

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

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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, the business type activities, each major fund and the aggregate remaining fund information of Manson Northwest Webster Community School District, Manson, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Manson Northwest Webster Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2005, 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, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 39 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Manson Northwest Webster Community School District's basic financial statements. The financial statements for the three years ended June 30, 2004, (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplemental 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.

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

November 3, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Manson Northwest Webster Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,243,841 in fiscal 2004 to \$7,878,835 in fiscal 2005, while General Fund expenditures increased from \$7,126,980 in fiscal 2004 to \$8,115,527 in fiscal 2005. The District's General Fund balance decreased from \$528,672 in fiscal 2004 to \$292,979 in fiscal 2005, a 45% decrease.
- The increase in General Fund revenues was largely attributable to an increase in flow-through revenue collected from client school districts and paid in turn to Rabiner Treatment Center. The increase in expenditures was likewise due primarily to these increased payments to RTC as the center continues to grow. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement, as well as the inflationary increase in other expenses, was greater than the District's increase in General Fund revenue for fiscal 2005. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance. Sufficient cuts were not made to offset the increase in operating expenses from salary increases and inflationary effects.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Manson Northwest Webster Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Manson Northwest Webster Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Manson Northwest Webster Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

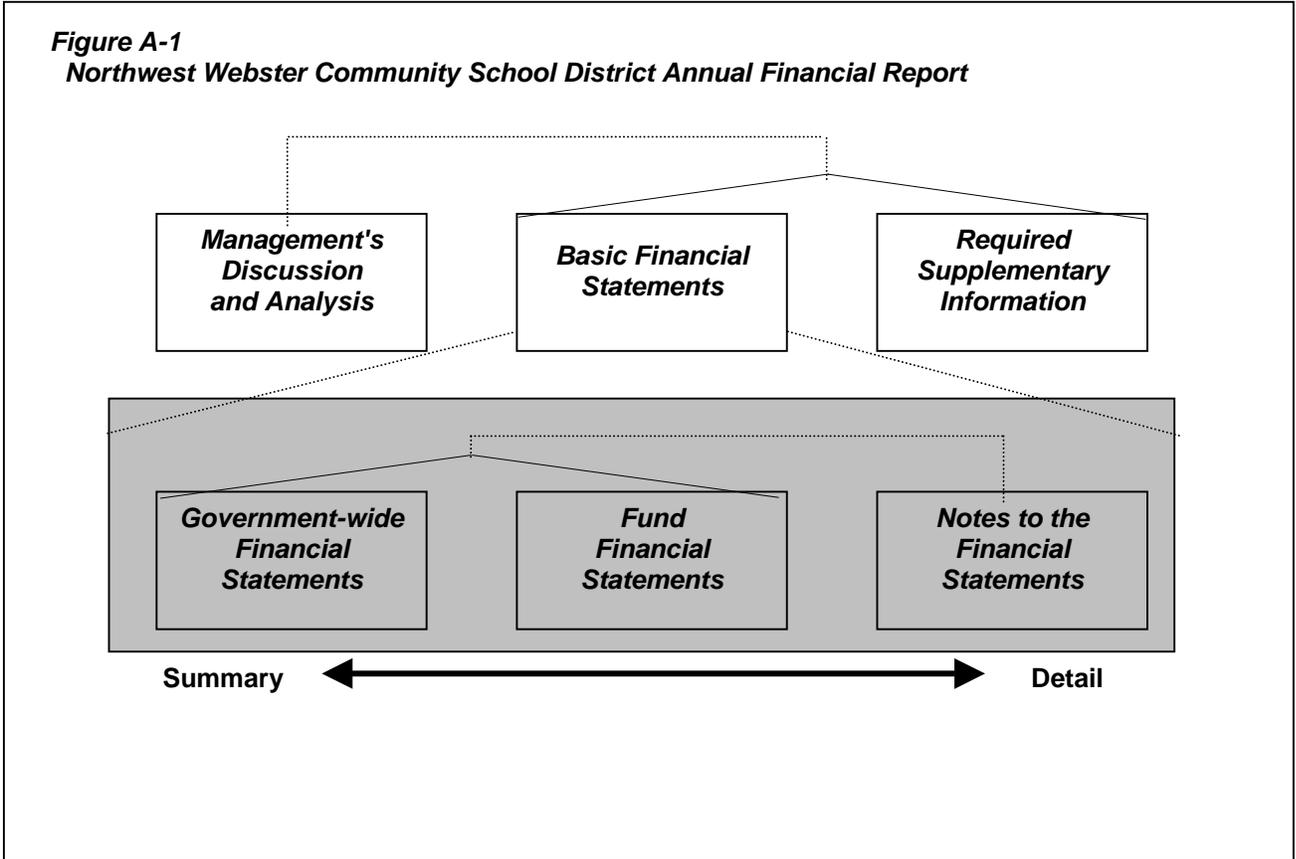


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has the following Enterprise Funds; the School Nutrition Fund, Building Trades and Preschool Funds. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District current has one internal service fund used to account for the District's employee flexible benefit plan.
- 3) The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts such as the Calhoun County Schools account used for county music festivals.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,787,109	6,083,986	65,396	88,982	5,852,505	6,172,968	5%
Capital assets	1,843,323	1,697,693	19,388	24,885	1,862,711	1,722,578	8%
Total assets	7,630,432	7,781,679	84,784	113,867	7,715,216	7,895,546	2%
Long-term liabilities	151,409	163,192	-	-	151,409	163,192	7%
Other liabilities	4,573,484	4,653,199	21,712	10,683	4,595,196	4,663,882	1%
Total liabilities	4,724,893	4,816,391	21,712	10,683	4,746,605	4,827,074	2%
Net Assets:							
Invested in capital assets, net of related debt	1,843,323	1,697,693	19,388	24,885	1,862,711	1,722,578	8%
Restricted	586,232	553,927	-	-	586,232	553,927	6%
Unrestricted	475,984	713,668	43,684	78,299	519,668	791,967	34%
TOTAL NET ASSETS	2,905,539	2,965,288	63,072	103,184	2,968,611	3,068,472	3%

