

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT  
MANSON, IOWA

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

JUNE 30, 2004

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MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
Don Fitzgerald	President	2005
Julie Hewitt	Vice President	2004
Jeff Siems	Board Member	2003
Stephen Schmidt	Board Member	2005
Zuella Swartzendruber	Board Member	2005
Larry Schreier	Board Member	2004
Kirk Warnke	Board Member	2003
<u>Board of Education</u>		
(After September 2003 Election)		
Don Fitzgerald	President	2005
Julie Hewitt	Vice President	2004
Terry Lawler	Board Member	2006
Stephen Schmidt	Board Member	(Resigned 5-25-04) 2005
Zuella Swartzendruber	Board Member	2005
Larry Schreier	Board Member	2004
Kirk Warnke	Board Member	2006
Denise Weiss	Board Member	(Appointed) 2004
<u>School Officials</u>		
Mark Egli	Superintendent	2004
Karen Wallace	District Secretary	2004
Diane Davis	Business Manager/Treasurer	2004
Rick Engel	Attorney	Indefinite
Gruhn Law Firm	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Manson Northwest Webster Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Manson Northwest Webster Community School District, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Manson Northwest Webster Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, Manson Northwest Webster Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2004 on our consideration of Manson Northwest Webster Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 16 and 50 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Manson Northwest Webster Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2001 (none of which are presented herein) were audited by other auditors whose report expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
September 30, 2004

## **Manson Northwest Webster CSD Management's Discussion and Analysis**

This section of the Manson Northwest Webster School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2004. Since this is the first year that requires all activities to be reported on a full accrual basis, a comprehensive comparison to the prior year is not possible. Efforts have been made to provide comparison to prior year data when such data is available. In subsequent years comparison to prior year data will be provided for all key financial information. Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

- The District's financial status improved in fiscal year 2004. Total net assets increased more than 6.6 percent or \$191,488 over the course of the year. The Governmental Activities net assets increased 6.4 percent, with the business type activities net assets increasing 15.1 percent, for an overall net increase of 6.65 percent. Overall revenues were \$8,582,908, and expenses were \$8,391,420.
- During fiscal year 2004 the District completed roofing projects at the Elementary and Middle School. A tuck-pointing project was completed at the Middle School. One bus was purchased from the PPEL fund. \$284,134 was spent from the PPEL and Capital Project funds; the total of the two funds grew from a beginning balance of \$343,923 to an ending total balance of \$485,770.
- The General Fund ending fund balance increased from \$410,711 in fiscal year 2003 to \$528,672 at the end of fiscal year 2004.
- The Statement of Net Assets indicates unrestricted net assets of \$791,967.
- Manson Northwest Webster CSD certified enrollment count taken on September 17, 2003, was 785.1. This count represented a reduction of 22.4 students from the prior year or a decline of 2.7%, eliminating any new money for the district in 2004.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts--management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* (Statement of Net Assets and Statement of Activities) that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how *basic* services like regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short- and long-term* financial information about the activities the district operates *like businesses*, such as food services and pre-school.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

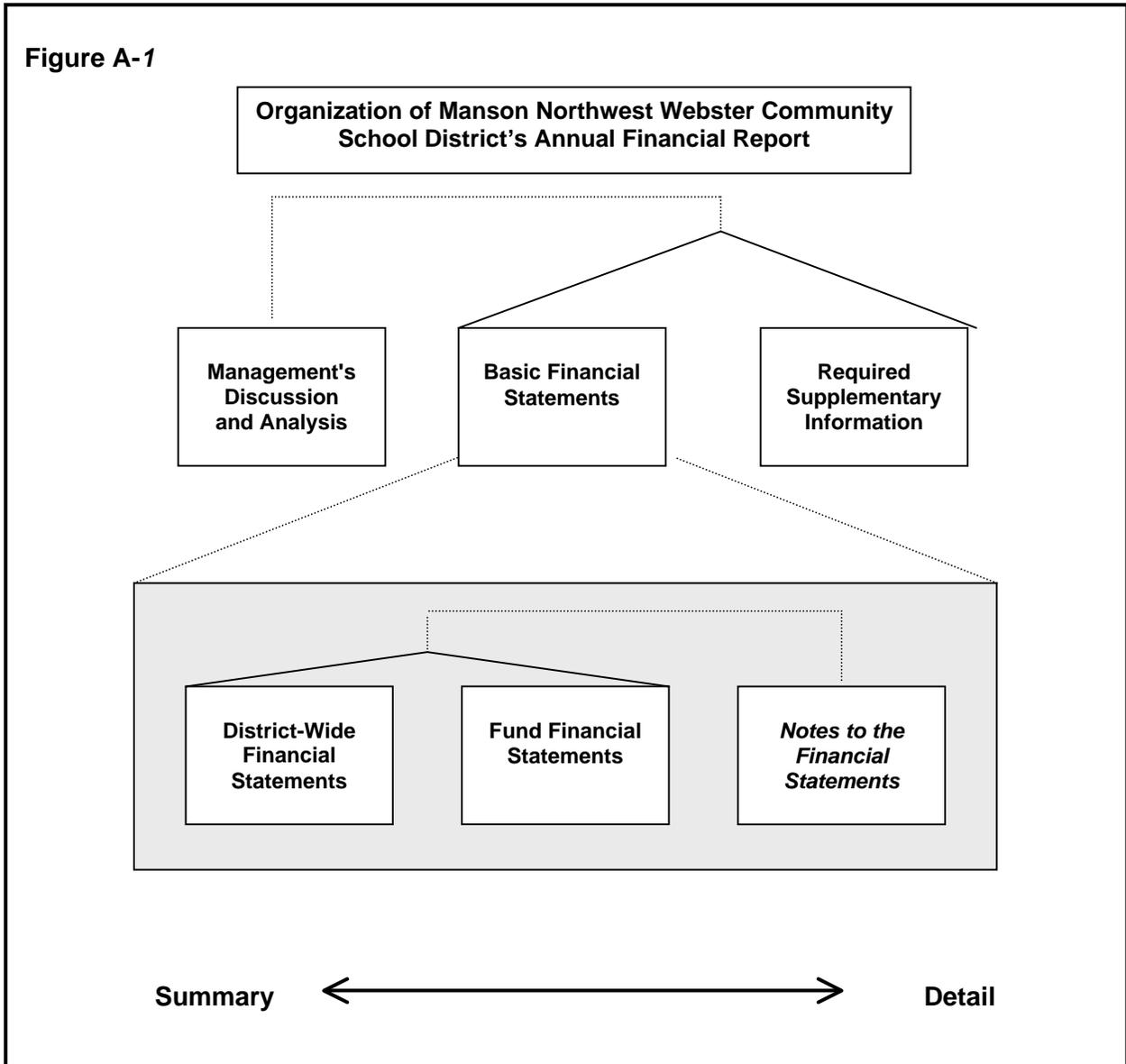


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2  
Major Features of District-Wide and Fund Financial Statements**

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses: school nutrition and the medical self insurance internal service fund included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of net assets  Statement of activities	Balance sheet  Statement of revenues, expenditures, and changes in fund balances	Statement of net assets  Statement of revenues, expenses, and changes in fund net assets  Statement of cash flows	Statement of fiduciary net assets  Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability	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 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 and payable	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

## **District-wide Statements**

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

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-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 taxes and state aid finance most of these activities.
- *Business-type activities* - The District charges fees to help it cover the costs of certain services it provides. The District's nutrition, preschool and building trades 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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *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 funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *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 district-wide statements. The District's *enterprise fund*, school nutrition (one type of proprietary fund) is the same as its business-type activities, but provides more detail and additional information, such as cash flows.
- *Internal service funds* - (the other kind of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund that handles the Flexible Spending Account.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net assets.** Table A-1 below provides a summary of the District's net assets as of June 30, 2004.

