

**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, 2011

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Manson Northwest Webster Community School District
Manson, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
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	2011
Erin Schroeder	District Secretary	2011
Diane Davis	District Treasurer/Business Manager	2011
Gruhn Law Firm	Attorney	Indefinite

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Certified Public Accountants

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Manson Northwest Webster Community School District, Manson, Iowa, as of and for the year ended June 30, 2011, 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 not 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, 2011. 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, 2011, 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 February 21, 2012 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 51 through 54 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Manson Northwest Webster Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other auditors previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules I through II, 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.
Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

February 21, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,721,431 in fiscal year 2010 to \$9,578,089 in fiscal year 2011, while General Fund expenditures decreased from \$8,759,519 in fiscal year 2010 to \$8,529,303 in fiscal year 2011. The District's General Fund balance increased from \$962,444 at the end of fiscal year 2010 to \$2,012,299 at the end of fiscal year 2011, a 109% increase.
- The fiscal year 2011 increase in General Fund revenues was attributable to increases in property tax, state revenue and federal grant revenue. The decrease in expenditures was due primarily to the District trimming excess costs. The increased revenues and decreased expenditures allowed the District to increase its carryover funds.

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

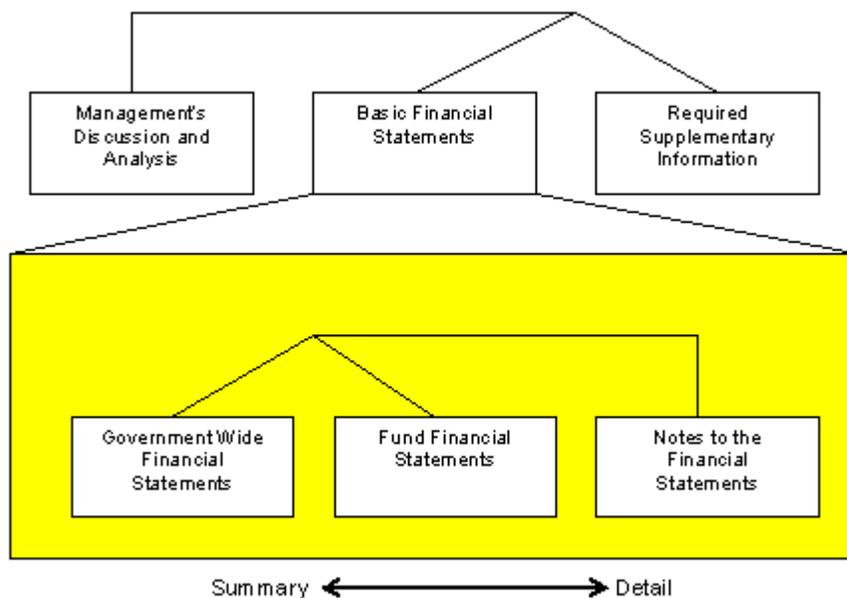


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**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, 2011 compared to June 30, 2010.

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

	Governmental		Business Type		Total		Total Change June 30, 2010-2011
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	
Current and other assets	\$ 7,367	6,258	248	153	7,615	6,411	18.8%
Capital assets	<u>3,010</u>	<u>2,550</u>	<u>29</u>	<u>18</u>	<u>3,039</u>	<u>2,568</u>	<u>18.3%</u>
Total assets	<u>10,377</u>	<u>8,808</u>	<u>277</u>	<u>171</u>	<u>10,654</u>	<u>8,979</u>	<u>18.6%</u>
Long-term liabilities	1,168	497	---	---	1,168	497	135.0%
Other liabilities	<u>4,226</u>	<u>4,277</u>	<u>102</u>	<u>26</u>	<u>4,328</u>	<u>4,303</u>	<u>0.6%</u>
Total liabilities	<u>5,394</u>	<u>4,774</u>	<u>102</u>	<u>26</u>	<u>5,496</u>	<u>4,800</u>	<u>14.5%</u>
Net assets:							
Invested in capital assets, net of related debt	2,382	2,350	29	18	2,411	2,368	1.8%
Restricted	1,010	824	---	---	1,010	824	22.6%
Unrestricted	<u>1,591</u>	<u>860</u>	<u>146</u>	<u>127</u>	<u>1,737</u>	<u>987</u>	<u>76.0%</u>
Total net assets	\$ <u>4,983</u>	<u>4,034</u>	<u>175</u>	<u>145</u>	<u>5,158</u>	<u>4,179</u>	<u>23.4%</u>

The District's combined net assets increased 23%, or approximately \$979,000 from 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, increased approximately \$186,000 or 23% over the prior year. The increase was primarily a result of revenues exceeding expenditures in the Statewide, Sales, Services and Use Tax Fund and an increase in unspent categorical funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$750,000 or 76%. This increase in unrestricted net assets was a result of the District's increase in revenues and a decrease in expenditures.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$ 2,837	2,977	185	562	3,022	3,539	-14.6%
Operating grants, contributions and restricted interest	1,400	1,167	132	132	1,532	1,299	17.9%
Capital grants, contributions and restricted interest	406	---	---	---	406	---	100.0%
General revenues:							
Property tax	3,554	2,675	---	---	3,554	2,675	32.9%
Statewide sales, services and use tax	444	407	---	---	444	407	9.1%
Income surtax	340	358	---	---	340	358	-5.0%
Unrestricted state grants	1,968	1,890	---	---	1,968	1,890	4.1%
Unrestricted investment earnings	14	10	---	---	14	10	40.0%
Other	52	67	---	---	52	67	-22.4%
Gain (loss) on disposal of capital assets	<u>1</u>	<u>147</u>	<u>---</u>	<u>---</u>	<u>1</u>	<u>147</u>	<u>-99.3 %</u>
Total revenues	<u>11,016</u>	<u>9,698</u>	<u>317</u>	<u>694</u>	<u>11,333</u>	<u>10,392</u>	<u>9.0 %</u>
Program expenses:							
Governmental activities:							
Instruction	6,632	6,622	---	---	6,632	6,622	0.2%
Support services	2,511	2,585	---	---	2,511	2,585	-2.9%
Non-instructional programs	---	---	693	611	693	611	13.4%
Other expenses	<u>519</u>	<u>553</u>	<u>---</u>	<u>---</u>	<u>519</u>	<u>553</u>	<u>- 6.1%</u>
Total expenses	<u>9,662</u>	<u>9,760</u>	<u>693</u>	<u>611</u>	<u>10,355</u>	<u>10,371</u>	<u>-0.2%</u>
Change in net assets before transfers	1,354	(62)	(376)	83	978	21	4,557.1%
Transfers	<u>(406)</u>	<u>---</u>	<u>406</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>0.0%</u>
Increase (decrease) in net assets	948	(62)	30	83	978	21	4,557.1%
Net assets beginning 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>
Net assets end of year	\$ <u>4,983</u>	<u>4,034</u>	<u>175</u>	<u>145</u>	<u>5,158</u>	<u>4,179</u>	<u>23.4%</u>

In fiscal 2011, property tax and unrestricted state grants account for 50.1% of governmental activities revenue 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 \$11.3 million, of which approximately \$11.0 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 9.0% increase in revenues and expenses were about the same. Property taxes increased approximately \$879,000 which allowed the District to increase its cash reserves.

