issued for a playground project and infrastructure projects respectively. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,075,707. For the current year, \$255,592 of principal and \$130,826 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$283,021. Payments that were due July 1, 2010 were paid prior to June 30, 2010.

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 that are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$195,736, 188,179 and \$175,352 respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 68 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	26,439
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>26,439</u>
Contributions made	<u>5,125</u>
Increase in net OPEB obligation	21,314
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>21,314</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$5,125 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u> \$
June 30, 2010	26,439	19%	21,314

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$225,149, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$225,149. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,380,000, and the ratio of the UAAL to covered payroll was 9.5%. As of June 30, 2010, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized over 30 years.

9. 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.

10. 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 \$152,907 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Deficit Fund Balances

At June 30, 2010 the District had a deficit unreserved fund balance of \$258,785 in the General Fund and the School Nutrition Fund had a \$4,544 deficit unrestricted net assets balance.

12. Construction Commitment

As of June 30, 2010, costs of \$1,943,309 had been incurred on various construction contracts. The estimated total cost is \$2.4 million.

13. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and Talented	6,563
Returning dropout and dropout prevention program	24,796
Teacher salary supplement	8,063
Mentoring	1,500
Core curriculum	12,157
Market factor	<u>3,427</u>
	<u>56,506</u>

14. School District Reorganization

The voters of the IKM and Manning Community School Districts have approved a merger effective July 1, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

MANNING COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,001,903	129,650	3,131,553	3,675,184	3,675,184	(543,631)
Intermediate sources	-	-	-	15,750	15,750	(15,750)
State sources	1,966,382	2,080	1,968,462	2,323,953	2,323,953	(355,491)
Federal sources	349,335	84,962	434,297	345,000	345,000	89,297
Total revenues	<u>5,317,620</u>	<u>216,692</u>	<u>5,534,312</u>	<u>6,359,887</u>	<u>6,359,887</u>	<u>(825,575)</u>
Expenditures/Expenses:						
Instruction	3,687,423	-	3,687,423	4,075,772	4,075,772	388,349
Support services	1,578,896	-	1,578,896	3,557,613	3,557,613	1,978,717
Non-instructional programs	-	216,202	216,202	283,702	283,702	67,500
Other expenditures	1,183,070	-	1,183,070	306,519	306,519	(876,551)
Total expenditures/expenses	<u>6,449,389</u>	<u>216,202</u>	<u>6,665,591</u>	<u>8,223,606</u>	<u>8,223,606</u>	<u>1,558,015</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,131,769)	490	(1,131,279)	(1,863,719)	(1,863,719)	732,440
Balance beginning of year	<u>1,937,677</u>	<u>43,028</u>	<u>1,980,705</u>	<u>2,234,926</u>	<u>2,234,926</u>	<u>(254,221)</u>
Balance end of year	<u>805,908</u>	<u>43,518</u>	<u>849,426</u>	<u>371,207</u>	<u>371,207</u>	<u>478,219</u>

MANNING COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amount budgeted.

MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
July 1, 2009	-	225,149	225,149	0.0%	2,380,000	9.5%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

MANNING COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

Assets	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	Levy	\$	\$
Cash and pooled investments	58,981	87,552	138,763	328	285,624
Receivables:					
Property tax:					
Delinquent	762	-	887	-	1,649
Succeeding year	70,000	-	41,456	-	111,456
Due from other governments	-	-	58,130	-	58,130
Total assets	129,743	87,552	239,236	328	456,859
Liabilities & Fund Balances					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	70,000	-	41,456	-	111,456
Income surtax	-	-	58,130	-	58,130
Total liabilities	<u>70,000</u>	<u>-</u>	<u>99,586</u>	<u>-</u>	<u>169,586</u>
Fund balances:					
Reserved for debt service	-	-	-	328	328
Unreserved reported in:					
Special revenue funds	<u>59,743</u>	<u>87,552</u>	<u>139,650</u>	<u>-</u>	<u>286,945</u>
Total fund balances	<u>59,743</u>	<u>87,552</u>	<u>139,650</u>	<u>328</u>	<u>287,273</u>
Total liabilities and fund balances	129,743	87,552	239,236	328	456,859