The District's combined net assets decreased by nearly 3%, or approximately \$99,861, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Governmental Capital Assets include district facilities that have been depreciated for 30 years of a 50 year life. The figure of \$1,843,323 does not reflect their actual worth or replacement cost as carried on our property insurance.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$32,305 or 6% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund and an increase in collections to the Capital Projects (SILO) fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$272,299, or 34%. This reduction in unrestricted net assets was a result of the District using carryover fund balance in the General Fund to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4

	Change in Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	
Revenues							
Program Revenues:							
Charges for services	2,402,548	1,656,832	392,081	429,934	2,794,629	2,086,761	34%
Operating grants & contributions	767,315	707,762	110,701	119,186	878,016	826,948	6%
Capital grants & contributions	-	48,602	-	-	-	48,602	100%
General Revenues:							
Property taxes	2,468,109	2,780,393	-	-	2,468,109	2,780,393	11%
Income Surtax	326,389	279,934	-	-	326,389	279,934	17%
Local option sales tax	340,181	143,333	-	-	340,181	143,333	137%
Unrestricted state grants	2,451,493	2,388,056	-	-	2,451,493	2,388,056	3%
Unrestricted investment earnings	5,281	9,167	1,426	556	6,707	9,723	31%
Other revenue	(8,289)	19,153	-	-	(8,289)	19,153	100%
Total Revenues	8,753,027	8,033,232	504,208	549,676	9,257,235	8,582,903	8%
Expenses:							
Instruction	6,264,027	5,400,886	-	-	6,264,027	5,400,886	16%
Support services	2,103,937	2,030,001	-	-	2,103,937	2,030,001	4%
Non-instructional programs	-	-	544,320	536,178	544,320	536,178	2%
Other expenditures	445,877	424,355	-	-	445,877	424,355	5%
Total expenses	8,813,841	7,855,242	544,320	536,178	9,358,161	8,391,420	11%
Change in net assets before Transfers	(60,814)	177,990	(40,112)	13,498	(100,926)	191,483	153%
Transfers	-	-	-	-	-	-	0%
CHANGE IN NET ASSETS	(60,814)	177,990	(40,112)	13,498	(100,926)	191,483	153%
Net assets beginning of year	2,966,353	2,787,298	103,184	89,686	3,069,537	2,876,984	7%
Net assets end of year	2,905,539	2,965,288	63,072	103,184	2,968,611	3,068,467	3%

Property tax and unrestricted state grants account for 53% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$8,753,027 and expenses were \$8,813,841. In a difficult budget year, the District was nearly able to balance the budget by trimming expenses to match available revenues, with a shortfall of \$(60,814).

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
	\$	\$	\$	\$
Instruction	6,264,027	5,400,886	3,345,949	3,290,051
Support Services	2,103,937	2,030,001	2,082,119	2,010,850
Non-instructional Programs	-	-	-	-
Other Expenses	445,877	424,355	215,910	141,145
TOTAL	8,813,841	7,855,242	5,643,978	5,442,046

- The cost financed by users (fees generated by activities and intergovernmental aid provided for specific programs) of the District's programs was \$2,402,548.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$767,315.
- The net cost of governmental activities was financed with \$2,468,109 in property and other taxes and \$2,451,493 in unrestricted state grants.
- District taxpayers and the taxpayers of Iowa financed \$5,643,978 of District costs.

Business Type Activities

Revenues for business type activities were \$502,782 and expenses were \$544,320. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. During the year ended June 30, 2004, the District increased meal prices for the first time in three years. This increase resulted in increased revenue to the School Nutrition. However, as the district approaches the need to reduce its physical plant to two buildings, the redundancy of a 3rd kitchen makes it difficult to adequately fund the nutrition account.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Manson Northwest Webster School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$933,365, a decrease of \$217,488 below last year's combined ending fund balance of \$1,150,853.

Governmental Fund Highlights

The data discussed in this section is on Exhibits C and E of the audited financial statements. The detail of Nonmajor funds in this discussion is on Schedules 1 and 2 of the audited financial statements.

- The District's deteriorating General Fund financial position is largely the result of declining student numbers. Because the district receives little or no new money, any increases in expenditures must be offset by cuts in personnel and programs. In the 2005 fiscal year, the District used carryover fund balance to meet its financial obligations during the year. The significant increase in both revenues and expenses was due to the increased growth of Rabiner Treatment Center, which is co-mingled with MNW's general fund.
- The General Fund balance decreased from \$528,672 to \$292,979, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District. Cuts were not made to sufficiently offset these increased expenditures.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$284,605 in fiscal 2004 to \$224,646 in fiscal 2005. This is due to the District's abandoning the voted PPEL of \$.67 during the campaign for the SILO.
- The District Capital Projects fund for Fiscal 2005 ended with a balance of \$287,957, increasing as a result of passing the SILO tax in Pocahontas and Calhoun Counties.
- **Proprietary Fund Highlights**

Information comes from Exhibits G-H of the audited financial statements.

