

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

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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, 2007, 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 at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As explained in note 12 to the financial statements; the District changed its method of accounting for the Rabiner Treatment Center for the year ended June 30, 2006. At the request of the Iowa Department of Education; the District returned to its original method of accounting for Rabiner Treatment Center for the year ended June 30, 2007. These changes had no effect on fund balances or governmental activity net assets. The changes do affect the comparability of fiscal year 2007 and 2006 General Fund revenues and expenditures and the comparability of the revenues and expenses in the Statement of Activities.

In accordance with Government Auditing Standards, we have also issued our report dated April 28, 2008, 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 38 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2006 and 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2004, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 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. The 2006 column on Schedule 8 has been restated for the change in accounting for the Rabiner Treatment Center.

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

April 28, 2008

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,454,174 in fiscal 2006 to \$8,466,416 in fiscal 2007, while General Fund expenditures increased from \$5,804,345 in fiscal 2006 to \$8,241,419 in fiscal 2007. The District's General Fund balance increased from \$942,808 in fiscal 2006 to \$1,168,106 in fiscal 2007.
- The dramatic increase in General Fund revenues and expenditures was the result of returning Rabiner Treatment Center revenues and expenditures to Manson Northwest Webster's General Fund. This was done at the Department of Education's behest. The growth in the General Fund balance, however, was a result of District revenues exceeding District expenditures by \$225,298.

