

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 7, 2010, 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, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide 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 four years ended June 30, 2008 (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.

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

May 7, 2010

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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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2009 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$8,848,229 in fiscal 2008 to \$8,667,351 in fiscal 2009, while General Fund expenditures increased from \$8,636,689 in fiscal 2008 to \$9,052,257 in fiscal 2009. The District's General Fund balance decreased from \$1,379,646 in fiscal 2008 to \$995,665 in fiscal 2009.

### 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.

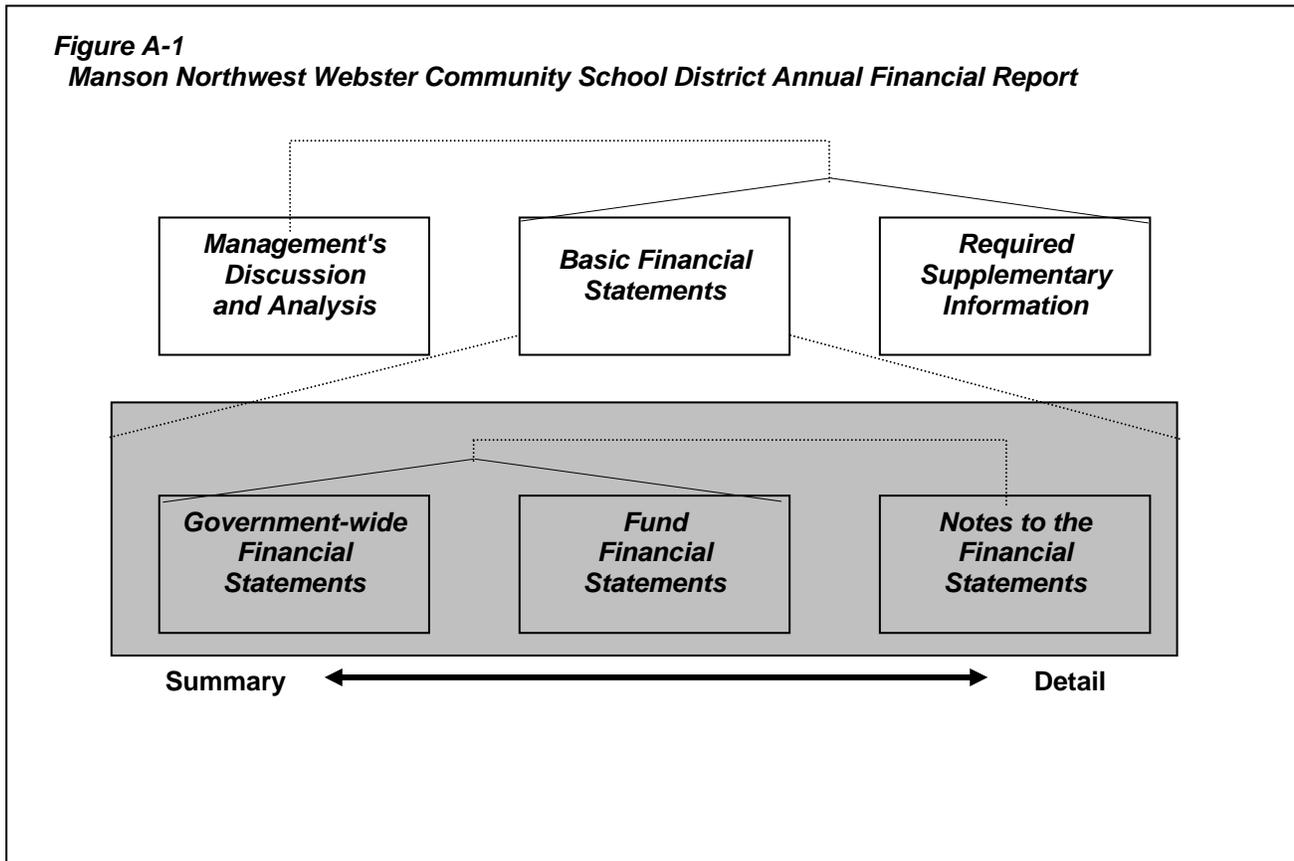


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<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, 2009 compared to June 30, 2008.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,881,647	5,956,162	93,326	42,482	5,974,973	5,998,644	<-1%
Capital assets	2,265,701	2,128,429	22,238	23,907	2,287,939	2,152,336	6%
<b>Total assets</b>	<b>8,147,348</b>	<b>8,084,591</b>	<b>115,564</b>	<b>66,389</b>	<b>8,262,912</b>	<b>8,150,980</b>	<b>1%</b>
Long-term liabilities	323,225	372,193	-	-	323,225	372,193	-13%
Other liabilities	3,728,246	3,318,278	53,606	26,866	3,781,852	3,345,144	13%
<b>Total liabilities</b>	<b>4,051,471</b>	<b>3,690,471</b>	<b>53,606</b>	<b>26,866</b>	<b>4,105,077</b>	<b>3,717,337</b>	<b>10%</b>
Net Assets:							
Invested in capital assets, net of related debt	2,136,089	1,922,654	22,238	23,907	2,158,327	1,946,561	11%
Restricted	738,563	744,355	-	-	738,563	744,355	-1%
Unrestricted	1,221,225	1,727,111	39,720	15,616	1,260,945	1,742,727	28%
<b>TOTAL NET ASSETS</b>	<b>4,095,877</b>	<b>4,394,120</b>	<b>61,958</b>	<b>39,523</b>	<b>4,157,835</b>	<b>4,433,643</b>	<b>-6%</b>

