

**MANSON NORTHWEST WEBSTER COMMUNITY SCHOOL DISTRICT
MANSON, IOWA**

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

YEAR ENDED JUNE 30, 2010

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor’s Report		2-3
Management’s Discussion and Analysis		4-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	22-23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	25
Statement of Cash Flows	I	26-27
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	28
Statement of Changes in Fiduciary Net Assets	K	29
Notes to Financial Statements		30-47
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/ Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		48-49
Notes to Required Supplementary Information - Budgetary Reporting		50
Schedule of Funding Progress for the Retiree Health Plan		51

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	53-56
Nonmajor Enterprise Funds:		
Combining Schedule of Net Assets	3	57
Combining Schedule of Revenue, Expenses, and Changes in Fund Net Assets	4	58
Combining Schedule of Cash Flows	5	59-62
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6	63-64
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	7	65
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	8	66-67
Schedule of Expenditures of Federal Awards	9	68-69
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 <u>Government Auditing Standards</u>		70-72
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		73-74
Schedule of Findings and Questioned Costs		75-82

Manson Northwest Webster Community School District
Manson, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

Board of Education

(Before September 2009 Election)

Duane Paterson	President	2011
Julie Hewitt	Vice President	2011
Joe Bush	Board Member	2009
Brent Johnson	Board Member	2009
Dan DeWall	Board Member	2011
Terry Lawler	Board Member	2009
Zuella Swartzendruber	Board Member	2011

Board of Education

(After September 2009 Election)

Duane Paterson	President	2011
Dan DeWall	Vice President	2011
Julie Hewitt	Board Member	2011
Tony Jacobsen	Board Member	2013
Brent Johnson	Board Member	2013
Terry Lawler	Board Member	2013
Zuella Swartzendruber	Board Member	2011

School Officials

Mark Egli	Superintendent	2010
Karen Wallace	District Secretary	2010
Diane Davis	District Treasurer/Business Manager	2010
Gruhn Law Firm	Attorney	Indefinite

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, 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, 2010, which collectively comprise the District's basic financial statements 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.

Except as discussed in the following paragraph, 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.

The financial statements of the Cougar Club have not been audited, and we were not engaged to audit the Cougar Club's financial statements as part of our audit of the Manson Northwest Webster Community School District's basic financial statements. The Cougar Club's financial statements are included in the District's financial statements as a discretely presented component unit.

Because the Cougar Club's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do express, an opinion on the financial statements of the aggregate discretely presented component unit of the Manson Northwest Webster Community School District, as of and for the year ended June 30, 2010. In addition, 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, 2010, 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 December 16, 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 48 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Manson Northwest Webster Community School District's basic financial statements. The financial statements for the six years ended June 30, 2009 (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 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

December 16, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Manson Northwest Webster Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,667,351 in fiscal year 2009 to \$8,721,431 in fiscal year 2010, while General Fund expenditures decreased from \$9,052,257 in fiscal year 2009 to \$8,759,519 in fiscal year 2010. The District's General Fund balance decreased from \$995,665 at the end of fiscal year 2009 to \$962,444 at the end of fiscal year 2010, a 3.3% decrease.
- General Fund revenues increased in total despite a 10% across the board cut in state foundation aid. The fiscal year 2010 increase in General Fund revenues was attributable to increases in property tax, Rabiner Treatment Center client districts tuition, and federal grant revenue. The decrease in expenditures was due primarily to the District closing a building. Although the District increased revenues and decreased expenditures, the District still had to use carryover fund balance to cover some expenditures. The amount of carryover used was less than the amount of state aid withheld from the District by the state of Iowa's across-the-board cut.

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 the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental and enterprise funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

Figure A-1
Manson Northwest Webster Community School District Annual Financial Report

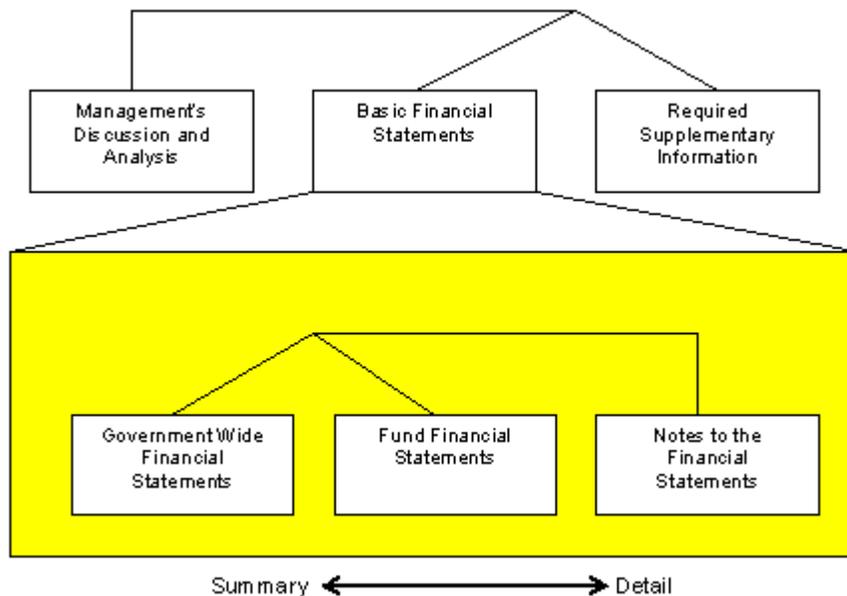


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**Figure A-2
Major Features of the Government-wide and Fund Financial Statements**

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show 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, the Special Revenue Funds, the Debt Service Fund and the 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, a 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, Preschool and Before and After School Funds. The District uses internal service funds, another kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's employee flexible benefit plan.

The required financial statements for proprietary funds include a statement net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants 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, 2010 compared to June 30, 2009.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$ 6,258	5,881	153	94	6,411	5,975	7.3%
Capital assets	<u>2,550</u>	<u>2,266</u>	<u>18</u>	<u>22</u>	<u>2,568</u>	<u>2,288</u>	<u>12.2%</u>
Total assets	<u>8,808</u>	<u>8,147</u>	<u>171</u>	<u>116</u>	<u>8,979</u>	<u>8,263</u>	<u>8.7%</u>
Long-term liabilities	497	323	---	---	497	323	53.9%
Other liabilities	<u>4,277</u>	<u>3,728</u>	<u>26</u>	<u>54</u>	<u>4,303</u>	<u>3,782</u>	<u>13.8%</u>
Total liabilities	<u>4,774</u>	<u>4,051</u>	<u>26</u>	<u>54</u>	<u>4,800</u>	<u>4,105</u>	<u>16.9%</u>
Net assets:							
Invested in capital assets, net of related debt	2,350	2,136	18	22	2,368	2,158	9.7%
Restricted	824	892	---	---	824	892	-7.6%
Unrestricted	<u>860</u>	<u>1,068</u>	<u>127</u>	<u>40</u>	<u>987</u>	<u>1,108</u>	<u>-10.8%</u>
Total net assets	\$ 4,034	4,096	145	62	4,179	4,158	0.5%
	=====	=====	====	====	=====	=====	=====

The District's combined net assets increased 1%, or approximately \$21,000 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 resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets, decreased approximately \$68,000 or 8% from the prior year. The decrease was primarily a result of expenditures exceeding revenues in the Management Fund.