### 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 non-major funds.

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

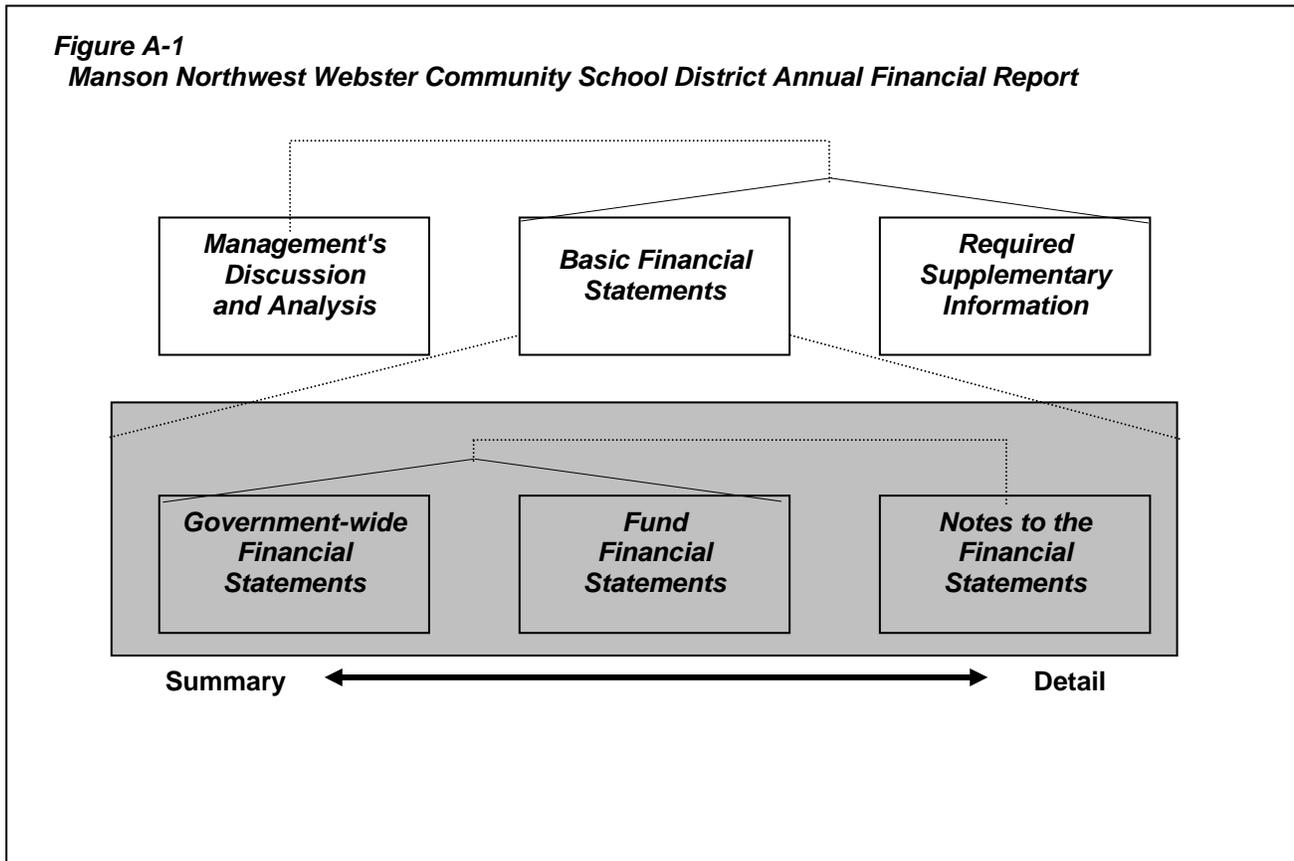


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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, 2007 compared to June 30, 2006.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2007-2006
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,720,034	6,782,138	69,388	61,252	5,789,422	6,843,390	-15%
Capital assets	1,745,892	1,942,142	29,226	14,074	1,775,118	1,956,216	-9%
<b>Total assets</b>	<b>7,465,926</b>	<b>8,724,280</b>	<b>98,614</b>	<b>75,326</b>	<b>7,564,540</b>	<b>8,799,606</b>	<b>-14%</b>
Long-term liabilities	99,526	100,062	-	-	99,526	100,062	-1%
Other liabilities	3,391,391	4,912,596	29,012	26,649	3,420,403	4,939,245	-31%
<b>Total liabilities</b>	<b>3,490,917</b>	<b>5,012,658</b>	<b>29,012</b>	<b>26,649</b>	<b>3,519,929</b>	<b>5,039,307</b>	<b>-30%</b>
Net Assets:							
Invested in capital assets, net of related debt	1,745,892	1,942,142	29,226	14,074	1,775,118	1,956,216	-9%
Restricted	758,875	563,540	-	-	758,875	563,540	35%
Unrestricted	1,470,242	1,205,940	40,376	34,603	1,510,618	1,240,543	22%
<b>TOTAL NET ASSETS</b>	<b>3,975,009</b>	<b>3,711,622</b>	<b>69,602</b>	<b>48,677</b>	<b>4,044,611</b>	<b>3,760,299</b>	<b>8%</b>

The District's combined net assets increased by nearly 8%, or approximately \$284,312, 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 \$1,745,892 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 \$195,335 or 35% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased approximately \$270,075, or 22%.

Figure A-4 shows the change in net assets for the years ended June 30, 2007 and 2006.

Figure A-4

	Change in Net Assets						Percentage Change 2007-2006
	Governmental Activities		Business-type Activities		Total School District		
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	
Revenues							
Program Revenues:							
Charges for services	2,622,249	897,713	444,438	396,667	3,066,687	1,294,380	137%
Operating grants & contributions	808,963	683,197	109,349	104,447	918,312	787,644	17%
Capital grants & contributions	15,000	-	-	-	15,000	-	0%
General Revenues:							
Property taxes	2,597,202	2,299,414	-	-	2,597,202	2,299,414	13%
Income Surtax	301,315	341,915	-	-	301,315	341,915	-12%
Local option sales tax	382,127	385,242	-	-	382,127	385,242	-1%
Unrestricted state grants	2,593,009	2,613,045	-	-	2,593,009	2,613,045	-1%
Unrestricted investment earnings	108,242	102,887	1,991	2,087	110,233	104,974	5%
Other revenue	9,877	6,242	-	-	9,877	6,242	58%
<b>Total Revenues</b>	<b>9,437,984</b>	<b>7,329,655</b>	<b>555,778</b>	<b>503,201</b>	<b>9,993,762</b>	<b>7,832,856</b>	<b>28%</b>
Expenses:							
Instruction	6,147,305	3,841,686	-	-	6,147,305	3,841,686	60%
Support services	2,396,668	2,166,895	-	-	2,396,668	2,166,895	11%
Non-instructional programs	-	-	543,270	517,596	543,270	517,596	5%
Other expenditures	630,624	514,991	-	-	630,624	514,991	23%
<b>Total expenses</b>	<b>9,174,597</b>	<b>6,523,572</b>	<b>543,270</b>	<b>517,596</b>	<b>9,717,867</b>	<b>7,041,168</b>	<b>38%</b>
<b>Change in net assets before transfers</b>	<b>263,387</b>	<b>806,083</b>	<b>12,508</b>	<b>(14,395)</b>	<b>275,895</b>	<b>791,688</b>	<b>-65%</b>
Transfers	-	-	-	-	-	-	0%
<b>CHANGE IN NET ASSETS</b>	<b>263,387</b>	<b>806,083</b>	<b>12,508</b>	<b>(14,395)</b>	<b>275,895</b>	<b>791,688</b>	<b>-65%</b>
Beginning balance adjustment	-	-	8,417	-	8,417	-	0%
Net assets beginning of year	<b>3,711,622</b>	<b>2,905,539</b>	<b>48,677</b>	<b>63,072</b>	<b>3,760,299</b>	<b>2,968,611</b>	<b>27%</b>
Net assets end of year	<b>3,975,009</b>	<b>3,711,622</b>	<b>69,602</b>	<b>48,677</b>	<b>4,044,611</b>	<b>3,760,299</b>	<b>8%</b>

Property tax and unrestricted state grants account for 52% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$9,437,984 and expenses were \$9,174,597. 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**

	<b>Total Cost of Services 2007</b>	<b>Total Cost of Services 2006</b>	<b>Net Cost of Services 2007</b>	<b>Net Cost Of Services 2006</b>
	\$	\$	\$	\$
Instruction	6,147,305	3,841,686	3,116,003	2,689,149
Support Services	2,396,668	2,166,895	2,231,365	1,970,943
Other Expenses	630,624	514,991	381,017	282,570
<b>TOTAL</b>	<b>9,174,597</b>	<b>6,523,572</b>	<b>5,728,385</b>	<b>4,942,662</b>

- The cost financed by users (fees generated by activities and intergovernmental aid provided for specific programs) of the District's programs was \$2,622,249.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$823,963.
- The net cost of governmental activities was financed with \$3,280,644 in property and other taxes and \$2,593,009 in unrestricted state grants.
- District taxpayers and the taxpayers of Iowa financed \$5,873,653 of District costs.

**Business Type Activities**

Revenues for business type activities were \$555,778 and expenses were \$543,270. The District's business type activities include the School Nutrition, Building Trades, and Preschool Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**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 \$2,026,507, an increase of \$454,563 above last year's combined ending fund balance of \$1,571,944.