The District's combined net assets decreased by around 6%, or approximately \$275,808, 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 \$2,287,939 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 decreased approximately \$5,792 or 1% 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, decreased approximately \$481,782, or 28%.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	
Revenues							
Program Revenues:							
Charges for services	2,880,538	3,050,429	361,207	199,444	3,241,745	3,249,873	<-1%
Operating grants & contributions	1,055,091	1,054,993	105,988	104,200	1,161,079	1,159,193	<1%
Capital grants & contributions	1,190	-	-	-	1,190	-	100%
General Revenues:							
Property taxes	2,462,299	2,562,234	-	-	2,462,299	2,562,234	-4%
Income Surtax	283,787	407,464	-	-	283,787	407,464	-30%
Statewide sales & services tax	502,805	376,357	-	-	502,805	376,357	34%
Unrestricted state grants	2,424,016	2,391,709	-	-	2,424,016	2,391,709	1%
Unrestricted investment earnings	21,801	79,288	471	1,893	22,272	81,181	-73%
Loss on disposal of capital assets	(3,055)	(82,343)	-	-	(3,055)	(82,343)	96%
<b>Total Revenues</b>	<b>9,628,472</b>	<b>9,840,131</b>	<b>467,666</b>	<b>305,537</b>	<b>10,096,138</b>	<b>10,145,668</b>	<b>&lt;-1%</b>
Expenses:							
Instruction	6,850,053	6,592,911	-	-	6,850,053	6,592,911	4%
Support services	2,647,694	2,413,635	-	-	2,647,694	2,413,635	10%
Non-instructional programs	-	-	448,531	335,616	448,531	335,616	34%
Other expenditures	425,668	414,474	-	-	425,668	414,474	3%
<b>Total expenses</b>	<b>9,923,415</b>	<b>9,421,020</b>	<b>448,531</b>	<b>335,616</b>	<b>10,371,946</b>	<b>9,756,636</b>	<b>6%</b>
<b>Change in net assets before Transfer</b>	<b>(294,943)</b>	<b>419,111</b>	<b>19,135</b>	<b>(30,079)</b>	<b>(275,808)</b>	<b>389,032</b>	<b>-171%</b>
Transfers	(3,300)	-	3,300	-	-	-	0%
<b>CHANGE IN NET ASSETS</b>	<b>(298,243)</b>	<b>419,111</b>	<b>22,435</b>	<b>(30,079)</b>	<b>(275,808)</b>	<b>389,032</b>	<b>-171%</b>
Net assets beginning of year	4,394,120	3,975,009	39,523	69,602	4,433,643	4,044,611	10%
Net assets end of year	4,095,877	4,394,120	61,958	39,523	4,157,835	4,433,643	-6%

Property tax and unrestricted state grants account for 48% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 92% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$9,628,472 and expenses were \$9,923,415.

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 2009 \$</b>	<b>Total Cost of Services 2008 \$</b>	<b>Net Cost of Services 2009 \$</b>	<b>Net Cost Of Services 2008 \$</b>
Instruction	6,850,053	6,592,911	3,451,147	2,798,093
Support Services	2,647,694	2,413,635	2,356,064	2,346,948
Other Expenses	425,668	414,474	179,385	170,557
<b>TOTAL</b>	<b><u>9,923,415</u></b>	<b><u>9,421,020</u></b>	<b><u>5,986,596</u></b>	<b><u>5,315,598</u></b>

- The cost financed by users (fees generated by activities and intergovernmental aid provided for specific programs) of the District's programs was \$2,880,538.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,055,091.
- The net cost of governmental activities was financed with \$3,248,891 in property and other taxes and \$2,424,016 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$467,666 and expenses were \$448,531. 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 \$1,850,556, a decrease of \$438,145 below last year's combined ending fund balance of \$2,288,701.

## **Governmental Fund Highlights**

- The District's General Fund financial position decreased over the previous year. Because the district receives little or no new money, any increases in expenditures must be offset by cuts in personnel and programs. Sufficient reductions have not yet been made to balance revenues and expenditures.
- The General Fund balance decreased from \$1,379,646 to \$995,665.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$98,745 in fiscal 2008 to \$108,963 in fiscal 2009.
- The District Capital Projects fund for Fiscal 2009 ended with a balance of \$488,160.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$24,594 at June 30, 2008 to \$39,472 at June 30, 2009, representing a increase of approximately 60%. Fee increases and diligent procurement practices have produced a favorable financial position in the Nutrition Fund.

## **BUDGETARY HIGHLIGHTS**

The District's total revenues were \$509,310 less than total budgeted revenues, a variance of 5%. The greater part of this variance was due to decreased revenues for Rabiner Treatment Center. The District also generates less revenue through the school funding formula each year as the student enrollment continues to decline.

Total expenditures were less than the amended budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures with enough margin to allow some flexibility 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 typically exceed actual expenditures for the year.

The budget was amended for instruction due to increased costs of instruction at Rabiner Treatment Center.

In spite of the District's budgetary practice, the amended certified budget was exceeded in the support services and non-instructional programs functional areas 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, 2009, the District had invested \$2,287,939, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 6% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$271,714.

Figure A-6

**Capital Assets (net of depreciation)**

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2008-2009
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Buildings	1,614,840	1,654,205	-	-	1,614,840	1,654,205	-2%
Improvements	90,565	105,402	-	-	90,565	105,402	-14%
Equipment & Furniture	550,296	358,822	22,238	23,907	572,534	382,729	50%
<b>TOTAL</b>	<b>2,265,701</b>	<b>2,128,429</b>	<b>22,238</b>	<b>23,907</b>	<b>2,287,939</b>	<b>2,152,336</b>	<b>6%</b>

**Long-Term Debt**

At June 30, 2009, the District had \$323,225 in sales tax revenue bonds, compensated absences and termination benefits long-term debt outstanding. This represents an decrease of approximately 13% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total School District		Percentage Change 2008-2009
	2009	2008	
	\$	\$	
Sales tax revenue bonds	129,612	205,775	-37%
Compensated Absences	1,401	1,718	-18%
Termination benefits	192,212	164,700	17%
<b>Total</b>	<b>323,225</b>	<b>372,193</b>	<b>-13%</b>

**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 2009 enrollment decreased by 29.7 students from 658.9 students to 629.18 students. This drop in enrollment will decrease the District's funding for fiscal year 2010.
- The District has experienced declining enrollment for the past four years and projects a continued decrease for the next five years. The Manson elementary attendance center was closed in the fall of 2009 and reduction in staff according to student needs continues.

