

IKM-MANNING COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

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IKM COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Dennis Kasparbauer	President	2013
Scott Hodne	Vice President	2015
Lynn Barry	Board Member	2015
Amy Ferneding	Board Member	2013
David Heller	Board Member	2015
Kenny Juhl	Board Member	2013
Eric Ramsey	Board Member	2013

School Officials

Dr. Thomas Ward	Superintendent
Mary Heller	Board Secretary

Gary E. Horton CPA

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Clarion, IA 50525-0384
(515)532-6681 Phone
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Independent Auditor's Report

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

Report on the Financial Statements

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 IKM-Manning Community School District, Manilla Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents 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 IKM-Manning Community School District as of June 30,

2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise IKM-Manning Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2014 on our consideration of IKM-Manning Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and 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 in considering IKM-Manning Community School District's internal control over financial reporting and compliance.

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

May 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

IKM-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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

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 Position and a Statement of Activities. These provide information about the activities of IKM-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 IKM-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 IKM-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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
IKM-Manning Community School District Annual Financial Report

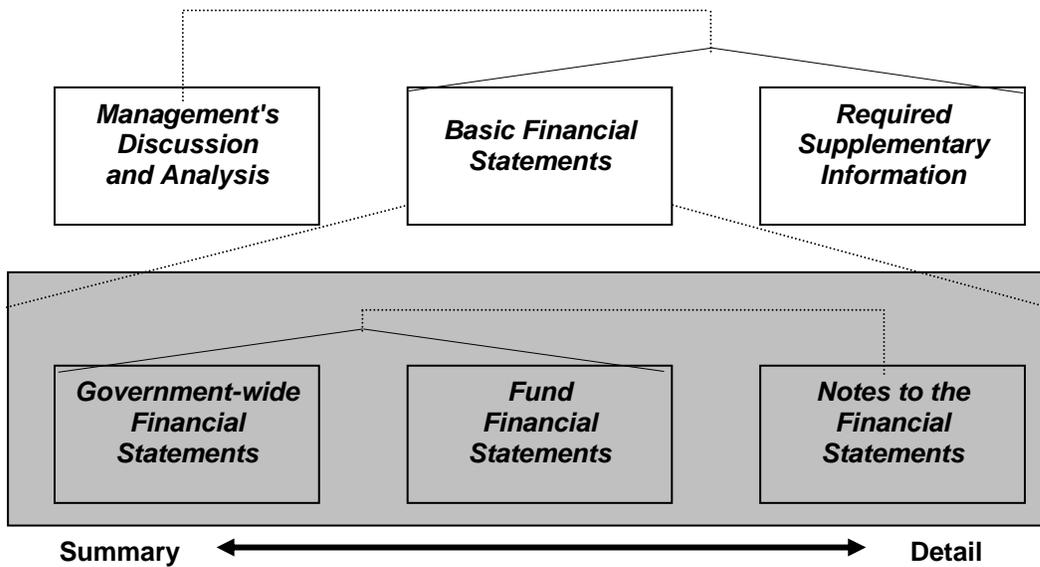


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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	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 position • 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 position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 Position 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 position and how it has changed. Net position – 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 position is 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 position, a statement of revenues, expenses and changes in fund net position 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.
 - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

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 position and a statement of changes in fiduciary net position.

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 position at June 30, 2013 compared to June 30, 2012.

Figure A-3

	Condensed Statement of Net Position						Percentage Change 2012-2013 %
	Governmental Activities		Business-type Activities		Total School District		
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	
Current and other assets	9,205,080	8,709,581	(35,668)	78,742	9,169,412	8,788,323	4%
Capital assets	3,043,152	5,101,557	68,682	78,167	3,111,834	5,179,724	-40%
Total assets	12,248,232	13,811,138	33,014	156,909	12,281,246	13,968,047	-12%
Long-term liabilities	2,436,512	2,472,282	3,457	5,709	2,439,969	2,477,991	-2%
Other liabilities	4,729,387	4,802,438	4,864	41,968	4,734,251	4,844,406	-2%
Total liabilities	7,165,899	7,274,720	8,321	47,677	7,174,220	7,322,397	-2%
Net Position:							
Net investment in capital assets	1,058,152	2,841,557	68,682	78,167	1,126,834	2,919,724	-61%
Restricted	2,387,011	2,377,556	-	-	2,387,011	2,377,556	<1%
Unrestricted	1,637,170	1,317,305	(43,989)	31,065	1,593,181	1,348,370	18%
TOTAL NET POSITION	5,082,333	6,536,418	24,693	109,232	5,107,026	6,645,650	-23%

The District's combined total net position decreased 23%, or \$1,538,624, 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 position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$9,455 or less than 1% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund.