School Nutrition Fund net assets decreased from \$75,007 at June 30, 2004 to \$37,037 at June 30, 2005, representing a decrease of approximately 51%. Although some of this discrepancy is due to the timing of reimbursement from the Federal government, the redundancy of three kitchens serving a declining student population will make funding the Nutrition fund increasingly difficult until the reduction to two buildings is made.

BUDGETARY HIGHLIGHTS

Over the course of the year, Manson Northwest Webster School District amended its annual budget one time to reflect additional expenditures relative to Instruction (Rabiner Treatment Center) and Non-Instructional Support (the construction costs of the house being constructed in Building Trades class). In spite of the District's budgetary practice, the certified budget was exceeded in the Non-Instruction support services function by \$37,003 due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$7,834,337, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 5% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$243,150.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2004-2005
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in progress	0	0	-	-	0	0	0%
Buildings	4,945,223	4,675,518	-	-	4,945,223	4,675,518	6%
Improvements	390,192	390,192	-	-	390,192	390,192	0%
Equipment & Furniture	2,259,802	2,176,565	229,120	240,439	2,488,922	2,417,004	3%
TOTAL	7,605,217	7,252,275	229,120	240,439	7,834,337	7,492,714	5%

Long-Term Debt

At June 30, 2005, the District had \$151,409 in early retirement long-term debt outstanding. This represents a decrease of approximately 7% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

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

	Total School District		Percentage
	2005	2004	Change
	\$	\$	2004-2005
Early Retirement	151,409	163,192	(7)%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's September 2005 enrollment decreased by 65 students. This drop in enrollment will decrease the District's funding for fiscal year 2007.

- The District has experienced declining enrollment for the past three years and projects a continued decrease for the next five years. Meeting the subsequent decline in budget will require the closure of one attendance center and the continued reduction in staff according to student needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark Egli, Superintendent, Manson Northwest Webster Community School District, 1227 16th Street, Manson, IA 50563.

BASIC FINANCIAL STATEMENTS

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	1,221,298	-	1,221,298
Other	879,109	54,769	933,878
Receivables:			
Property tax:			
Delinquent	33,608	-	33,608
Succeeding year	2,345,486	-	2,345,486
Accounts	-	1,070	1,070
Accrued interest:			
ISCAP	93	-	93
Due from other governments	1,307,515	5,620	1,313,135
Inventories	-	3,937	3,937
Capital assets, net of accumulated depreciation	1,843,323	19,388	1,862,711
Total assets	7,630,432	84,784	7,715,216
Liabilities			
Accounts payable	525,905	7	525,912
Salaries and benefits payable	479,156	17,631	496,787
Deferred revenue:			
Succeeding year property tax	2,345,486	-	2,345,486
Other	-	4,074	4,074
ISCAP warrants payable	1,217,000	-	1,217,000
ISCAP accrued interest payable	5,937	-	5,937
Long-term liabilities:			
Portion due within one year:			
Early retirement	54,305	-	54,305
Portion due after one year:			
Early retirement	97,104	-	97,104
Total liabilities	4,724,893	21,712	4,746,605
Net assets			
Invested in capital assets, net of related debt	1,843,323	19,388	1,862,711
Restricted for:			
Physical plant and equipment levy	224,646	-	224,646
Other special revenue purposes	73,629	-	73,629
Local option sales tax capital projects	287,957	-	287,957
Unrestricted	475,984	43,684	519,668

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total net assets	<u>2,905,539</u>	<u>63,072</u>	<u>2,968,611</u>

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	2,756,894	347,899	321,752	-
Special instruction	2,577,072	1,787,232	184,939	-
Other instruction	930,061	261,598	14,658	-
	<u>6,264,027</u>	<u>2,396,729</u>	<u>521,349</u>	<u>-</u>
Support services:				
Student services	190,958	-	-	-
Instructional staff services	301,014	-	-	-
Administration services	613,782	-	-	-
Operation and maintenance of plant services	605,309	5,819	-	-
Transportation services	392,874	-	15,999	-
	<u>2,103,937</u>	<u>5,819</u>	<u>15,999</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	85,017	-	-	-
AEA flowthrough	229,967	-	229,967	-
Depreciation (unallocated)*	130,893	-	-	-
	<u>445,877</u>	<u>-</u>	<u>229,967</u>	<u>-</u>
Total governmental activities	<u>8,813,841</u>	<u>2,402,548</u>	<u>767,315</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	318,934	169,467	110,701	-
Building trades	206,519	206,224	-	-
Preschool	18,867	16,390	-	-
Total business-type activities	<u>544,320</u>	<u>392,081</u>	<u>110,701</u>	<u>-</u>
Total	<u>9,358,161</u>	<u>2,794,629</u>	<u>878,016</u>	<u>-</u>

General Revenues:

Property taxes 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

Net assets end of year

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

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Net (Expense) Revenue and Changes in