## **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, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	1,335,899	70,526	1,406,425
Receivables:			
Property tax:			
Delinquent	36,311	-	36,311
Succeeding year	2,682,885	-	2,682,885
Accounts	-	2,274	2,274
Interfund balances	158,993	(158,993)	-
Due from other governments	1,667,559	-	1,667,559
Inventories	-	179,519	179,519
Capital assets, net of accumulated depreciation	2,265,701	22,238	2,287,939
	<u>8,147,348</u>	<u>115,564</u>	<u>8,262,912</u>
<b>Liabilities</b>			
Accounts payable	372,725	23,726	396,451
Salaries and benefits payable	587,515	25,122	612,637
Accrued interest payable	972	-	972
Deferred revenue:			
Succeeding year property tax	2,682,885	-	2,682,885
Other	84,149	4,758	88,907
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	85,443	-	85,443
Termination benefits	44,480	-	44,480
Compensated absences	467	-	467
Portion due after one year:			
Revenue bonds payable	44,169	-	44,169
Termination benefits	147,732	-	147,732
Compensated absences	934	-	934
	<u>4,051,471</u>	<u>53,606</u>	<u>4,105,077</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,136,089	22,238	2,158,327
Restricted for:			
Categorical funding	37,105	-	37,105
Physical plant and equipment levy	108,963	-	108,963
Other special revenue purposes	104,335	-	104,335
Sales tax capital projects	488,160	-	488,160
Unrestricted	1,221,225	39,720	1,260,945
	<u>4,095,877</u>	<u>61,958</u>	<u>4,157,835</u>

See notes to financial statements.

MANSON-NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

<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>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Governmental activities:</b>				
Instruction:				
Regular	2,973,016	522,419	554,627	-
Special	2,616,856	1,712,951	36,487	-
Other	1,260,181	363,690	208,732	-
	<u>6,850,053</u>	<u>2,599,060</u>	<u>799,846</u>	<u>-</u>
Support services:				
Student	148,534	-	-	-
Instructional staff	342,107	-	-	-
Administration	729,458	-	-	-
Operation and maintenance of plant	721,619	7,504	-	-
Transportation	705,976	273,974	10,152	-
	<u>2,647,694</u>	<u>281,478</u>	<u>10,152</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	5,010	-	-	1,190
Long-term debt interest & other charges	26,988	-	-	-
AEA flowthrough	245,093	-	245,093	-
Depreciation (unallocated)*	148,577	-	-	-
	<u>425,668</u>	<u>-</u>	<u>245,093</u>	<u>1,190</u>
Total governmental activities	<u>9,923,415</u>	<u>2,880,538</u>	<u>1,055,091</u>	<u>1,190</u>
<b>Business type activities:</b>				
Non-instructional programs:				
Food service operations	285,855	191,267	105,988	-
Building trades	127,303	144,458	-	-
Preschool	35,373	25,482	-	-
Total business-type activities	<u>448,531</u>	<u>361,207</u>	<u>105,988</u>	<u>-</u>
Total	<u>10,371,946</u>	<u>3,241,745</u>	<u>1,161,079</u>	<u>1,190</u>

**General Revenues:**

Property taxes levied for:
General purposes
Capital outlay
Income surtax
Statewide sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Loss on disposal of capital assets
Total general revenues