**Table A-1 Summary of Net Assets June 30, 2004**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>TOTAL</b>
Total Assets	\$ 7,781,679	\$ 113,867	\$ 7,895,546
Total Liabilities	<u>4,816,391</u>	<u>10,683</u>	<u>4,827,074</u>
Net Assets			
Invested in Capital Assets	\$ 1,697,693	\$ 24,885	\$ 1,722,578
Restricted for			
Capital Projects	201,165		201,165
PPEL	284,605		284,605
Other Special Revenue Purpose	68,157		68,157
Unrestricted	<u>713,668</u>	<u>78,299</u>	<u>791,967</u>
Total Net Assets as of June 30, 2004	\$ 2,965,288	\$ 103,184	\$ 3,068,472

The District's combined net assets were larger on June 30, 2004, than they were the year before--increasing more than 6.6% or \$191,488 (See Table A-2). The District's improved financial position is the product of many factors. The various sources of tax revenue and charges for services exceeded related expenditures. The Instructional Levy and the one- percent local option sales tax funding the Capital Projects Fund have been especially helpful to the district.

Cash and pooled investments total \$1,060,341 or 13.43% of total assets on June 30, 2004. Over \$400,000 of this cash balance is needed to fund District operations in July, August, and the first half of September when there is no state aid and very little property tax revenue.

U.S. Generally Accepted Accounting Principles (GAAP) requires that the property taxes certified in April (the lien date) for the upcoming fiscal year be accrued as a receivable and shown as unearned revenue liability. The future property tax receivable of \$2,245,450 and related unearned revenue liability on the Statement of Net Assets result from this requirement. Net property and equipment (capital assets) of \$1,722,578 represents 22% of total assets. Long term debt of \$163,192 represents only 3.4% of total liabilities. It is noteworthy that the District's Net Assets are 38.9% of Total Assets.

### **Changes in Net Assets**

Table A-2 recasts the Statement of Activities into a traditional revenue and expenses format. Unrestricted state aid accounts for 28% of District revenues and property tax accounts for 33%. An unusual segment of MNW's revenue is the Charges for Services category that contains the tuition charged to Districts that have students at Rabiner Treatment Center. Although this category has nothing to do with educating district students, these dollars inflate the District budget in appearance by adding to both the revenue and expense sides by approximately \$1,600,000, resulting in a 24% segment for this category of revenue. The local option sales tax dedicated to school infrastructure totaled \$143,333; the Instructional Support Income Surtax contributed \$279,934 to the General Program Revenues. (See Figure A-3 for percentage breakdowns).

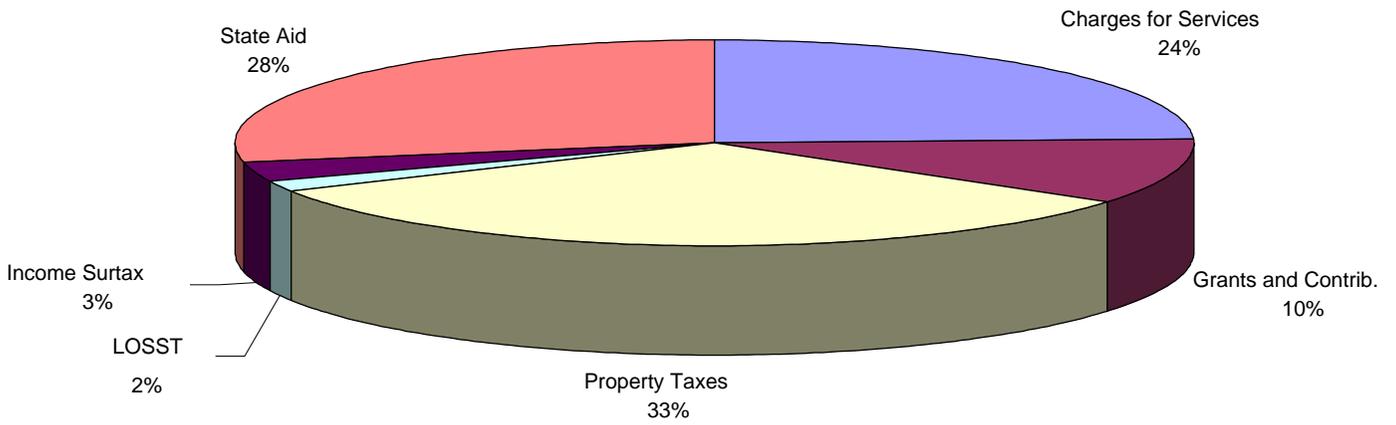
The District's expenses are predominately related to the instruction of students (65percent). (See Figure A-4). The support services, non-instructional programs, and unallocated depreciation categories account for 35% of expenses. These categories contain many line items directly supporting students and instruction such as guidance, health, media, technology, improvement of instruction, student transportation, food service program costs, and depreciation expense not directly allocated to any functional area.

Operations and maintenance and building administration are also significant in the support services area. The State of Iowa by formula funds local school districts for the services of area education agencies and then pays these dollars directly to the agency.

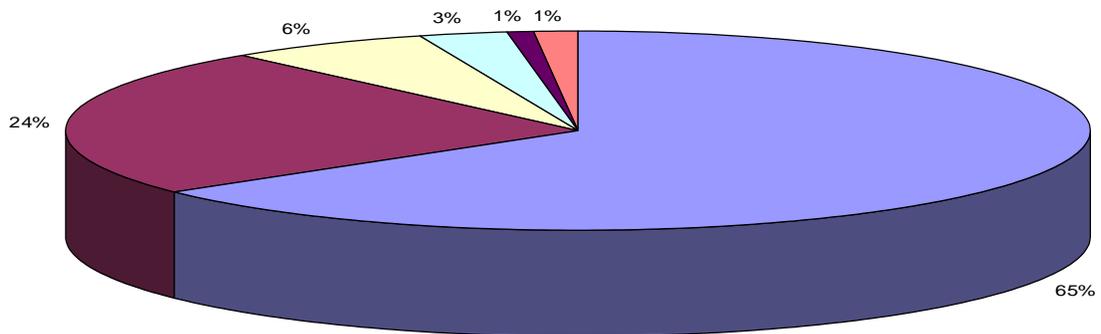
**Table A-2  
Changes in District Net Assets**