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(2,087,243)	-	(2,087,243)
(604,901)	-	(604,901)
(653,805)	-	(653,805)
<u>(3,345,949)</u>	<u>-</u>	<u>(3,345,949)</u>
(190,958)	-	(190,958)
(301,014)	-	(301,014)
(613,782)	-	(613,782)
(599,490)	-	(599,490)
(376,875)	-	(376,875)
<u>(2,082,119)</u>	<u>-</u>	<u>(2,082,119)</u>
(85,017)	-	(85,017)
-	-	-
(130,893)	-	(130,893)
<u>(215,910)</u>	<u>-</u>	<u>(215,910)</u>
<u>(5,643,978)</u>	<u>-</u>	<u>(5,643,978)</u>
-	(38,766)	(38,766)
-	(295)	(295)
-	(2,477)	(2,477)
<u>-</u>	<u>(41,538)</u>	<u>(41,538)</u>
<u>(5,643,978)</u>	<u>(41,538)</u>	<u>(5,685,516)</u>
2,342,585	-	2,342,585
125,524	-	125,524
326,389	-	326,389
340,181	-	340,181
2,451,493	-	2,451,493
5,281	1,426	6,707
(8,289)	-	(8,289)
<u>5,583,164</u>	<u>1,426</u>	<u>5,584,590</u>
(60,814)	(40,112)	(100,926)
<u>2,966,353</u>	<u>103,184</u>	<u>3,069,537</u>
<u>2,905,539</u>	<u>63,072</u>	<u>2,968,611</u>

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2005

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments:			
ISCAP	1,221,298	-	1,221,298
Other	312,669	565,602	878,271
Receivables:			
Property tax:			
Delinquent	29,931	3,677	33,608
Succeeding year	2,132,520	212,966	2,345,486
Accounts	-	-	-
Accrued interest - ISCAP	93	-	93
Due from other governments	1,171,921	135,594	1,307,515
Total assets	<u>4,868,432</u>	<u>917,839</u>	<u>5,786,271</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	461,418	64,487	525,905
Salaries and benefits payable	479,156	-	479,156
ISCAP warrants payable	1,217,000	-	1,217,000
ISCAP accrued interest payable	4,234	-	4,234
ISCAP premium	1,703	-	1,703
Deferred revenue:			
Succeeding year property tax	2,132,520	212,966	2,345,486
Other	279,422	-	279,422
Total liabilities	<u>4,575,453</u>	<u>277,453</u>	<u>4,852,906</u>
Fund balances:			
Unreserved reported in:			
General fund	292,979	-	292,979
Special revenue funds	-	352,429	352,429
Capital projects funds	-	287,957	287,957
Total fund balances	<u>292,979</u>	<u>640,386</u>	<u>933,365</u>
Total liabilities and fund balances	<u>4,868,432</u>	<u>917,839</u>	<u>5,786,271</u>

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

	\$
Total fund balances of governmental funds (Exhibit C)	933,365
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,843,323
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	279,422
An internal service fund is used by the District's management to charge the costs of the flex spending plan to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	838
Long-term liabilities, including early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(151,409)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,905,539</u></u>

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	2,524,961	610,230	3,135,191
Tuition	2,067,391	-	2,067,391
Other	67,866	272,572	340,438
Intermediate sources		-	-
State sources	2,947,536	191	2,947,727
Federal sources	271,081	-	271,081
Total revenues	<u>7,878,835</u>	<u>882,993</u>	<u>8,761,828</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	2,679,914	63,883	2,743,797
Special instruction	2,577,072	-	2,577,072
Other instruction	698,862	253,758	952,620
	<u>5,955,848</u>	<u>317,641</u>	<u>6,273,489</u>
Support services:			
Student services	190,958	-	190,958
Instructional staff services	270,658	29,157	299,815
Administration services	625,565	-	625,565
Operation and maintenance of plant services	520,416	87,320	607,736
Transportation services	322,115	75,948	398,063
	<u>1,929,712</u>	<u>192,425</u>	<u>2,122,137</u>
Other expenditures:			
Facilities acquisition	-	354,722	354,722
AEA flowthrough	229,967	-	229,967
	<u>229,967</u>	<u>354,722</u>	<u>584,689</u>
Total expenditures	<u>8,115,527</u>	<u>864,788</u>	<u>8,980,315</u>
Excess (deficiency) of revenues over (under) expenditures	(236,692)	18,205	(218,487)
Other financing sources (uses):			
Sales of materials and equipment	999	-	999
Net change in fund balances	(235,693)	18,205	(217,488)
Fund balances beginning of year	528,672	622,181	1,150,853
Fund balances end of year	<u>292,979</u>	<u>640,386</u>	<u>933,365</u>

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, 2005

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(217,488)

**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 not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:

Expenditures for capital assets	398,068	
Depreciation expense	<u>(252,438)</u>	145,630

Income taxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.