Unrestricted net position – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$244,811, or 18%. This increase in unrestricted net position was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4

	Change in Net Position						Percentage Change 2012-2013
	Governmental Activities		Business-type Activities		Total School District		
	2013	2012	2013	2012	2013	2012	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	819,189	630,349	212,660	224,552	1,031,849	854,901	21%
Operating grants & contributions	1,106,702	1,299,554	189,418	169,398	1,296,120	1,468,952	-12%
Capital grants & contributions	-	27,850	-	-	-	27,850	-100%
General Revenues:							
Property taxes	3,827,883	3,567,666	-	-	3,827,883	3,567,666	7%
Income Surtax	454,265	416,807	-	-	454,265	416,807	9%
Statewide sales & service tax	629,636	580,018	-	-	629,636	580,018	9%
Unrestricted state grants	2,626,117	3,527,630	-	-	2,626,117	3,527,630	-26%
Unrestricted investment earnings	16,353	18,378	115	505	16,468	18,883	-13%
Loss on disposal of capital assets	(25,106)	-	-	-	(25,106)	-	-100%
Other revenue	8,230	69,331	-	-	8,230	69,331	-88%
Total Revenues	9,463,269	10,137,583	402,193	394,455	9,865,462	10,532,038	-6%
Expenses:							
Instruction	5,619,113	5,675,433	-	-	5,619,113	5,675,433	-1%
Support services	2,870,553	2,834,339	-	-	2,870,553	2,834,339	1%
Non-instructional programs	-	-	486,732	451,756	486,732	451,756	8%
Other expenditures	609,105	747,072	-	-	609,105	747,072	-18%
Total expenses	9,098,771	9,256,844	486,732	451,756	9,585,503	9,708,600	-1%
Change in ne position	364,498	880,739	(84,539)	(57,301)	279,959	823,438	-66%
Net position beginning of year (restated)	4,717,835	5,655,679	109,232	166,533	4,827,067	5,822,212	-17%
Net position end of year	5,082,333	6,536,418	24,693	109,232	5,107,026	6,645,650	-23%

In fiscal year 2013 property tax and unrestricted state grants account for 65% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$9,463,269 and expenses were \$9,098,771. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2013 \$	Total Cost of Services 2012 \$	Net Cost of Services 2013 \$	Net Cost of Services 2013 \$
Instruction	5,619,113	4,082,324	3,974,657	3,036,886
Support Services	2,870,553	1,761,409	2,868,802	1,760,236
Other Expenses	609,105	705,487	329,421	424,318
TOTAL	9,098,771	6,549,220	7,172,880	5,221,440

For the year ended June 30, 2013

- The cost financed by users of the District's programs was \$819,189. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,106,702.
- The net cost of governmental activities was financed with \$4,911,784 in property and local other taxes and \$2,626,117 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$402,193 and expenses were \$486,732. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, IKM-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 \$4,107,426.

Governmental Fund Highlights

- The General Fund balance increased from \$1,162,451 to \$1,504,902.
- The Capital Projects Fund balance increased due to the no major building projects with the Fiscal 2013 ended with a balance of \$2,059,496.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$109,232 at June 30, 2012 to \$24,693 at June 30, 2013, representing a decrease of 77%. The decrease was due in part to the purchasing of new equipment and added part time employees.

BUDGETARY HIGHLIGHTS

The District's receipts were \$759,209 less than budgeted receipts, a variance of 7%. 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$3.1 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 decrease of 40% 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 \$300,704.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2012-2013 %
	Activities		Activities		School District		
	2013	2012	2013	2012	2013	2012	
	\$	\$	\$	\$	\$	\$	
Land	33,100	33,100	-	-	33,100	33,100	0%
Buildings	2,547,825	4,473,039	-	-	2,547,825	4,473,039	-43%
Improvements	327,485	297,040	-	-	327,485	297,040	10%
Equipment & furniture	134,742	298,378	68,682	78,167	203,424	376,545	-46%
TOTAL	3,043,152	5,101,557	68,682	78,167	3,111,834	5,179,724	-40%

Long-Term Debt

At June 30, 2013 the District had \$2,439,969 in revenue and other long-term debt outstanding. This represents a decrease of approximately 2% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District has a bond non-rating attached to it.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The 100% valuation stands at \$528,752,522 with a total capacity of \$26.4 million and has an outstanding balance of \$1,985,000, leaving \$24.4 million in bonding capacity.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2012-2013 %
	2013	2012	
	\$	\$	
Governmental activities:			
Revenue bonds	1,985,000	2,260,000	-12%
Termination benefits	382,426	114,478	234%
Net OPEB liability	69,086	97,804	-29%
	<u>2,436,512</u>	<u>2,472,282</u>	<u>-1%</u>
Business type activities:			
Net OPEB liability	3,457	5,709	-39%
	<u>2,439,969</u>	<u>2,477,991</u>	<u>-2%</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 2013 enrollment decreased by 24.72 students. This drop in enrollment will decrease the District's funding for fiscal year 2015. Precautions; security updates to doors in Manning and Irwin, upgrades to intercoms in Manning and Irwin, cost associated with the closing of the Manilla campus, purchase of a new bus, and going 1:1 in the middle school, will cost in excess of \$377,000 .To pay for these projects, the District will use resources from the Capital Projects and the Physical Plant and Equipment Levy Fund.
- The District will negotiate a new agreement during fiscal 2014. 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.