## **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 General Fund financial position improved slightly over the previous year. Although the district receives little or no new money, any increases in expenditures have been offset by cuts in personnel and programs.
- The General Fund balance increased from \$942,808 to \$1,168,106.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$99,948 in fiscal 2006 to \$100,393 in fiscal 2007.
- The District Capital Projects fund for Fiscal 2007 ended with a balance of \$557,524.

## **Proprietary Fund Highlights**

Information comes from Schedule 3-4 of the audited financial statements.

School Nutrition Fund net assets increased from \$14,871 at June 30, 2006 to \$31,811 at June 30, 2007, representing an increase of approximately 114%. Although some of this discrepancy is due to the timing of reimbursement from the Federal government, an increase in lunch prices was also implemented for 2007.

## **BUDGETARY HIGHLIGHTS**

The District's total revenues were \$425,235 less than total budgeted revenues, a variance of 4%. Most of the variance was because revenues from local sources were less than anticipated.

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

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2007, the District had invested \$1,775,118, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 9% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$264,172.

Figure A-6

**Capital Assets (net of depreciation)**

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2007-2006
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Buildings	1,317,054	1,428,850	-	-	1,317,054	1,428,850	-8%
Improvements	80,507	96,450	-	-	80,507	96,450	-17%
Equipment & Furniture	338,331	406,842	29,226	14,074	367,557	420,916	-13%
<b>TOTAL</b>	<b>1,745,892</b>	<b>1,942,142</b>	<b>29,226</b>	<b>14,074</b>	<b>1,775,118</b>	<b>1,956,216</b>	<b>-9%</b>

**Long-Term Debt**

At June 30, 2007, the District had \$99,526 in early retirement long-term debt outstanding. This represents a decrease of approximately 1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-7

**Outstanding Long-Term Obligations**

	Total School District		Percentage Change 2005-2006
	2007	2006	
	\$	\$	
Early Retirement	99,526	100,062	-1%

**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 2007 enrollment decreased by 35.1 students from 702.6 to 667.5 students. This drop in enrollment will decrease the District's funding for fiscal year 2009.
- The District has experienced declining enrollment for the past four years and projects a continued decrease for the next five years. Meeting the subsequent decline in budget may 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 16<sup>th</sup> Street, Manson, IA 50563.

## BASIC FINANCIAL STATEMENTS

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	1,786,431	66,485	1,852,916
Receivables:			
Property tax:			
Delinquent	30,014	-	30,014
Succeeding year	2,546,878	-	2,546,878
Accounts	-	1,143	1,143
Due from other governments	1,356,711	-	1,356,711
Inventories	-	1,760	1,760
Capital assets, net of accumulated depreciation	1,745,892	29,226	1,775,118
<b>Total assets</b>	<u>7,465,926</u>	<u>98,614</u>	<u>7,564,540</u>
<b>Liabilities</b>			
Accounts payable	325,111	859	325,970
Salaries and benefits payable	519,402	23,324	542,726
Deferred revenue:			
Succeeding year property tax	2,546,878	-	2,546,878
Other	-	4,829	4,829
Long-term liabilities:			
Portion due within one year:			
Termination benefits	44,891	-	44,891
Portion due after one year:			
Termination benefits	54,635	-	54,635
<b>Total liabilities</b>	<u>3,490,917</u>	<u>29,012</u>	<u>3,519,929</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,745,892	29,226	1,775,118
Restricted for:			
Management levy	21,890	-	21,890
Physical plant and equipment levy	100,393	-	100,393
Other special revenue purposes	79,068	-	79,068
Local option sales tax capital projects	557,524	-	557,524
Unrestricted	1,470,242	40,376	1,510,618
<b>Total net assets</b>	<u><u>3,975,009</u></u>	<u><u>69,602</u></u>	<u><u>4,044,611</u></u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2007

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
<b>Governmental activities:</b>				
Instruction:				
Regular	2,698,288	640,464	190,744	-
Special	2,430,187	1,704,842	41,051	-
Other	1,018,830	270,959	183,242	-
	<u>6,147,305</u>	<u>2,616,265</u>	<u>415,037</u>	<u>-</u>
Support services:				
Student	166,276	-	-	-
Instructional staff	344,349	-	145,019	-
Administration	582,203	-	-	-
Operation and maintenance of plant	673,857	5,984	14,300	-
Transportation	629,983	-	-	-
	<u>2,396,668</u>	<u>5,984</u>	<u>159,319</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	235,968	-	-	15,000
AEA flowthrough	234,607	-	234,607	-
Depreciation (unallocated)*	160,049	-	-	-
	<u>630,624</u>	<u>-</u>	<u>234,607</u>	<u>15,000</u>
Total governmental activities	<u>9,174,597</u>	<u>2,622,249</u>	<u>808,963</u>	<u>15,000</u>
<b>Business type activities:</b>				
Non-instructional programs:				
Food service operations	274,013	172,355	109,349	-
Building trades	254,702	253,668	-	-
Preschool	14,555	17,597	-	-
Total business-type activities	<u>543,270</u>	<u>443,620</u>	<u>109,349</u>	<u>-</u>
Total	<u>9,717,867</u>	<u>3,065,869</u>	<u>918,312</u>	<u>15,000</u>
<b>General Revenues:</b>				
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**