(512)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		11,783
------------------	--	--------

An internal service fund is used by the District's management to charge the costs of the flex benefit plan to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

(227)**Changes in net assets of governmental activities (Exhibit B)**(60,814)

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2005

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Assets		
Cash and cash equivalents	54,769	838
Accounts receivable	1,070	-
Due from other governments	5,620	-
Inventories	3,937	-
Capital assets, net of accumulated depreciation	19,388	-
	<hr/>	<hr/>
Total assets	84,784	838
	<hr/>	<hr/>
Liabilities		
Accounts payable	7	-
Salaries and benefits payable	17,631	-
Deferred revenue	4,074	-
	<hr/>	<hr/>
Total liabilities	21,712	-
	<hr/>	<hr/>
Net assets		
Invested in capital assets, net of related debt	19,388	-
Unrestricted	43,684	838
	<hr/>	<hr/>
Total net assets	63,072	838
	<hr/>	<hr/>

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Operating revenue:		
Local sources:		
Charges for service	<u>392,081</u>	<u>14,975</u>
Operating expenses:		
Non-instructional programs:		
Salaries	132,330	-
Benefits	20,878	15,202
Purchased services	23,928	-
Supplies	359,179	-
Depreciation	5,497	-
Other	<u>2,508</u>	<u>-</u>
	<u>544,320</u>	<u>15,202</u>
Operating gain (loss)	<u>(152,239)</u>	<u>(227)</u>
Non-operating revenue:		
State sources	4,640	-
Federal sources	106,061	-
Interest income	<u>1,426</u>	<u>-</u>
Total non-operating revenue	<u>112,127</u>	<u>-</u>
Change in net assets	(40,112)	(227)
Net assets beginning of year	<u>103,184</u>	<u>1,065</u>
Net assets end of year	<u><u>63,072</u></u>	<u><u>838</u></u>

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2005

	Nonmajor Enterprise Fund \$	Governmental Activities - Internal Service Fund \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	172,167	-
Cash received from daycare services	223,057	14,975
Cash payments to employees for services	(143,557)	-
Cash payments to suppliers for goods or services	(373,599)	(15,202)
Net cash used by operating activities	<u>(121,932)</u>	<u>(227)</u>
Cash flows from non-capital financing activities:		
State grants received	4,640	-
Federal grants received	86,214	-
Net cash provided by non-capital financing activities	<u>90,854</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	1,426	-
Net increase (decrease) in cash and cash equivalents	(29,652)	(227)
Cash and cash equivalents at beginning of year	84,421	1,065
Cash and cash equivalents at end of year	<u>54,769</u>	<u>838</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(152,239)	(227)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	19,847	-
Depreciation	5,497	-
Decrease (increase) in inventories	485	-
Decrease (increase) in accounts receivable	(6,551)	-
(Decrease) increase in accounts payable	(2,698)	-
(Decrease) increase in salaries and benefits payable	9,653	-
(Decrease) increase in deferred revenue	4,074	-
Net cash used in operating activities	<u>(121,932)</u>	<u>(227)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$19,847 of federal commodities.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2005

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
Assets		
Cash and pooled investments	28,547	584
Liabilities		
Other payables	<u>-</u>	<u>584</u>
Net Assets		
Reserved for scholarships	<u><u>28,547</u></u>	<u><u>-</u></u>

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	1,360
Interest	<u>560</u>
Total additions	1,920
Deductions:	
Support services:	
Scholarships awarded	<u>1,600</u>
Change in net assets	320
Net assets beginning of year	<u>28,227</u>
Net assets end of year	<u><u>28,547</u></u>

Manson Northwest Webster COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

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. The geographic area served includes the Cities of Manson, Barnum, Clare, and Knierim, Iowa and the predominately agricultural territory in a portion of Pocahontas, Webster and Calhoun Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, 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. The Manson Northwest Webster Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are 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.

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, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The District's proprietary funds are the Enterprise, School Nutrition, Building Trades, and Preschool Funds. The School Nutrition fund is used to account for the food service operations of the District. The Building Trades fund is used to account for student building projects and the preschool fund is used to account for the preschool operations of the District.

The District's internal service fund is also reported as a proprietary fund. The internal service fund is used to account for the District's flex spending plan.

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the

current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004, through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-7 years

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

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

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the non-instructional programs function exceeded the amount budgeted.

2. **Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase

agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	765,737

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

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

3. Iowa School Cash Anticipation Program (ISCAP)

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

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
			\$	\$	\$	\$
2004-05A	6/30/04	6/30/05	-	-	-	-
2004-05B	1/28/05	1/27/06	712,052	93	710,000	5,840
2005-06A	6/30/05	6/30/06	<u>509,246</u>	-	<u>507,000</u>	<u>97</u>
Total			<u>1,221,298</u>	<u>93</u>	<u>1,217,000</u>	<u>5,937</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005, is as follows:

<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
\$	\$	\$	\$
-	<u>767,000</u>	<u>767,000</u>	-

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

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2004-05A	3.000	2.463
2004-05B	3.500	2.280
2005-06A	4.000	3.903

4. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Total capital assets not being depr.	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Capital assets being depreciated:				
Buildings	4,675,518	269,705	-	4,945,223
Improvements other than buildings	390,192	-	-	390,192
Furniture and equipment	2,176,565	128,363	45,126	2,259,802
Total capital assets being deprec.	<u>7,242,275</u>	<u>398,068</u>	<u>45,126</u>	<u>7,595,217</u>
Less accumulated depreciation for:				
Buildings	3,452,857	115,539	-	3,568,396
Improvements other than buildings	305,977	15,354	-	321,331
Furniture and equipment	1,795,748	112,257	35,838	1,872,167
Total accumulated depreciation	<u>5,554,582</u>	<u>243,150</u>	<u>35,838</u>	<u>5,761,894</u>
Total capital assets being depreciated, net	<u>1,687,693</u>	<u>154,918</u>	<u>9,288</u>	<u>1,833,323</u>
Governmental activities capital assets, net	<u>1,697,693</u>	<u>154,918</u>	<u>9,288</u>	<u>1,843,323</u>
Business type activities:				
Furniture and equipment	240,439	1,473	12,792	229,120
Less accumulated depreciation	<u>215,554</u>	<u>5,497</u>	<u>11,319</u>	<u>209,732</u>
Business type activities capital assets, net	<u>24,885</u>	<u>(4,024)</u>	<u>1,473</u>	<u>19,388</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	18,948
Other	8,240
Support Services:	
Instructional staff services	1,199
Operation and maintenance of plant services	12,368
Transportation	<u>71,502</u>
Unallocated depreciation	<u>112,257</u>
Total depreciation expense – governmental activities	<u>243,150</u>
Business type activities:	
Food services	<u>5,497</u>