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 Beth Dickson, District Secretary/Treasurer and Business Manager or Superintendent Dr. Thomas Ward, IKM-Manning Community School District, 755 Main Street, Manilla, Iowa, 51454.

BASIC FINANCIAL STATEMENTS

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	4,484,155	5,775	4,489,930
Receivables:			
Property tax:			
Delinquent	45,124	-	45,124
Succeeding year	3,852,870	-	3,852,870
Accounts	41,309	323	41,632
Internal balances	46,338	(46,338)	-
Due from other governments	735,284	-	735,284
Inventories	-	4,572	4,572
Capital assets, net of accumulated depreciation	3,043,152	68,682	3,111,834
Total assets	12,248,232	33,014	12,281,246
Liabilities			
Accounts payable	77,387	-	77,387
Salaries and benefits payable	793,033	-	793,033
Due to other governments	6,097	-	6,097
Deferred revenue:			
Succeeding year property tax	3,852,870	-	3,852,870
Other	-	4,864	4,864
Long-term liabilities:			
Portion due within one year:			
Termination benefits	106,468	-	106,468
Portion due after one year:			
Revenue bonds payable	1,985,000	-	1,985,000
Termination benefits	275,958	-	275,958
Net OPEB liability	69,086	3,457	72,543
Total liabilities	7,165,899	8,321	7,174,220
Net position			
Net investment in capital assets	1,058,152	68,682	1,126,834
Restricted for:			
Categorical funding	155,485	-	155,485
Physical plant and equipment levy	505,480	-	505,480
Student activities	168,809	-	168,809
School infrastructure	1,554,016	-	1,554,016
Debt service	3,221	-	3,221
Unrestricted	1,637,170	(43,989)	1,593,181
Total net position	5,082,333	24,693	5,107,026

See notes to financial statements.

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular	3,708,555	520,218	637,141	-
Special	905,985	141,955	8,990	-
Other	1,004,573	156,016	180,136	-
	<u>5,619,113</u>	<u>818,189</u>	<u>826,267</u>	<u>-</u>
Support services:				
Student	177,978	-	-	-
Instructional staff	385,399	-	-	-
Administration	1,024,017	-	-	-
Operation and maintenance of plant	770,760	1,000	-	-
Transportation	512,399	-	751	-
	<u>2,870,553</u>	<u>1,000</u>	<u>751</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	3,485	-	-	-
Long-term debt interest	108,400	-	-	-
AEA flowthrough	279,684	-	279,684	-
Depreciation (unallocated)*	217,536	-	-	-
	<u>609,105</u>	<u>-</u>	<u>279,684</u>	<u>-</u>
Total governmental activities	9,098,771	819,189	1,106,702	-
Business type activities:				
Non-instructional programs:				
Food service operations	486,732	212,660	189,418	-
Total	<u>9,585,503</u>	<u>1,031,849</u>	<u>1,296,120</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Loss on disposal of capital assets				
Other				

Change in net position

Net position beginning of year-restated

Net position end of year

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

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(2,551,196)	-	(2,551,196)
(755,040)	-	(755,040)
(668,421)	-	(668,421)
<u>(3,974,657)</u>	<u>-</u>	<u>(3,974,657)</u>
(177,978)	-	(177,978)
(385,399)	-	(385,399)
(1,024,017)	-	(1,024,017)
(769,760)	-	(769,760)
(511,648)	-	(511,648)
<u>(2,868,802)</u>	<u>-</u>	<u>(2,868,802)</u>
(3,485)	-	(3,485)
(108,400)	-	(108,400)
-	-	-
(217,536)	-	(217,536)
<u>(329,421)</u>	<u>-</u>	<u>(329,421)</u>
(7,172,880)	-	(7,172,880)
-	(84,654)	(84,654)
<u>(7,172,880)</u>	<u>(84,654)</u>	<u>(7,257,534)</u>
3,725,098	-	3,725,098
102,785	-	102,785
454,265	-	454,265
629,636	-	629,636
2,626,117	-	2,626,117
16,353	115	16,468
(25,106)	-	(25,106)
8,230	-	8,230
<u>364,498</u>	<u>(84,539)</u>	<u>279,959</u>
<u>4,717,835</u>	<u>109,232</u>	<u>4,827,067</u>
<u>5,082,333</u>	<u>24,693</u>	<u>5,107,026</u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2013