Transfers

    Total general revenues and transfers

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,895,970)	-	(1,895,970)
(867,418)	-	(867,418)
(687,759)	-	(687,759)
<u>(3,451,147)</u>	<u>-</u>	<u>(3,451,147)</u>
(148,534)	-	(148,534)
(342,107)	-	(342,107)
(729,458)	-	(729,458)
(714,115)	-	(714,115)
(421,850)	-	(421,850)
<u>(2,356,064)</u>	<u>-</u>	<u>(2,356,064)</u>
(3,820)	-	(3,820)
(26,988)	-	(26,988)
-	-	-
<u>(148,577)</u>	<u>-</u>	<u>(148,577)</u>
<u>(179,385)</u>	<u>-</u>	<u>(179,385)</u>
<u>(5,986,596)</u>	<u>-</u>	<u>(5,986,596)</u>
-	11,400	11,400
-	17,155	17,155
-	(9,891)	(9,891)
-	18,664	18,664
<u>(5,986,596)</u>	<u>18,664</u>	<u>(5,967,932)</u>
2,385,722	-	2,385,722
76,577	-	76,577
283,787	-	283,787
502,805	-	502,805
2,424,016	-	2,424,016
21,801	471	22,272
(3,055)	-	(3,055)
5,691,653	471	5,692,124
<u>(3,300)</u>	<u>3,300</u>	<u>-</u>
5,688,353	3,771	5,692,124
(298,243)	22,435	(275,808)
4,394,120	39,523	4,433,643
<u>4,095,877</u>	<u>61,958 #</u>	<u>4,157,835</u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	746,531	585,510	1,332,041
Receivables:			
Property tax:			
Delinquent	34,814	1,497	36,311
Succeeding year	2,552,664	130,221	2,682,885
Interfund receivable	12,625	218,793	231,418
Due from other governments	1,559,708	107,851	1,667,559
<b>Total assets</b>	<u>4,906,342</u>	<u>1,043,872</u>	<u>5,950,214</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	323,425	46,135	369,560
Salaries and benefits payable	587,515	-	587,515
Interfund payable	59,800	12,625	72,425
Deferred revenue:			
Succeeding year property tax	2,552,664	130,221	2,682,885
Income surtax	303,124	-	303,124
Other	84,149	-	84,149
Total liabilities	<u>3,910,677</u>	<u>188,981</u>	<u>4,099,658</u>
Fund balances:			
Reserved for:			
Categorical funding	37,105	-	37,105
Unreserved reported in:			
General fund	958,560	-	958,560
Special revenue funds	-	366,731	366,731
Capital projects funds	-	488,160	488,160
Total fund balances	<u>995,665</u>	<u>854,891</u>	<u>1,850,556</u>
<b>Total liabilities and fund balances</b>	<u>4,906,342</u>	<u>1,043,872</u>	<u>5,950,214</u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	1,850,556
<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.	2,265,701
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	303,124
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(972)
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.	693
Long-term liabilities, including revenue bonds and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(323,225)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>4,095,877</u></u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	2,686,437	604,330	3,290,767
Tuition	2,153,354	-	2,153,354
Other	348,512	401,663	750,175
Intermediate sources	16,000	-	16,000
State sources	3,168,544	59	3,168,603
Federal sources	294,504	-	294,504
Total revenues	<u>8,667,351</u>	<u>1,006,052</u>	<u>9,673,403</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,851,861	55,462	2,907,323
Special	2,616,856	-	2,616,856
Other	909,753	350,428	1,260,181
	<u>6,378,470</u>	<u>405,890</u>	<u>6,784,360</u>
Support services:			
Student	148,534	-	148,534
Instructional staff	289,151	52,956	342,107
Administration	729,123	652	729,775
Operation and maintenance of plant	630,416	71,827	702,243
Transportation	631,470	109,740	741,210
	<u>2,428,694</u>	<u>235,175</u>	<u>2,663,869</u>
Other expenditures:			
Facilities acquisition	-	316,200	316,200
Long-term debt:			
Principal	-	86,163	86,163
Interest and fiscal charges	-	16,788	16,788
AEA flowthrough	245,093	-	245,093
	<u>245,093</u>	<u>419,151</u>	<u>664,244</u>
Total expenditures	<u>9,052,257</u>	<u>1,060,216</u>	<u>10,112,473</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(384,906)</u>	<u>(54,164)</u>	<u>(439,070)</u>
Other financing sources (uses):			
Sales of materials and equipment	925	-	925
Operating transfers in	-	102,951	102,951
Operating transfers out	-	(102,951)	(102,951)
Total other financing sources (uses)	<u>925</u>	<u>-</u>	<u>925</u>
Net change in fund balances	(383,981)	(54,164)	(438,145)
Fund balances beginning of year	<u>1,379,646</u>	<u>909,055</u>	<u>2,288,701</u>
Fund balances end of year	<u><u>995,665</u></u>	<u><u>854,891</u></u>	<u><u>1,850,556</u></u>

## 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, 2009

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(438,145)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense and loss on disposal of capital assets in the current year as follows:		
Loss on disposal of capital assets	(3,980)	
Expenditures for capital assets	407,997	
Depreciation expense	<u>(266,745)</u>	137,272
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.		(41,876)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		76,163
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(200)
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	(27,512)	
Compensated absences	<u>317</u>	(27,195)
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.		<u>(4,262)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>(298,243)</u></u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2009

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	70,526	3,858
Accounts receivable	2,274	-
Inventories	179,519	-
Capital assets, net of accumulated depreciation	22,238	-
	<u>274,557</u>	<u>3,858</u>
<b>Total assets</b>	<u>274,557</u>	<u>3,858</u>
<b>Liabilities</b>		
Accounts payable	23,726	3,165
Salaries and benefits payable	25,122	-
Deferred revenue	4,758	-
Interfund payable	158,993	-
	<u>212,599</u>	<u>3,165</u>
<b>Total liabilities</b>	<u>212,599</u>	<u>3,165</u>
<b>Net assets</b>		
Invested in capital assets	22,238	-
Unrestricted	39,720	693
	<u>61,958</u>	<u>693</u>
<b>Total net assets</b>	<u>61,958</u>	<u>693</u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Operating revenues:		
Local sources:		
Charges for service	<u>361,207</u>	<u>24,702</u>
Operating expenses:		
Non-instructional programs:		
Salaries	127,606	-
Benefits	26,627	23,347
Purchased services	10,998	-
Supplies	278,331	-
Depreciation	4,969	-
Total operating expenses	<u>448,531</u>	<u>23,347</u>
Operating gain (loss)	<u>(87,324)</u>	<u>1,355</u>
Non-operating revenues:		
State sources	3,519	-
Federal sources	102,469	-
Interest income	471	-
Total non-operating revenues	<u>106,459</u>	<u>-</u>
Gain (loss) before capital contributions	19,135	1,355
Capital contributions	<u>3,300</u>	<u>-</u>
Change in net assets	22,435	1,355
Net assets beginning of year	<u>39,523</u>	<u>(662)</u>
Net assets end of year	<u><u>61,958</u></u>	<u><u>693</u></u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
<b>Cash flows from operating activities:</b>		
Cash received from sale of lunches and breakfasts	190,542	-
Cash received from other services	26,342	24,702
Cash received from sale of student constructed house	144,458	-
Cash payments to employees for services	(151,074)	(20,844)
Cash payments to suppliers for goods or services	(300,301)	-
Net cash (used by) provided by operating activities	<u>(90,033)</u>	<u>3,858</u>
<b>Cash flows from non-capital financing activities:</b>		
Interfund loans received (repaid)	19,648	-
State grants received	3,519	-
Federal grants received	85,039	-
Net cash provided by non-capital financing activities	<u>108,206</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities:</b>		
Interest on investments	471	-
Net increase (decrease) in cash and cash equivalents	18,644	3,858
Cash and cash equivalents at beginning of year	51,882	-
Cash and cash equivalents at end of year	<u>70,526</u>	<u>3,858</u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(87,324)	1,355
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	17,430	-
Depreciation	4,969	-
Decrease (increase) in inventories	(52,128)	-
Decrease (increase) in accounts receivable	280	-
(Decrease) increase in accounts payable	23,726	2,503
(Decrease) increase in salaries and benefits payable	3,159	-
(Decrease) increase in deferred revenue	(145)	-
Net cash (used by) provided by operating activities	<u>(90,033)</u>	<u>3,858</u>

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

During the year ended June 30, 2009, the District received \$17,430 of federal commodities.