Unrestricted net assets – The part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$121,000. This decrease in unrestricted net assets was a result of the District's net OPEB liability recorded in the current year and the use of reserve funds to finance the District's operations.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for service	\$ 2,978	2,881	562	361	3,540	3,242	9.2%
Operating grants, contributions and restricted interest	1,167	1,055	132	106	1,299	1,161	11.9%
Capital grants, contributions and restricted interest	---	1	---	---	---	1	-100.0%
General revenues:							
Property tax	2,675	2,462	---	---	2,675	2,462	8.7%
Statewide sales, services and use tax	407	503	---	---	407	503	-19.1%
Income surtax	358	284	---	---	358	284	26.1%
Unrestricted state grants	1,890	2,424	---	---	1,890	2,424	-22.0%
Unrestricted investment earnings	10	22	---	1	10	23	-56.5%
Other	67	---	---	---	67	---	100.0%
Gain (loss) on disposal of capital assets	<u>147</u>	<u>(3)</u>	<u>---</u>	<u>---</u>	<u>147</u>	<u>(3)</u>	<u>5,000.0 %</u>
Total revenues	<u>9,699</u>	<u>9,629</u>	<u>694</u>	<u>468</u>	<u>10,393</u>	<u>10,097</u>	<u>2.9 %</u>
Program expenses:							
Governmental activities:							
Instruction	6,622	6,850	---	---	6,622	6,850	-3.3%
Support services	2,585	2,648	---	---	2,585	2,648	-2.4%
Non-instructional programs	---	---	611	449	611	449	36.1%
Other expenses	<u>553</u>	<u>426</u>	<u>---</u>	<u>---</u>	<u>553</u>	<u>426</u>	<u>29.8%</u>
Total expenses	<u>9,760</u>	<u>9,924</u>	<u>611</u>	<u>449</u>	<u>10,371</u>	<u>10,373</u>	<u>0.0%</u>
Change in net assets before transfers	(61)	(295)	83	19	22	(276)	108.0%
Transfers	<u>---</u>	<u>(3)</u>	<u>---</u>	<u>3</u>	<u>---</u>	<u>---</u>	<u>0.0%</u>
Increase (decrease) in net assets	(61)	(298)	83	22	22	(276)	108.0%
Net assets beginning of year	<u>4,096</u>	<u>4,394</u>	<u>62</u>	<u>40</u>	<u>4,158</u>	<u>4,434</u>	<u>-6.2%</u>
Net assets end of year	\$ <u>4,035</u>	<u>4,096</u>	<u>145</u>	<u>62</u>	<u>4,180</u>	<u>4,158</u>	<u>0.5%</u>

In fiscal 2010, property tax and unrestricted state grants account for 47.1% of the revenue from governmental activities while charges for service and operating grants and contributions account for all of the revenue from business type activities.

The District's total revenues were approximately \$10.1 million, of which approximately \$9.8 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.9% increase in revenues and expenses were about the same. Property taxes increased approximately \$213,000 to reduce the amount of reserve funds that needed to be spent.

Governmental Activities

Revenues for governmental activities were \$9,699,418 and expenses were \$9,760,668 for the year ended June 30, 2010. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2010</u>	<u>2009</u>	<u>Change 2009-2010</u>	<u>2010</u>	<u>2009</u>	<u>Change 2009-2010</u>
Instruction	\$ 6,622	6,850	-3.3%	2,919	3,451	-15.4%
Support services	2,585	2,648	-2.4%	2,412	2,356	2.4%
Non-instructional programs	---	---	0.0%	---	---	0.0%
Other expenses	<u>553</u>	<u>426</u>	<u>29.8%</u>	<u>286</u>	<u>179</u>	<u>59.8%</u>
Total	\$ 9,760	9,924	-1.7%	5,617	5,986	-6.2%
	=====	=====	=====	=====	=====	=====

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$2,977,558.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,166,628.
- The net cost of governmental activities was financed with \$3,440,174 in property and other taxes and \$1,890,032 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2010 were \$694,032, representing a 48.4% increase over the prior year, while expenses totaled \$611,141, a 36.3% increase over the prior year. The District's business type activities include the School Nutrition, Building Trades, Preschool and Before and After School Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2010, the District sold a spec house that was constructed by the District's students. This sale accounts for a major portion of the increase in revenues and expenses for the year.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,689,220 below last year's ending fund balances of \$1,850,556.

Governmental Fund Highlights

- The General Fund balance decreased from \$995,665 to \$962,444.
- The Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$108,963 in fiscal 2009 to \$99,308 in fiscal 2010.
- The Capital Projects Fund balance decreased from \$488,160 in fiscal 2009 to \$435,687 in fiscal 2010.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$39,472 at June 30, 2009 to \$76,488 at June 30, 2010, representing an increase of approximately 94%. Fee increases and diligent procurement practices have produced a favorable financial position in the Nutrition Fund.

BUDGETARY HIGHLIGHTS

Manson Northwest Webster Community School District did not amend its annual budget.

The District's total revenues were \$548,737 less than total budgeted revenues, a variance of 5.1%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and non-instructional program 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, 2010, the District had invested approximately \$2.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 12.2% 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 \$329,932.

The original cost of the District's capital assets was approximately \$9.1 million. Governmental funds account for approximately \$8.9 million, with the remainder of approximately \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, Net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 10	10	---	---	10	10	0.0%
Buildings	1,618	1,615	---	---	1,618	1,615	0.2%
Improvements other than buildings	188	91	---	---	188	91	106.6%
Furniture and equipment	<u>734</u>	<u>550</u>	<u>18</u>	<u>22</u>	<u>752</u>	<u>572</u>	<u>31.5%</u>
Total	\$ 2,550	2,266	18	22	2,568	2,288	12.2%
	=====	=====	====	====	=====	=====	=====

Long-Term Debt

At June 30, 2010, the District had \$496,732 in total long-term debt outstanding. This represents an increase of approximately 53.7% 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
(expressed in thousands)

	<u>Total</u>		<u>Total</u>
	<u>District</u>		<u>Change</u>
	<u>June 30,</u>		<u>June 30,</u>
	2010	2009	2009-2010
Sales tax revenue bonds	\$ 44	130	-66.2%
Bus lease obligation	108	---	100.0%
Computer lease obligation	48	---	100.0%
Compensated absences	2	1	100.0%
Termination benefits	266	192	38.5%
Net OPEB liability	<u>29</u>	<u>---</u>	<u>100.0%</u>
Total	<u>\$ 497</u>	<u>323</u>	<u>53.9%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

1. The state's financial outlook is poor. Estimates are for a 0% allowable growth of budget authority for the coming fiscal year.
2. Although this year's student population held steady compared to the previous year (622 vs. 628), the long-term picture is of decline. In the relative short-term, the district's Accumulated Unspent Budget Authority will begin to decline precipitously in the 3rd year out if measures are not taken to decrease expenditures. The MNW District must continue to look at opportunities to reduce expenditures and to share functions with surrounding school districts.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit A