Governmental Activities

Revenues for governmental activities were \$11,016,658 and expenses were \$9,661,683 for the year ended June 30, 2011.

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, 2011 compared to the year ended June 30, 2010.

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

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 6,632	6,622	0.2%	2,854	2,919	-2.2%
Support services	2,511	2,585	-2.9%	2,320	2,412	-3.8%
Non-instructional programs	---	---	0.0%	---	---	0.0%
Other expenses	<u>519</u>	<u>553</u>	<u>-6.1%</u>	<u>(156)</u>	<u>286</u>	<u>-154.5%</u>
Total	<u>\$ 9,662</u>	<u>9,760</u>	<u>-1.0%</u>	<u>5,018</u>	<u>5,617</u>	<u>-10.7%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$2,836,961.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,399,669.
- The net cost of governmental activities was financed with \$4,338,372 in property and other taxes and \$1,967,956 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$317,112, representing a 54.3% decrease from the prior year, while expenses totaled \$693,475, a 13.5% 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, 2011, the District's students helped in the construction of a new bus barn for which the District transferred \$406,596 from the Statewide Sales, Services and Use Tax Fund to the Building Trades Fund to cover construction expenses. In the prior year the District sold a spec house that was constructed by the District's students. This accounts for a major portion of the decrease in revenues 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 \$2,866,925, well above last year's ending fund balances of \$1,689,220.

Governmental Fund Highlights

- The General Fund balance increased from \$962,444 to \$2,012,299 due, in part to growth in tax revenues.
- The Capital Projects Fund balance increased from \$534,995 in fiscal 2010 to \$625,442 in fiscal 2011.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$76,488 at June 30, 2010 to \$97,488 at June 30, 2011, representing an increase of approximately 27%. Fee increases and diligent procurement practices have produced a favorable financial position in the Nutrition Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, Manson Northwest Webster Community School District amended its budget one time to reflect additional expenditures associated with the bus barn project.

The District's total revenues were \$66,828 less than total budgeted revenues, a variance of 0.6%.

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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested approximately \$3.0 million, net of accumulated depreciation/amortization, 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 15.4% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$377,701.

The original cost of the District's capital assets was approximately \$10.0 million. Governmental funds account for approximately \$9.7 million, with the remainder of approximately \$0.3 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,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 10	10	---	---	10	10	0.0%
Construction in progress	453	---	---	---	453	---	100.0%
Buildings	1,585	1,618	---	---	1,585	1,618	-2.0%
Improvements other than buildings	185	188	---	---	185	188	-1.6%
Furniture and equipment	<u>777</u>	<u>734</u>	<u>29</u>	<u>18</u>	<u>806</u>	<u>752</u>	<u>7.2%</u>
Total	\$ 3,010	2,550	29	18	3,039	2,568	18.3%
	=====	=====	====	====	=====	=====	=====

Long-Term Debt

At June 30, 2011, the District had \$1,167,839 in total long-term debt outstanding. This represents an increase of approximately 135% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

In August 2010, the District issued \$400,000 of Statewide Sales, Services and Use Tax revenue bonds for the bus barn project.

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

	Total District	Total Change	
	June 30,	June 30,	
	2011	2010	2010-2011
Sales tax revenue bonds	\$ 400	44	809.0%
Bus lease obligation	55	108	-49.1%
Computer lease obligation	173	48	260.4%
Compensated absences	3	2	50.0%
Termination benefits	481	266	80.8%
Net OPEB liability	<u>56</u>	<u>29</u>	<u>93.1%</u>
Total	<u>\$ 1,168</u>	<u>497</u>	<u>135.0%</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 improved over the 0% allowable growth for 11-12. Two percent AG will still mean negative new money for MNW, however, as the resident student number has declined to 610.6 from 622.
2. The long-term picture for the District is for likely decline in budget enrollment. To date, open enrollments have made up for the decline in resident students. This is a rather precarious state of affairs, and 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, 2011

	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	\$ 2,630,514	163,461	2,793,975	52,766
Receivables:				
Property tax:				
Delinquent	35,561	-	35,561	-
Succeeding year	3,217,000	-	3,217,000	-
Accounts	5,902	2,492	8,394	-
Due from other governments	1,552,992	-	1,552,992	-
Due from other funds	(75,097)	75,097	-	-
Inventories	-	6,599	6,599	-
Capital assets, net of accumulated depreciation	3,009,748	29,201	3,038,949	-
Total assets	<u>10,376,620</u>	<u>276,850</u>	<u>10,653,470</u>	<u>52,766</u>
Liabilities				
Accounts payable	343,536	75,170	418,706	-
Salaries and benefits payable	572,763	20,700	593,463	-
Accrued interest payable	20,746	-	20,746	-
Deferred revenue:				
Succeeding year property tax	3,217,000	-	3,217,000	-
Other	71,730	5,898	77,628	-
Long-term liabilities:				
Portion due within one year:				
Revenue	85,000	-	85,000	-
Bus lease purchase obligation	54,885	-	54,885	-
Computer lease purchase obligation	85,113	-	85,113	-
Termination benefits	100,863	-	100,863	-
Compensated absences	3,517	-	3,517	-
Portion due after one year:				
Revenue bonds	315,000	-	315,000	-
Computer lease purchase obligation	87,410	-	87,410	-
Termination benefits	379,665	-	379,665	-
Net OPEB liability	56,386	-	56,386	-
Total liabilities	<u>5,393,614</u>	<u>101,768</u>	<u>5,495,382</u>	<u>-</u>

(continued)

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit A

Statement of Net Assets

June 30, 2011

	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	2,382,340	29,201	2,411,541	-
Restricted for:				
Categorical funding	154,756	-	154,756	-
Management levy purposes	94,708	-	94,708	-
Physical plant and equipment	98,476	-	98,476	-
School infrastructure	526,966	-	526,966	-
Student activities	134,476	-	134,476	-
Cougar Club purposes	-	-	-	52,766
Unrestricted	<u>1,591,284</u>	<u>145,881</u>	<u>1,737,165</u>	-
Total net assets	<u>\$ 4,983,006</u>	<u>175,082</u>	<u>5,158,088</u>	<u>52,766</u>