The School Nutrition Fund received \$3,300 of equipment that was purchased by an other fund.

See notes to financial statements.

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2009

	Private Purpose Trust Scholarship	Agency
	\$	\$
<b>Assets</b>		
Cash and pooled investments	34,246	1,308
Accrued interest receivable	148	-
	<u>34,394</u>	<u>1,308</u>
<b>Total assets</b>		
	34,394	1,308
<b>Liabilities</b>		
Other payables	-	1,308
	<u>-</u>	<u>1,308</u>
<b>Net Assets</b>		
Reserved for scholarships	34,394	-
	<u><u>34,394</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, 2009

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	4,476
Interest	943
Total additions	<u>5,419</u>
Deductions:	
Support services:	
Scholarships awarded	<u>3,750</u>
Change in net assets	1,669
Net assets beginning of year	<u>32,725</u>
Net assets end of year	<u><u>34,394</u></u>

# MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2009

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

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

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 instructional, 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 the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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.

The June 30, 2009 inventory includes \$1,031 of food and \$178,488 for a completed student constructed house that is held for resale.

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 hours for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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, 2009, expenditures exceeded the amount budgeted in the support services and non-instructional programs functions.

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

The District's deposits in banks at June 30, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	193,619

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. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Nonmajor Governmental: Capital Projects Fund	Nonmajor Enterprise: Building Trades Fund	158,993
Nonmajor Governmental: Capital Projects Fund	General Fund	59,800
General Fund	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	12,625

### 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Governmental: Capital Projects Fund	Nonmajor Governmental: Debt Service Fund	90,326
Physical Plant and Equipment Levy Fund	Debt Service Fund	12,625

These transfers moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### 5. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	5,562,530	51,201	1,500	5,612,231
Improvements other than buildings	433,728	-	-	433,728
Furniture and equipment	2,209,291	356,796	123,382	2,442,705
Total capital assets being deprec.	<u>8,205,549</u>	<u>407,997</u>	<u>124,882</u>	<u>8,488,664</u>
Less accumulated depreciation for:				
Buildings	3,908,325	89,786	720	3,997,391
Improvements other than buildings	328,326	14,837	-	343,163
Furniture and equipment	1,850,469	162,122	120,182	1,892,409
Total accumulated depreciation	<u>6,087,120</u>	<u>266,745</u>	<u>120,902</u>	<u>6,232,963</u>
Total capital assets being depreciated, net	<u>2,118,429</u>	<u>141,252</u>	<u>3,980</u>	<u>2,255,701</u>
Governmental activities capital assets, net	<u>2,128,429</u>	<u>141,252</u>	<u>3,980</u>	<u>2,265,701</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	244,695	3,300	-	247,995
Less accumulated depreciation	<u>220,788</u>	<u>4,969</u>	<u>-</u>	<u>225,757</u>
Business type activities capital assets, net	<u>23,907</u>	<u>(1,669)</u>	<u>-</u>	<u>22,238</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	33,919
Support services:	
Operation and maintenance of plant services	19,376
Transportation	64,873
	<u>118,168</u>
Unallocated depreciation	<u>148,577</u>
Total depreciation expense – governmental activities	<u>266,745</u>
Business type activities:	
Food services	<u>4,969</u>

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds (previously written off as lost)	-	10,000	10,000	-	-
Sales tax revenue bonds	205,775	-	76,163	129,612	85,443
Compensated absences	1,718	-	317	1,401	467
Termination benefits	164,700	58,883	31,371	192,212	44,480
<b>Total</b>	<b>372,193</b>	<b>68,883</b>	<b>117,851</b>	<b>323,225</b>	<b>130,390</b>

### Revenue Bonds Payable

Details of the District's June 30, 2009 local option (statewide) sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of October 3, 2007			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	4.50	85,443	4,882	90,325
2011	4.50	44,169	994	45,163
		<u>129,612</u>	<u>5,876</u>	<u>135,488</u>

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$250,000 bonds issued in October 2007. The bonds were issued for the purpose of financing a weight training facility. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2011. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 20% of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$117,637. For the current year, \$90,326 of principal and interest were paid on the bonds and total local option (statewide) sales and services tax revenues were \$502,805.

### 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 consist of single coverage health insurance until age 65.

At June 30, 2009, the District has obligations to ten participants with a total liability of \$192,212. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$31,371.

**7. Pension and Retirement Benefits**

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$243,482, \$224,157, and \$200,174 respectively, equal to the required contributions for each year.

**8. 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.

**9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$245,093 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**10. Lease Commitment**

The District entered into a 64 month non-cancelable copy machine operating lease on March 15, 2008. The payments the District will make over the next four years are as follows:

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

**11. Deficit Fund Balances**

At June 30, 2009 the District had a \$1,896 deficit net assets balance in the Enterprise Preschool Fund.