Statement of Net Assets

June 30, 2010

	Primary Government			Component
	Governmental	Business Type	Total	Unit
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Cougar Club</u>
Assets				
Cash and cash equivalents	\$ 1,209,967	144,133	1,354,100	47,577
Receivables:				
Property tax:				
Delinquent	27,133	-	27,133	-
Succeeding year	3,328,471	-	3,328,471	-
Accounts	223	4,542	4,765	-
Due from other governments	1,627,741	-	1,627,741	-
Inventories	-	4,180	4,180	-
Prepaid expenses	64,632	-	64,632	-
Capital assets, net of accumulated depreciation	<u>2,550,243</u>	<u>18,187</u>	<u>2,568,430</u>	-
Total assets	<u>8,808,410</u>	<u>171,042</u>	<u>8,979,452</u>	<u>47,577</u>
Liabilities				
Accounts payable	140,770	75	140,845	-
Salaries and benefits payable	560,871	19,948	580,819	-
Accrued interest payable	2,144	-	2,144	-
Deferred revenue:				
Succeeding year property tax	3,328,471	-	3,328,471	-
Other	244,795	6,170	250,965	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds	44,169	-	44,169	-
Bus lease purchase obligation	52,780	-	52,780	-
Computer lease purchase obligation	20,844	-	20,844	-
Termination benefits	55,483	-	55,483	-
Compensated absences	1,649	-	1,649	-
Portion due after one year:				
Bus lease purchase obligation	54,885	-	54,885	-
Computer lease purchase obligation	27,482	-	27,482	-
Termination benefits	210,383	-	210,383	-
Net OPEB liability	<u>29,057</u>	-	<u>29,057</u>	-
Total liabilities	<u>4,773,783</u>	<u>26,193</u>	<u>4,799,976</u>	-

(continued)

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit A

Statement of Net Assets

June 30, 2010

	Primary Government			Component
	Governmental	Business Type	Total	Unit
	<u>Activities</u>	<u>Activities</u>		<u>Cougar Club</u>
Net assets				
Invested in capital assets, net of related debt	2,350,083	18,187	2,368,270	-
Restricted for:				
Categorical funding	97,240	-	97,240	-
Management levy	69,241	-	69,241	-
Physical plant and equipment levy	99,308	-	99,308	-
Capital projects	435,687	-	435,687	-
Other special revenue purposes	122,540	-	122,540	-
Cougar Club purposes	-	-	-	47,577
Unrestricted	<u>860,528</u>	<u>126,662</u>	<u>987,190</u>	<u>-</u>
Total net assets	<u>\$ 4,034,627</u>	<u>144,849</u>	<u>4,179,476</u>	<u>47,577</u>

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa
Statement of Activities
Year ended June 30, 2010

		Charges for	Program Revenues
<u>Expenses</u>	<u>Service</u>	<u>and Restricted</u>	<u>Interest</u>
Functions/Programs:			
Primary Government:			
Governmental activities:			
Instruction:			
Regular instruction	\$ 3,007,880	634,948	604,503
Special instruction	2,406,308	1,900,170	93,805
Other instruction	1,207,943	293,391	176,319
	6,622,131	2,828,509	874,627
Support services:			
Student	160,866	-	912
Instructional staff	349,160	-	13,044
Administration	676,470	-	-
Operation and maintenance of plant	658,703	2,004	-
Transportation	740,044	147,045	10,452
Other support services	-	-	-
	2,585,243	149,049	24,408
Non-instructional programs	-	-	-
Other expenditures:			
Facilities acquisition	114,645	-	-
Long-term debt interest	8,138	-	-
AEA flowthrough	267,593	-	267,593
Depreciation (unallocated)*	162,918	-	-
	553,294	-	267,593
Total governmental activities	9,760,668	2,977,558	1,166,628
Business type activities:			
Non-instructional programs:			
Food service operations	248,909	165,258	120,612
Building trades	346,718	385,719	-
Preschool	14,848	9,849	11,465
Before & after school	666	999	-
Total business type activities	611,141	561,825	132,077
Total primary government	\$ 10,371,809	3,539,383	1,298,705
Component Unit:			
Cougar Club	\$ 81,565	27,313	384
General Revenues:			
Property tax levied for:			
General purposes			
Capital outlay			
Income surtax			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Sale of fixed assets			
Total general revenues			
Change in net assets			
Net assets beginning of year			
Net assets end of year			

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

See notes to financial statements.

Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Assets			Component Unit Cougar Club
	Primary Government		Total	
	Governmental Activities	Business Type Activities		
-	(1,768,429)	-	(1,768,429)	-
-	(412,333)	-	(412,333)	-
-	(738,233)	-	(738,233)	-
-	(2,918,995)	-	(2,918,995)	-
-	(159,954)	-	(159,954)	-
-	(336,116)	-	(336,116)	-
-	(676,470)	-	(676,470)	-
-	(656,699)	-	(656,699)	-
-	(582,547)	-	(582,547)	-
-	-	-	-	-
-	(2,411,786)	-	(2,411,786)	-
-	-	-	-	-
-	(114,645)	-	(114,645)	-
-	(8,138)	-	(8,138)	-
-	-	-	-	-
-	(162,918)	-	(162,918)	-
-	(285,701)	-	(285,701)	-
-	(5,616,482)	-	(5,616,482)	-
-	-	36,961	36,961	-
-	-	39,001	39,001	-
-	-	6,466	6,466	-
-	-	333	333	-
-	-	82,761	82,761	-
-	(5,616,482)	82,761	(5,533,721)	-
-	-	-	-	(53,868)
	2,595,185	-	2,595,185	-
	79,992	-	79,992	-
	357,939	-	357,939	-
	407,058	-	407,058	-
	1,890,032	-	1,890,032	-
	9,527	130	9,657	642
	67,912	-	67,912	-
	147,587	-	147,587	-
	5,555,232	130	5,555,362	642
	(61,250)	82,891	21,641	(53,226)
	4,095,877	61,958	4,157,835	100,803
\$	4,034,627	144,849	4,179,476	47,577

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2010

Assets	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Cash and pooled investments	\$ 671,414	536,857	1,208,271
Receivables:			
Property tax:			
Delinquent	25,816	1,317	27,133
Succeeding year	3,095,504	232,967	3,328,471
Accounts	-	223	223
Due from other funds	12,625	-	12,625
Due from other governments	1,484,655	143,086	1,627,741
Prepaid expenses	-	64,632	64,632
Total assets	<u>\$ 5,290,014</u>	<u>979,082</u>	<u>6,269,096</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 136,641	4,129	140,770
Salaries and benefits payable	558,286	2,585	560,871
Due to other funds	-	12,625	12,625
Deferred revenue:			
Succeeding year property tax	3,095,504	232,967	3,328,471
Income surtax	292,344	-	292,344
Other	244,795	-	244,795
Total liabilities	<u>4,327,570</u>	<u>252,306</u>	<u>4,579,876</u>
Fund balances:			
Reserved for:			
Categorical funding	97,240	-	97,240
Unreserved, reported in			
General fund	865,204	-	865,204
Special revenue funds	-	291,089	291,089
Capital projects fund	-	435,687	435,687
Total fund balances	<u>962,444</u>	<u>726,776</u>	<u>1,689,220</u>
Total liabilities and fund balances	<u>\$ 5,290,014</u>	<u>979,082</u>	<u>6,269,096</u>

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit D

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

June 30, 2010

Total fund balances of governmental funds (page 19) \$ 1,689,220

*Amounts reported for governmental activities in the
Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 2,550,243

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 292,344

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. (2,144)

An internal service fund is used to charge the cost of the flex spending plan to individual funds. The assets and liabilities of the internal service fund are included with governmental net assets. 1,696

Long-term liabilities, including bonds, termination benefits, lease obligations, and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported in the governmental funds. (496,732)