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Assets				
Cash, cash equivalents and pooled investments	2,061,541	1,881,948	540,666	4,484,155
Receivables:				
Property tax:				
Delinquent	41,586	1,176	2,362	45,124
Succeeding year	3,162,330	107,609	582,931	3,852,870
Accounts	41,309	-	-	41,309
Interfund receivable	46,338	-	-	46,338
Due from other governments	558,912	176,372	-	735,284
Total assets	5,912,016	2,167,105	1,125,959	9,205,080
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	77,387	-	-	77,387
Salaries and benefits payable	793,033	-	-	793,033
Due to other governments	6,097	-	-	6,097
Deferred revenue:				
Succeeding year property tax	3,162,330	107,609	582,931	3,852,870
Income surtax	368,267	-	-	368,267
Total liabilities	4,407,114	107,609	582,931	5,097,654
Fund balances:				
Restricted for:				
Categorical funding	155,485	-	-	155,485
Debt service	-	-	3,221	3,221
Management levy	-	-	370,998	370,998
Student activities	-	-	168,809	168,809
School infrastructure	-	1,554,016	-	1,554,016
Physical plant and equipment	-	505,480	-	505,480
Unassigned	1,349,417	-	-	1,349,417
Total fund balances	1,504,902	2,059,496	543,028	4,107,426
Total liabilities and fund balances	5,912,016	2,167,105	1,125,959	9,205,080

IKM-MANNINGCOMMUNITY SCHOOL DISTRICT

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

June 30, 2013

	\$
Total fund balances of governmental funds (Exhibit C)	4,107,426
<i>Amounts reported for governmental activities in the Statement of Net Position 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.	3,043,152
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	368,267
Long-term liabilities, including bonds payable, special termination benefits and other postemployment benefits payable, are not due and payable in the current year and therefore, are not reported as liabilities in the governmental funds.	<u>(2,436,512)</u>
Net position of governmental activities (Exhibit A)	<u><u>5,082,333</u></u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,996,606	732,421	200,178	4,929,205
Tuition	508,946	-	-	508,946
Other	160,745	6,553	167,528	334,826
State sources	3,562,376	49	99	3,562,524
Federal sources	170,295	-	-	170,295
Total revenues	<u>8,398,968</u>	<u>739,023</u>	<u>367,805</u>	<u>9,505,796</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,474,949	-	-	3,474,949
Special	905,985	-	-	905,985
Other	841,324	-	163,249	1,004,573
	<u>5,222,258</u>	<u>-</u>	<u>163,249</u>	<u>5,385,507</u>
Support services:				
Student	177,978	-	-	177,978
Instructional staff	307,296	78,103	-	385,399
Administration	957,152	-	61,763	1,018,915
Operation and maintenance of plant	677,640	-	97,795	775,435
Transportation	434,509	-	14,920	449,429
	<u>2,554,575</u>	<u>78,103</u>	<u>174,478</u>	<u>2,807,156</u>
Other expenditures:				
Facilities acquisition	-	64,078	-	64,078
Long-term debt:				
Principal	-	-	275,000	275,000
Interest and fiscal charges	-	-	108,400	108,400
AEA flowthrough	279,684	-	-	279,684
	<u>279,684</u>	<u>64,078</u>	<u>383,400</u>	<u>727,162</u>
Total expenditures	<u>8,056,517</u>	<u>142,181</u>	<u>721,127</u>	<u>8,919,825</u>
Excess (deficiency) of revenues over (under) expenditures	<u>342,451</u>	<u>596,842</u>	<u>(353,322)</u>	<u>585,971</u>
Other financing sources (uses):				
Operating transfers in	-	-	383,400	383,400
Operating transfers out	-	(383,400)	-	(383,400)
Total other financing sources (uses)	<u>-</u>	<u>(383,400)</u>	<u>383,400</u>	<u>-</u>
Change in fund balances	342,451	213,442	30,078	585,971
Fund balances beginning of year	<u>1,162,451</u>	<u>1,846,054</u>	<u>512,950</u>	<u>3,521,455</u>
Fund balances end of year	<u><u>1,504,902</u></u>	<u><u>2,059,496</u></u>	<u><u>543,028</u></u>	<u><u>4,107,426</u></u>

IKM-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, 2013

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		585,971
<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. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Loss on disposal of capital assets	(25,106)	
Expenditures for capital assets	74,033	
Depreciation expense	<u>(288,749)</u>	(239,822)
Income surtaxes 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		(17,421)
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 Position.		275,000
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	(267,948)	
Other postemployment benefits	<u>28,718</u>	<u>(239,230)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>364,498</u></u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Fund

June 30, 2013

	School Nutrition
	<u>\$</u>
Assets	
Current assets:	
Cash and cash equivalents	5,775
Accounts receivable	323
Inventories	4,572
Total current assets	<u>10,670</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>68,682</u>
Total assets	<u>79,352</u>
Liabilities	
Current liabilities:	
Interfund payables	46,338
Deferred revenue	4,864
Total current liabilities	<u>51,202</u>
Noncurrent liabilities:	
Net OPEB liability	<u>3,457</u>
Total liabilities	<u>54,659</u>
Net position	
Investment in capital assets	68,682
Unrestricted	<u>(43,989)</u>
Total net position	<u><u>24,693</u></u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2013