	<b>Governmental Activities</b>	<b>Business Activities</b>	<b>Total</b>
Revenues			
Program Revenues			
Charges for services	\$1,656,832	\$429,934	\$2,086,766
Operating Grants and Contributions	707,762	119,186	826,948
Capital Grants and Contrib	<u>48,602</u>	<u>-----</u>	<u>48,602</u>
Total	<u>\$ 2,413,196</u>	<u>\$ 549,120</u>	<u>\$ 2,962,316</u>
General Revenues			
Property Taxes-General Purposes	2,548,177		2,548,177
PPEL-Property Taxes	232,216		232,216
Local Option Sales Tax	143,333		143,333
Income Surtax	279,934		279,934
Unrstr. State aid	2,388,056		2,388,056
Unrst. Invest. Earnings	9,167	556	9,723
Other	<u>19,153</u>	<u>-----</u>	<u>19,153</u>
Total	<u>\$ 5,620,036</u>	<u>\$ 556</u>	<u>\$ 5,620,592</u>
Total Revenue	<u>\$ 8,033,232</u>	<u>\$ 549,676</u>	<u>\$ 8,582,908</u>
Expenses			
Instruction related	\$5,400,886		\$5,400,886
Support services	2,030,001		2,030,001
Non-instructional Programs	----	536,178	536,178
Area education agency	234,608		234,608
Facilities Acquisition	70,372		70,372
Depreciation (unallocated)	<u>119,375</u>	<u>-----</u>	<u>119,375</u>
Total expenses	<u>\$ 7,855,242</u>	<u>\$ 536,178</u>	<u>\$ 8,391,420</u>
Increase in net assets	<u>\$ 177,990</u>	<u>\$13,498</u>	<u>\$191,488</u>

**Figure A-3 District Revenues 2004**



**Figure A-4 District Expenses 2004**



■ Instruction 
 ■ Support Services 
 ■ Noninstructional programs 
 ■ AEA 
 ■ Facilities Acquisition 
 ■ Depreciation

## Governmental Activities

Revenues for governmental activities were \$8,033,232 while expenses amounted to \$7,855,242. Depreciation expense of \$119,375 was unallocated.

Table A-3 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

**Table A-3**  
**Net Cost of District's Governmental Activities**

	<b>Total Cost of Services in 2004</b>	<b>Net Cost of Services in 2004</b>
Instruction	\$ 5,400,886	\$ 3,290,051
Pupil and Instructional Services	507,853	507,853
Administration and Business	582,914	582,914
Maintenance and Operations	549,052	544,576
Transportation	390,182	375,507
Other	<u>424,355</u>	<u>141,145</u>
Total	\$ 7,855,242	\$ 5,442,046

- The cost of all governmental activities this year was \$7,855,242.
- Users of the District's programs financed \$1,656,832 of the cost.
- The federal and state governments and private contributors subsidized certain programs with grants and contributions of \$756,364.
- District taxpayers and the taxpayers of our state financed most of the District's costs (\$5,442,046).
- The net cost portion of governmental activities was financed with \$2,780,393 in property taxes, \$2,388,056 in unrestricted state aid, \$143,333 in local option sales taxes, \$279,934 in Instructional Support Income Surtax, and \$28,320 in interest and misc.

## **Business - Type Activities**

Revenues of the District's food service operation were comprised of charges for the daily lunch and breakfasts and federal and state reimbursements. Also included in business-type operations are the building trades program and the pre-school program under Other programs. Business-type activity revenues exceeded expenses by \$13,498.

## **Financial Analysis of the District's Funds**

The financial performance of the District as a whole is reflected in its governmental funds as well. (Refer to the Governmental Funds Balance Sheet and Statement of Revenue, Expenditures.) As the District completed the year, its governmental funds reported combined fund balances of \$1,150,853, 24.6% percent higher than the prior year's ending fund balances of \$923,822. The only Nonmajor governmental fund to decline in balance was the Management Fund as a radical increase in school insurance premium was not completely compensated for with an commensurate increase in the fund levy.

## **Budgetary Highlights**

- District continues to budget on a cash basis.
- The District levied \$175,000 for cash reserve.
- The District amended its budget to account for increased Rabiner Treatment Center costs and additional building repairs not originally in the budget.
- The District's budget versus actual results was within acceptable management planning parameters. Overall, the final variance for the expenditures was a positive \$186,258.

See the Budgetary Comparison schedule of Receipts, Disbursements and Changes in Balances-Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund in the Required Supplementary Information.

## **Capital Asset and Debt Administration**

### **Capital Assets**

Detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation expense for the year for governmental activities was \$211,077. Business-type depreciation for food service was \$6,173.

Because the most recent construction in the district is approximately 30 years old on a 50-year depreciation schedule, with other construction over 50 years, net governmental net capital assets stand at only \$1,697,693. Of course, this in no way reflects the replacement cost of our structures, nor does it reflect the fine condition of the district's facilities.

### **Long – Term Debt**

At year-end the District had \$163,192 in Early Retirement benefit obligations.

## **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of six existing circumstances that could significantly affect its financial health in the future:

- The District's primary source of revenue is the State of Iowa's school aid formula. Because of the national and state recession, the allowable growth in aid to schools was only 2% for fiscal year 2004. Costs of providing a quality education program are rising faster than 2%. Teacher settlements alone over the past several years are in the 4% range. Future allowable growth increases need to be higher.
- The District has relied heavily upon the Instructional Support Levy to stabilize its general fund balance over the past four years. The levy will be up for passage again in the fall of 2005 and must be in place to avoid immediate reductions in personnel and programs.
- More than 70 percent of the general fund budget is salaries and benefits. Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably, arbitrated settlements are higher than current levels of allowable growth in funding. Education budgets are then squeezed. A solution needs to be found.
- One of the key elements of the Iowa State school aid formula is certified enrollment. Since 1999, the District has lost 12.5% of its student population. The District projects a decline even more rapid over the next ten years. When enrollment drops it means less state aid. Stability or even increases in enrollment are critical to maintaining a solid financial picture. District conversations must begin immediately to discuss choices that must be made in the face of impending decline.
- In 2001 two important legislative acts were passed into law which affects public school education. The federal government passed "*No Child Left Behind*" and Iowa passed the "*Student Achievement and Teacher Quality Act.*" The District is currently working through the various requirements of these laws. While the intent of this legislation is sound, additional costs and unfunded mandates may develop.
- Health Insurance cost increases were up over 20 percent from the 2002-2003 fiscal year to the 2003-2004 fiscal year, and because of the aging population of the employees and their usage of the benefit, it bears watching for the ensuing years. This is an area that causes the District major financial concerns.

## **Contacting the District's Financial Management**

This financial report is designed to provide our 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 Mark Egli, Superintendent, Manson Northwest Webster Community School District, 1227 16<sup>th</sup> Street, Manson, IA 50563, Phone number 712-469-2202, Fax number: 712-469-2298, or [eglim@manson-nw.k12.ia.us](mailto:eglim@manson-nw.k12.ia.us) for e-mail.