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa
Statement of Activities
Year ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<u>Functions/Programs:</u>				
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,104,913	650,209	840,423	-
Special instruction	2,331,643	1,718,468	128,637	-
Other instruction	1,195,263	300,726	138,936	-
	<u>6,631,819</u>	<u>2,669,403</u>	<u>1,107,996</u>	<u>-</u>
Support services:				
Student	156,622	-	-	-
Instructional staff	373,966	15,675	13,220	-
Administration	672,468	-	-	-
Operation and maintenance of plant	605,847	5,166	-	-
Transportation	702,352	146,717	10,859	-
	<u>2,511,255</u>	<u>167,558</u>	<u>24,079</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	52,609	-	-	406,596
Long-term debt interest	29,302	-	-	-
AEA flowthrough	267,594	-	267,594	-
Depreciation (unallocated)*	169,104	-	-	-
	<u>518,609</u>	<u>-</u>	<u>267,594</u>	<u>406,596</u>
Total governmental activities	<u>9,661,683</u>	<u>2,836,961</u>	<u>1,399,669</u>	<u>406,596</u>
Business type activities:				
Non-instructional programs:				
Food service operations	280,467	174,455	126,938	-
Building trades	407,468	-	-	-
Preschool	4,590	2,643	4,974	-
Before & after school	950	7,910	-	-
Total business type activities	<u>693,475</u>	<u>185,008</u>	<u>131,912</u>	<u>-</u>
Total primary government	<u>\$ 10,355,158</u>	<u>3,021,969</u>	<u>1,531,581</u>	<u>406,596</u>
Component Unit:				
Cougar Club	\$ 22,279	27,075	100	-
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				
Transfers				
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.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Cougar Club
(1,614,281)	-	(1,614,281)	-
(484,538)	-	(484,538)	-
(755,601)	-	(755,601)	-
<u>(2,854,420)</u>	<u>-</u>	<u>(2,854,420)</u>	<u>-</u>
(156,622)	-	(156,622)	-
(345,071)	-	(345,071)	-
(672,468)	-	(672,468)	-
(600,681)	-	(600,681)	-
(544,776)	-	(544,776)	-
<u>(2,319,618)</u>	<u>-</u>	<u>(2,319,618)</u>	<u>-</u>
353,987	-	353,987	-
(29,302)	-	(29,302)	-
-	-	-	-
(169,104)	-	(169,104)	-
155,581	-	155,581	-
<u>(5,018,457)</u>	<u>-</u>	<u>(5,018,457)</u>	<u>-</u>
-	20,926	20,926	-
-	(407,468)	(407,468)	-
-	3,027	3,027	-
-	6,960	6,960	-
-	(376,555)	(376,555)	-
<u>(5,018,457)</u>	<u>(376,555)</u>	<u>(5,395,012)</u>	<u>-</u>
-	-	-	4,896
3,461,088	-	3,461,088	-
93,105	-	93,105	-
340,079	-	340,079	-
444,100	-	444,100	-
1,967,956	-	1,967,956	-
13,840	192	14,032	293
52,195	-	52,195	-
1,069	-	1,069	-
(406,596)	406,596	-	-
<u>5,966,836</u>	<u>406,788</u>	<u>6,373,624</u>	<u>293</u>
948,379	30,233	978,612	5,189
4,034,627	144,849	4,179,476	47,577
<u>\$ 4,983,006</u>	<u>175,082</u>	<u>5,158,088</u>	<u>52,766</u>

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2011

Assets	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Cash and pooled investments	\$ 1,829,919	570,124	230,471	2,630,514
Receivables:				
Property tax:				
Delinquent	33,095	931	1,535	35,561
Succeeding year	2,870,000	97,000	250,000	3,217,000
Accounts	-	5,000	902	5,902
Due from other governments	<u>1,428,508</u>	<u>124,484</u>	<u>-</u>	<u>1,552,992</u>
Total assets	<u>\$ 6,161,522</u>	<u>797,539</u>	<u>482,908</u>	<u>7,441,969</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 339,812	-	3,724	343,536
Salaries and benefits payable	572,763	-	-	572,763
Due to other funds	-	75,097	-	75,097
Deferred revenue:				
Succeeding year property tax	2,870,000	97,000	250,000	3,217,000
Income surtax	294,918	-	-	294,918
Other	<u>71,730</u>	<u>-</u>	<u>-</u>	<u>71,730</u>
Total liabilities	<u>4,149,223</u>	<u>172,097</u>	<u>253,724</u>	<u>4,575,044</u>
Fund balances:				
Restricted for:				
Categorical funding	154,756	-	-	154,756
Management levy purposes	-	-	94,708	94,708
Student activities	-	-	134,476	134,476
School infrastructure	-	526,966	-	526,966
Physical plant and equipment	-	98,476	-	98,476
Assigned	6,302	-	-	6,302
Unassigned	<u>1,851,241</u>	<u>-</u>	<u>-</u>	<u>1,851,241</u>
Total fund balances	<u>2,012,299</u>	<u>625,442</u>	<u>229,184</u>	<u>2,866,925</u>
Total liabilities and fund balances	<u>\$ 6,161,522</u>	<u>797,539</u>	<u>482,908</u>	<u>7,441,969</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, 2011

Total fund balances of governmental funds (page 19) \$ 2,866,925

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. 3,009,748

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 294,918

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. (20,746)

Long-term liabilities, including bonds, compensated absences, termination benefits, lease obligations, and other postemployment benefits payable, are not due and payable in the current year and therefore, are not reported in the governmental funds. (1,167,839)

Net assets of governmental activities (page 16) \$ 4,983,006

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, 2011

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 3,645,126	\$ 537,204	153,466	4,335,796
Tuition	2,352,326	-	-	2,352,326
Other	213,870	6,062	324,497	544,429
Intermediate sources	6,253	-	-	6,253
State sources	2,764,221	5,039	64	2,769,324
Federal sources	596,293	-	-	596,293
Total revenues	9,578,089	548,305	478,027	10,604,421
Expenditures:				
Current:				
Instruction:				
Regular	2,822,097	223,301	67,781	3,113,179
Special	2,329,164	-	-	2,329,164
Other	890,809	-	285,274	1,176,083
	6,042,070	223,301	353,055	6,618,426
Support services:				
Student	155,835	-	-	155,835
Instructional staff	304,047	-	-	304,047
Administration	646,942	20,115	-	667,057
Operation and maintenance of plant	511,797	-	76,894	588,691
Transportation	601,018	24,205	10,675	635,898
	2,219,639	44,320	87,569	2,351,528
Other expenditures:				
Facilities acquisition	-	202,187	-	202,187
Long-term debt:				
Principal	-	-	117,793	117,793
Interest and fiscal charges	-	-	10,700	10,700
AEA flowthrough	267,594	-	-	267,594
	267,594	202,187	128,493	598,274
Total expenditures	8,529,303	469,808	569,117	9,568,228
Excess (deficiency) of revenues over (under) expenditures	1,048,786	78,497	(91,090)	1,036,193
Other financing sources (uses):				
Revenue bonds issued	-	400,000	-	400,000
Lease purchase obligation issued	-	145,041	-	145,041
Sale of assets	1,069	-	-	1,069
Proceeds from insurance claim	-	1,998	-	1,998
Operating transfers in	-	-	128,493	128,493
Operating transfers out	-	(535,089)	-	(535,089)
Total other financing sources (uses)	1,069	11,950	128,493	141,512
Net change in fund balances	1,049,855	90,447	37,403	1,177,705
Fund balances beginning of year, as restated	962,444	534,995	191,781	1,689,220
Fund balances end of year	\$ 2,012,299	625,442	229,184	2,866,925

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, 2011

Net change in fund balances - total governmental funds (page 21) \$ 1,177,705

*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/amortization expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 831,919	
Depreciation expense	<u>(372,414)</u>	459,505

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. 2,574

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	(545,041)	
Repaid	<u>117,793</u>	(427,248)

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. (18,602)

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	(214,662)	
Compensated absences	(1,868)	
Other postemployment benefits	<u>(27,329)</u>	(243,859)

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit F

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

Year ended June 30, 2011

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.