Net assets of governmental activities (page 16) \$ 4,034,627

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2010

Exhibit E

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 2,914,049	536,905	3,450,954
Tuition	2,460,945	-	2,460,945
Other	300,099	304,206	604,305
Intermediate sources	912	-	912
State sources	2,592,618	70	2,592,688
Federal sources	<u>452,808</u>	<u>-</u>	<u>452,808</u>
Total revenues	<u>8,721,431</u>	<u>841,181</u>	<u>9,562,612</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,820,940	62,406	2,883,346
Special	2,403,635	-	2,403,635
Other	<u>936,943</u>	<u>272,473</u>	<u>1,209,416</u>
	<u>6,161,518</u>	<u>334,879</u>	<u>6,496,397</u>
Support services:			
Student	160,090	-	160,090
Instructional staff	290,478	160,494	450,972
Administration	673,009	-	673,009
Operation and maintenance of plant	572,384	68,037	640,421
Transportation	<u>634,447</u>	<u>250,793</u>	<u>885,240</u>
	<u>2,330,408</u>	<u>479,324</u>	<u>2,809,732</u>
Other expenditures:			
Facilities acquisition	-	361,394	361,394
Long-term debt:			
Principal	-	100,442	100,442
Interest and fiscal charges	-	6,966	6,966
AEA flowthrough	<u>267,593</u>	<u>-</u>	<u>267,593</u>
	<u>267,593</u>	<u>468,802</u>	<u>736,395</u>
Total expenditures	<u>8,759,519</u>	<u>1,283,005</u>	<u>10,042,524</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38,088)</u>	<u>(441,824)</u>	<u>(479,912)</u>
Other financing sources (uses):			
Lease purchase obligation issued	-	170,989	170,989
Sale of assets	4,867	-	4,867
Proceeds from insurance claim	-	142,720	142,720
Operating transfers in	-	107,408	107,408
Operating transfers out	<u>-</u>	<u>(107,408)</u>	<u>(107,408)</u>
Total other financing sources (uses)	<u>4,867</u>	<u>313,709</u>	<u>318,576</u>
Net change in fund balances	(33,221)	(128,115)	(161,336)
Fund balances beginning of year	<u>995,665</u>	<u>854,891</u>	<u>1,850,556</u>
Fund balances end of year	<u>\$ 962,444</u>	<u>726,776</u>	<u>1,689,220</u>

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2010

Net change in fund balances - total governmental funds (page 21) \$ (161,336)

*Amounts reported for governmental activities in the Statement of
Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 610,422	
Depreciation expense	<u>(325,881)</u>	284,541

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. (10,780)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(170,989)	
Repaid	<u>100,442</u>	(70,547)

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	(73,654)	
Compensated absences	(248)	
Other postemployment benefits	<u>(29,057)</u>	(102,959)

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (1,172)

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2010

An internal service fund is used to charge the
cost of the flex spending plan to individual funds. The net revenue (expense)
of the internal service fund is reported with governmental activities.

1,003

Change in net assets of governmental activities (page 18)

See notes to financial statements.

\$ (61,250)

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2010

	Nonmajor Enterprise <u>Funds</u>	Internal <u>Service Fund</u>
Assets		
Cash and cash equivalents	\$ 144,133	1,696
Accounts receivable	4,542	-
Inventories	4,180	-
Capital assets, net of accumulated depreciation	<u>18,187</u>	<u>-</u>
Total assets	<u>171,042</u>	<u>1,696</u>
Liabilities		
Accounts payable	75	-
Salaries and benefits payable	19,948	-
Deferred revenue	<u>6,170</u>	<u>-</u>
Total liabilities	<u>26,193</u>	<u>-</u>
Net Assets		
Invested in capital assets	18,187	-
Unrestricted	<u>126,662</u>	<u>1,696</u>
Total net assets	<u>\$ 144,849</u>	<u>1,696</u>

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit H

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

Year ended June 30, 2010

	Nonmajor Enterprise <u>Funds</u>	Internal <u>Service Fund</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 560,316	5,167
Miscellaneous	<u>1,509</u>	<u>-</u>
Total operating revenues	<u>561,825</u>	<u>5,167</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	111,692	-
Benefits	15,676	4,164
Purchased services	7,291	-
Supplies	472,431	-
Depreciation	<u>4,051</u>	<u>-</u>
Total operating expenses	<u>611,141</u>	<u>4,164</u>
Operating income (loss)	<u>(49,316)</u>	<u>1,003</u>
Non-operating revenues:		
State sources	14,485	-
Federal sources	117,592	-
Interest income	<u>130</u>	<u>-</u>
Total non-operating revenues	<u>132,207</u>	<u>-</u>
Increase in net assets	82,891	1,003
Net assets beginning of year	<u>61,958</u>	<u>693</u>
Net assets end of year	<u>\$ 144,849</u>	<u>1,696</u>
See notes to financial statements.		

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2010

	Nonmajor Enterprise <u>Funds</u>	Internal <u>Service Fund</u>
Cash flows from (used in) operating activities:		
Cash received from sale of lunches and breakfasts	\$ 165,474	-
Cash received from other services	9,775	5,167
Cash received from sale of student constructed house	385,720	-
Cash paid to employees for services	(132,542)	(7,329)
Cash paid to suppliers for goods or services	<u>(305,712)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>122,715</u>	<u>(2,162)</u>
Cash flows from (used in) non-capital financing activities:		
Interfund loans received (repaid)	(158,993)	-
State grants received	14,485	-
Federal grants received	<u>95,270</u>	<u>-</u>
Net cash used in non-capital financing activities	<u>(49,238)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>130</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	73,607	(2,162)
Cash and cash equivalents beginning of year	<u>70,526</u>	<u>3,858</u>
Cash and cash equivalents end of year	<u>\$ 144,133</u>	<u>1,696</u>

(continued)

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2010

	Nonmajor Enterprise <u>Funds</u>	Internal <u>Service Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (49,316)	1,003
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Commodities used	22,322	-
Depreciation	4,051	-
(Increase) decrease in accounts receivable	(2,268)	-
(Increase) decrease in inventories	175,339	-
Increase (decrease) in accounts payable	(23,651)	-
Increase (decrease) in salaries and benefits payable	(5,174)	(3,165)
Increase (decrease) in deferred revenue	1,412	-
Net cash provided by (used in) operating activities	<u>\$ 122,715</u>	<u>(2,162)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2010, the District received \$22,322 of federal commodities.

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 32,943	1,313
Total assets	<u>32,943</u>	<u>1,313</u>
Liabilities		
Other payables	-	1,313
Total liabilities	<u>-</u>	<u>1,313</u>
Net assets		
Reserved for scholarships	<u>\$ 32,943</u>	<u>-</u>

See notes to financial statements.

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 1,576
Interest income	<u>583</u>
Total additions	<u>2,159</u>
Deductions:	
Support services:	
Scholarships awarded	<u>3,610</u>
Change in net assets	(1,451)
Net assets beginning of year	<u>34,394</u>
Net assets end of year	<u>\$ 32,943</u>

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2010

(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. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Manson, Barnum, Clare and Knierim, Iowa, and the predominately agricultural territory in 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 financial statements present the Manson Northwest Webster Community School District and its component unit, the Cougar Club. The component unit, discussed below, is included in the District's reporting entity because of the nature and significance of its operational or financial relationship with the District.