	<u>School Nutrition</u>
	\$
Operating revenue:	
Local sources:	
Charges for service	<u>212,660</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	160,652
Benefits	81,200
Purchased services	3,495
Supplies	224,916
Depreciation	11,955
Other	4,514
Total operating expenses	<u>486,732</u>
Operating income (loss)	<u>(274,072)</u>
Non-operating revenues:	
State sources	3,879
Federal sources	185,539
Interest income	115
Total non-operating revenues	<u>189,533</u>
Change in net position	(84,539)
Net position beginning of year	<u>109,232</u>
Net position end of year	<u><u>24,693</u></u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2013

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	211,366
Cash payments to employees for services	(248,421)
Cash payments to suppliers for goods or services	(215,093)
Net cash used by operating activities	<u>(252,148)</u>
Cash flows from non-capital financing activities:	
State grants received	3,879
Federal grants received	171,396
Net cash provided by non-capital financing activities	<u>175,275</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(6,984)</u>
Cash flows from investing activities:	
Interest on investments	<u>115</u>
Net increase (decrease) in cash and cash equivalents	(83,742)
Cash and cash equivalents at beginning of year	<u>89,517</u>
Cash and cash equivalents at end of year	<u><u>5,775</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(274,072)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	14,143
Depreciation	16,469
Decrease (increase) in inventories	(825)
Decrease (increase) in accounts receivable	(168)
(Decrease) increase in interfund payable	31,662
(Decrease) increase in salaries and benefits payable	(35,979)
(Decrease) increase in deferred revenue	(1,126)
(Decrease) increase in other postemployment benefits	(2,252)
Net cash used by operating activities	<u><u>(252,148)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$14,143 of federal commodities.

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	Private Purpose Trust Scholarship <u> </u> \$	<u> </u> Agency \$
Assets		
Cash, cash equivalents and pooled investments	121,426	-
Accounts receivable	<u> </u> -	<u> </u> 590
Total Assets	<u> </u> 121,426	<u> </u> 590
Liabilities		
Accounts payable	<u> </u> -	<u> </u> 590
Net Position		
Reserved for scholarships	<u> </u> 121,426	<u> </u> -

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2013

	Private Purpose Trust Scholarship <u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	22,764
Interest	<u>692</u>
Total additions	23,456
Deductions:	
Support services:	
Scholarships awarded	<u>500</u>
Change in net position	22,956
Net position beginning of year	<u>98,470</u>
Net position end of year	<u><u>121,426</u></u>

IKM-Manning COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

1. Summary of Significant Accounting Policies

IKM-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 Cities of Manning, Irwin, Kirkman and Manilla, Iowa and the predominately agricultural territory in a portion of Crawford, Audubon, Carroll and Shelby 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, IKM-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 IKM-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 Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net Position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources 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. Combining schedules are also included for the Capital Project Fund Accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 instructional, support and other costs.

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

The District's proprietary 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 position and changes in net position. 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.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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 position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating 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 financial statements:

Cash, Cash Equivalents and Pooled Investments - 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 becomes 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. 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	-
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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
Improvements other than buildings	20-50
Intangibles	3-10
Furniture and equipment	5-20

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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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 Position.

Fund Equity – In the governmental fund financial statements fund balances are classified as follows:

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2013 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General	Nonmajor Enterprise School Nutrition	46,388

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental Debt Service	Capital Projects Fund	383,400

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases & Reclassifications	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	33,100	-	-	33,100
Capital assets being depreciated:				
Buildings	7,452,097	-	-	7,452,097
Improvements other than buildings	740,910	60,593	-	801,503
Furniture and equipment	1,902,058	13,440	385,373	1,530,125
Total capital assets being deprec.	10,095,065	74,033	385,373	9,783,725

Less accumulated depreciation for:				
Buildings	4,810,194	187,388	93,310	4,904,272
Improvements other than buildings	443,870	30,148	-	474,018
Furniture and equipment	1,591,127	71,213	266,957	1,395,383
Total accumulated depreciation	<u>6,845,191</u>	<u>288,749</u>	<u>360,267</u>	<u>6,773,673</u>
Total capital assets being depreciated, net	<u>3,249,874</u>	<u>(214,716)</u>	<u>25,106</u>	<u>3,010,052</u>
Governmental activities capital assets, net	<u>3,282,974</u>	<u>(214,716)</u>	<u>25,106</u>	<u>3,043,152</u>
Business type activities:				
Furniture and equipment	149,285	6,984	12,812	143,457
Less accumulated depreciation	<u>71,118</u>	<u>11,955</u>	<u>8,298</u>	<u>74,775</u>
Business type activities capital assets, net	<u>78,167</u>	<u>(4,971)</u>	<u>4,514</u>	<u>68,682</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	597
Support services:	
Administration	5,102
Operation and maintenance of plant	2,544
Transportation	<u>62,970</u>
	71,213
Unallocated depreciation	<u>217,536</u>
Total depreciation expense – governmental activities	<u>288,749</u>
Business type activities:	
Food services	<u>11,955</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Revenue bonds	2,260,000	-	275,000	1,985,000	-
Termination benefits	114,478	306,397	38,449	382,426	106,468
Net OPEB liability	<u>97,804</u>	<u>-</u>	<u>28,718</u>	<u>69,086</u>	<u>-</u>
Total	<u>2,472,282</u>	<u>306,397</u>	<u>342,167</u>	<u>2,436,512</u>	<u>106,468</u>
Business type activities:					
Net OPEB liability	<u>5,709</u>	<u>-</u>	<u>2,252</u>	<u>3,457</u>	<u>-</u>

Termination Benefits

The District offered a voluntary early retirement plan to its employees in fiscal year 2013. Eligible employees must have completed at least twenty years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which the employee resigned. The application for early retirement is subject to approval by the Board of Education.