5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Early retirement	<u>163,192</u>	<u>42,777</u>	<u>54,560</u>	<u>151,409</u>	<u>54,305</u>
Total	<u>163,192</u>	<u>42,777</u>	<u>54,560</u>	<u>151,409</u>	<u>54,305</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed ten years of service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on a percentage of current salary. Early retirement expenditures for the year ended June 30, 2005 totaled \$54,560

6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$199,723, \$190,124, and \$210,961 respectively, equal to the required contributions for each year.

7. Risk Management

The District was a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$3.9 million. The District's share of this assessment was \$47,975 which is recorded as a liability as of June 30, 2005.

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

8. 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 \$229,967 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. Construction Commitment

The District has entered into a contract totaling \$44,059 for auditorium reconstruction. As of June 30, 2005 no costs have been incurred against the contract and no work has been performed on this contract.

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 Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	5,256,031	396,650	5,652,681	5,726,657	5,726,657	(73,976)
State sources	3,044,676	4,640	3,049,316	2,937,992	2,937,992	111,324
Federal sources	269,118	106,061	375,179	295,000	295,000	80,179
Total receipts	<u>8,569,825</u>	<u>507,351</u>	<u>9,077,176</u>	<u>8,959,649</u>	<u>8,959,649</u>	<u>117,527</u>
Disbursements:						
Instruction	6,009,104	-	6,009,104	5,300,850	6,430,000	420,896
Support services	2,074,680	-	2,074,680	2,222,500	2,222,500	147,820
Non-instructional programs	-	537,003	537,003	410,000	500,000	(37,003)
Other expenditures	584,689	-	584,689	674,650	674,650	89,961
Total disbursements	<u>8,668,473</u>	<u>537,003</u>	<u>9,205,476</u>	<u>8,608,000</u>	<u>9,827,150</u>	<u>621,674</u>
Excess (deficiency) of receipts over (under) disbursements	(98,648)	(29,652)	(128,300)	351,649	(867,501)	739,201
Other financing sources (uses) net	<u>999</u>	<u>-</u>	<u>999</u>	<u>-</u>	<u>-</u>	<u>999</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(97,649)	(29,652)	(127,301)	351,649	(867,501)	740,200
Balance beginning of year	<u>975,920</u>	<u>84,421</u>	<u>1,060,341</u>	<u>1,525,109</u>	<u>1,525,109</u>	<u>(464,768)</u>
Balance end of year	<u><u>878,271</u></u>	<u><u>54,769</u></u>	<u><u>933,040</u></u>	<u><u>1,876,758</u></u>	<u><u>657,608</u></u>	<u><u>275,432</u></u>

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	8,569,825	192,003	8,761,828
Expenditures	8,668,473	311,842	8,980,315
Net	(98,648)	(119,839)	(218,487)
Other financing sources (uses) net	999	-	999
Beginning fund balances	975,920	174,933	1,150,853
Ending fund balances	<u>878,271</u>	<u>55,094</u>	<u>933,365</u>

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	507,351	(3,143)	504,208
Expenditures	537,003	7,317	544,320
Net	(29,652)	(10,460)	(40,112)
Beginning fund balances	84,421	18,763	103,184
Ending fund balances	<u>54,769</u>	<u>8,303</u>	<u>63,072</u>

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,219,150.

During the year ended June 30, 2005, disbursements in the non-instructional programs function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds			Capital Projects	
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales Tax	Total
	\$	\$	\$	\$	\$
Cash and pooled investments	52,186	75,140	247,613	190,663	565,602
Receivables:					
Property tax:					
Delinquent	1,968	-	1,709	-	3,677
Succeeding year	150,000	-	62,966	-	212,966
Due from other governments	-	-	-	135,594	135,594
Total assets	204,154	75,140	312,288	326,257	917,839
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	1,511	24,676	38,300	64,487
Deferred revenue:					
Succeeding year property tax	150,000	-	62,966	-	212,966
Total liabilities	150,000	1,511	87,642	38,300	277,453
Fund balances:					
Unreserved reported in:					
Special revenue funds	54,154	73,629	224,646	-	352,429
Capital projects funds	-	-	-	287,957	287,957
Total fund balances	54,154	73,629	224,646	287,957	640,386
Total liabilities and fund balances	204,154	75,140	312,288	326,257	917,839