Discretely Presented Component Unit – The Cougar Club is a separate nonprofit organization whose purpose is to help defray costs of the Manson Northwest Webster Community School District by helping finance the cost of uniforms and equipment.

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2010

The records are maintained on the basis of cash receipts and disbursements. The Cougar Club meets the definition of a component unit which should be discretely presented. The Cougar Club's financial statements have not been audited and we do not express an opinion on them.

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

B. Basis of Presentation

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 the following 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 preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2010

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 proprietary funds are the Enterprise, School Nutrition, Building Trades, Preschool and Before and After School 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. The Preschool Fund is used to account for the preschool operations and the Before and After School Fund is used to account for the before and after school program 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.

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2010

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2010

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 Funds are 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.

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2010

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 become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

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

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2010

<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	500
Other furniture and equipment	1,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20
Furniture and equipment	5-12

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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable 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.

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2010

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, 2010. 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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures in the support services and non-instructional programs functional areas exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 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.

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2010

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, 2010, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$262,442 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Physical Plant and Equipment Levy	\$ <u>12,625</u>

The Special Revenue, Physical Plant and Equipment Levy Fund is repaying the General Fund for an old outstanding debt payment that was incorrectly paid out of the General Fund in the prior fiscal year. The balance will be repaid by June 30, 2011.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 90,326
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>17,082</u>
Total		\$ <u>107,408</u>

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2010

Transfers generally move 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, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ <u>10,000</u>	---	---	<u>10,000</u>
Total capital assets not being depreciated	<u>10,000</u>	---	---	<u>10,000</u>
Capital assets being depreciated:				
Buildings	5,612,231	97,901	---	5,710,132
Improvements other than buildings	433,728	113,817	---	547,545
Furniture and equipment	<u>2,442,705</u>	<u>398,705</u>	<u>217,816</u>	<u>2,623,594</u>
Total capital assets being depreciated	<u>8,488,664</u>	<u>610,423</u>	<u>217,816</u>	<u>8,881,271</u>
Less accumulated depreciation for:				
Buildings	3,997,391	94,681	---	4,092,072
Improvements other than buildings	343,163	16,056	---	359,219
Furniture and equipment	<u>1,892,409</u>	<u>215,144</u>	<u>217,816</u>	<u>1,889,737</u>
Total accumulated depreciation	<u>6,232,963</u>	<u>325,881</u>	<u>217,816</u>	<u>6,341,028</u>
Total capital assets being depreciated, net	<u>2,255,701</u>	<u>284,542</u>	---	<u>2,540,243</u>
Governmental activities capital assets, net	\$ 2,265,701	---	---	2,550,243
	=====	=====	=====	=====

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2010

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 247,995	---	---	247,995
Less accumulated depreciation	<u>225,757</u>	<u>4,051</u>	<u>---</u>	<u>229,808</u>
Business type activities capital assets, net	\$ 22,238	(4,051)	---	18,187
	=====	=====	=====	=====

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 37,630
Other	1,646

Support services:

Instructional staff	10,213
Operation and maintenance of plant	17,616
Transportation	<u>95,858</u>
	162,963
Unallocated	<u>162,918</u>

Total depreciation expense – governmental activities	\$ 325,881
	=====

Business type activities:

Food service operations	\$ 4,051
	=====

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$ 129,612	---	85,443	44,169	44,169
Bus lease purchase obligation	---	107,665	---	107,665	52,780
Computer lease purchase obligation	---	63,325	14,999	48,326	20,844
Compensated absences	1,401	1,649	1,401	1,649	1,649
Termination benefits	192,212	116,246	42,592	265,866	55,483
Net OPEB liability	<u>---</u>	<u>29,057</u>	<u>---</u>	<u>29,057</u>	<u>---</u>
Total	\$ 323,225	317,942	144,435	496,732	174,925
	=====	=====	=====	=====	=====

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2010

Revenue Bonds

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending <u>June 30,</u> 2011	<u>Bond Issue of October 3, 2007</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	4.50%	\$ <u>44,169</u>	\$ <u>994</u>	\$ <u>45,163</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$250,000 of 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 statewide sales, services and use 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 statewide sales, services, and use tax revenue. The total principal and interest remaining to be paid on the notes is \$45,163. For the current year, \$90,326 of principal and interest were paid on the bonds and total statewide sales, services, and use tax revenues were \$407,059.

Capital Lease Purchase Obligations

In February 2010, the District entered into a capital lease-purchase agreement with Blue Bird Body Company to finance the purchase of two buses totaling \$171,226. The lease is financed for three years at an interest rate of 3.99%. The following is a schedule of the future minimum lease payments, including interest per annum, and the present value of net minimum lease payments under the agreement at June 30, 2010:

<u>Year ending June 30,</u>	<u>Amount</u>
2011	\$ 57,075
2012	<u>57,075</u>
Total minimum lease payments	114,150
Less amount representing interest	<u>(6,485)</u>
Present value of net minimum lease payments	\$ <u>107,665</u>

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2010

Payments under the agreement totaled \$57,075 for the year ended June 30, 2010.

In June 2009, the District entered into a capital lease-purchase agreement with Hewlett-Packard Financial Services Company to finance the purchase of computer equipment totaling \$63,325. The lease is financed for three years at an interest rate of 4.761%. The following is a schedule of the future minimum lease payments, including interest per annum, and the present value of net minimum lease payments under the agreement at June 30, 2010:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Amount</u>
2011	\$ 22,777
2012	22,777
2013	<u>5,694</u>
Total minimum lease payments	51,248
Less amount representing interest	<u>(2,922)</u>
Present value of net minimum lease payments	\$ <u>48,326</u>

Payments under the agreement totaled \$17,083 for the year ended June 30, 2010.

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible licensed employees must have completed ten years of full-time service to the District and must have reached the age of fifty-five on or before August 30 of the year in which they retire. The benefit consists of single health insurance for a maximum of 8 years until age 65.

Eligible classified employees must have completed fifteen years of full-time or equivalent part time service to the District and must have reached the age of fifty-five on or before June 30 of the year in which they retire. The benefit consists of a determined dollar amount to be applied to health insurance benefits. The dollar amount is determined by taking the employee's unused sick days up to a maximum of 90 days times their scheduled contract hours per day times their hourly rate.

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2010

At June 30, 2010 the District has obligations to thirteen participants with a total liability of \$265,866. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$42,592.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$243,312, \$243,482 and \$224,157, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 64 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2010

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 36,036
Interest on net OPEB obligation	---
Adjustment to annual required contribution	---
Annual OPEB cost	<u>36,036</u>
Contributions made	<u>(6,979)</u>
Increase in net OPEB obligation	29,057
Net OPEB obligation beginning of year	---
Net OPEB obligation end of year	<u>\$ 29,057</u>
	=====

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$6,979 to the medical plan. Plan members eligible for the benefits contributed \$82,908, or 92% of the premium costs.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follow:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 36,036	19.4%	\$ 29,057

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2010

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$320,354, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$320,354. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,186,111 and the ratio of the UAAL to covered payroll was 10.1%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2010

Projected claim costs of the medical plan are \$455 per month for retirees less than age 65 and \$193 per month for retirees who have attained age 65. The UAAL is being amortized as a level dollar funding over 30 years.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$267,593 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Operating Leases

The District entered into an operating lease with Advanced Systems Inc. for the rental of eight copiers on March 5, 2007 for a period of 64 months. The amount paid for the fiscal year ended June 30, 2010 was \$22,101. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u>	
2011	\$ 24,867
2012	<u>24,867</u>
Total	\$ <u>49,734</u>

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2010

(12) Commitments

In June 2010 the District entered into a lease purchase agreement with Hewlett-Packard Financial Services Company to finance the purchase of computer equipment totaling \$218,301. This equipment will arrive at the start of the 2010-2011 school year to be used for the One to One computer program.