## Basic Financial Statements

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2004

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 975,920	\$ 84,421	\$ 1,060,341
Receivables:			
Property tax:			
Current year	41,270	-	41,270
Succeeding year	2,245,450	-	2,245,450
Income surtax	279,934	-	279,934
Accrued interest	250	-	250
Accounts	1,880	139	2,019
Due from other governments	850,955	-	850,955
Inventories	-	4,422	4,422
Restricted ISCAP assets (note 3):			
Investments	1,684,124	-	1,684,124
Accrued interest receivable	4,203		4,203
Capital assets, net of accumulated depreciation (note 4)	<u>1,697,693</u>	<u>24,885</u>	<u>1,722,578</u>
 Total assets	 <u>7,781,679</u>	 <u>113,867</u>	 <u>7,895,546</u>
Liabilities			
Accounts payable	237,460	2,705	240,165
Salaries and benefits payable	489,870	7,978	497,848
ISCAP warrants payable (note 3)	1,674,000	-	1,674,000
ISCAP accrued interest payable (note 3)	6,419	-	6,419
Deferred revenue:			
Succeeding year property tax	2,245,450	-	2,245,450
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement payable	54,494	-	54,494
Portion due after one year:			
Early retirement payable	<u>108,698</u>	<u>-</u>	<u>108,698</u>
 Total liabilities	 <u>4,816,391</u>	 <u>10,683</u>	 <u>4,827,074</u>

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets	\$ 1,697,693	\$ 24,885	\$ 1,722,578
Restricted for:			
Physical plant and equipment levy	284,605	-	284,605
Other special revenue purposes	68,157	-	68,157
Capital projects	201,165	-	201,165
Unrestricted	<u>713,668</u>	<u>78,299</u>	<u>791,967</u>
Total net assets	<u>\$ 2,965,288</u>	<u>\$ 103,184</u>	<u>\$ 3,068,472</u>

See notes to financial statements.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental Activities:</b>				
Instruction:				
Regular instruction	\$ 2,839,852	\$ 333,317	\$ 270,862	\$ -
Special instruction	1,948,693	1,056,365	173,134	-
Other instruction	612,341	262,674	14,483	-
	<u>5,400,886</u>	<u>1,652,356</u>	<u>458,479</u>	<u>-</u>
Support services:				
Student services	185,033	-	-	-
Instructional staff services	322,820	-	-	-
Administration services	582,914	-	-	-
Operation and maintenance of plant services	549,052	4,476	-	-
Transportation services	390,182	-	14,675	-
	<u>2,030,001</u>	<u>4,476</u>	<u>14,675</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	70,372	-	-	48,602
AEA flowthrough	234,608	-	234,608	-
Depreciation (unallocated) *	119,375	-	-	-
	<u>424,355</u>	<u>-</u>	<u>234,608</u>	<u>48,602</u>
Total governmental activities	7,855,242	1,656,832	707,762	48,602
<b>Business-Type Activities:</b>				
Non-instructional programs:				
Food service operations	290,322	177,092	119,186	-
Other programs	245,856	252,842	-	-
	<u>536,178</u>	<u>429,934</u>	<u>119,186</u>	<u>-</u>
Total	<u>\$ 8,391,420</u>	<u>\$ 2,086,766</u>	<u>\$ 826,948</u>	<u>\$ 48,602</u>

Net (Expense) Revenue  
and Changes in Net Assets

---

Governmental Activities	Business-Type Activities	Total
(2,235,673) \$	- \$	(2,235,673)
(719,194)	-	(719,194)
(335,184)	-	(335,184)
(3,290,051)	-	(3,290,051)
(185,033)	-	(185,033)
(322,820)	-	(322,820)
(582,914)	-	(582,914)
(544,576)	-	(544,576)
(375,507)	-	(375,507)
(2,010,850)	-	(2,010,850)
(21,770)	-	(21,770)
-	-	-
(119,375)	-	(119,375)
(141,145)	-	(141,145)
(5,442,046)	-	(5,442,046)
-	5,956	5,956
-	6,986	6,986
-	12,942	12,942
(5,442,046)	12,942	(5,429,104)

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 12)

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

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Governmental Activities	Business-Type Activities	Total
\$ 2,548,177	\$ -	\$ 2,548,177
232,216	-	232,216
279,934	-	279,934
143,333	-	143,333
2,388,056	-	2,388,056
9,167	556	9,723
19,153	-	19,153
<hr/>		
5,620,036	556	5,620,592
<hr/>		
177,990	13,498	191,488
2,787,298	89,686	2,876,984
<hr/>		
<u>\$ 2,965,288</u>	<u>\$ 103,184</u>	<u>\$ 3,068,472</u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2004

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and pooled investments	\$ 359,672	\$ 616,248	\$ 975,920
Receivables:			
Property tax:			
Current year	36,341	4,929	41,270
Succeeding year	1,999,763	245,687	2,245,450
Income surtax	279,934	-	279,934
Accrued interest	250	-	250
Accounts	-	1,880	1,880
Due from other governments	841,071	9,884	850,955
Restricted ISCAP assets (note 3):			
Investments	1,684,124	-	1,684,124
Accrued interest receivable	4,203	-	4,203
	<u>5,205,358</u>	<u>878,628</u>	<u>6,083,986</u>
Total assets	\$ 5,205,358	\$ 878,628	\$ 6,083,986
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 226,700	\$ 10,760	\$ 237,460
Salaries and benefits payable	489,870	-	489,870
ISCAP warrants payable (note 3)	1,674,000	-	1,674,000
ISCAP accrued interest payable (note 3)	6,419	-	6,419
Deferred revenue:			
Succeeding year property tax	1,999,763	245,687	2,245,450
Other	279,934	-	279,934
Total liabilities	<u>4,676,686</u>	<u>256,447</u>	<u>4,933,133</u>
Fund balance:			
Unreserved:			
Reported in nonmajor Special Revenue Funds	-	421,016	421,016
Undesignated	528,672	201,165	729,837
Total fund balances	<u>528,672</u>	<u>622,181</u>	<u>1,150,853</u>
Total liabilities and fund balances	\$ 5,205,358	\$ 878,628	\$ 6,083,986

See notes to financial statements.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2004

Total fund balances of governmental funds	\$ 1,150,853
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,697,693
Other long-term assets, including income surtax receivable, are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	279,934
Long-term liabilities, including early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(163,192)</u>
Net assets of governmental activities	<u>\$ 2,965,288</u>