Beginning balance adjustment

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, 2007

<u>Net (Expense) Revenue and Changes in Net</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(1,867,080)	-	(1,867,080)
(684,294)	-	(684,294)
(564,629)	-	(564,629)
<u>(3,116,003)</u>	<u>-</u>	<u>(3,116,003)</u>
(166,276)	-	(166,276)
(199,330)	-	(199,330)
(582,203)	-	(582,203)
(653,573)	-	(653,573)
(629,983)	-	(629,983)
<u>(2,231,365)</u>	<u>-</u>	<u>(2,231,365)</u>
(220,968)	-	(220,968)
-	-	-
(160,049)	-	(160,049)
<u>(381,017)</u>	<u>-</u>	<u>(381,017)</u>
<u>(5,728,385)</u>	<u>-</u>	<u>(5,728,385)</u>
-	7,691	7,691
-	(1,034)	(1,034)
-	3,042	3,042
-	9,699	9,699
<u>(5,728,385)</u>	<u>9,699</u>	<u>(5,718,686)</u>
2,530,114	-	2,530,114
67,088	-	67,088
301,315	-	301,315
382,127	-	382,127
2,593,009	-	2,593,009
108,242	2,809	111,051
9,877	-	9,877
<u>5,991,772</u>	<u>2,809</u>	<u>5,994,581</u>
263,387	12,508	275,895
-	8,417	8,417
<u>3,711,622</u>	<u>48,677</u>	<u>3,760,299</u>
<u>3,975,009</u>	<u>69,602</u>	<u>4,044,611</u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2007

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	1,041,885	744,451	1,786,336
Receivables:			
Property tax:			
Delinquent	27,259	2,755	30,014
Succeeding year	2,278,494	268,384	2,546,878
Due from other governments	1,226,588	130,123	1,356,711
	<u>4,574,226</u>	<u>1,145,713</u>	<u>5,719,939</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	306,183	18,928	325,111
Salaries and benefits payable	519,402	-	519,402
Deferred revenue:			
Succeeding year property tax	2,278,494	268,384	2,546,878
Other	302,041	-	302,041
Total liabilities	<u>3,406,120</u>	<u>287,312</u>	<u>3,693,432</u>
Fund balances:			
Unreserved reported in:			
General fund	1,168,106	-	1,168,106
Special revenue funds	-	300,877	300,877
Capital projects funds	-	557,524	557,524
Total fund balances	<u>1,168,106</u>	<u>858,401</u>	<u>2,026,507</u>
	<u>4,574,226</u>	<u>1,145,713</u>	<u>5,719,939</u>
<b>Total liabilities and fund balances</b>			

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	2,026,507
<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.	1,745,892
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	302,041
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.	95
Long-term liabilities, including termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(99,526)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>3,975,009</u></u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund \$	Nonmajor Governmental Funds \$	Total \$
Revenues:			
Local sources:			
Local tax	2,659,834	615,317	3,275,151
Tuition	2,066,799	-	2,066,799
Other	337,960	335,308	673,268
Intermediate sources	1,719	-	1,719
State sources	3,137,680	149	3,137,829
Federal sources	262,424	15,000	277,424
Total revenues	<u>8,466,416</u>	<u>965,774</u>	<u>9,432,190</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,670,182	45,189	2,715,371
Special	2,430,187	-	2,430,187
Other	743,890	274,940	1,018,830
	<u>5,844,259</u>	<u>320,129</u>	<u>6,164,388</u>
Support services:			
Student	166,276	-	166,276
Instructional staff	273,069	71,280	344,349
Administration	582,203	-	582,203
Operation and maintenance of plant	595,235	76,837	672,072
Transportation	545,770	43,476	589,246
	<u>2,162,553</u>	<u>191,593</u>	<u>2,354,146</u>
Other expenditures:			
Facilities acquisition	-	224,787	224,787
AEA flowthrough	234,607	-	234,607
	<u>234,607</u>	<u>224,787</u>	<u>459,394</u>
Total expenditures	<u>8,241,419</u>	<u>736,509</u>	<u>8,977,928</u>
Excess (deficiency) of revenues over (under) expenditures	224,997	229,265	454,262
Other financing sources (uses):			
Sales of materials and equipment	301	-	301
Net change in fund balances	225,298	229,265	454,563
Fund balances beginning of year	942,808	629,136	1,571,944
Fund balances end of year	<u>1,168,106</u>	<u>858,401</u>	<u>2,026,507</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, 2007

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		454,563

**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 Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Expenditures for capital assets	62,270	
Depreciation expense	<u>(258,520)</u>	(196,250)

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

5,493

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

Termination benefits		536
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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.

(955)**Changes in net assets of governmental activities (Exhibit B)**263,387

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2007

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	66,485	95
Accounts receivable	1,143	-
Inventories	1,760	-
Capital assets, net of accumulated depreciation	29,226	-
	<u>98,614</u>	<u>95</u>
<b>Total assets</b>	<u>98,614</u>	<u>95</u>
<b>Liabilities</b>		
Accounts payable	859	5,617
Salaries and benefits payable	23,324	-
Deferred revenue	4,829	-
	<u>29,012</u>	<u>5,617</u>
<b>Total liabilities</b>	<u>29,012</u>	<u>5,617</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	29,226	-
Unrestricted	40,376	(5,522)
	<u>69,602</u>	<u>(5,522)</u>
<b>Total net assets</b>	<u>69,602</u>	<u>(5,522)</u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Operating revenues:		
Local sources:		
Charges for service	443,620	17,827
Operating expenses:		
Non-instructional programs:		
Salaries	124,399	-
Benefits	21,789	24,399
Purchased services	1,077	-
Supplies	390,353	-
Depreciation	5,652	-
	<u>543,270</u>	<u>24,399</u>
Operating gain (loss)	<u>(99,650)</u>	<u>(6,572)</u>
Non-operating revenues:		
State sources	4,023	-
Federal sources	105,326	-
Interest income	2,809	-
Total non-operating revenues	<u>112,158</u>	<u>-</u>
Change in net assets	12,508	(6,572)
Beginning balance adjustment	8,417	-
Net assets beginning of year	<u>48,677</u>	<u>1,050</u>
Net assets end of year	<u><u>69,602</u></u>	<u><u>(5,522)</u></u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2007