REQUIRED SUPPLEMENTARY INFORMATION

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	6,194,296	361,678	6,555,974	7,268,936	7,268,936	(712,962)
Intermediate sources	16,000	-	16,000	1,750	1,750	14,250
State sources	3,168,603	3,519	3,172,122	3,070,443	3,070,443	101,679
Federal sources	294,504	102,469	396,973	295,000	295,000	101,973
Total revenues	<u>9,673,403</u>	<u>467,666</u>	<u>10,141,069</u>	<u>10,636,129</u>	<u>10,636,129</u>	<u>(495,060)</u>
Expenditures/Expenses:						
Instruction	6,784,360	-	6,784,360	6,764,700	7,264,700	480,340
Support services	2,663,869	-	2,663,869	2,477,800	2,477,800	(186,069)
Non-instructional programs	-	448,531	448,531	410,000	410,000	(38,531)
Other expenditures	664,244	-	664,244	749,300	749,300	85,056
Total expenditures/expenses	<u>10,112,473</u>	<u>448,531</u>	<u>10,561,004</u>	<u>10,401,800</u>	<u>10,901,800</u>	<u>340,796</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(439,070)	19,135	(419,935)	234,329	(265,671)	(154,264)
Other financing sources (uses) net	<u>925</u>	<u>3,300</u>	<u>4,225</u>	<u>-</u>	<u>-</u>	<u>4,225</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(438,145)	22,435	(415,710)	234,329	(265,671)	(150,039)
Balance beginning of year	<u>2,288,701</u>	<u>39,523</u>	<u>2,328,224</u>	<u>2,347,384</u>	<u>2,347,384</u>	<u>(19,160)</u>
Balance end of year	<u><u>1,850,556</u></u>	<u><u>61,958</u></u>	<u><u>1,912,514</u></u>	<u><u>2,581,713</u></u>	<u><u>2,081,713</u></u>	<u><u>(169,199)</u></u>

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

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, the District adopted one budget amendment increasing budgeted expenditures by \$500,000.

During the year ended June 30, 2009, expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds			Capital Projects	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Sales Tax	
	\$	\$	\$	\$	
Cash and pooled investments	154,820	113,450	120,459	196,781	585,510
Receivables:					
Property tax:					
Delinquent	368	-	1,129	-	1,497
Succeeding year	50,000	-	80,221	-	130,221
Interfund receivable	-	-	-	218,793	218,793
Due from other governments	-	-	-	107,851	107,851
<b>Total assets</b>	<b>205,188</b>	<b>113,450</b>	<b>201,809</b>	<b>523,425</b>	<b>1,043,872</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	1,755	9,115	-	35,265	46,135
Interfund payables	-	-	12,625	-	12,625
Deferred revenue:					
Succeeding year property tax	50,000	-	80,221	-	130,221
Total liabilities	<u>51,755</u>	<u>9,115</u>	<u>92,846</u>	<u>35,265</u>	<u>188,981</u>
Fund balances:					
Unreserved reported in:					
Special revenue funds	153,433	104,335	108,963	-	366,731
Capital projects funds	-	-	-	488,160	488,160
Total fund balances	<u>153,433</u>	<u>104,335</u>	<u>108,963</u>	<u>488,160</u>	<u>854,891</u>
<b>Total liabilities and fund balances</b>	<b>205,188</b>	<b>113,450</b>	<b>201,809</b>	<b>523,425</b>	<b>1,043,872</b>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Special Revenue Funds			Capital Projects		Total
	Management	Student	Physical	Sales Tax	Debt Service	
	Levy	Activity Fund	Plant and Equipment Levy			
\$	\$	\$	\$	\$	\$	
Revenues:						
Local sources:						
Local tax	24,948	-	76,577	502,805	-	604,330
Other	33,263	362,175	2,210	4,015	-	401,663
State sources	14	-	45	-	-	59
Total revenues	<u>58,225</u>	<u>362,175</u>	<u>78,832</u>	<u>506,820</u>	<u>-</u>	<u>1,006,052</u>
Expenditures:						
Current:						
Instruction:						
Regular	55,462	-	-	-	-	55,462
Other	-	350,428	-	-	-	350,428
Support services:						
Instructional staff	-	110	52,846	-	-	52,956
Administration	-	-	-	652	-	652
Operation and maintenance of	71,827	-	-	-	-	71,827
Transportation	9,633	-	-	100,107	-	109,740
Other expenditures:						
Facilities acquisition	-	-	3,143	313,057	-	316,200
Long-term debt:						
Principal	-	-	-	-	86,163	86,163
Interest and fiscal charges	-	-	-	-	16,788	16,788
Total expenditures	<u>136,922</u>	<u>350,538</u>	<u>55,989</u>	<u>413,816</u>	<u>102,951</u>	<u>1,060,216</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(78,697)</u>	<u>11,637</u>	<u>22,843</u>	<u>93,004</u>	<u>(102,951)</u>	<u>(54,164)</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	102,951	102,951
Operating transfers out	-	-	(12,625)	(90,326)	-	(102,951)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(12,625)</u>	<u>(90,326)</u>	<u>102,951</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(78,697)</u>	<u>11,637</u>	<u>10,218</u>	<u>2,678</u>	<u>-</u>	<u>(54,164)</u>
Fund balances beginning of year	<u>232,130</u>	<u>92,698</u>	<u>98,745</u>	<u>485,482</u>	<u>-</u>	<u>909,055</u>
Fund balances end of year	<u><u>153,433</u></u>	<u><u>104,335</u></u>	<u><u>108,963</u></u>	<u><u>488,160</u></u>	<u><u>-</u></u>	<u><u>854,891</u></u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2009