(13) Subsequent Events

Subsequent events have been evaluated through December 16, 2010 which is the date the financial statements were available to be issued.

On August 30, 2010, the District approved four bids for the construction of a new bus barn totaling \$224,311.

On September 16, 2010, the District approved a resolution authorizing and providing for the issuance of and securing payment of the School Infrastructure Sales, Service and Use Tax Revenue Bond, Series 2010 for a total of \$400,000 to pay for the construction of the new bus barn.

Required Supplementary Information

Manson Northwest Webster Community School District
Manson, Iowa

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, 2010

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 6,516,204	561,955
Intermediate sources	912	-
State sources	2,592,688	14,485
Federal sources	<u>452,808</u>	<u>117,592</u>
Total revenues	<u>9,562,612</u>	<u>694,032</u>
Expenditures/Expenses:		
Instruction	6,496,397	-
Support services	2,809,732	-
Non-instructional programs	-	611,141
Other expenditures	<u>736,395</u>	<u>-</u>
Total expenditures/expenses	<u>10,042,524</u>	<u>611,141</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(479,912)	82,891
Other financing sources, net	<u>318,576</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(161,336)	82,891
Balances beginning of year	<u>1,850,556</u>	<u>61,958</u>
Balances end of year	<u>\$ 1,689,220</u>	<u>144,849</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
7,078,159	7,248,872	7,248,872	(170,713)
912	-	-	912
2,607,173	3,164,509	3,164,509	(557,336)
<u>570,400</u>	<u>392,000</u>	<u>392,000</u>	<u>178,400</u>
<u>10,256,644</u>	<u>10,805,381</u>	<u>10,805,381</u>	<u>(548,737)</u>
6,496,397	6,821,440	6,821,440	325,043
2,809,732	2,359,500	2,359,500	(450,232)
611,141	413,500	413,500	(197,641)
<u>736,395</u>	<u>855,285</u>	<u>855,285</u>	<u>118,890</u>
<u>10,653,665</u>	<u>10,449,725</u>	<u>10,449,725</u>	<u>(203,940)</u>
(397,021)	355,656	355,656	(752,677)
<u>318,576</u>	<u>-</u>	<u>-</u>	<u>318,576</u>
(78,445)	355,656	355,656	(434,101)
<u>1,912,514</u>	<u>1,846,870</u>	<u>1,846,870</u>	<u>65,644</u>
<u>1,834,069</u>	<u>2,202,526</u>	<u>2,202,526</u>	<u>(368,457)</u>

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2010

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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

During the year ended June 30, 2010, expenditures in the support services and non-instructional program functions exceeded the amounts budgeted.

Manson Northwest Webster Community School District

Manson, Iowa

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 320,354	320,354	0.0%	\$3,186,111	10.1%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

	Special Revenue Funds			Capital Projects	Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Sales Tax	
Assets					
Cash and pooled investments	\$ 68,735	124,147	46,490	297,485	536,857
Receivables:					
Property tax:					
Delinquent	506	-	811	-	1,317
Succeeding year	145,000	-	87,967	-	232,967
Accounts	-	223	-	-	223
Due from other governments	-	-	-	143,086	143,086
Prepaid expenses	-	-	64,632	-	64,632
Total assets	\$ 214,241	124,370	199,900	440,571	979,082
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	1,372	-	2,757	4,129
Salaries and benefits payable	-	458	-	2,127	2,585
Due to other funds	-	-	12,625	-	12,625
Deferred revenue:					
Succeeding year property tax	145,000	-	87,967	-	232,967
Total liabilities	145,000	1,830	100,592	4,884	252,306
Unreserved fund balances	69,241	122,540	99,308	435,687	726,776
Total liabilities and fund balances	\$ 214,241	124,370	199,900	440,571	979,082

See accompanying independent auditor's report.

Manson Northwest Webster Community School District
Manson, Iowa

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

Year ended June 30, 2010

	Special Revenue Funds			Capital Projects
	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Sales Tax</u>
Revenues:				
Local sources:				
Local tax	\$ 49,855	-	79,991	407,059
Other	6,815	290,802	4,638	1,951
State sources	<u>27</u>	<u>-</u>	<u>43</u>	<u>-</u>
Total revenues	<u>56,697</u>	<u>290,802</u>	<u>84,672</u>	<u>409,010</u>
Expenditures:				
Current:				
Instruction:				
Regular	62,406	-	-	-
Other	-	272,473	-	-
Support services:				
Instructional staff	-	-	160,494	-
Operation and maintenance of plant	67,913	124	-	-
Transportation	10,570	-	164,740	75,483
Other expenditures:				
Facilities acquisition	-	-	-	361,394
Long-term debt:				
Principal	-	-	-	-
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>140,889</u>	<u>272,597</u>	<u>325,234</u>	<u>436,877</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(84,192)</u>	<u>18,205</u>	<u>(240,562)</u>	<u>(27,867)</u>

Schedule 2

<u>Debt</u> <u>Service</u>	<u>Total</u>
-	536,905
-	304,206
-	<u>70</u>
<u>-</u>	<u>841,181</u>
-	62,406
-	272,473
-	160,494
-	68,037
-	250,793
-	361,394
100,442	100,442
<u>6,966</u>	<u>6,966</u>
<u>107,408</u>	<u>1,283,005</u>
<u>(107,408)</u>	<u>(441,824)</u>

(continued)

Manson Northwest Webster Community School District
Manson, Iowa

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

Year ended June 30, 2010

	Special Revenue Funds			Capital Projects
	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Sales Tax</u>
Other financing source (uses):				
Lease purchase obligation issued	-	-	170,989	-
Proceeds from insurance claim	-	-	77,000	65,720
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(17,082)	(90,326)
Total other financing sources (uses)	-	-	230,907	(24,606)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	(84,192)	18,205	(9,655)	(52,473)
Fund balances beginning of year	153,433	104,335	108,963	488,160
Fund balances end of year	\$ 69,241	122,540	99,308	435,687

See accompanying independent auditor's report.