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Special Revenue Funds			Capital Projects	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment	Local Option Sales Tax	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	144,525	-	125,524	340,181	610,230
Other	8,353	259,230	3,412	1,577	272,572
State sources	102	-	89	-	191
Total revenues	<u>152,980</u>	<u>259,230</u>	<u>129,025</u>	<u>341,758</u>	<u>882,993</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	63,883	-	-	-	63,883
Other instruction	-	253,758	-	-	253,758
Support services:					
Instructional staff services	-	-	29,157	-	29,157
Operation and maintenance of plant services	87,320	-	-	-	87,320
Transportation services	15,877	-	60,071	-	75,948
Other expenditures:					
Facilities acquisition	-	-	99,756	254,966	354,722
Total expenditures	<u>167,080</u>	<u>253,758</u>	<u>188,984</u>	<u>254,966</u>	<u>864,788</u>
Excess (deficiency) of revenues over (under) expenditures	(14,100)	5,472	(59,959)	86,792	18,205
Fund balances beginning of year	<u>68,254</u>	<u>68,157</u>	<u>284,605</u>	<u>201,165</u>	<u>622,181</u>
Fund balances end of year	<u><u>54,154</u></u>	<u><u>73,629</u></u>	<u><u>224,646</u></u>	<u><u>287,957</u></u>	<u><u>640,386</u></u>

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2005

	School Nutrition	Building Trades	Preschool	Total
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	26,426	16,902	11,441	54,769
Accounts receivable	600	-	470	1,070
Due from other governments	5,620	-	-	5,620
Inventories	3,937	-	-	3,937
Capital assets, net of accumulated depreciation	19,388	-	-	19,388
	<u>55,971</u>	<u>16,902</u>	<u>11,911</u>	<u>84,784</u>
Total assets				
Liabilities				
Accounts payable	-	7	-	7
Salaries and benefits payable	14,860	-	2,771	17,631
Deferred revenue	4,074	-	-	4,074
	<u>18,934</u>	<u>7</u>	<u>2,771</u>	<u>21,712</u>
Total liabilities				
Net assets				
Invested in capital assets, net of related debt	19,388	-	-	19,388
Unrestricted	17,649	16,895	9,140	43,684
	<u>37,037</u>	<u>16,895</u>	<u>9,140</u>	<u>63,072</u>
Total net assets				

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Net Assets
Nonmajor Enterprise Funds

Year ended June 30, 2005

	School Nutrition	Building Trades	Preschool	Total
	\$	\$	\$	\$
Operating revenue:				
Local sources:				
Charges for service	169,467	206,224	16,390	392,081
Operating expenses:				
Non-instructional programs:				
Salaries	118,091	-	14,239	132,330
Benefits	16,352	-	4,526	20,878
Purchased services	23,928	-	-	23,928
Supplies	155,066	204,011	102	359,179
Depreciation	5,497	-	-	5,497
Other	-	2,508	-	2,508
	<u>318,934</u>	<u>206,519</u>	<u>18,867</u>	<u>544,320</u>
Operating gain (loss)	<u>(149,467)</u>	<u>(295)</u>	<u>(2,477)</u>	<u>(152,239)</u>
Non-operating revenue:				
State sources	4,640	-	-	4,640
Federal sources	106,061	-	-	106,061
Interest income	796	369	261	1,426
Total non-operating revenue	<u>111,497</u>	<u>369</u>	<u>261</u>	<u>112,127</u>
Change in net assets	(37,970)	74	(2,216)	(40,112)
Net assets beginning of year	<u>75,007</u>	<u>16,821</u>	<u>11,356</u>	<u>103,184</u>
Net assets end of year	<u><u>37,037</u></u>	<u><u>16,895</u></u>	<u><u>9,140</u></u>	<u><u>63,072</u></u>