	School Nutrition	Building Trades	Preschool	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and cash equivalents	38,930	28,613	2,983	70,526
Accounts receivable	2,274	-	-	2,274
Inventories	1,031	178,488	-	179,519
Capital assets, net of accumulated depreciation	22,238	-	-	22,238
	<u>64,473</u>	<u>207,101</u>	<u>2,983</u>	<u>274,557</u>
<b>Total assets</b>				
<b>Liabilities</b>				
Accounts payable	-	23,726	-	23,726
Salaries and benefits payable	20,243	-	4,879	25,122
Deferred revenue	4,758	-	-	4,758
Interfund payable	-	158,993	-	158,993
	<u>25,001</u>	<u>182,719</u>	<u>4,879</u>	<u>212,599</u>
<b>Total liabilities</b>				
<b>Net assets</b>				
Invested in capital assets	22,238	-	-	22,238
Unrestricted	17,234	24,382	(1,896)	39,720
	<u>39,472</u>	<u>24,382</u>	<u>(1,896)</u>	<u>61,958</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, 2009

	School Nutrition	Building Trades	Preschool	Total
	\$	\$	\$	\$
Operating revenues:				
Local sources:				
Charges for service	191,267	144,458	25,482	361,207
Operating expenses:				
Non-instructional programs:				
Salaries	107,836	-	19,770	127,606
Benefits	22,316	-	4,311	26,627
Purchased services	3,783	-	7,215	10,998
Supplies	146,951	127,303	4,077	278,331
Depreciation	4,969	-	-	4,969
Total operating expenses	285,855	127,303	35,373	448,531
Operating gain (loss)	(94,588)	17,155	(9,891)	(87,324)
Non-operating revenues:				
State sources	3,519	-	-	3,519
Federal sources	102,469	-	-	102,469
Interest income	178	220	73	471
Total non-operating revenues	106,166	220	73	106,459
Gain (loss) before capital contributions	11,578	17,375	(9,818)	19,135
Capital contributions	3,300	-	-	3,300
Change in net assets	14,878	17,375	(9,818)	22,435
Net assets beginning of year	24,594	7,007	7,922	39,523
Net assets end of year	39,472	24,382	(1,896)	61,958

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2009

	School Nutrition	Building Trades	Preschool	Total
	\$	\$	\$	\$
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	190,542	-	-	190,542
Cash received from other services	-	-	26,342	26,342
Cash received from sale of student constructed house	-	144,458	-	144,458
Cash payments to employees for services	(127,499)	-	(23,575)	(151,074)
Cash payments to suppliers for goods or services	(133,123)	(155,886)	(11,292)	(300,301)
Net cash used by operating activities	<u>(70,080)</u>	<u>(11,428)</u>	<u>(8,525)</u>	<u>(90,033)</u>
Cash flows from non-capital financing activities:				
Interfund loans received (repaid)	-	19,648	-	19,648
State grants received	3,519	-	-	3,519
Federal grants received	85,039	-	-	85,039
Net cash provided by non-capital financing activities	<u>88,558</u>	<u>19,648</u>	<u>-</u>	<u>108,206</u>
Cash flows from capital and related financing activities				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	178	220	73	471
Net increase (decrease) in cash and cash equivalents	18,656	8,440	(8,452)	18,644
Cash and cash equivalents at beginning of year	<u>20,274</u>	<u>20,173</u>	<u>11,435</u>	<u>51,882</u>
Cash and cash equivalents at end of year	<u><u>38,930</u></u>	<u><u>28,613</u></u>	<u><u>2,983</u></u>	<u><u>70,526</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>				
Operating gain (loss)	(94,588)	17,155	(9,891)	(87,324)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:				
Commodities used	17,430	-	-	17,430
Depreciation	4,969	-	-	4,969
Decrease (increase) in inventories	181	(52,309)	-	(52,128)
Decrease (increase) in accounts receivable	(580)	-	860	280
(Decrease) increase in accounts payable	-	23,726	-	23,726
(Decrease) increase in salaries and benefits payable	2,653	-	506	3,159
(Decrease) increase in deferred revenue	(145)	-	-	(145)
Net cash used by operating activities	<u>(70,080)</u>	<u>(11,428)</u>	<u>(8,525)</u>	<u>(90,033)</u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

Account	Balance	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Speech	2,461	11,110	9,652	(1,775)	2,144
Drama club	-	2,992	6,942	2,306	(1,644)
Fine arts	-	600	805	404	199
Musical	47	6,762	7,074	1,000	735
Tri-M	540	-	-	5	545
Band trips	2,100	945	1,093	20	1,972
Boys basketball	1,296	10,884	10,264	15	1,931
Girls basketball	5,990	49,568	45,178	75	10,455
Activity tickets	286	10,324	3,907	(5,287)	1,416
Cross country	379	869	1,139	252	361
Golf	164	693	822	162	197
Volleyball	1,285	6,570	7,041	11	825
Football	329	30,027	23,374	21	7,003
Baseball	789	5,628	8,432	3,505	1,490
Track	(250)	14,316	15,037	-	(971)
Wrestling	66	27,538	27,559	-	45
Softball	1,112	5,442	9,016	617	(1,845)
MS student council	2,565	1,803	3,579	23	812
MS/ES annual	806	1,538	1,624	10	730
National honor society	458	1,072	1,530	2	2
French club	8,470	6,133	12,448	38	2,193
Student council	4,267	6,803	7,243	43	3,870
Elementary projects	4,080	1,678	262	47	5,543
Student programs	433	7,806	8,189	-	50
Library club	1,157	6,752	6,743	-	1,166
Electrathon	1,582	2,403	1,581	21	2,425
Junior class	1,147	10,746	10,265	(1,121)	507
Senior class	1,669	6,196	6,861	1,183	2,187
High school annual	9,143	9,365	10,655	81	7,934
HS music department fund raiser	8,191	46,887	42,612	(781)	11,685
Drill team	86	8,922	6,857	8	2,159
Cheerleaders - basketball	349	1,757	1,766	4	344
Cheerleaders - football	332	7,187	6,072	4	1,451
Cheerleaders - wrestling	934	2,083	2,442	8	583
Pop	153	6,517	5,836	7	841
Needy donations	2,116	479	54	23	2,564
Pepsi fund	160	-	-	(160)	-
FFA	23,049	35,521	31,234	276	27,612
FFA environment grant	2,557	-	651	24	1,930

See accompanying independent auditor's report.