(1,696)

Change in net assets of governmental activities (page 18)

\$ 948,379

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2011

	<u>Nonmajor Enterprise Funds</u>
Assets	
Cash and cash equivalents	\$ 163,461
Accounts receivable	2,492
Interfund receivable	75,097
Inventories	6,599
Capital assets, net of accumulated depreciation	<u>29,201</u>
Total assets	<u>276,850</u>
Liabilities	
Accounts payable	75,170
Salaries and benefits payable	20,700
Deferred revenue	<u>5,898</u>
Total liabilities	<u>101,768</u>
Net Assets	
Invested in capital assets	29,201
Unrestricted	<u>145,881</u>
Total net assets	<u>\$ 175,082</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, 2011

	Nonmajor Enterprise <u>Funds</u>	Internal <u>Service Fund</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 175,504	-
Miscellaneous	<u>11,504</u>	<u>-</u>
Total operating revenues	<u>187,008</u>	<u>-</u>
Operating expenses:		
Support services:		
Instructional staff	60	-
Operation and maintenance of plant	3,541	-
Transportation	<u>1,087</u>	<u>-</u>
	<u>4,688</u>	<u>-</u>
Non-instructional programs:		
Salaries	111,357	-
Benefits	24,195	1,696
Purchased services	29	-
Supplies	393,385	-
Depreciation	<u>5,287</u>	<u>-</u>
	<u>534,253</u>	<u>1,696</u>
Other expenditures:		
Facilities acquisition	<u>154,534</u>	<u>-</u>
Total operating expenses	<u>693,475</u>	<u>1,696</u>
Operating (loss)	<u>(506,467)</u>	<u>(1,696)</u>

(continued)

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit H

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

(continued)

Year ended June 30, 2011

	Nonmajor Enterprise <u>Funds</u>	Internal <u>Service Fund</u>
Non-operating revenues:		
State sources	5,957	-
Federal sources	123,955	-
Interest income	192	-
Total non-operating revenues	<u>130,104</u>	<u>-</u>
Income (loss) before transfers	(376,363)	(1,696)
Transfers:		
Transfer from capital projects	<u>406,596</u>	<u>-</u>
Increase (decrease) in net assets	30,233	(1,696)
Net assets beginning of year	<u>144,849</u>	<u>1,696</u>
Net assets end of year	<u>\$ 175,082</u>	<u>-</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, 2011

	Nonmajor Enterprise <u>Funds</u>	Internal <u>Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 164,147	-
Cash received from other services	24,639	-
Cash paid to employees for services	(135,198)	(1,696)
Cash paid to suppliers for goods or services	<u>(461,309)</u>	<u>-</u>
Net cash (used by) operating activities	<u>(407,721)</u>	<u>(1,696)</u>
Cash flows from non-capital financing activities:		
Interfund loans received	331,499	-
State grants received	5,957	-
Federal grants received	<u>105,702</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>443,158</u>	<u>-</u>
Cash flows (used by) capital and related financing activities:		
Acquisition of capital assets	(16,301)	
Cash flows from investing activities:		
Interest on investments	<u>192</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	19,328	(1,696)
Cash and cash equivalents beginning of year	<u>144,133</u>	<u>1,696</u>
Cash and cash equivalents end of year	<u>\$ 163,461</u>	<u>-</u>

(continued)

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	Nonmajor Enterprise <u>Funds</u>	Internal Service Fund
Reconciliation of operating (loss) to net cash (used by) operating activities:		
Operating (loss)	\$ (506,467)	(1,696)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:		
Commodities used	18,253	-
Depreciation	5,287	-
(Increase) decrease in accounts receivable	2,050	-
(Increase) decrease in inventories	(2,419)	-
Increase (decrease) in accounts payable	75,095	-
Increase (decrease) in salaries and benefits payable	752	-
Increase (decrease) in deferred revenue	(272)	-
Net cash (used by) operating activities	<u>\$ (407,721)</u>	<u>(1,696)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$18,253 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, 2011

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 37,831	1,726
Accrued interest receivable	<u>82</u>	<u>-</u>
Total assets	<u>37,913</u>	<u>1,726</u>
Liabilities		
Accounts payable	-	413
Other payables	<u>-</u>	<u>1,313</u>
Total liabilities	<u>-</u>	<u>1,726</u>
Net assets		
Reserved for scholarships	<u>\$ 37,913</u>	<u>-</u>

See notes to financial statements.

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 9,749
Interest income	<u>461</u>
Total additions	10,210
 Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>5,240</u>
 Change in net assets	 4,970
 Net assets beginning of year	 <u>32,943</u>
 Net assets end of year	 <u><u>\$ 37,913</u></u>

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2011

(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, 2011

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/amortization 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.

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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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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:

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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.

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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:

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

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

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

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

Property tax revenue recognized in these funds 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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.

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

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

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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 year. 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 year. 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.

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, 2011. 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 fund balance are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints places on the use of resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

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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.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$261,480 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, 2011 is as follows:

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Receivable Fund	Payable Fund	Amount
Enterprise:	Capital Projects:	
Building Trades	Statewide Sales, Services and Use Tax	\$ <u>75,097</u>

The Capital Projects, Statewide Sales, Services and Use Tax Fund is repaying the Enterprise, Building Trades Fund for costs incurred in the construction of a bus barn. The balance will be repaid by June 30, 2012.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects:	
	Statewide Sales, Services and Use Tax	\$ 105,716
	Physical Plant and Equipment Levy	22,777
Enterprise:	Capital Projects:	
Building Trades	Statewide Sales, Services and Use Tax	<u>406,596</u>
Total		\$ <u>535,089</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. The District had no ISCAP activity for the year ended June 30, 2011.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	---	---	10,000
Construction in progress	<u>---</u>	<u>452,810</u>	<u>---</u>	<u>452,810</u>
Total capital assets not being depreciated	<u>10,000</u>	<u>452,810</u>	<u>---</u>	<u>462,810</u>
Capital assets being depreciated:				
Buildings	5,710,132	65,115	---	5,775,247
Improvements other than buildings	547,545	15,420	---	562,965
Furniture and equipment	<u>2,623,594</u>	<u>298,574</u>	<u>(8,403)</u>	<u>2,913,765</u>
Total capital assets being depreciated	<u>8,881,271</u>	<u>379,109</u>	<u>(8,403)</u>	<u>9,251,977</u>
Less accumulated depreciation for:				
Buildings	4,092,072	98,017	---	4,190,089
Improvements other than buildings	359,219	19,140	---	378,359
Furniture and equipment	<u>1,889,737</u>	<u>255,257</u>	<u>(8,403)</u>	<u>2,136,591</u>
Total accumulated depreciation	<u>6,341,028</u>	<u>372,414</u>	<u>(8,403)</u>	<u>6,705,039</u>
Total capital assets being depreciated, net	<u>2,540,243</u>	<u>6,695</u>	<u>---</u>	<u>2,546,938</u>
Governmental activities capital assets, net	\$ <u>2,550,243</u>	<u>459,505</u>	<u>---</u>	<u>3,009,748</u>

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	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 247,995	16,301	---	264,296
Less accumulated depreciation	<u>229,808</u>	<u>5,287</u>	<u>---</u>	<u>235,095</u>
Business type activities capital assets, net	\$ <u>18,187</u>	<u>11,014</u>	<u>---</u>	<u>29,201</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 78,000
Other	6,606

Support services:

Instructional staff	11,283
Operation and maintenance of plant	16,762
Transportation	<u>90,659</u>

Unallocated	<u>203,310</u>
	<u>169,104</u>

Total depreciation expense – governmental activities	\$ <u>372,414</u>
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Business type activities:

Food service operations	\$ <u>5,287</u>
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(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Sales tax revenue bonds, Series 2007	\$ 44,169	---	44,169	---	---
Sales tax revenue bonds, Series 2010	---	400,000	---	400,000	85,000
Bus lease purchase obligation	107,665	---	52,780	54,885	54,885
Computer lease purchase obligation	48,326	---	20,844	27,482	21,854
Student computer lease purchase obligation	---	145,041	---	145,041	63,258
Compensated absences	1,649	3,517	1,649	3,517	3,517
Termination benefits	265,866	275,558	60,896	480,528	100,863
Net OPEB liability	<u>29,057</u>	<u>27,329</u>	<u>---</u>	<u>56,386</u>	<u>---</u>
Total	\$ <u>496,732</u>	<u>851,445</u>	<u>180,338</u>	<u>1,167,839</u>	<u>329,377</u>

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Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of September 27, 2010			
	Interest Rates	Principal	Interest	Total
2012	3.85%	\$ 85,000	22,621	107,621
2013	3.85	90,000	11,425	101,425
2014	3.85	90,000	7,912	97,912
2015	3.85	90,000	4,399	94,399
2016	3.85	<u>45,000</u>	<u>885</u>	<u>45,885</u>
Total		<u>\$ 400,000</u>	<u>47,242</u>	<u>447,242</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. The total principal and interest remaining to be paid on the notes is \$0. For the current year, \$45,163 of principal and interest were paid on the bonds.

The District has pledged future statewide sales, services and use tax revenues to repay the \$400,000 of bonds issued in September 2010. The bonds were issued for the purpose of financing the construction of a bus barn. 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 2016. 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 25% of the statewide sales, services, and use tax revenue. The total principal and interest remaining to be paid on the notes is \$447,242. For the current year, no principal and interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$444,100.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

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- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

The District did not comply with all of the revenue bond provisions during the year ended June 30, 2011. The District did not make the transfers into the sinking account.

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 net present value of future minimum lease payments under the agreement at June 30, 2011:

<u>Year ending June 30,</u>	<u>Amount</u>
2012	\$ 57,075
Less amount representing interest	<u>(2,190)</u>
Net present value of minimum lease payments	\$ <u>54,885</u>

Payments under the agreement totaled \$57,075 for the year ended June 30, 2011.

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 net present value of future minimum lease payments under the agreement at June 30, 2011:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 22,777
2013	<u>5,694</u>
Total minimum lease payments	28,471
Less amount representing interest	<u>(989)</u>
Net present value of minimum lease payments	\$ <u>27,482</u>

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Payments under the agreement totaled \$22,777 for the year ended June 30, 2011.

In August 2010, the District entered into a capital lease-purchase agreement with Hewlett-Packard Financial Services Company to finance the purchase of computers for the one to one computer program totaling \$218,301. The lease is financed for three years at an interest rate of 6.896%. The following is a schedule of the future minimum lease payments, including interest per annum, and the net present value of future minimum lease payments under the agreement at June 30, 2011:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Amount</u>
2012	\$ 73,260
2013	73,260
2014	<u>15,140</u>
Total minimum lease payments	161,660
Less amount representing interest	<u>(16,619)</u>
Net present value of minimum lease payments	\$ <u>145,041</u>

Payments under the agreement totaled \$73,260 for the year ended June 30, 2011.

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.

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At June 30, 2011 the District has obligations to twenty participants with a total liability of \$480,528. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$60,896.

(8) 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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$250,544, \$243,312 and \$243,482, respectively, equal to the required contributions for each year.

(9) 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.

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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, 2011, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 38,564
Interest on net OPEB obligation	726
Adjustment to annual required contribution	<u>(2,976)</u>
Annual OPEB cost	36,314
Contributions made	<u>(8,985)</u>
Increase in net OPEB obligation	27,329
Net OPEB obligation beginning of year	<u>29,057</u>
Net OPEB obligation end of year	\$ <u>56,386</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, 2011.

For the year ended June 30, 2011, the District contributed \$8,985 to the medical plan. Plan members eligible for benefits contributed \$57,284, or 86% 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, 2011 are summarized as follow:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 36,036	19.4%	\$ 29,057
2011	38,564	24.7%	56,386

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Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$3,087,845 and the ratio of the UAAL to covered payroll was 10.4%. As of June 30, 2011, 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, 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, 2011

Projected claim costs of the medical plan are \$484 per month for retirees less than age 65 and \$197 per month for retirees who have attained age 65. The UAAL is being amortized as a level dollar funding over 30 years.

(10) 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.

(11) 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 \$267,594 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) 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, 2011 was \$24,867. Future rentals are scheduled as follows:

Year	
Ending	
<u>June 30,</u>	
2012	\$ <u>24,867</u>

(13) Construction Commitment

The District is in the process of building a bus barn with the help of the District's Building Trade students at an estimated cost of \$455,000. As of June 30, 2011 costs of \$452,811 had been incurred on the project. The remaining cost will be paid as work progresses.

Manson Northwest Webster Community School District
Manson, Iowa
Notes to Financial Statements
June 30, 2011

(14) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Preschool	\$ 54,626
Teacher salary supplement	32,379
Professional development – core curriculum	32,091
Professional development	30,788
Market factor	<u>4,872</u>
Total	<u>\$ 154,756</u>

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No.54 Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010 as previously reported	\$ 435,687	99,308
Change in fund type classification per implementation of GASB Statement No. 54	<u>99,308</u>	<u>(93,308)</u>
Balances July 1, 2010, as restated	\$ 534,995	---
	=====	=====

(16) Subsequent Events

Subsequent events have been evaluated through February 21, 2012 which is the date the financial statements were available to be issued.

On July 21, 2011 the District approved an equipment lease agreement with BB Community Leasing Services for the purchase of two propane powered buses.

On February 16, 2012 the District approved bids from School Bus Sales for two propane powered school buses and one diesel powered school bus to be financed with De Lage Landen.

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, 2011

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 7,232,551	187,200
Intermediate sources	6,253	-
State sources	2,769,324	5,957
Federal sources	<u>596,293</u>	<u>123,955</u>
Total revenues	<u>10,604,421</u>	<u>317,112</u>
Expenditures/Expenses:		
Instruction	6,618,426	-
Support services	2,351,528	4,688
Non-instructional programs	-	534,253
Other expenditures	<u>598,274</u>	<u>154,534</u>
Total expenditures/expenses	<u>9,568,228</u>	<u>693,475</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	1,036,193	(376,363)
Other financing sources, net	<u>141,512</u>	<u>406,596</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	1,177,705	30,233
Balances beginning of year	<u>1,689,220</u>	<u>144,849</u>
Balances end of year	<u>\$ 2,866,925</u>	<u>175,082</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>	
7,419,751	7,468,198	7,468,198	(48,447)
6,253	3,000	3,000	3,253
2,775,281	3,155,163	3,155,163	(379,882)
<u>720,248</u>	<u>362,000</u>	<u>362,000</u>	<u>358,248</u>
<u>10,921,533</u>	<u>10,988,361</u>	<u>10,988,361</u>	<u>(66,828)</u>
6,618,426	7,115,662	7,115,662	497,236
2,356,216	2,616,600	2,616,600	260,384
534,253	284,000	600,000	65,747
<u>752,808</u>	<u>1,066,127</u>	<u>1,066,127</u>	<u>313,319</u>
<u>10,261,703</u>	<u>11,082,389</u>	<u>11,398,389</u>	<u>1,136,686</u>
659,830	(94,028)	(410,028)	1,069,858
<u>548,108</u>	<u>165,000</u>	<u>165,000</u>	<u>383,108</u>
1,207,938	70,972	(245,028)	1,452,966
<u>1,834,069</u>	<u>1,239,875</u>	<u>1,239,875</u>	<u>594,194</u>
<u>3,042,007</u>	<u>1,310,847</u>	<u>994,847</u>	<u>2,047,160</u>

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2011

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, the District adopted one budget amendment, increasing budgeted expenditures by \$316,000.