See notes to financial statements.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	General	Nonmajor Governmental Funds	Total
<b>Revenues:</b>			
Local sources:			
Local tax	\$ 2,726,978	\$ 475,106	\$ 3,202,084
Tuition	1,352,119	-	1,352,119
Other	66,415	264,608	331,023
State sources	2,876,121	340	2,876,461
Federal sources	222,208	48,602	270,810
Total revenues	<u>7,243,841</u>	<u>788,656</u>	<u>8,032,497</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular instruction	2,696,817	53,509	2,750,326
Special instruction	1,956,353	-	1,956,353
Other instruction	381,115	245,773	626,888
	<u>5,034,285</u>	<u>299,282</u>	<u>5,333,567</u>
Support services:			
Student services	185,033	-	185,033
Instructional staff services	324,558	-	324,558
Administration services	499,961	81,793	581,754
Operation and maintenance of plant services	540,780	-	540,780
Transportation services	307,755	72,869	380,624
	<u>1,858,087</u>	<u>154,662</u>	<u>2,012,749</u>
Other expenditures:			
Facilities acquisition	-	225,642	225,642
AEA flowthrough	234,608	-	234,608
	<u>234,608</u>	<u>225,642</u>	<u>460,250</u>
Total expenditures	<u>7,126,980</u>	<u>679,586</u>	<u>7,806,566</u>
Excess of revenues over expenditures	<u>116,861</u>	<u>109,070</u>	<u>225,931</u>

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	General	Nonmajor Governmental Funds	Total
Other financing sources:			
Sale of equipment	\$ 1,100	\$ -	\$ 1,100
Net change in fund balances	117,961	109,070	227,031
Fund balances beginning of year	410,711	513,111	923,822
Fund balances end of year	\$ 528,672	\$ 622,181	\$ 1,150,853

See notes to financial statements.

## MANSON NORTHWEST WEBSTER 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, 2004

Net change in fund balances - total governmental funds	\$	227,031
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Amounts reported for governmental activities in the statement of activities  
are different because:

Capital outlays to purchase or build capital assets are reported in  
governmental funds as expenditures. However, those costs are reported  
in the statement of net assets and are allocated over their estimated useful  
lives as depreciation expense in the statement of activities. The amounts  
of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$	257,398	
Depreciation expense		<u>(211,077)</u>	46,321

Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities.	(364)
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Some expenses, including early retirement payable, reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(94,998)</u>
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Change in net assets of governmental activities	\$	<u><u>177,990</u></u>
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See notes to financial statements.

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2004

	Nonmajor Enterprise Funds	Internal Service - Flexible Benefits
	<u>          </u>	<u>          </u>
Assets		
Cash and cash equivalents	\$ 84,421	\$ 1,065
Accounts receivable	139	-
Inventories	4,422	-
Capital assets, net of accumulated depreciation	24,885	-
Total assets	<u>113,867</u>	<u>1,065</u>
Liabilities		
Accounts payable	2,705	-
Salaries and benefits payable	7,978	-
Total liabilities	<u>10,683</u>	<u>-</u>
Net Assets		
Invested in capital assets	24,885	-
Unrestricted	78,299	1,065
Total net assets	<u>\$ 103,184</u>	<u>\$ 1,065</u>

See notes to financial statements.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2004

	<u>Nonmajor Enterprise Funds</u>	<u>Internal Service - Flexible Benefits</u>
Operating revenues:		
Local sources:		
Charges for services	\$ 429,934	\$ 6,302
Operating expenses:		
Non-instructional programs:		
Non-instructional operations:		
Salaries	117,735	-
Benefits	16,318	-
Purchased services	10,949	-
Supplies	384,150	-
Small equipment	853	-
Depreciation	6,173	-
Other	-	5,237
	<u>536,178</u>	<u>5,237</u>
Operating income (loss)	<u>(106,244)</u>	<u>1,065</u>
Non-operating revenues:		
Interest on investments	556	-
State sources	4,866	-
Federal sources	114,320	-
Total non-operating revenues	<u>119,742</u>	<u>-</u>
Change in net assets	13,498	1,065
Net assets beginning of year	<u>89,686</u>	<u>-</u>
Net assets end of year	<u>\$ 103,184</u>	<u>\$ 1,065</u>

See notes to financial statements.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2004

	Nonmajor Enterprise Funds	Internal Service - Flexible Benefits
	<u>          </u>	<u>          </u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 176,065	\$ -
Cash received from miscellaneous operating activities	253,730	6,302
Cash payments to employees for services	(129,568)	-
Cash payments to suppliers for goods or services	<u>(363,419)</u>	<u>(5,237)</u>
Net cash provided by (used in) operating activities	<u>(63,192)</u>	<u>1,065</u>
Cash flows from non-capital financing activities:		
State grants received	4,866	-
Federal grants received	<u>91,565</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>96,431</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>556</u>	<u>-</u>
Net increase in cash and cash equivalents	33,795	1,065
Cash and cash equivalents beginning of year	<u>50,626</u>	<u>-</u>
Cash and cash equivalents end of year	<u>\$ 84,421</u>	<u>\$ 1,065</u>

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2004

	Nonmajor Enterprise Funds	Internal Service - Flexible Benefits
	<u>        </u>	<u>        </u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (106,244)	\$ 1,065
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	6,173	-
Commodities used	22,755	-
(Increase) in accounts receivable	(139)	-
Decrease in inventories	7,259	-
Increase in accounts payable	2,519	-
Increase in salaries and benefits payable	4,485	-
	<u>                        </u>	<u>                        </u>
Net cash provided by (used in) operating activities	\$ <u>(63,192)</u>	\$ <u>1,065</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$22,755 of federal commodities.

See notes to financial statements.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2004

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>28,227</u>	\$ <u>788</u>
Liabilities:		
Other payables	<u>-</u>	<u>\$ 788</u>
Net assets:		
Reserved for scholarships	\$ <u>28,227</u>	

See notes to financial statements.

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS  
Year Ended June 30, 2004

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 1,407	
Interest	<u>701</u>	
Total additions	<u>2,108</u>	
Deductions:		
Support services:		
Scholarships awarded		<u>1,650</u>
Change in net assets		458
Net assets beginning of year, as restated (note 11)		<u>27,769</u>
Net assets end of year	\$	<u><u>28,227</u></u>

See notes to financial statements.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

Manson Northwest Webster Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Manson and Barnum, Iowa, and the predominate agricultural territory in Pocahontas, Calhoun, and Webster County. 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, Manson Northwest Webster 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. Manson Northwest Webster Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but 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 Calhoun and Webster County Assessor's Conference Boards.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management 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 that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental fund:

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

The District reports the following proprietary funds:

The District's enterprise funds are the School Nutrition Fund, Building Trades Fund, and Preschool Fund. These funds are used to account for the food services, student built house program, and preschool operations of the District.

The Internal Service, Flexible Benefits Fund is used to account for the flexible benefits program offered by the District.