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
<b>Cash flows from operating activities:</b>		
Cash received from sale of lunches and breakfasts	173,147	-
Cash received from other services	271,365	17,827
Cash payments to employees for services	(144,650)	(18,782)
Cash payments to suppliers for goods or services	(377,044)	-
Net cash used by operating activities	<u>(77,182)</u>	<u>(955)</u>
<b>Cash flows from non-capital financing activities:</b>		
State grants received	4,023	-
Federal grants received	90,722	-
Net cash provided by non-capital financing activities	<u>94,745</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>		
Acquisition of capital assets	<u>(12,387)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>		
Interest on investments	<u>2,809</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	7,985	(955)
Cash and cash equivalents at beginning of year	<u>58,500</u>	<u>1,050</u>
Cash and cash equivalents at end of year	<u><u>66,485</u></u>	<u><u>95</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(99,650)	(6,572)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	14,604	-
Depreciation	5,652	-
Decrease (increase) in inventories	(118)	-
Decrease (increase) in accounts receivable	(33)	-
(Decrease) increase in accounts payable	(100)	5,617
(Decrease) increase in salaries and benefits payable	1,538	-
(Decrease) increase in deferred revenue	925	-
Net cash used in operating activities	<u>(77,182)</u>	<u>(955)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2007, the District received \$14,604 of federal commodities.

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2007

	Private Purpose Trust Scholarship	Agency
	\$	\$
<b>Assets</b>		
Cash and pooled investments	29,657	1,209
Accrued interest receivable	266	-
	<u>29,923</u>	<u>1,209</u>
<b>Total assets</b>	29,923	1,209
<b>Liabilities</b>		
Other payables	-	1,209
	<u>-</u>	<u>1,209</u>
<b>Net Assets</b>		
Reserved for scholarships	29,923	-
	<u><u>29,923</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, 2007

	Private Purpose Trust Scholarship <u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	1,197
Interest	<u>1,300</u>
Total additions	2,497
Deductions:	
Support services:	
Scholarships awarded	<u>1,750</u>
Change in net assets	747
Net assets beginning of year	<u>29,176</u>
Net assets end of year	<u><u>29,923</u></u>

# MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2007

### 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 not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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	600
Other furniture and equipment	1,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
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 not available for appropriation or 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 are 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, 2007, expenditures exceeded the amount budgeted in the support services function.

## 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 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, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	137,331

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. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	5,111,934	12,120	2,625	5,121,429
Improvements other than buildings	392,164	-	-	392,164
Furniture and equipment	2,218,993	73,451	112,122	2,180,322
Total capital assets being deprec.	<u>7,723,091</u>	<u>85,571</u>	<u>114,747</u>	<u>7,693,915</u>
Less accumulated depreciation for:				
Buildings	3,683,084	121,291	-	3,804,375
Improvements other than buildings	295,714	15,943	-	311,657
Furniture and equipment	1,812,151	121,286	91,446	1,841,991
Total accumulated depreciation	<u>5,790,949</u>	<u>258,520</u>	<u>91,446</u>	<u>5,958,023</u>
Total capital assets being depreciated, net	<u>1,932,142</u>	<u>(172,949)</u>	<u>23,301</u>	<u>1,735,892</u>
Governmental activities capital assets, net	<u>1,942,142</u>	<u>(172,949)</u>	<u>23,301</u>	<u>1,745,892</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	240,439	12,387	10,895	241,931
Less accumulated depreciation	<u>226,365</u>	<u>5,652</u>	<u>19,312</u>	<u>212,705</u>
Business type activities capital assets, net	<u>14,074</u>	<u>6,735</u>	<u>-8,417</u>	<u>29,226</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	17,451
Support services:	
Operation and maintenance of plant services	12,235
Transportation	68,785
	<u>98,471</u>
Unallocated depreciation	160,049
	<u>258,520</u>
 Business type activities:	
Food services	<u>5,652</u>

#### 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Termination benefits	<u>100,062</u>	<u>35,767</u>	<u>36,303</u>	<u>99,526</u>	<u>44,891</u>

#### Termination Benefits

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

Early retirement benefits are based on a percentage of regular contractual salary in effect during the employee's last year of employment.

At June 30, 2007, the District has obligations to eleven participants with a total liability of \$99,526. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$36,303.

#### 5. 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, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$200,174, \$193,971, and \$199,723 respectively, equal to the required contributions for each year.

## 6. Risk Management

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

## 7. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$234,607 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## 8. Lease Commitment

The District entered into a 64 month non-cancelable copy machine operating lease on March 15, 2007. The payments the District will make over the next five years are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease Payment</u>
	\$
2008	22,542
2009	22,542
2010	22,542
2011	22,542
2012	22,542
2013	1,879

## 9. Construction Commitment

The District has entered into a construction contract totaling \$362,776 for a fitness center. As of June 30, 2007 no costs had been incurred against the contract.