During the year ended June 30, 2011, expenditures did not exceed the budget.

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 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%
2011	Jul 1, 2010	-	320,354	320,354	0.0%	3,087,845	10.4%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

	Special Revenue		
	Manage- ment <u>Levy</u>	Student <u>Activity</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 93,355	137,116	230,471
Receivables:			
Property tax:			
Delinquent	1,535	-	1,535
Succeeding year	250,000	-	250,000
Accounts	-	902	902
Total assets	\$ 344,890	138,018	482,908
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 182	3,542	3,724
Deferred revenue:			
Succeeding year property tax	250,000	-	250,000
Total liabilities	250,182	3,542	253,724
 Fund Balances:			
Restricted for:			
Management levy purposes	94,708	-	94,708
Student activities	-	134,476	134,476
Total fund balances	94,708	134,476	229,184
Total liabilities and fund balances	\$ 344,890	138,018	482,908

See accompanying independent auditor's report.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 2

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

Year ended June 30, 2011

	<u>Special Revenue</u>			<u>Total</u>
	<u>Manage- ment Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	
Revenues:				
Local sources:				
Local tax	\$ 153,466	-	-	153,466
Other	26,287	298,210	-	324,497
State sources	<u>64</u>	<u>-</u>	<u>-</u>	<u>64</u>
Total revenues	<u>179,817</u>	<u>298,210</u>	<u>-</u>	<u>478,027</u>
Expenditures:				
Current:				
Instruction:				
Regular	67,781	-	-	67,781
Other	-	285,274	-	285,274
Support services:				
Operation and maintenance of plant	75,894	1,000	-	76,894
Transportation	10,675	-	-	10,675
Other expenditures:				
Long-term debt:				
Principal	-	-	117,793	117,793
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>10,700</u>	<u>10,700</u>
Total expenditures	<u>154,350</u>	<u>286,274</u>	<u>128,493</u>	<u>569,117</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,467</u>	<u>11,936</u>	<u>(128,493)</u>	<u>(91,090)</u>
Other financing sources:				
Operating transfers in	<u>-</u>	<u>-</u>	<u>128,493</u>	<u>128,493</u>
Excess of revenues and other financing sources over expenditures	25,467	11,936	-	37,403
Fund balances beginning of year, as restated	<u>69,241</u>	<u>122,540</u>	<u>-</u>	<u>191,781</u>
Fund balances end of year	<u>\$ 94,708</u>	<u>134,476</u>	<u>-</u>	<u>229,184</u>

See accompanying independent auditor's report.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 3

Combining Balance Sheet
Capital Projects Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
Assets			
Cash and pooled investments	\$ 477,579	92,545	570,124
Receivables:			
Property tax:			
Delinquent	-	931	931
Succeeding year	-	97,000	97,000
Accounts	-	5,000	5,000
Due from other governments	<u>124,484</u>	<u>-</u>	<u>124,484</u>
Total assets	<u>\$ 602,063</u>	<u>195,476</u>	<u>797,539</u>
Liabilities and Fund Balances			
Liabilities:			
Interfund payable	75,097	-	75,097
Deferred revenue:			
Succeeding year property tax	-	97,000	97,000
Total liabilities	<u>75,097</u>	<u>97,000</u>	<u>172,097</u>
Fund Balances:			
Restricted for:			
School infrastructure	526,966	-	526,966
Physical plant and equipment	-	98,476	98,476
Total fund balances	<u>526,966</u>	<u>98,476</u>	<u>625,442</u>
Total liabilities and fund balances	<u>\$ 602,063</u>	<u>195,476</u>	<u>797,539</u>

See accompanying independent auditor's report.

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 444,100	93,104	537,204
Other	4,000	2,062	6,062
State sources	-	5,039	5,039
Total revenues	<u>448,100</u>	<u>100,205</u>	<u>548,305</u>
Expenditures:			
Instruction:			
Regular	-	223,301	223,301
Support services:			
Administration	20,115	-	20,115
Transportation	24,205	-	24,205
Other expenditures:			
Facilities acquisition	<u>202,187</u>	-	<u>202,187</u>
Total expenditures	<u>246,507</u>	<u>223,301</u>	<u>469,808</u>
Excess (deficiency) of revenues over (under) expenditures	<u>201,593</u>	<u>(123,096)</u>	<u>78,497</u>
Other financing sources (uses):			
Revenue bonds issued	400,000	-	400,000
Proceeds from insurance claim	1,998	-	1,998
Lease purchase obligations issued	-	145,041	145,041
Operating transfers out	<u>(512,312)</u>	<u>(22,777)</u>	<u>(535,089)</u>
Total other financing sources (uses)	<u>(110,314)</u>	<u>122,264</u>	<u>11,950</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	91,279	(832)	90,447
Fund balances beginning of year, as restated	<u>435,687</u>	<u>99,308</u>	<u>534,995</u>
Fund balances end of year	<u>\$ 526,966</u>	<u>98,476</u>	<u>625,442</u>

See accompanying independent auditor's report.

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2011

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Preschool</u>	<u>Before & After School</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 85,396	63,100	7,652	7,313	163,461
Accounts receivable	2,492	-	-	-	2,492
Interfund receivable	-	75,097	-	-	75,097
Inventories	6,599	-	-	-	6,599
Capital assets, net of accumulated depreciation	<u>29,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,201</u>
Total assets	<u>123,688</u>	<u>138,197</u>	<u>7,652</u>	<u>7,313</u>	<u>276,850</u>
Liabilities					
Accounts payable	-	75,170	-	-	75,170
Salaries and benefits payable	20,302	398	-	-	20,700
Deferred revenue	<u>5,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,898</u>
Total liabilities	<u>26,200</u>	<u>75,568</u>	<u>-</u>	<u>-</u>	<u>101,768</u>
Net Assets					
Invested in capital assets	29,201	-	-	-	29,201
Unrestricted	<u>68,287</u>	<u>62,629</u>	<u>7,652</u>	<u>7,313</u>	<u>145,881</u>
Total net assets	<u>\$ 97,488</u>	<u>62,629</u>	<u>7,652</u>	<u>7,313</u>	<u>175,082</u>

See accompanying independent auditor's report.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 6