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

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of 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.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the 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 judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Proprietary funds distinguish operating revenues and expenses from 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.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

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

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

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. 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 to the County Auditor by April 15 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 District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The 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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

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

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

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

Asset Class	Estimated Useful Lives
Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenses 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 collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

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

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use. The District’s policy is not to reimburse employees for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated liability at June 30, 2004.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

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

Invested in capital assets – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

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

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District’s deposits in banks at June 30, 2004 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.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 2. Cash and Pooled Investments (continued)

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$628,962 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

Note 3. Iowa Schools Cash Anticipation Program (ISCAP)

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

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1/30/2004	1/28/2005	\$ 761,148	\$ 4,141	\$ 756,000	\$ 6,342
2004-05A	6/30/2004	6/30/2005	922,976	62	918,000	77
Total			<u>\$ 1,684,124</u>	<u>\$ 4,203</u>	<u>\$ 1,674,000</u>	<u>\$ 6,419</u>

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

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04A	\$ -	\$ 80,000	\$ 80,000	\$ -

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 3. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2003-04A	2.000%	1.050%
2003-04B	2.000%	1.392%
2004-05A	3.000%	2.463%

Note 4. Capital Assets

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

	<u>Balance Beginning of Year, as Restated (note 12)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital assets being depreciated:				
Buildings	4,532,521 *	142,997	-	4,675,518
Improvements other than buildings	390,192 *	-	-	390,192
Furniture and equipment	2,092,176 *	114,401	30,012	2,176,565
Total capital assets being depreciated	<u>7,014,889</u>	<u>257,398</u>	<u>30,012</u>	<u>7,242,275</u>
Less accumulated depreciation for:				
Buildings	3,351,708	101,149	-	3,452,857
Improvements other than buildings	288,545	17,432	-	305,977
Furniture and equipment	1,733,264	92,496	30,012	1,795,748
Total accumulated depreciation	<u>5,373,517</u>	<u>211,077</u>	<u>30,012</u>	<u>5,554,582</u>
Total capital assets being depreciated, net	<u>1,651,372</u>	<u>46,321</u>	<u>-</u>	<u>1,697,693</u>
Governmental activities capital assets, net	<u>\$ 1,651,372</u>	<u>\$ 46,321</u>	<u>\$ -</u>	<u>\$ 1,697,693</u>

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Capital Assets (continued)

\* = In preparation for implementing Governmental Accounting Standards Board Statement No. 34, the District has increased its capitalization limit to \$1,500. The effects of this change included the removal of \$7,548 of items previously classified as buildings and \$88,743 of items previously classified as furniture and equipment. In addition, \$111,624 of items previously classified as furniture and equipment have been reclassified as buildings and \$386,899 of items previously classified as furniture and equipment have been reclassified as improvements other than buildings to more properly reflect the nature of these items. The beginning balances have been adjusted to reflect these changes.

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 240,439	\$ -	\$ -	\$ 240,439
Less accumulated depreciation	209,381	6,173	-	215,554
Business-type activities capital assets, net	<u>\$ 31,058</u>	<u>\$ (6,173)</u>	<u>\$ -</u>	<u>\$ 24,885</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

    Instruction:

Regular	\$ 9,929
Special	1,915
Other	1,941

    Support services:

Instructional staff	435
Administration	1,160
Operation and maintenance of plant services	8,272
Transportation	68,050

Unallocated depreciation

91,702  
119,375

Total governmental activities depreciation expense

\$ 211,077

Business-type activities:

Food service operations	<u>\$ 6,173</u>
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MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	<u>Early Retirement</u>
Balance beginning of year	\$ 68,194
Additions	120,330
Reductions	<u>25,332</u>
Balance end of year	<u>\$ 163,192</u>
Due within one year	<u>\$ 54,494</u>

Early Retirement

The District offers a voluntary early retirement plan to both its certified and non-certified employees.

Eligible certified employees must be at least age fifty-five and have completed ten years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive is equal to \$10 per day for unused sick days up to a maximum of \$1,500 plus 125% of the difference between his/her current year salary and the beginning BA base salary. Eligible non-certified employees must be at least age fifty-five and have completed fifteen years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive is equal to the employee's accumulated sick leave over 30 days up to a maximum of 90 days. The employee may also wish to continue insurance coverage, if eligible, for three years at the District's expense, after that coverage may be continued at the employee's expense until age 65. Early retirement benefits paid during the year ended June 30, 2004, totaled \$25,332. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Operating Lease

The District is obligated under a copier equipment lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations and therefore are not reflected on the District's financial statements. The agreement provides for monthly lease payments of \$2,237 during the term of the lease.

The total future payments under the lease agreement are as follows:

<u>Year Ending June 30,</u>	<u>Copiers</u>
2005	\$ 26,849
2006	26,849
2007	<u>15,662</u>
Total	<u>\$ 69,360</u>

Total payments under the lease agreement for the year ended June 30, 2004 were \$26,849.

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$190,124, \$210,961, and \$199,491 respectively, equal to the required contributions for each year.

Note 8. Risk Management

Manson Northwest Webster Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to ISEBA fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 8. Risk Management (continued)

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$515,326.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$234,608 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District entered into various contracts totaling \$164,466 for middle school and elementary school reroofing. As of June 30, 2004 no costs have been incurred on the contracts. The remaining amounts of the contracts will be paid as work on the projects progresses.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 11. Restatement of Beginning Balances

The beginning balances of the Fiduciary, Private Purpose Trust Fund and the Fiduciary Agency Fund have been restated to properly include funds which were not included in prior years reported balances as shown below:

	Private Purpose Trust Fund	Agency Fund
Beginning balance, as previously reported	\$ 27,682	\$ -
Unrecorded funds	<u>87</u>	<u>4,136</u>
Beginning balance, as restated	<u>\$ 27,769</u>	<u>\$ 4,136</u>

Note 12. Accounting Change

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

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; were implemented during the year June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

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

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

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 12. Accounting Change (continued)

	<u>Fund</u>		
	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Net assets, June 30, 2003, as previously reported	\$ <u>410,711</u>	\$ <u>513,111</u>	\$ 923,822
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$5,373,517			1,651,372
Long-term liabilities:			
Early retirement			(68,194)
Deferred revenue			<u>280,298</u>
Net assets, July 1, 2003, as restated			\$ <u><u>2,787,298</u></u>

Required Supplementary Information

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds  
 and Proprietary Funds  
 Required Supplementary Information  
 Year Ended June 30, 2004

	Governmental Funds - Actual	Proprietary Funds - Enterprise - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>RECEIPTS:</b>						
Local sources	\$ 4,419,750	\$ 430,351	\$ 4,850,101	\$ 5,190,696	\$ 5,190,696	\$ (340,595)
Intermediate sources	-	-	-	3,411	3,411	(3,411)
State sources	2,778,690	4,866	2,783,556	2,859,318	2,859,318	(75,762)
Federal sources	247,356	114,320	361,676	212,000	212,000	149,676
<b>Total receipts</b>	<b>7,445,796</b>	<b>549,537</b>	<b>7,995,333</b>	<b>8,265,425</b>	<b>8,265,425</b>	<b>(270,092)</b>
<b>DISBURSEMENTS:</b>						
Instruction	5,095,587	-	5,095,587	4,920,000	5,100,000	4,413
Support services	1,991,777	-	1,991,777	1,986,000	2,000,000	8,223
Non-instructional programs	-	515,742	515,742	585,000	585,000	69,258
Other expenditures	470,636	-	470,636	551,465	575,000	104,364
<b>Total disbursements</b>	<b>7,558,000</b>	<b>515,742</b>	<b>8,073,742</b>	<b>8,042,465</b>	<b>8,260,000</b>	<b>186,258</b>
Excess (deficiency) of receipts over (under) disbursements	(112,204)	33,795	(78,409)	222,960	5,425	(83,834)
Other financing sources, net	1,100	-	1,100	-	-	1,100
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(111,104)	33,795	(77,309)	222,960	5,425	(82,734)
Balance beginning of year	1,087,024	50,626	1,137,650	1,338,008	1,338,008	(200,358)
Balance end of year	<u>\$ 975,920</u>	<u>\$ 84,421</u>	<u>\$ 1,060,341</u>	<u>\$ 1,560,968</u>	<u>\$ 1,343,433</u>	<u>\$ (283,092)</u>