Schedule 2

<u>Debt</u> <u>Service</u>	<u>Total</u>
-	170,989
-	142,720
107,408	107,408
<u>-</u>	<u>(107,408)</u>
<u>107,408</u>	<u>313,709</u>
-	(128,115)
<u>-</u>	<u>854,891</u>
<u>-</u>	<u>726,776</u>

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2010

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Preschool</u>	<u>Before & After School</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 78,279	63,514	2,006	334	144,133
Accounts receivable	1,960	-	2,582	-	4,542
Inventories	4,180	-	-	-	4,180
Capital assets, net of accumulated depreciation	<u>18,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,187</u>
Total assets	<u>102,606</u>	<u>63,514</u>	<u>4,588</u>	<u>334</u>	<u>171,042</u>
Liabilities					
Accounts payable	-	75	-	-	75
Salaries and benefits payable	19,948	-	-	-	19,948
Deferred revenue	<u>6,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,170</u>
Total liabilities	<u>26,118</u>	<u>75</u>	<u>-</u>	<u>-</u>	<u>26,193</u>
Net Assets					
Invested in capital assets	18,187	-	-	-	18,187
Unrestricted	<u>58,301</u>	<u>63,439</u>	<u>4,588</u>	<u>334</u>	<u>126,662</u>
Total net assets	<u>\$ 76,488</u>	<u>63,439</u>	<u>4,588</u>	<u>334</u>	<u>144,849</u>

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 4

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

Year ended June 30, 2010

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Preschool</u>	<u>Before & After School</u>	<u>Total</u>
Operating revenues:					
Local sources:					
Charges for service	\$ 163,748	385,720	9,849	999	560,316
Miscellaneous	<u>1,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,509</u>
Total operating revenues	<u>165,257</u>	<u>385,720</u>	<u>9,849</u>	<u>999</u>	<u>561,825</u>
Operating expenses:					
Non-instructional programs:					
Salaries	103,146	-	8,234	312	111,692
Benefits	14,891	-	740	45	15,676
Purchased services	2,061	142	5,088	-	7,291
Supplies	124,760	346,576	786	309	472,431
Depreciation	<u>4,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,051</u>
Total operating expenses	<u>248,909</u>	<u>346,718</u>	<u>14,848</u>	<u>666</u>	<u>611,141</u>
Operating income (loss)	<u>(83,652)</u>	<u>39,002</u>	<u>(4,999)</u>	<u>333</u>	<u>(49,316)</u>
Non-operating revenues:					
State sources	3,020	-	11,465	-	14,485
Federal sources	117,592	-	-	-	117,592
Interest income	<u>56</u>	<u>55</u>	<u>18</u>	<u>1</u>	<u>130</u>
Total non-operating revenues	<u>120,668</u>	<u>55</u>	<u>11,483</u>	<u>1</u>	<u>132,207</u>
Increase in net assets	37,016	39,057	6,484	334	82,891
Net assets beginning of year	<u>39,472</u>	<u>24,382</u>	<u>(1,896)</u>	<u>-</u>	<u>61,958</u>
Net assets end of year	<u>\$ 76,488</u>	<u>63,439</u>	<u>4,588</u>	<u>334</u>	<u>144,849</u>

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2010

	<u>School Nutrition</u>	<u>Building Trades</u>
Cash flows from (used in) operating activities:		
Cash received from sale of lunches and breakfasts	\$ 165,474	-
Cash received from other services	1,509	-
Cash received from sale of student constructed house	-	385,720
Cash paid to employees for services	(118,332)	-
Cash paid to suppliers for goods or services	<u>(107,648)</u>	<u>(191,881)</u>
Net cash provided by (used in) operating activities	<u>(58,997)</u>	<u>193,839</u>
Cash flows from (used in) non-capital financing activities:		
Interfund loans received (repaid)	-	(158,993)
State grants received	3,020	-
Federal grants received	<u>95,270</u>	<u>-</u>
Net cash provided by (used in) non-capital financing activities	<u>98,290</u>	<u>(158,993)</u>
Cash flows from investing activities:		
Interest on investments	<u>56</u>	<u>55</u>
Net increase (decrease) in cash and cash equivalents	39,349	34,901
Cash and cash equivalents beginning of year	<u>38,930</u>	<u>28,613</u>
Cash and cash equivalents end of year	<u>\$ 78,279</u>	<u>63,514</u>

Schedule 5

<u>Preschool</u>	<u>Before & After School</u>	<u>Total</u>
-	-	165,474
7,267	999	9,775
-	-	385,720
(13,853)	(357)	(132,542)
<u>(5,874)</u>	<u>(309)</u>	<u>(305,712)</u>
<u>(12,460)</u>	<u>333</u>	<u>122,715</u>
-	-	(158,993)
11,465	-	14,485
<u>-</u>	<u>-</u>	<u>95,270</u>
<u>11,465</u>	<u>-</u>	<u>(49,238)</u>
<u>18</u>	<u>1</u>	<u>130</u>
(977)	334	73,607
<u>2,983</u>	<u>-</u>	<u>70,526</u>
<u>2,006</u>	<u>334</u>	<u>144,133</u>

(continued)

Manson Northwest Webster Community School District
Manson, Iowa

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2010

	<u>School Nutrition</u>	<u>Building Trades</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (83,652)	39,002
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Commodities used	22,322	-
Depreciation	4,051	-
(Increase) decrease in accounts receivable	314	-
(Increase) decrease in inventories	(3,149)	178,488
Increase (decrease) in accounts payable	-	(23,651)
Increase (decrease) in salaries and benefits payable	(295)	-
Increase (decrease) in deferred revenue	1,412	-
Net cash provided by (used in) operating activities	<u>\$ (58,997)</u>	<u>193,839</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2010, the District received \$22,322 of federal commodities.

See notes to financial statements.

Schedule 5

<u>Preschool</u>	<u>Before & After School</u>	<u>Total</u>
(4,999)	333	(49,316)
-	-	22,322
-	-	4,051
(2,582)	-	(2,268)
-	-	175,339
-	-	(23,651)
(4,879)	-	(5,174)
-	-	1,412
<u>(12,460)</u>	<u>333</u>	<u>122,715</u>

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 6

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Speech	\$ 2,144	13,551	14,403	3	1,295
Drama Club	(1,644)	4,410	1,689	1	1,078
Fine Arts	199	-	125	-	74
Musical	735	4,889	4,233	1	1,392
Tri-M	545	-	-	1	546
Band trips	1,972	8,284	8,234	2	2,024
Boys Basketball	1,931	16,750	13,375	5	5,311
Girls Basketball	10,455	41,008	45,999	11	5,475
Activity tickets	1,416	9,815	6,133	(4,050)	1,048
Cross Country	361	538	808	200	291
Golf	197	261	377	300	381
Volleyball	825	4,524	5,625	501	225
Football	7,003	28,270	28,156	4	7,121
Baseball	1,490	3,824	5,493	1,251	1,072
Track	(971)	15,774	15,031	301	73
Wrestling	45	14,598	11,335	2	3,310
Softball	(1,845)	10,270	10,170	2,001	256
MS Student Council	812	6	-	(818)	-
MS/ES Annual	730	1,775	1,708	1	798
National Honor Society	2	607	2,373	1,764	-
French Club	2,193	4,268	1,570	4	4,895
Student Council	3,870	6,426	3,816	(1,758)	4,722
Elementary projects	5,543	1,606	1,965	824	6,008
Student programs	50	3,391	3,641	10	(190)
Library Club	1,166	-	1,166	-	-
Electrathon	2,425	2,533	1,421	4	3,541
Junior Class	507	10,010	7,721	3	2,799
Senior Class	2,187	4,887	4,597	4	2,481
High School Annual	7,934	8,820	7,204	11	9,561
HS Music Department Fund Raiser	11,685	16,916	11,380	19	17,240
Drill Team	2,159	8,789	8,849	1,003	3,102
Cheerleaders - Basketball	344	1,700	1,263	1	782
Cheerleaders - Football	1,451	1,720	2,347	1	825
Cheerleaders - Wrestling	583	1,487	1,072	1	999
Pop	841	5,954	6,019	(500)	276
Needy Donations	2,564	121	-	3	2,688
FFA	27,612	28,654	28,522	33	27,777
FFA Environment Grant	1,930	-	683	2	1,249

(continued)

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 6

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Interest fund balance (regular)	-	9	-	(9)	-
Athletic Calendar	1,013	3,590	3,467	(998)	138
Interest - ISJIT	-	141	-	(141)	-
Champions Club	1,875	-	-	2	1,877
HS Teachers Scholarship Fund	1	626	627	-	-
Total	<u>\$ 104,335</u>	<u>290,802</u>	<u>272,597</u>	<u>-</u>	<u>122,540</u>

See accompanying independent auditor's report.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 7

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2010

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 1,308	455	450	1,313
Total assets	<u>\$ 1,308</u>	<u>455</u>	<u>450</u>	<u>1,313</u>
Liabilities				
Other payables	\$ 1,308	455	450	1,313
Total liabilities	<u>\$ 1,308</u>	<u>455</u>	<u>450</u>	<u>1,313</u>

See accompanying independent auditor's report.