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

Year ended June 30, 2011

	<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	\$ 164,951	-	2,643	7,910	175,504
Miscellaneous	<u>9,504</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>11,504</u>
Total operating revenues	<u>174,455</u>	<u>-</u>	<u>4,643</u>	<u>7,910</u>	<u>187,008</u>
Operating expenses:					
Support services:					
Instructional staff	-	-	60	-	60
Operation and maintenance of plant	2,854	558	129	-	3,541
Transportation	<u>-</u>	<u>-</u>	<u>1,087</u>	<u>-</u>	<u>1,087</u>
	<u>2,854</u>	<u>558</u>	<u>1,276</u>	<u>-</u>	<u>4,688</u>
Non-instructional programs:					
Salaries	111,157	-	200	-	111,357
Benefits	24,176	-	19	-	24,195
Purchased services	29	-	-	-	29
Supplies	136,964	252,376	3,095	950	393,385
Depreciation	<u>5,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,287</u>
	<u>277,613</u>	<u>252,376</u>	<u>3,314</u>	<u>950</u>	<u>534,253</u>
Other expenditures:					
Facilities acquisition	<u>-</u>	<u>154,534</u>	<u>-</u>	<u>-</u>	<u>154,534</u>
Total operating expenses	<u>280,467</u>	<u>407,468</u>	<u>4,590</u>	<u>950</u>	<u>693,475</u>
Operating income (loss)	<u>(106,012)</u>	<u>(407,468)</u>	<u>53</u>	<u>6,960</u>	<u>(506,467)</u>

(continued)

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 6

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

Year ended June 30, 2011

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Preschool</u>	<u>Before & After School</u>	<u>Total</u>
Non-operating revenues:					
State sources	2,983	-	2,974	-	5,957
Federal sources	123,955	-	-	-	123,955
Interest income	<u>74</u>	<u>62</u>	<u>37</u>	<u>19</u>	<u>192</u>
Total non-operating revenues	<u>127,012</u>	<u>62</u>	<u>3,011</u>	<u>19</u>	<u>130,104</u>
Income (loss) before transfers	<u>21,000</u>	<u>(407,406)</u>	<u>3,064</u>	<u>6,979</u>	<u>(376,363)</u>
Transfers:					
Transfer from capital projects	<u>-</u>	<u>406,596</u>	<u>-</u>	<u>-</u>	<u>406,596</u>
Increase (decrease) in net assets	21,000	(810)	3,064	6,979	30,233
Net assets beginning of year	<u>76,488</u>	<u>63,439</u>	<u>4,588</u>	<u>334</u>	<u>144,849</u>
Net assets end of year	<u>\$ 97,488</u>	<u>62,629</u>	<u>7,652</u>	<u>7,313</u>	<u>175,082</u>

See accompanying independent auditor's report.

Manson Northwest Webster Community School District
Manson, Iowa

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2011

	<u>School Nutrition</u>	<u>Building Trades</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 164,147	-
Cash received from other services	9,504	-
Cash paid to employees for services	(134,979)	-
Cash paid to suppliers for goods or services	<u>(124,013)</u>	<u>(331,975)</u>
Net cash provided by (used by) operating activities	<u>(85,341)</u>	<u>(331,975)</u>
 Cash flows from non-capital financing activities:		
Interfund loans received	-	331,499
State grants received	2,983	-
Federal grants received	<u>105,702</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>108,685</u>	<u>331,499</u>
 Cash flows (used by) capital and related financing activities:		
Acquisition of capital assets	<u>(16,301)</u>	<u>-</u>
 Cash flows from investing activities:		
Interest on investments	<u>74</u>	<u>62</u>
 Net increase (decrease) in cash and cash equivalents	7,117	(414)
 Cash and cash equivalents beginning of year	<u>78,279</u>	<u>63,514</u>
 Cash and cash equivalents end of year	<u><u>\$ 85,396</u></u>	<u><u>63,100</u></u>

Schedule 7

<u>Preschool</u>	<u>Before & After School</u>	<u>Total</u>
-	-	164,147
7,225	7,910	24,639
(219)	-	(135,198)
<u>(4,371)</u>	<u>(950)</u>	<u>(461,309)</u>
<u>2,635</u>	<u>6,960</u>	<u>(407,721)</u>
-	-	331,499
2,974	-	5,957
<u>-</u>	<u>-</u>	<u>105,702</u>
<u>2,974</u>	<u>-</u>	<u>443,158</u>
<u>-</u>	<u>-</u>	<u>(16,301)</u>
<u>37</u>	<u>19</u>	<u>192</u>
5,646	6,979	19,328
<u>2,006</u>	<u>334</u>	<u>144,133</u>
<u>7,652</u>	<u>7,313</u>	<u>163,461</u>

(continued)

Manson Northwest Webster Community School District
Manson, Iowa

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2011

	<u>School Nutrition</u>	<u>Building Trades</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (106,012)	(407,468)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Commodities used	18,253	-
Depreciation	5,287	-
(Increase) decrease in accounts receivable	(532)	
(Increase) decrease in inventories	(2,419)	-
Increase (decrease) in accounts payable	-	75,095
Increase (decrease) in salaries and benefits payable	354	398
Increase (decrease) in deferred revenue	(272)	-
Net cash provided by (used by) operating activities	<u>\$ (85,341)</u>	<u>(331,975)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$18,253 of federal commodities.

See accompanying independent auditor's report.

Schedule 7

<u>Preschool</u>	<u>Before & After School</u>	<u>Total</u>
53	6,960	(506,467)
-	-	18,253
-	-	5,287
2,582	-	2,050
-	-	(2,419)
-	-	75,095
-	-	752
-	-	(272)
<u>2,635</u>	<u>6,960</u>	<u>(407,721)</u>

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 8

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<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	\$ 1,295	11,073	9,547	3	2,824
Drama Club	1,078	4,130	2,622	2	2,588
Fine Arts	74	5,291	4,325	2	1,042
Musical	1,392	3,879	2,173	2	3,100
Tri-M	546	-	-	(546)	-
Band trips	2,024	5,075	3,302	3	3,800
Boys Basketball	5,311	17,333	15,646	7	7,005
Girls Basketball	5,475	20,770	18,921	6	7,330
Activity tickets	1,048	11,274	1,657	(9,987)	678
Cross Country	291	4,945	5,944	1,000	292
Golf	381	3,309	3,437	300	553
Volleyball	225	6,529	6,874	620	500
Football	7,121	16,156	22,838	3	442
Baseball	1,072	4,956	9,576	4,300	752
Track	73	11,318	14,392	4,000	999
Wrestling	3,310	24,080	21,803	5	5,592
Softball	256	6,442	8,184	1,500	14
MS/ES Annual	798	1,690	1,767	1	722
National Honor Society	-	854	2,354	1,500	-
French Club	4,895	7,738	11,657	3	979
Student Council	4,722	2,330	3,125	(1,496)	2,431
Elementary projects	6,008	11,131	9,280	9	7,868
Student programs	(190)	5,136	5,194	1,000	752
Electrathon	3,541	2,715	2,817	3	3,442
Junior Class	2,799	8,010	7,450	(1,797)	1,562
Senior Class	1,383	-	-	1	1,384
High School Annual	9,561	7,361	6,804	11	10,129
HS Music Department Fund Raiser	17,240	18,916	10,583	26	25,599
Drill Team	3,102	9,277	9,986	3	2,396
Cheerleaders - Basketball	782	876	569	1	1,090
Cheerleaders - Football	825	2,713	1,208	1	2,331
Cheerleaders - Wrestling	999	1,697	1,957	1	740
Pop	276	7,412	6,588	(299)	801
Needy Donations	2,688	25	245	2	2,470
FFA	27,777	38,823	36,824	1,285	31,061
FFA Environment Grant	1,249	-	-	(1,249)	-