See accompanying independent auditor's report.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2004

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 7,445,796	\$ 586,701	\$ 8,032,497
Expenditures	7,558,000	248,566	7,806,566
Net	(112,204)	338,135	225,931
Other financing sources	1,100	-	1,100
Beginning fund balances	1,087,024	(163,202)	923,822
Ending fund balances	<u>\$ 975,920</u>	<u>\$ 174,933</u>	<u>\$ 1,150,853</u>
	Proprietary Funds		
	Enterprise		
	Cash	Accrual	Accrual
	Basis	Adjust- ments	Basis
Revenues	\$ 549,537	\$ 139	\$ 549,676
Expenses	515,742	20,436	536,178
Net	33,795	(20,297)	13,498
Beginning net assets	50,626	39,060	89,686
Ending net assets	<u>\$ 84,421</u>	<u>\$ 18,763</u>	<u>\$ 103,184</u>

See accompanying independent auditor's report.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$217,535.

Other Supplementary Information

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2004

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total
Assets					
Cash and pooled investments	\$ 66,771	\$ 68,237	\$ 289,959	\$ 191,281	\$ 616,248
Receivables:					
Property tax:					
Current year	1,483	-	3,446	-	4,929
Succeeding year	131,487	-	114,200	-	245,687
Accounts	-	1,880	-	-	1,880
Due from other governments	-	-	-	9,884	9,884
Total assets	\$ <u>199,741</u>	\$ <u>70,117</u>	\$ <u>407,605</u>	\$ <u>201,165</u>	\$ <u>878,628</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ 1,960	\$ 8,800	\$ -	\$ 10,760
Deferred revenue:					
Succeeding year property tax	131,487	-	114,200	-	245,687
Total liabilities	<u>131,487</u>	<u>1,960</u>	<u>123,000</u>	<u>-</u>	<u>256,447</u>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	<u>68,254</u>	<u>68,157</u>	<u>284,605</u>	<u>201,165</u>	<u>622,181</u>
Total liabilities and fund equity	\$ <u>199,741</u>	\$ <u>70,117</u>	\$ <u>407,605</u>	\$ <u>201,165</u>	\$ <u>878,628</u>

See accompanying independent auditor's report.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2004

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	
Revenues:					
Local sources:					
Local tax	\$ 99,795	\$ -	\$ 231,978	\$ 143,333	\$ 475,106
Other	17,774	245,004	1,147	683	264,608
State sources	102	-	238	-	340
Federal sources	-	-	48,602	-	48,602
Total revenues	117,671	245,004	281,965	144,016	788,656
Expenditures:					
Current:					
Instruction:					
Regular instruction	53,509	-	-	-	53,509
Other instruction	-	245,773	-	-	245,773
Support services:					
Administration services	81,793	-	-	-	81,793
Transportation services	14,377	-	58,492	-	72,869
Other expenditures:					
Facilities acquisition	-	-	37,559	188,083	225,642
Total expenditures	149,679	245,773	96,051	188,083	679,586
Excess (deficiency) of revenues over (under) expenditures	(32,008)	(769)	185,914	(44,067)	109,070
Fund balances beginning of year	100,262	68,926	98,691	245,232	513,111
Fund balances end of year	\$ 68,254	\$ 68,157	\$ 284,605	\$ 201,165	\$ 622,181

See accompanying independent auditor's report.

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS

June 30, 2004

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Preschool</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 56,344	\$ 16,821	\$ 11,256	\$ 84,421
Accounts receivable	39	-	100	139
Inventories	4,422	-	-	4,422
Capital assets, net of accumulated depreciation	24,885	-	-	24,885
Total assets	<u>85,690</u>	<u>16,821</u>	<u>11,356</u>	<u>113,867</u>
Liabilities				
Accounts payable	2,705	-	-	2,705
Salaries and benefits payable	7,978	-	-	7,978
Total liabilities	<u>10,683</u>	<u>-</u>	<u>-</u>	<u>10,683</u>
Net Assets				
Invested in capital assets	24,885	-	-	24,885
Unrestricted	50,122	16,821	11,356	78,299
Total net assets	<u>\$ 75,007</u>	<u>\$ 16,821</u>	<u>\$ 11,356</u>	<u>\$ 103,184</u>

See accompanying independent auditor's report.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 Year Ended June 30, 2004

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Preschool</u>	<u>Total</u>
Operating revenues:				
Local sources:				
Charges for services	\$ 177,092	\$ 239,482	\$ 13,360	\$ 429,934
Operating expenses:				
Non-instructional programs:				
Non-instructional operations:				
Salaries	111,954	-	5,781	117,735
Benefits	15,358	-	960	16,318
Purchased services	10,949	-	-	10,949
Supplies	145,035	238,348	767	384,150
Small equipment	853	-	-	853
Depreciation	6,173	-	-	6,173
	<u>290,322</u>	<u>238,348</u>	<u>7,508</u>	<u>536,178</u>
Operating income (loss)	<u>(113,230)</u>	<u>1,134</u>	<u>5,852</u>	<u>(106,244)</u>
Non-operating revenues:				
Interest on investments	243	104	209	556
State sources	4,866	-	-	4,866
Federal sources	114,320	-	-	114,320
Total non-operating revenues	<u>119,429</u>	<u>104</u>	<u>209</u>	<u>119,742</u>
Change in net assets	6,199	1,238	6,061	13,498
Net assets beginning of year	<u>68,808</u>	<u>15,583</u>	<u>5,295</u>	<u>89,686</u>
Net assets end of year	<u>\$ 75,007</u>	<u>\$ 16,821</u>	<u>\$ 11,356</u>	<u>\$ 103,184</u>

See accompanying independent auditor's report.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
Year Ended June 30, 2004