The District will pay for single plan health insurance until the retiree reaches age 65.

At June 30, 2013, the District has obligations to sixteen participants with a total liability of \$382,427. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$38,449.

Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 2008			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2014	3.80			
2015	3.90	120,000	11,116	131,116
2016	4.10	50,000	7,751	57,751
2017	4.25	50,000	5,663	55,663
2018	4.45	50,000	3,488	53,488
2019	4.75	50,000	1,188	51,188
		<u>320,000</u>	<u>29,206</u>	<u>349,206</u>

Year Ending June 30,	Bond Issue of June 2008			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2014	4.90			
2015	4.90	140,000	12,000	152,000
2016	4.90	130,000	6,600	136,600
2017	5.00	100,000	2,000	102,000
		<u>370,000</u>	<u>20,600</u>	<u>390,600</u>

Year Ending June 30,	Bond Issue of May 2009			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2014		-		
2015		-	69,695	69,695
2016		-	69,695	69,695
2017		-	69,695	69,695
2018	4.90	100,000	67,245	167,245
2019-2023	5.00-5.40	500,000	259,975	759,975
2024-2028	5.45-5.65	565,000	119,137	684,137
2029	5.70	130,000	3,705	133,705
		<u>1,295,000</u>	<u>659,147</u>	<u>1,954,147</u>

The District has pledged future statewide sales, services and use tax revenues to repay the bonds issued in May 2008, June 2008 and May 2009. The bonds were issued for the purpose of financing infrastructure costs. 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 70% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,693,953. For the current year, \$275,000 of principal and \$108,401 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$629,636.

The resolution providing for the issuance of statewide sales, services and use tax revenue bonds include the following provisions:

- The District shall establish a sinking fund. Money in the sinking account shall be used to pay the interest and principal on the bonds. Monthly payments to the sinking fund shall not be less than the sum of 1/6 of the next interest payment and 1/12 of the next principal payment. The sinking fund is part of the Debt Service Fund.

7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$442,733, \$373,287 and \$396,910 respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 110 active and 10 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. 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	125,850
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>(103,513)</u>
Annual OPEB cost	22,337
Contributions made	<u>(53,307)</u>
Increase in net OPEB obligation	(30,970)
Net OPEB obligation beginning of year	<u>103,513</u>
 Net OPEB obligation end of year	 <u>72,543</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. 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, 2013.

For the year ended June 30, 2013, the District contributed \$53,307 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, 2013 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
Combined IKM and Manning Districts			
2010	61,769	17	51,119
2011	63,076	17	103,513
IKM-Manning District			
2012	58,389	100	103,513
2013	22,337	239	72,543

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$684,769, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$684,769. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,715,000, and the ratio of the UAAL to covered payroll was 14.5%. As of June 30, 2013, 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, 2012 actuarial valuation date, the frozen entry age actuarial 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 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

9. Risk Management

The 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 \$279,684 for the year ended June 30, 2013, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
	\$
Home school assistance	19,229
Dropout prevention	21,810
Limited English proficiency	2,685
Teacher salary supplement	14,245
Educator quality, professional development	29,000
Gifted and talented	18,917
Core curriculum	49,599
	155,485

REQUIRED SUPPLEMENTARY INFORMATION

IKM-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, 2013

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	5,772,977	212,775	5,985,752	6,405,275	6,405,275	(419,523)
State sources	3,562,524	3,879	3,566,403	3,901,923	3,901,923	(335,520)
Federal sources	170,295	185,539	355,834	360,000	360,000	(4,166)
Total revenues	<u>9,505,796</u>	<u>402,193</u>	<u>9,907,989</u>	<u>10,667,198</u>	<u>10,667,198</u>	<u>(759,209)</u>
Expenditures/Expenses:						
Instruction	5,385,507	-	5,385,507	6,837,000	6,837,000	1,451,493
Support services	2,807,156	-	2,807,156	3,028,000	3,028,000	220,844
Non-instructional programs	-	486,732	486,732	510,000	510,000	23,268
Other expenditures	727,162	-	727,162	728,027	728,027	865
Total expenditures/expenses	<u>8,919,825</u>	<u>486,732</u>	<u>9,406,557</u>	<u>11,103,027</u>	<u>11,103,027</u>	<u>1,696,470</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	585,971	(84,539)	501,432	(435,829)	(435,829)	937,261
Balance beginning of year	<u>3,521,455</u>	<u>109,232</u>	<u>3,630,687</u>	<u>1,422,554</u>	<u>1,422,554</u>	<u>2,208,133</u>
Balance end of year	<u>4,107,426</u>	<u>24,693</u>	<u>4,132,119</u>	<u>986,725</u>	<u>986,725</u>	<u>3,145,394</u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2013

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 a 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. 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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, expenditures did not exceed the amount budgeted.