## 10. Deficit Fund Balances

At June 30, 2007 the District had a deficit balance in its Internal Service Fund of \$5,522.

## 11. Beginning Balance Adjustment – Nonmajor Enterprise Funds

The beginning balance of the Nonmajor Enterprise Funds was increased by \$8,417 so that the capital assets would match the depreciation schedule.

## 12. Change in Accounting Method

The Manson Northwest Webster Community School District, the Prairie Lakes Area Education Agency and Rabiner Treatment Center have a 28E agreement for an educational program to be operated at Rabiner Treatment Center. Rabiner Treatment Center is a not-for-profit corporation licensed to operate as a residential child foster care facility under Iowa Code Chapter 237. Under the agreement Northwest Webster was responsible for accounting for the program provide by Rabiner Treatment Center.

For years prior to 2006 the Rabiner Treatment Center program was included in the General Fund. The District started accounting for the Rabiner Treatment Center program in an agency fund in fiscal year 2006. This change was made because Rabiner Treatment Center is an independent not-for-

profit organization and having the Rabiner Treatment Center transactions in an agency fund clarified the tracking of the Rabiner Treatment Center transactions.

The Iowa Department of Education requested that the District revert back to its prior method of accounting for the Rabiner Treatment Facility for fiscal year 2007.

The fiscal year 2006 change in accounting method and the fiscal year 2007 reversion to the previous method of accounting had no effect on the fund balances or governmental activity net assets. The changes to effect the comparability of the General Fund revenues and expenditures and the comparability of the revenues and expenses in the Statement of Activities.

REQUIRED SUPPLEMENTARY INFORMATION

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT  
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
 Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	6,015,218	446,429	6,461,647	6,844,669	6,844,669	(383,022)
Intermediate sources	1,719	-	-	-	-	-
State sources	3,137,829	4,023	3,141,852	3,131,815	3,131,815	10,037
Federal sources	277,424	105,326	382,750	435,000	435,000	(52,250)
Total revenues	<u>9,432,190</u>	<u>555,778</u>	<u>9,986,249</u>	<u>10,411,484</u>	<u>10,411,484</u>	<u>(425,235)</u>
Expenditures:						
Instruction	6,164,388	-	6,164,388	6,914,576	6,914,576	750,188
Support services	2,354,146	-	2,354,146	2,104,500	2,104,500	(249,646)
Non-instructional programs	-	543,270	543,270	596,000	596,000	52,730
Other expenditures	459,394	-	459,394	598,068	598,068	138,674
Total expenditures	<u>8,977,928</u>	<u>543,270</u>	<u>9,521,198</u>	<u>10,213,144</u>	<u>10,213,144</u>	<u>691,946</u>
Excess (deficiency) of revenues over (under) expenditures	454,262	12,508	465,051	198,340	198,340	266,711
Other financing sources (uses) net	<u>301</u>	<u>-</u>	<u>301</u>	<u>-</u>	<u>-</u>	<u>301</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	454,563	12,508	465,352	198,340	198,340	267,012
Beginning balance adjustment	-	8,417	8,417	-	-	-
Balance beginning of year	<u>1,571,944</u>	<u>48,677</u>	<u>1,620,621</u>	<u>1,109,144</u>	<u>1,109,144</u>	<u>511,477</u>
Balance end of year	<u>2,026,507</u>	<u>69,602</u>	<u>2,094,390</u>	<u>1,307,484</u>	<u>1,307,484</u>	<u>778,489</u>

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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

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

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

During the year ended June 30, 2007, expenditures in the support services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds			Capital Projects	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales Tax	
	\$	\$	\$	\$	\$
Cash and pooled investments	119,454	84,756	87,390	452,851	744,451
Receivables:					
Property tax:					
Delinquent	1,962	-	793	-	2,755
Succeeding year	200,000	-	68,384	-	268,384
Due from other governments	-	-	15,000	115,123	130,123
<b>Total assets</b>	<b>321,416</b>	<b>84,756</b>	<b>171,567</b>	<b>567,974</b>	<b>1,145,713</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	-	5,688	2,790	10,450	18,928
Deferred revenue:					
Succeeding year property tax	200,000	-	68,384	-	268,384
Total liabilities	200,000	5,688	71,174	10,450	287,312
Fund balances:					
Unreserved reported in:					
Special revenue funds	121,416	79,068	100,393	-	300,877
Capital projects funds	-	-	-	557,524	557,524
Total fund balances	121,416	79,068	100,393	557,524	858,401
<b>Total liabilities and fund balances</b>	<b>321,416</b>	<b>84,756</b>	<b>171,567</b>	<b>567,974</b>	<b>1,145,713</b>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Special Revenue Funds			Capital Projects	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales Tax	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	166,102	-	67,088	382,127	615,317
Other	28,566	272,663	8,662	25,417	335,308
State sources	106	-	43	-	149
Federal sources	-	-	15,000	-	15,000
Total revenues	<u>194,774</u>	<u>272,663</u>	<u>90,793</u>	<u>407,544</u>	<u>965,774</u>
Expenditures:					
Current:					
Instruction:					
Regular	45,189	-	-	-	45,189
Other	-	274,940	-	-	274,940
Support services:					
Instructional staff	-	-	71,280	-	71,280
Operation and maintenance of plant	76,837	-	-	-	76,837
Transportation	16,928	-	-	26,548	43,476
Other expenditures:					
Facilities acquisition	-	-	19,068	205,719	224,787
Total expenditures	<u>138,954</u>	<u>274,940</u>	<u>90,348</u>	<u>232,267</u>	<u>736,509</u>
Excess (deficiency) of revenues over (under) expenditures	55,820	(2,277)	445	175,277	229,265
Fund balances beginning of year	<u>65,596</u>	<u>81,345</u>	<u>99,948</u>	<u>382,247</u>	<u>629,136</u>
Fund balances end of year	<u><u>121,416</u></u>	<u><u>79,068</u></u>	<u><u>100,393</u></u>	<u><u>557,524</u></u>	<u><u>858,401</u></u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2007