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Preschool</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 176,065	\$ -	\$ -	\$ 176,065
Cash received from miscellaneous operating activities	988	239,482	13,260	253,730
Cash payments to employees for services	(122,827)	-	(6,741)	(129,568)
Cash payments to suppliers for goods or services	(124,304)	(238,348)	(767)	(363,419)
Net cash provided by (used in) operating activities	<u>(70,078)</u>	<u>1,134</u>	<u>5,752</u>	<u>(63,192)</u>
Cash flows from non-capital financing activities:				
State grants received	4,866	-	-	4,866
Federal grants received	91,565	-	-	91,565
Net cash provided by non-capital financing activities	<u>96,431</u>	<u>-</u>	<u>-</u>	<u>96,431</u>
Cash flows from investing activities:				
Interest on investments	<u>243</u>	<u>104</u>	<u>209</u>	<u>556</u>
Net increase in cash and cash equivalents	26,596	1,238	5,961	33,795
Cash and cash equivalents beginning of year	<u>29,748</u>	<u>15,583</u>	<u>5,295</u>	<u>50,626</u>
Cash and cash equivalents end of year	<u>\$ 56,344</u>	<u>\$ 16,821</u>	<u>\$ 11,256</u>	<u>\$ 84,421</u>

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
Year Ended June 30, 2004

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Preschool</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (113,230)	\$ 1,134	\$ 5,852	\$ (106,244)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	6,173	-	-	6,173
Commodities used	22,755	-	-	22,755
(Increase) in accounts receivable	(39)	-	(100)	(139)
Decrease in inventories	7,259	-	-	7,259
Increase in accounts payable	2,519	-	-	2,519
Increase in salaries and benefits payable	4,485	-	-	4,485
Net cash provided by (used in) operating activities	<u>\$ (70,078)</u>	<u>\$ 1,134</u>	<u>\$ 5,752</u>	<u>\$ (63,192)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$22,755 of federal commodities.

See accompanying independent auditor's report.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Baseball	\$ (705)	\$ 6,717	\$ 7,568	\$ (1,556)
Cross Country	508	890	1,162	236
Basketball:				
Boys	989	4,331	4,491	829
Girls	5,006	8,945	12,733	1,218
Football	5,463	10,388	13,781	2,070
Golf	513	1,108	1,197	424
Softball	(1,218)	9,184	7,325	641
Track	2,296	9,791	9,365	2,722
Volleyball	504	9,076	9,259	321
Wrestling	1,955	5,736	3,638	4,053
Cheerleaders - Basketball	5,832	7,306	11,379	1,759
Cheerleaders - Football	-	12,421	6,772	5,649
Cheerleaders - Wrestling	-	1,968	213	1,755
Senior Class	174	2,568	1,483	1,259
Junior Class	2,380	18,486	18,840	2,026
Sophomore Class	26	51	26	51
Freshman Class	26	25	26	25
High School Annual	1,481	1,055	1,623	913
MS Vocal Music	978	6	255	729
MS Band	612	991	1,613	(10)
Future Farmers of America	4,083	22,068	19,549	6,602
FFA Environment	759	1,506	1,151	1,114
National Honor Society	205	1,938	1,786	357
Spanish Club	2,879	20,375	16,817	6,437
Speech	2,721	1,943	2,911	1,753
Student Council	5,352	1,321	1,781	4,892
Drill Team	259	7,091	5,924	1,426
Athletic Calendar	499	5,218	3,051	2,666
Activity Tickets	1,395	17,332	16,304	2,423
Middle School Student Council	302	3,268	2,735	835
MS/ES Annual	(82)	3,750	3,578	90
Champions Club	1,614	10	-	1,624
Pop Account	963	11,142	10,824	1,281
Needy Donations	1,660	110	151	1,619
Tri-M	558	3	-	561
Pepsi Fund	1,997	12	-	2,009
Auditorium Fund	14,453	7,598	20,629	1,422
Annual Musical	(178)	4,379	3,638	563
Elementary Projects	1,240	735	61	1,914
Band Trips	-	8,778	5,631	3,147

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Student Programs	\$ 211	\$ 3,056	\$ 3,173	\$ 94
Library Club	425	9,220	9,645	-
Electrathon	752	3,104	3,685	171
Interest - ISJIT	39	4	-	43
 Total	 \$ 68,926	 \$ 245,004	 \$ 245,773	 \$ 68,157

See accompanying independent auditor's report.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2004

	<u>Balance Beginning of Year, as Restated</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>4,136</u>	\$ <u>152</u>	\$ <u>3,500</u>	\$ <u>788</u>
Liabilities				
Other payables	\$ <u>4,136</u>	\$ <u>152</u>	\$ <u>3,500</u>	\$ <u>788</u>

See accompanying independent auditor's report.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 3,202,084	\$ 3,238,835	\$ 2,778,637	\$ 2,508,226
Tuition	1,352,119	982,094	984,158	232,418
Other	331,023	349,473	317,992	755,325
State sources	2,876,461	2,971,425	2,820,336	2,861,060
Federal sources	270,810	191,285	107,179	125,356
	<hr/>			
Total revenues	<u>\$ 8,032,497</u>	<u>\$ 7,733,112</u>	<u>\$ 7,008,302</u>	<u>\$ 6,482,385</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,750,326	\$ 2,742,692	\$ 2,758,822	\$ 2,748,733
Special instruction	1,956,353	1,485,390	1,267,095	713,373
Other instruction	626,888	584,536	533,360	609,524
Support services:				
Student services	185,033	168,130	174,221	178,256
Instructional staff services	324,558	240,797	241,199	288,591
Administration services	581,754	635,656	603,303	673,210
Operation and maintenance of plant services	540,780	528,740	521,298	539,995
Transportation services	380,624	305,204	264,679	253,416
Other expenditures:				
Facilities acquisition	225,642	299,090	332,936	240,483
AEA flowthrough	234,608	251,339	246,912	258,119
	<hr/>			
Total expenditures	<u>\$ 7,806,566</u>	<u>\$ 7,241,574</u>	<u>\$ 6,943,825</u>	<u>\$ 6,503,700</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of  
Manson Northwest Webster Community School District:

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

Compliance

As part of obtaining reasonable assurance about whether Manson Northwest Webster Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance 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 noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Manson Northwest Webster Community School District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item II-K-04.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Manson Northwest Webster Community School District and other parties to whom Manson Northwest Webster Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Manson Northwest Webster 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.

Oskaloosa, Iowa  
September 30, 2004

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

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

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the signed checks for all disbursements were returned to the person who records disbursements for distribution.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances. The person signing checks should distribute and mail them.

Response – We will adopt the above recommendations into our control procedures.

Conclusion – Response accepted.

I-B-04 Disbursements – Out of forty-two disbursements tested, one was not supported by an invoice or receipt prior to the check being released for payment.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation.

Response – We will make sure that all future disbursements are properly supported prior to the check being released for payment.

Conclusion – Response accepted.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

- II-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, did not exceed the amounts budgeted.
- II-C-04 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Don Fitzgerald, Board President Owner of Fitzgerald Welding	Supplies	\$ 206
Melody Fitzgerald, Spouse of Board President Owner of Needle-N-Thread	Costumes	\$ 954

In accordance with an Attorney General’s opinion dated November 9, 1976, the transactions do not appear to represent any conflicts of interest.

- II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

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

II-K-04 Financial Condition – The District had a few Student Activity accounts with a deficit balance at June 30, 2004.

Recommendation – The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits.

Response – We are giving our personnel more complete reports to help monitor these accounts.

Conclusion – Response accepted.

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