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2005

	School Nutrition	Building Trades	Preschool	Total
	\$	\$	\$	\$
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	172,167	-	-	172,167
Cash received from other services	813	206,224	16,020	223,057
Cash payments to employees for services	(127,563)	-	(15,994)	(143,557)
Cash payments to suppliers for goods or services	(166,985)	(206,512)	(102)	(373,599)
Net cash used by operating activities	<u>(121,568)</u>	<u>(288)</u>	<u>(76)</u>	<u>(121,932)</u>
Cash flows from non-capital financing activities:				
State grants received	4,640	-	-	4,640
Federal grants received	86,214	-	-	86,214
Net cash provided by non-capital financing activities	<u>90,854</u>	<u>-</u>	<u>-</u>	<u>90,854</u>
Cash flows from capital and related financing activities				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	796	369	261	1,426
Net increase (decrease) in cash and cash equivalents	(29,918)	81	185	(29,652)
Cash and cash equivalents at beginning of year	56,344	16,821	11,256	84,421
Cash and cash equivalents at end of year	<u>26,426</u>	<u>16,902</u>	<u>11,441</u>	<u>54,769</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:				
Operating gain (loss)	(149,467)	(295)	(2,477)	(152,239)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:				
Commodities used	19,847	-	-	19,847
Depreciation	5,497	-	-	5,497
Decrease (increase) in inventories	485	-	-	485
Decrease (increase) in accounts receivable	(6,181)	-	(370)	(6,551)
(Decrease) increase in accounts payable	(2,705)	7	-	(2,698)
(Decrease) increase in salaries and benefits payable	6,882	-	2,771	9,653
(Decrease) increase in deferred revenue	4,074	-	-	4,074
Net cash used in operating activities	<u>(121,568)</u>	<u>(288)</u>	<u>(76)</u>	<u>(121,932)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$19,847 of federal commodities.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance	Revenues	Expenditures	Intra-fund Transfers	Balance
	Beginning of Year				End of Year
	\$	\$	\$	\$	\$
Speech	1,753	1,512	2,212	271	1,324
Musical	563	2,756	3,215	-	104
Tri-M	561	9	89	-	481
Band trips	3,147	44,152	45,670	-	1,629
Auditorium fund	1,422	6,458	1,248	-	6,632
Boys basketball	829	16,982	17,229	-	582
Girls basketball	1,218	12,532	13,080	-	670
Activity tickets	2,423	2,079	4,283	-	219
Cross country	236	967	893	-	310
Golf	424	2,267	2,196	1	496
Volleyball	321	5,053	4,874	-	500
Football	2,070	18,015	13,456	-	6,629
Baseball	(1,556)	8,147	5,327	110	1,374
Track	2,722	11,612	14,044	(256)	34
Wrestling	4,053	9,031	8,068	-	5,016
Softball	641	12,718	10,904	(589)	1,866
MS Student council	835	4,372	3,499	-	1,708
MS/ES annual	90	3,934	3,788	-	236
National honor society	357	1,764	1,649	-	472
Spanish club	6,437	113	-	-	6,550
Student council	4,892	1,728	2,925	-	3,695
Elementary projects	1,914	728	769	-	1,873
Student programs	94	4,942	4,343	-	693
Library club	-	9,004	8,904	-	100
Electrathon	171	2,047	1,996	-	222
Senior class	1,259	99	1,358	-	-
Junior class	2,026	11,691	12,669	-	1,048
Sophomore class	51	(25)	-	-	26
Freshman class	25	(25)	-	-	-
High school annual	913	421	1,043	-	291
MS vocal music ho ho grams	729	11	246	(10)	484
MS band ho ho grams	(10)	-	-	10	-
Drill team	1,426	13,788	12,985	-	2,229
Cheerleaders - basketball	1,759	568	848	(60)	1,419
Cheerleaders - football	5,649	3,597	4,608	-	4,638
Cheerleaders - wrestling	1,755	1,222	1,718	-	1,259
Pop	1,281	16,889	16,966	523	1,727
Needy donations	1,619	152	284	-	1,487
Pepsi fund	2,009	35	-	-	2,044
FFA	6,602	23,253	19,330	-	10,525
FFA environment grant	1,114	1,022	796	-	1,340
Athletic calendar	2,666	3,624	6,246	-	44
Interest - ISJIT	43	(43)	-	-	-
Champions club	1,624	29	-	-	1,653
Total	68,157	259,230	253,758	-	73,629

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, 2005

	Balance Beginning	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
Assets				
Cash	788	1	205	584
Liabilities				
Other payables	788	1	205	584

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,135,191	3,202,084	3,238,835	2,778,637
Tuition	2,067,391	1,352,119	982,094	984,158
Other	340,438	331,023	349,473	317,992
State sources	2,947,727	2,876,461	2,971,425	2,820,336
Federal sources	271,081	270,810	191,285	107,179
Total revenues	<u>8,761,828</u>	<u>8,032,497</u>	<u>7,733,112</u>	<u>7,008,302</u>
Expenditures:				
Instruction:				
Regular instruction	2,743,797	2,750,326	2,742,692	2,758,822
Special instruction	2,577,072	1,956,353	1,485,390	1,267,095
Other instruction	952,620	626,888	584,536	533,360
Support services:				
Student services	190,958	185,033	168,130	174,221
Instructional staff services	299,815	324,558	240,797	241,199
Administration services	625,565	581,754	635,656	603,303
Operation and maintenance of plant services	607,736	540,780	528,740	521,298
Transportation services	398,063	380,624	305,204	264,679
Other expenditures:				
Facilities acquisition	354,722	225,642	299,090	332,936
AEA flowthrough	229,967	234,608	251,339	246,912
Total expenditures	<u>8,980,315</u>	<u>7,806,566</u>	<u>7,241,574</u>	<u>6,943,825</u>

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Manson Northwest Webster Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 3, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

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

Compliance and Other Matters

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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.

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

November 3, 2005

Manson Northwest Webster Community School District

Schedule of Findings

June 30, 2005

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

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

05-I-B Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamps are under the care, custody and control of the administrative office. This practice negates the internal control procedure established by requiring two signatures on a check

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

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

Conclusion: Response accepted.

Manson Northwest Webster Community School District

Schedule of Findings

June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting:

05-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

05-II-B Certified Budget: Disbursements for the year ended June 30, 2005, exceeded the amount budgeted in the non-instructional programs function.

Recommendation: The certified budget was amended in accordance with Chapter 24.9 of the Code of Iowa but not in sufficient amounts before disbursements were allowed to exceed the budget.

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

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

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

050-II-E 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>
		\$
Julie Hewitt, board member, spouse owns Mike Hewitt Construction	Football field locker rooms construction.	2,294
Denise Weiss, board member	Substitute teacher for the district	2,475

The transactions do not appear to represent a conflict of interest since the dollar amounts were less than \$2,500.

Recommendation: Business with district officials is not a conflict of interest if bids are taken or total amount is less than \$2,500

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

05-II-G Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

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

Manson Northwest Webster Community School District

Schedule of Findings

June 30, 2005

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

05-II-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

05-II-J Certified Annual Report (CAR): The CAR was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

05-II-K Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extracurricular student activity program. We noted accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.