	School Nutrition	Building Trades	Preschool	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and cash equivalents	26,294	20,688	19,503	66,485
Accounts receivable	1,143	-	-	1,143
Inventories	1,760	-	-	1,760
Capital assets, net of accumulated depreciation	29,226	-	-	29,226
	<u>58,423</u>	<u>20,688</u>	<u>19,503</u>	<u>98,614</u>
<b>Total assets</b>				
<b>Liabilities</b>				
Accounts payable	322	-	537	859
Salaries and benefits payable	21,461	-	1,863	23,324
Deferred revenue	4,829	-	-	4,829
	<u>26,612</u>	<u>-</u>	<u>2,400</u>	<u>29,012</u>
<b>Total liabilities</b>				
<b>Net assets</b>				
Invested in capital assets, net of related debt	29,226	-	-	29,226
Unrestricted	2,585	20,688	17,103	40,376
	<u>31,811</u>	<u>20,688</u>	<u>17,103</u>	<u>69,602</u>
<b>Total net assets</b>				

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	School Nutrition	Building Trades	Preschool	Total
	\$	\$	\$	\$
Operating revenues:				
Local sources:				
Charges for service	<u>172,355</u>	<u>253,668</u>	<u>17,597</u>	<u>443,620</u>
Operating expenses:				
Non-instructional programs:				
Salaries	113,787	-	10,612	124,399
Benefits	19,101	-	2,688	21,789
Purchased services	927	-	150	1,077
Supplies	134,546	254,702	1,105	390,353
Depreciation	5,652	-	-	5,652
	<u>274,013</u>	<u>254,702</u>	<u>14,555</u>	<u>543,270</u>
Operating gain (loss)	<u>(101,658)</u>	<u>(1,034)</u>	<u>3,042</u>	<u>(99,650)</u>
Non-operating revenues:				
State sources	4,023	-	-	4,023
Federal sources	105,326	-	-	105,326
Interest income	832	1,159	818	2,809
Total non-operating revenues	<u>110,181</u>	<u>1,159</u>	<u>818</u>	<u>112,158</u>
Change in net assets	8,523	125	3,860	12,508
Beginning balance adjustment	8,417	-	-	8,417
Net assets beginning of year	<u>14,871</u>	<u>20,563</u>	<u>13,243</u>	<u>48,677</u>
Net assets end of year	<u><u>31,811</u></u>	<u><u>20,688</u></u>	<u><u>17,103</u></u>	<u><u>69,602</u></u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2007

	School Nutrition \$	Building Trades \$	Preschool \$	Total \$
<b>Cash flows from operating activities:</b>				
Cash received from sale of lunches and breakfasts	173,147	-	-	173,147
Cash received from other services	-	253,668	17,697	271,365
Cash payments to employees for services	(131,467)	-	(13,183)	(144,650)
Cash payments to suppliers for goods or services	(121,624)	(254,702)	(718)	(377,044)
Net cash used by operating activities	<u>(79,944)</u>	<u>(1,034)</u>	<u>3,796</u>	<u>(77,182)</u>
<b>Cash flows from non-capital financing activities:</b>				
State grants received	4,023	-	-	4,023
Federal grants received	90,722	-	-	90,722
Net cash provided by non-capital financing activities	<u>94,745</u>	<u>-</u>	<u>-</u>	<u>94,745</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(12,387)	-	-	(12,387)
<b>Cash flows from investing activities:</b>				
Interest on investments	832	1,159	818	2,809
Net increase (decrease) in cash and cash equivalents	3,246	125	4,614	7,985
Cash and cash equivalents at beginning of year	<u>23,048</u>	<u>20,563</u>	<u>14,889</u>	<u>58,500</u>
Cash and cash equivalents at end of year	<u><u>26,294</u></u>	<u><u>20,688</u></u>	<u><u>19,503</u></u>	<u><u>66,485</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>				
Operating gain (loss)	(101,658)	(1,034)	3,042	(99,650)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:				
Commodities used	14,604	-	-	14,604
Depreciation	5,652	-	-	5,652
Decrease (increase) in inventories	(118)	-	-	(118)
Decrease (increase) in accounts receivable	(133)	-	100	(33)
(Decrease) increase in accounts payable	(637)	-	537	(100)
(Decrease) increase in salaries and benefits payable	1,421	-	117	1,538
(Decrease) increase in deferred revenue	925	-	-	925
Net cash used in operating activities	<u>(79,944)</u>	<u>(1,034)</u>	<u>3,796</u>	<u>(77,182)</u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Speech	1,626	1,648	2,830	61	505
Musical	764	3,081	4,526	1,183	502
Tri-M	499	-	-	23	522
Band trips	1,863	-	-	87	1,950
Boys basketball	1,971	7,381	9,634	1,293	1,011
Girls basketball	2,016	21,632	24,087	1,259	820
Activity tickets	2,618	8,893	1,568	(9,437)	506
Cross country	191	1,161	1,183	341	510
Golf	154	417	592	329	308
Volleyball	530	5,776	5,389	357	1,274
Football	7,023	15,165	19,406	41	2,823
Baseball	2,567	5,248	9,237	2,057	635
Track	1,797	11,586	16,155	3,393	621
Wrestling	1,469	25,242	23,170	139	3,680
Softball	2,512	6,545	8,503	1,288	1,842
MS student council	1,905	3,917	5,260	80	642
MS/ES annual	584	3,345	4,223	575	281
National honor society	240	1,628	1,695	16	189
Spanish club	7,475	5,383	8,555	257	4,560
Student council	4,355	2,965	3,374	180	4,126
Elementary projects	2,257	1,150	283	131	3,255
Student programs	574	9,839	10,128	17	302
Library club	1,579	5,959	6,382	-	1,156
Electrathon	173	5,459	4,472	30	1,190
Junior class	1,581	13,327	12,266	(1,446)	1,196
Senior class	-	340	1,785	1,637	192
High school annual	6,917	8,454	12,013	220	3,578
MS vocal music ho ho grams	3,962	18,703	11,680	486	11,471
Drill team	916	16,996	17,293	35	654
Cheerleaders - basketball	455	741	429	31	798
Cheerleaders - football	2,605	6,290	6,876	71	2,090
Cheerleaders - wrestling	1,325	2,181	2,257	64	1,313
Pop	2,062	13,692	13,531	145	2,368
Needy donations	1,575	324	80	83	1,902
Pepsi fund	2,136	-	-	(1,981)	155
FFA	11,864	29,283	21,566	833	20,414
FFA environment grant	1,643	2,000	569	96	3,170
Interest fund balance (regular)	-	138	-	(138)	-
Athletic calendar	127	2,800	2,535	58	450