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
Combined Manning and IKM Districts							
2010	July 1, 2009	-	550,631	550,631	0.0%	3,699,000	14.9%
2011	July 1, 2009	-	551,561	551,561	0.0%	5,410,000	10.2%
IKM-Manning District							
2012	July 1, 2011	-	654,287	654,287	0.0%	5,426,599	12.1%
2013	July 1, 2012	-	684,769	684,769	0.0%	4,715,000	14.5%

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.

SUPPLEMENTARY INFORMATION

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

Assets	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	<u>Total</u>
	\$	\$	\$	\$
Cash, cash equivalents and pooled investments	368,636	168,809	3,221	540,666
Receivables:				
Property tax:				
Delinquent	2,362	-	-	2,362
Succeeding year	225,000	-	357,931	582,931
	<u>595,998</u>	<u>168,809</u>	<u>361,152</u>	<u>1,125,959</u>
Total assets				
	<u>595,998</u>	<u>168,809</u>	<u>361,152</u>	<u>1,125,959</u>
Liabilities & Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	225,000	-	357,931	582,931
	<u>225,000</u>	<u>-</u>	<u>357,931</u>	<u>582,931</u>
Fund balances:				
Restricted for:				
Debt service	-	-	3,221	3,221
Management levy	370,998	-	-	370,998
Student activities	-	168,809	-	168,809
Total fund balances	370,998	168,809	3,221	543,028
	<u>370,998</u>	<u>168,809</u>	<u>3,221</u>	<u>543,028</u>
Total liabilities and fund balances	<u>595,998</u>	<u>168,809</u>	<u>361,152</u>	<u>1,125,959</u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Management Levy	Student Activity	Debt Service	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	200,178	-	-	200,178
Other	13,281	153,641	606	167,528
State sources	99	-	-	99
Total revenues	<u>213,558</u>	<u>153,641</u>	<u>606</u>	<u>367,805</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	-	163,249	-	163,249
Support services:				
Administration services	61,763	-	-	61,763
Operation and maintenance of plant services	97,795	-	-	97,795
Transportation services	14,920	-	-	14,920
Other expenditures:				
Long-term debt:				
Principal	-	-	275,000	275,000
Interest and fiscal charges	-	-	108,400	108,400
Total expenditures	<u>174,478</u>	<u>163,249</u>	<u>383,400</u>	<u>721,127</u>
Excess (deficiency) of revenues over (under) expenditures	39,080	(9,608)	(382,794)	(353,322)
Other financing sources (uses):				
Operating transfers in	-	-	383,400	383,400
Change in fund balance	39,080	(9,608)	606	30,078
Fund balances beginning of year	<u>331,918</u>	<u>178,417</u>	<u>2,615</u>	<u>512,950</u>
Fund balances end of year	<u><u>370,998</u></u>	<u><u>168,809</u></u>	<u><u>3,221</u></u>	<u><u>543,028</u></u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash, cash equivalents and pooled investments	1,377,644	504,304	1,881,948
Receivables:			
Property tax:			
Delinquent	-	1,176	1,176
Succeeding year	-	107,609	107,609
Due from other governments	176,372	-	176,372
Total assets	<u>1,554,016</u>	<u>613,089</u>	<u>2,167,105</u>
Liabilities & Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	-	107,609	107,609
Fund balances:			
Restricted for:			
School infrastructure	1,554,016	-	1,554,016
Physical plant and equipment	-	505,480	505,480
Total fund balances	<u>1,554,016</u>	<u>505,480</u>	<u>2,059,496</u>
Total liabilities and fund balances	<u>1,554,016</u>	<u>613,089</u>	<u>2,167,105</u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance
Capital Project Accounts

Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	629,636	102,785	732,421
Other	4,812	1,741	6,553
State sources	-	49	49
Total revenues	<u>634,448</u>	<u>104,575</u>	<u>739,023</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	-	78,103	78,103
Other expenditures:			
Facilities acquisition	60,592	3,486	64,078
Total expenditures	<u>60,592</u>	<u>81,589</u>	<u>142,181</u>
Excess (deficiency) of revenues over (under) expenditures	<u>573,856</u>	<u>22,986</u>	<u>596,842</u>
Other financing sources (uses):			
Operating transfers out	<u>(383,400)</u>	<u>-</u>	<u>(383,400)</u>
Change in fund balance	190,456	22,986	213,442
Fund balances beginning of year	<u>1,363,560</u>	<u>482,494</u>	<u>1,846,054</u>
Fund balance end of year	<u><u>1,554,016</u></u>	<u><u>505,480</u></u>	<u><u>2,059,496</u></u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Manila Center				
Basketball/junior high	-	427	427	-
Football/junior high	-	1,100	1,100	-
Track/junior high	70	280	334	16
Volleyball/junior high	-	385	385	-
Concessions/junior high	235	1,853	1,801	287
Annual	407	2,364	2,086	685
Student council-MS	1,463	6,296	4,930	2,829
	<u>2,175</u>	<u>12,705</u>	<u>11,063</u>	<u>3,817</u>
Manning Center				
HS drama	7,180	6,881	3,676	10,385
Cross country	-	955	955	-
Cheerleaders	353	1,529	1,718	164
HS basketball	10,121	11,331	11,372	10,080
HS football	6,164	10,563	14,052	2,675
HS track	20	2,552	2,572	-
Baseball	-	4,541	4,541	-
Volleyball	1,075	2,610	3,542	143
Softball	-	5,633	5,558	75
Co-ed golf	-	1,007	1,007	-
HS concessions	7,428	8,845	8,202	8,071
HS activity tickets	26,172	13,755	4,703	35,224
Class of 2012	6,203	1,304	3,869	3,638
Class of 2013	284	8,827	8,805	306
Class of 2014	162	-	-	162
HS FFA	55,739	38,332	56,060	38,011
Interest	12,041	1,316	1,531	11,826
HS pop machine	3,384	2,063	1,876	3,571
HS student council	18,749	8,283	9,638	17,394
HS yearbook	19,867	10,035	8,509	21,393
Elementary year-book	1,300	574	-	1,874
	<u>176,242</u>	<u>140,936</u>	<u>152,186</u>	<u>164,992</u>
Total	<u><u>178,417</u></u>	<u><u>153,641</u></u>	<u><u>163,249</u></u>	<u><u>168,809</u></u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
Assets				
Cash	-	66,501	66,501	-
Accounts receivable	1,413	65,678	66,501	590
	<u>1,413</u>	<u>132,179</u>	<u>133,002</u>	<u>590</u>
Total assets	<u>1,413</u>	<u>132,179</u>	<u>133,002</u>	<u>590</u>
Liabilities				
Other liabilities	<u>1,413</u>	<u>65,678</u>	<u>66,501</u>	<u>590</u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Two Years

	<u>Modified Accrual Basis</u>	
	Combined IKM & Manning Districts	
	<u>2013</u>	<u>2012</u>
	\$	\$
Revenues:		
Local sources:		
Local tax	4,929,205	4,658,945
Tuition	508,946	349,253
Other	334,826	376,191
Intermediate sources		
State sources	3,562,524	4,600,531
Federal sources	170,295	202,341
Total revenues	<u>9,505,796</u>	<u>10,187,261</u>
Expenditures:		
Instruction:		
Regular	3,474,949	3,565,194
Special	905,985	958,627
Other	1,004,573	1,145,275
Support services:		
Student	177,978	143,462
Instructional staff	385,399	413,462
Administration	1,018,915	996,619
Operation and maintenance	775,435	768,273
Transportation	449,429	560,159
Other expenditures:		
Facilities acquisition	64,078	68,330
Long-term debt:		
Principal	275,000	275,000
Interest and other charges	108,400	116,246
AEA flowthrough	279,684	280,916
Total expenditures	<u>8,919,825</u>	<u>9,291,563</u>

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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
IKM-Manning Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of IKM-Manning Community School District and of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered IKM-Manning Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IKM-Manning Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of IKM-Manning Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 13-I-A, 13-I-B and 13-I-C to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether IKM-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 which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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.

IKM-Manning Community School District's Responses to Findings

IKM-Manning Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. IKM-Manning Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of IKM-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

May 30, 2014

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

13-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, payroll processing, preparing and posting general journal adjusting 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 the District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

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

Conclusion: Response accepted.

13-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.

13-I-C Signature Stamp: We noted that a stamp bearing the signatures of the Board President and Board Secretary is used to sign checks. The Board Secretary prints the checks and uses the stamp to sign the checks.

Recommendation: This practice negates the control established by requiring two signatures on the checks. The board secretary should not have access to or use a stamp with the Board President's signature.

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements (continued):

District Response: We will discuss methods to limit access to the stamp.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

13-II-A Certified Budget: Expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted.

13-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

13-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.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Dennis Kasparbauer, Board Member,	Heating/cooling units	27,330

The above transaction does not appear to be a conflict of interest as the minutes indicated that bids were taken.

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

13-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

13-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

13-II-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

13-II-I Deposits and Investments: We noted 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.

13-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

13-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

13-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	\$
		1,363,560
Revenues/transfers in:		
Statewide sales, services and use tax revenue	629,636	
Other local revenues	4,812	634,448
	<u> </u>	
Expenditures/transfers out:		
School infrastructure construction	60,592	
Transfers to debt service fund	383,400	443,992
	<u> </u>	<u> </u>
Ending balance		<u>1,554,016</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.

13-II-M Deficit Balances: The School Nutrition Fund has an unrestricted net assets deficit of \$43,989 at June 30, 2013.

Recommendation: The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

District Response: We are working on ways to eliminate the deficit.

Conclusion: Response accepted.