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Interest fund balance (regular)	-	12	-	(12)	-
Athletic calendar	543	3,447	3,000	23	1,013
Interest - ISJIT	-	1,100	-	(1,100)	-
Champions club	1,857	-	-	18	1,875
HS teacher scholarship fund	-	696	695	-	1
MS teachers scholarship fund	-	515	515	-	-
ES scholarship receipts	-	489	489	-	-
	<u>92,698</u>	<u>362,175</u>	<u>350,538</u>	<u>-</u>	<u>104,335</u>
Total	<u>92,698</u>	<u>362,175</u>	<u>350,538</u>	<u>-</u>	<u>104,335</u>

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
	<b>Assets</b>			
Cash	1,252	506	450	1,308
	<b>Liabilities</b>			
Other payables	1,252	506	450	1,308

## MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

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

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	3,290,767	3,303,096	3,275,151	3,009,443	3,135,191	3,202,084
Tuition	2,153,354	2,464,838	2,066,799	2,002,115	2,067,391	1,352,119
Other	750,174	667,285	673,268	674,446	340,438	331,023
Intermediate sources	16,000	-	1,719	-	-	-
State sources	3,168,603	3,175,047	3,137,829	3,142,982	2,947,727	2,876,461
Federal sources	294,504	269,249	277,424	263,798	271,081	270,810
Total revenues	<u>9,673,402</u>	<u>9,879,515</u>	<u>9,432,190</u>	<u>9,092,784</u>	<u>8,761,828</u>	<u>8,032,497</u>
Expenditures:						
Instruction:						
Regular	2,907,323	2,814,761	2,715,371	2,511,600	2,743,797	2,750,326
Special	2,616,856	2,615,413	2,430,187	2,154,706	2,577,072	1,956,353
Other	1,260,181	1,157,876	1,018,830	998,887	952,620	626,888
Support services:						
Student	148,534	125,419	166,276	117,930	190,958	185,033
Instructional staff	342,107	338,412	344,349	297,558	299,815	324,558
Administration	729,775	632,338	582,203	732,644	625,565	581,754
Operation and maintenance	702,243	628,542	672,072	637,365	607,736	540,780
Transportation	741,210	672,942	589,246	384,189	398,063	380,624
Non-instructional programs						
Other expenditures:						
Facilities acquisition	316,200	654,743	224,787	386,905	354,722	225,642
Long-term debt:						
Principal	86,163	44,225	-	-	-	-
Interest and other charges	16,788	938	-	-	-	-
AEA flowthrough	245,093	241,512	234,607	232,421	229,967	234,608
Total expenditures	<u>10,112,473</u>	<u>9,927,121</u>	<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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated May 7, 2010. 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 09-I-A and 09-I-B are material weaknesses.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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

May 7, 2010

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

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

Significant deficiencies:

09-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: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

09-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.

Instances of Noncompliance:

No matters were reported.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009 exceeded the budget in the support services and non-instructional programs functions.

Recommendation: The District amended its budget however expenditures exceeded the amended budgeted amounts.

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

Conclusion: Response accepted.

09-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.

09-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.

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

09-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.

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

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

09-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.

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

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

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

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

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

District Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

09-II-K

Statewide Sales and Services Tax: Sales tax monies may be spent for school infrastructure and to purchase and improve grounds; to construct buildings; to purchase or lease a single unit of equipment or technology exceeding \$500 in value per unit; to repair, remodel improve, or expand buildings; for energy conservation; and to purchase transportation equipment.

We noted that the District used \$20,551 of sales tax monies for bus repairs and \$5,766 of sales tax monies for items of equipment with a per unit cost of less than \$500. These items do not appear to be allowable.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund. And the General Fund should reimburse the Capital Projects – Sales Tax Fund for these expenditures.

District Response: We will monitor expenditures from the Capital Projects - Sales Tax Fund and make the reimbursement.

Conclusion: Response accepted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

	\$	\$
Beginning balance		-
Statewide sales and services tax revenue		502,805
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	189,747	
Equipment	222,732	
Debt service for school infrastructure:		
Revenue debt	90,326	502,805
	<u>          </u>	<u>          </u>
Ending balance		<u>          </u> -

MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

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

09-II-L Deficit Balances: The District has a \$1,896 deficit net assets balance in the Enterprise Preschool Fund and the Student Activity Fund has three accounts with deficit balances at June 30, 2009.

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

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

Conclusion: Response accepted.

09-II-M Signatures on Checks: All District checks are to be signed by the Board President and Board Secretary. The Board may designate another individual to sign for the Board President. We noted internal service fund checks are signed only by the Board Secretary. We also noted that agency fund checks were signed by the Board Secretary and Superintendent. The District could not locate board approval for anyone signing checks for the Board President.

Recommendation: The District should revise its check signing procedures. All checks must have two signatures and the board must approve any persons that will sign checks in lieu of the Board President.

District Response: We will review our procedures and make any changes necessary to be in compliance with Iowa law.

Conclusion: Response accepted.

09-II-N Reclassification of Student Activity Fund Accounts: In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used of support only the extracurricular and co-curricular activities offered as part of the District's educational program. We noted expenditures for text books, library books, class room supplies and a payment to a student for fund raising. These transactions are not appropriate for the Student Activity Fund.

Recommendation: The District should review and reclassify these types of transactions to the appropriate fund in accordance with the guidelines.

District Response: We will review the types of transactions that are being recorded in the Student Activity Fund, and make any necessary fund reclassifications.

Conclusion: Response accepted.