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-fund Transfers</u>	<u>Balance End of Year</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Interest - ISJIT	-	3,974	-	(3,974)	-
Champions club	1,715	-	-	80	1,795
Beginning accrual	(4,280)	-	(4,280)	-	-
Ending accrual	-	-	5,688	-	(5,688)
Total	<u>81,345</u>	<u>272,663</u>	<u>274,940</u>	<u>-</u>	<u>79,068</u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Assets</b>				
Cash	<u>1,008</u>	<u>1,276</u>	<u>1,075</u>	<u>1,209</u>
<b>Liabilities</b>				
Other payables	<u>1,008</u>	<u>1,276</u>	<u>1,075</u>	<u>1,209</u>

## 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			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,275,151	3,009,443	3,135,191	3,202,084
Tuition	2,066,799	2,002,115	2,067,391	1,352,119
Other	673,268	674,446	340,438	331,023
Intermediate sources	1,719	-	-	-
State sources	3,137,829	3,142,982	2,947,727	2,876,461
Federal sources	277,424	263,798	271,081	270,810
Total revenues	<u>9,432,190</u>	<u>9,092,784</u>	<u>8,761,828</u>	<u>8,032,497</u>
Expenditures:				
Instruction:				
Regular	2,715,371	2,511,600	2,743,797	2,750,326
Special	2,430,187	2,154,706	2,577,072	1,956,353
Other	1,018,830	998,887	952,620	626,888
Support services:				
Student	166,276	117,930	190,958	185,033
Instructional staff	344,349	297,558	299,815	324,558
Administration	582,203	732,644	625,565	581,754
Operation and maintenance of plant	672,072	637,365	607,736	540,780
Transportation	589,246	384,189	398,063	380,624
Other expenditures:				
Facilities acquisition	224,787	386,905	354,722	225,642
AEA flowthrough	234,607	232,421	229,967	234,608
Total expenditures	<u>8,977,928</u>	<u>8,454,205</u>	<u>8,980,315</u>	<u>7,806,566</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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 28, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Manson Northwest Webster Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Manson Northwest Webster Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Manson Northwest Webster Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Manson Northwest Webster Community School District's financial statements that is more than inconsequential will not be prevented or detected by Manson Northwest Webster Community School District's internal control. We consider the deficiencies in internal control described in Part I of

the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Manson Northwest Webster Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-I-A, 07-I-B, 07-I-C and 07-I-D 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 and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 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.

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

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

April 28, 2008

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2007

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

Significant deficiencies:

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

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

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

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

Conclusion: Response accepted.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2007

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

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

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

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

Conclusion: Response accepted.

07-I-D Financial Reporting: During the year the District recorded a prior period adjustment in the School Nutrition Fund to make net capital assets on the books match the Nutrition Fund depreciation schedule.

Recommendation: The District should implement procedures to annually match the capital assets and accumulated depreciation recorded in the accounting records to the depreciation schedule.

District Response: We will make the comparison annually.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

07-II-A Certified Budget: Expenditures for the year ended June 30, 2007 exceeded the budget in the support services function.

Recommendation: The District should amend its budget before expenditures exceed the budgeted amounts.

District Response: We will try to amend the budget for all functional areas in the future.

Conclusion: Response accepted.

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

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

07-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.

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

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

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

07-II-H 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.

07-II-I Certified Annual Report (CAR): The CAR was certified to the Iowa Department of Education timely.

07-II-J Deficit Balances: The District has a \$5,522 deficit fund balance in the Internal Service Fund.

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

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

Conclusion: Response accepted.