MANNING COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2010

	Special Revenue Funds				
	Management	Student	Physical	Debt	Total
	Levy	Activity	Plant and	Service	
\$	\$	Equipment	\$	\$	
		Levy			
Revenues:					
Local sources:					
Local tax	58,140	-	135,082	-	193,222
Other	8,792	131,407	5,237	328	145,764
State sources	42	-	49	-	91
Total revenues	<u>66,974</u>	<u>131,407</u>	<u>140,368</u>	<u>328</u>	<u>339,077</u>
Expenditures:					
Current:					
Instruction:					
Regular	6,253	-	-	-	6,253
Other	-	124,086	-	-	124,086
Support services:					
Instructional staff	2,562	-	28,561	-	31,123
Administration	1,058	-	-	-	1,058
Operation and maintenance of plant	60,308	-	-	-	60,308
Transportation services	6,131	-	-	-	6,131
Other expenditures:					
Facilities acquisition	-	-	32,182	-	32,182
Long-term debt:					
Principal	-	-	-	255,592	255,592
Interest and fiscal charges	-	-	-	130,826	130,826
Total expenditures	<u>76,312</u>	<u>124,086</u>	<u>60,743</u>	<u>386,418</u>	<u>647,559</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,338)</u>	<u>7,321</u>	<u>79,625</u>	<u>(386,090)</u>	<u>(308,482)</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	241,912	241,912
Net change in fund balances	(9,338)	7,321	79,625	(144,178)	(66,570)
Fund balances beginning of year	<u>69,081</u>	<u>80,231</u>	<u>60,025</u>	<u>144,506</u>	<u>353,843</u>
Fund balances end of year	<u>59,743</u>	<u>87,552</u>	<u>139,650</u>	<u>328</u>	<u>287,273</u>

MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-fund Transfers</u>	<u>Balance End of Year</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
HS drama	964	3,892	4,181	-	675
HS vocal music	2,571	1,868	1,990	(2,449)	-
HS instrumental music	-	4,412	9,027	4,615	-
Cross country	-	16	576	560	-
Cheerleaders	492	3,788	3,857	-	423
HS basketball	-	10,738	8,123	198	2,813
JH football	-	16,974	12,675	-	4,299
HS track	-	-	3,431	3,431	-
Volleyball	-	5,285	4,767	-	518
Co-ed golf	-	360	1,093	733	-
JH concessions	67	-	-	(67)	-
HS concessions	2,031	3,264	2,339	-	2,956
HS girls athletics	198	-	-	(198)	-
HS activity tickets	1,136	9,459	2,903	(2,470)	5,222
Athletics towel fee	-	1,260	-	(1,260)	-
HS spanish club	1,588	-	1,588	-	-
HS book club	3,240	-	3,240	-	-
Class of 2010	6,010	186	3,522	4,929	7,603
Class of 2011	1,177	18,049	11,623	(3,572)	4,031
Class of 2012	1,212	146	-	(1,225)	133
Class of 2014	-	132	-	(132)	-
Guided reading	1,012	-	1,012	-	-
Box tops for education	518	-	518	-	-
Other HS activity	1,065	-	1,065	-	-
Family planning class	349	-	349	-	-
Elementary K grade	430	-	430	-	-
HS FFA	25,738	23,136	17,377	-	31,497
Checking account interest	153	2,185	431	-	1,907
HS national honor society	109	45	492	338	-
HS pop machine	5,324	2,200	1,732	(3,431)	2,361
HS student council	17,057	9,972	8,941	-	18,088
HS yearbook	7,790	11,915	15,298	-	4,407
Elementary fundraisers	-	2,125	1,506	-	619
Total	80,231	131,407	124,086	-	87,552

MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	1,743,143	1,762,708	1,540,790	1,563,737	1,314,423	1,239,312	1,196,615
Tuition	250,007	386,360	305,483	531,387	379,173	327,854	265,955
Other	1,008,753	1,150,101	283,017	457,092	277,432	197,549	220,970
State sources	1,966,382	2,265,700	2,171,421	2,225,266	2,233,194	2,164,459	1,966,976
Federal sources	349,335	245,841	167,032	160,415	162,135	172,980	148,527
Total revenues	5,317,620	5,810,710	4,467,743	4,937,897	4,366,357	4,102,154	3,799,043
Expenditures:							
Instruction:							
Regular instruction	2,594,316	2,695,906	2,071,328	1,837,447	2,336,582	1,750,442	1,657,357
Special instruction	592,945	708,978	440,577	402,284	125,094	554,573	493,241
Other instruction	500,162	740,725	449,525	552,042	133,870	332,697	330,712
Support services:							
Student services	72,475	38,695	139,633	110,857	102,234	107,214	109,806
Instructional staff services	313,744	159,615	210,391	188,544	161,799	167,843	153,631
Administration services	591,264	552,273	550,266	566,594	477,684	416,661	391,572
Operation and maintenance	409,610	403,106	429,265	430,676	437,452	343,047	324,583
Transportation services	191,803	182,025	174,284	138,654	193,640	141,667	134,645
Central support services	-	-	-	-	-	-	155
Non-instructional programs	-	-	272	5,684	-	-	-
Other expenditures:							
Facilities acquisition	643,745	1,385,277	209,308	297,249	94,333	247,886	234,688
Long-term debt:							
Principal	255,592	38,732	70,233	62,440	60,039	29,148	-
Interest and other charges	130,826	19,588	3,259	5,756	8,157	4,950	-
AEA flowthrough	152,907	143,118	140,473	137,941	134,633	132,567	135,749
Total expenditures	6,449,389	7,068,038	4,888,814	4,736,168	4,265,517	4,228,695	3,966,139

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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
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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 27, 2011. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manning Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Manning Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 10-I-A and 10-I-B to be material weaknesses.

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 such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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.

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

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

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

April 27, 2011

MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Internal Control Deficiencies:

10-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important that District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

10-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

- 10-II-A Certified Budget: Expenditures for the year ended June 30, 2010, exceeded the amounts budgeted in the other expenditures function.
- Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion: Response accepted.
- 10-II-B Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 10-II-C Travel Expenses: 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.
- 10-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 10-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 10-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 10-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 10-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 10-II-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 10-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 10-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 10-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting (continued):

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance	\$	\$
		1,288,448
Statewide sales, services and use tax	283,021	
Interest	<u>2,920</u>	285,941
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	611,563	
Debt service for school infrastructure:		
Revenue debt	<u>241,912</u>	<u>853,475</u>
Ending balance		<u>720,914</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Debt service Levy	2.36727	241,912
Physical plant and equipment levy	.40228	41,109

10-II-M Deficit Balances: The District has an unreserved deficit fund balance in the General Fund of \$258,785 and the School Nutrition Fund has a \$4,544 deficit unrestricted net assets balance at June 30, 2010.

Recommendation: The District should continue to monitor these funds and investigate alternatives to eliminate these deficits.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.

10-II-N Physical Plant and Equipment Levy Fund Expenditures (PPEL): The PPEL property tax levy may be spent to purchase and improve grounds; to construct buildings; to purchase or lease a single unit of equipment or technology exceeding \$500 in value per unit; to repair, remodel improve, or expand buildings; for energy conservation; and to purchase transportation equipment.

We noted that the District used the PPEL Fund to pay approximately \$19,600 for equipment with a per unit cost of less than \$500.

MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting (continued):

Recommendation: The District should review these items to determine if they are part of a technology system.

District Response: We will review these items and monitor future expenditures from the PPEL Fund.

Conclusion: Response accepted.

10-II-O Signatures on Checks: The Code of Iowa states that the board secretary and the board president or the president's designee shall cosign all school district checks. The board of directors, by resolution, may designate an individual, who shall not be the board secretary, to sign checks on behalf of the president. We noted that the board of directors has approved all board members and the superintendent to sign checks in lieu of the board president. The number of people approved to sign checks is excessive.

Recommendation: The District should evaluate its check signing needs and limit the approved signers to the board secretary, the board president and one board president designee.

District Response: We will review our check signing procedures.

Conclusion: Response accepted.