Manson Northwest Webster Community School District
Manson, Iowa

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

For the Last Seven Years

	Modified Accrual Basis			
	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 3,450,954	3,290,767	3,303,096	3,275,151
Tuition	2,460,945	2,153,354	2,464,838	2,066,799
Other	604,305	750,174	667,285	673,268
Intermediate sources	912	16,000	-	1,719
State sources	2,592,688	3,168,603	3,175,047	3,137,829
Federal sources	452,808	294,504	269,249	277,424
Total	\$ 9,562,612	9,673,402	9,879,515	9,432,190
Expenditures:				
Instruction:				
Regular	\$ 2,883,346	2,907,323	2,814,761	2,715,371
Special	2,403,635	2,616,856	2,615,413	2,430,187
Other	1,209,416	1,260,181	1,157,876	1,018,830
Support services:				
Student	160,090	148,534	125,419	166,276
Instructional staff	450,972	342,107	338,412	344,349
Administration	673,009	729,775	632,338	582,203
Operation and maintenance of plant	640,421	702,243	628,542	672,072
Transportation	885,240	741,210	672,942	589,246
Other expenditures:				
Facilities acquisition	361,394	316,200	654,743	224,787
Long-term debt:				
Principal	100,442	86,163	44,225	-
Interest and other charges	6,966	16,788	938	-
AEA flowthrough	267,593	245,093	241,512	234,607
Total	\$ 10,042,524	10,112,473	9,927,121	8,977,928

See accompanying independent auditor's report.

Schedule 8

<u>2006</u>	<u>2005</u>	<u>2004</u>
3,009,443	3,135,191	3,202,084
2,002,115	2,067,391	1,352,119
674,446	340,438	331,023
-	-	-
3,142,982	2,947,727	2,876,461
<u>263,798</u>	<u>271,081</u>	<u>270,810</u>
<u>9,092,784</u>	<u>8,761,828</u>	<u>8,032,497</u>
2,511,600	2,743,797	2,750,326
2,154,706	2,577,072	1,956,353
998,887	952,620	626,888
117,930	190,958	185,033
297,558	299,815	324,558
732,644	625,565	581,754
637,365	607,736	540,780
384,189	398,063	380,624
386,905	354,722	225,642
-	-	-
-	-	-
<u>232,421</u>	<u>229,967</u>	<u>234,608</u>
<u>8,454,205</u>	<u>8,980,315</u>	<u>7,806,566</u>

Manson, Iowa

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	\$ 14,644
National School Lunch Program	10.555	FY10	101,987 *
Special Milk Program for Children	10.556	FY10	<u>961</u>
			<u>117,592</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	113,604
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	<u>79,634</u>
			<u>193,238</u>
Career and Technical Education - Basic Grants to States	84.048	FY10	<u>5,589</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY10	<u>1,741</u>
Improving Teacher Quality State Grants	84.367	FY10	<u>20,900</u>
Grants for State Assessments	84.369	FY10	<u>4,238</u>
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY10	<u>163,150</u>
Prairie Lakes Area Education Agency:			
Special Education - Grants to States	84.027	FY10	<u>41,587</u> **

(continued)

Manson, Iowa

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

ARRA - Special Education Grants to States, Recovery Act	84,391	FY10	<u>20,633</u> **
Total			<u>\$ 568,668</u>

* - Includes \$22,322 of non-cash awards.

** - Total for Special Education Cluster (IDEA) is \$62,220

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Manson Northwest Webster Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 16, 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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 Questioned Costs. 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, including federal awarding agencies and pass-through entities, and 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.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

December 16, 2010

Independent Auditor's Report on Compliance with Requirements Applicable
To Each Major Program and on Internal Control over Compliance
In Accordance with OMB Circular A-133

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Manson Northwest Webster Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Manson Northwest Webster Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Manson Northwest Webster Community School District's management. Our responsibility is to express an opinion on Manson Northwest Webster Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit included examining, on a test basis, evidence about Manson Northwest Webster Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Manson Northwest Webster Community School District's compliance with those requirements.

In our opinion, Manson Northwest Webster Community School District compiled, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Manson Northwest Webster Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Manson Northwest Webster Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Manson Northwest Webster Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Manson Northwest Webster Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

December 16, 2010

74

Manson Northwest Webster Community School District
Manson, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget A-133, Section .510(a)
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act.
 - Clustered programs:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Manson Northwest Webster Community School District did not qualify as a low-risk auditee.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

II-A-10 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 has taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We are continuing to review our procedures and implement additional controls where possible.

Conclusion - Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-10 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Manson Northwest Webster Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 84.010: Title I Grants to Local Educational Agencies
CFDA Number 84.389: ARRA – Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-10 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 has taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We are continuing to review our procedures and implement additional controls where possible.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Conclusion – Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - Expenditures for the year ended June 30, 2010, exceed the certified budget amounts in the support services and non-instructional programs functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts and in proper functional areas to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

IV-B-10 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

IV-D-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Julie Hewitt, Board Member, husband owns Hewitt Construction	Construction, per bid	\$ 10,822
Brent Johnson, Board Member, wife owns Labre Acres, Inc.	Painting	120
Duane Paterson, Board President	Mowing	360

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Board member, Brent Johnson and Board President, Duane Paterson do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year. The transaction with Board member, Julie Hewitt, does not appear to represent a conflict of interest since it was entered into through competitive bidding.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.

IV-F-10 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-10 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

IV-J-10 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services, and Use Tax – No instances of non-compliance with the use of the statewide sales, services, and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District’s financial activity and other required information for the statewide sales, services, and use tax revenue are as follows:

Beginning balance	\$	---
Statewide sales, services and use tax		407,059
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	\$	188,379
Equipment		128,354
Debt service for school infrastructure:		
Revenue debt	<u>90,326</u>	<u>407,059</u>
Ending balance	\$	<u>---</u>

IV-M-10 Authorized Check Signatures – It was noted checks were not signed in accordance with Chapter 291.1 of the Code. The Board President’s signature stamp was used to sign the warrants of the District, but the Board President did not stamp the signature himself; another employee of the District did so. The District has no policy stating another person has been designated to sign on his behalf.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recommendation – Per Chapter 291.1, the President or the President’s designee shall sign, using an original or facsimile signature, all school district warrants. The Board of Directors, by resolution, may designate an individual, who shall not be the secretary, to sign warrants on his/her behalf.

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

Conclusion – Response accepted.