(continued)

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 8

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<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	138	6,540	6,323	2	357
Interest - ISJIT	-	146	-	(146)	0
Ater Prom	1,098	7,677	9,728	1,804	851
Champions Club	1,877	-	-	(1,877)	-
HS Teachers Scholarship Fund	-	574	574	-	-
Total	<u>\$ 122,540</u>	<u>298,210</u>	<u>286,274</u>	<u>0</u>	<u>134,476</u>

See accompanying independent auditor's report.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 9

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2011

	Balance Beginning of Year	<u>Additions</u>	<u>Deductions</u>	Balance End of Year
Assets				
Cash	\$ 1,313	<u>788</u>	<u>375</u>	<u>1,726</u>
Total assets	<u>\$ 1,313</u>	<u>788</u>	<u>375</u>	<u>1,726</u>
Liabilities				
Accounts payable	\$ -	413	-	413
Other payables	<u>1,313</u>	<u>-</u>	<u>-</u>	<u>1,313</u>
Total liabilities	<u>\$ 1,313</u>	<u>\$ 413</u>	<u>\$ -</u>	<u>\$ 1,726</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 Eight Years

	<u>2011</u>	<u>2010</u>	<u>Modified</u> <u>2009</u>
Revenues:			
Local sources:			
Local tax	\$ 4,335,796	3,450,954	3,290,767
Tuition	2,352,326	2,460,945	2,153,354
Other	544,429	604,305	750,174
Intermediate sources	6,253	912	16,000
State sources	2,769,324	2,592,688	3,168,603
Federal sources	596,293	452,808	294,504
Total	<u>\$ 10,604,421</u>	<u>9,562,612</u>	<u>9,673,402</u>
Expenditures:			
Instruction:			
Regular	\$ 3,113,179	2,883,346	2,907,323
Special	2,329,164	2,403,635	2,616,856
Other	1,176,083	1,209,416	1,260,181
Support services:			
Student	155,835	160,090	148,534
Instructional staff	304,047	450,972	342,107
Administration	667,057	673,009	729,775
Operation and maintenance of plant	588,691	640,421	702,243
Transportation	635,898	885,240	741,210
Other expenditures:			
Facilities acquisition	202,187	361,394	316,200
Long-term debt:			
Principal	117,793	100,442	86,163
Interest and other charges	10,700	6,966	16,788
AEA flowthrough	267,594	267,593	245,093
Total	<u>\$ 9,568,228</u>	<u>10,042,524</u>	<u>10,112,473</u>

See accompanying independent auditor's report.

Schedule 10

Accrual Basis

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
3,303,096	3,275,151	3,009,443	3,135,191	3,202,084
2,464,838	2,066,799	2,002,115	2,067,391	1,352,119
667,285	673,268	674,446	340,438	331,023
-	1,719	-	-	-
3,175,047	3,137,829	3,142,982	2,947,727	2,876,461
<u>269,249</u>	<u>277,424</u>	<u>263,798</u>	<u>271,081</u>	<u>270,810</u>
<u>9,879,515</u>	<u>9,432,190</u>	<u>9,092,784</u>	<u>8,761,828</u>	<u>8,032,497</u>
2,814,761	2,715,371	2,511,600	2,743,797	2,750,326
2,615,413	2,430,187	2,154,706	2,577,072	1,956,353
1,157,876	1,018,830	998,887	952,620	626,888
125,419	166,276	117,930	190,958	185,033
338,412	344,349	297,558	299,815	324,558
632,338	582,203	732,644	625,565	581,754
628,542	672,072	637,365	607,736	540,780
672,942	589,246	384,189	398,063	380,624
654,743	224,787	386,905	354,722	225,642
44,225	-	-	-	-
938	-	-	-	-
<u>241,512</u>	<u>234,607</u>	<u>232,421</u>	<u>229,967</u>	<u>234,608</u>
<u>9,927,121</u>	<u>8,977,928</u>	<u>8,454,205</u>	<u>8,980,315</u>	<u>7,806,566</u>

Manson, Iowa

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<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	FY11	\$ 17,134
National School Lunch Program	10.555	FY11	105,959 *
Special Milk Program for Children	10.556	FY11	<u>862</u>
			<u>123,955</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY11	127,679
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	<u>1,023</u>
			<u>128,702</u>
Career and Technical Education - Basic Grants to States	84.048	FY11	<u>6,188</u>
Improving Teacher Quality State Grants	84.367	FY11	<u>25,705</u>
Grants for State Assessments	84.369	FY11	<u>3,820</u>
State Fiscal Stabilization Fund Cluster:			
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY11	175,601
ARRA - State Fiscal Stabilization Fund (SFSF)- Government Services, Recovery Act	84.397	FY11	<u>28,124</u>
			<u>203,725</u>
Education Jobs Fund	84.410	FY 11	<u>119,808</u>

(continued)

Manson, Iowa

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Prairie Lakes Area Education Agency:			
Special Education - Grants to States	84.027	FY11	<u>43,468</u> **
ARRA - Special Education Grants to States, Recovery Act	84.391	FY11	<u>30,618</u> **
Total			<u>\$ 685,989</u>

* - Includes \$18,253 of non-cash awards.

** - Total for Special Education Cluster (IDEA) is \$74,086.

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 in 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.

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Manson Northwest Webster Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 21, 2012. 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-11 and II-B-11 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, 2011 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.

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

February 21, 2012

Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on 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 Manson Northwest Webster Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Manson Northwest Webster Community School District's major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 deficiencies in internal control over compliance we consider to be material weaknesses.

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-11 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.

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

February 21, 2012

Manson Northwest Webster Community School District
Manson, Iowa
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

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 84.410 – Education Jobs Fund.
 - Clustered programs:
 - School Nutrition Clustered Programs
 - CFDA Number 84.553 – School Breakfast Program
 - CFDA Number 84.555 – National School Lunch Program
 - CFDA Number 84.556 – Special Milk Program for Children
 - State Fiscal Stabilization Fund Cluster Programs
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - CFDA Number 84.397 – ARRA – State Fiscal Stabilization Fund (SFSF) – Government Services, 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, 2011

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

II-A-11 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-11 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, 2011

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, 2011

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

**CFDA Number 84.410: Education Jobs Fund
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education**

**CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
CFDA Number 10.556: Special Milk Program for Children
Federal Award Year: 2011
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 and
CFDA Number 84.397: ARRA – State Fiscal Stabilization Fund (SFSF) – Government
Services, Recovery Act
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education**

III-A-11 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.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - Expenditures did not exceed the budget for the year ended June 30, 2011.

IV-B-11 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-11 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.

IV-D-11 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>
Duane Paterson, Board President	Mowing	\$ 544

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Board President, Duane Paterson do not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

IV-E-11 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-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-11 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule of Findings and Questioned Costs
Year ended June 30, 2011

- IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 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.
- IV-J-11 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-11 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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 435,687
Revenues:		
Sales tax revenues	\$ 444,100	
Other local revenues	4,000	
Sale of long-term debt	400,000	
Other	<u>1,998</u>	<u>850,098</u>
		1,285,785
Expenditures/transfers out:		
School infrastructure construction	46,214	
Equipment	68,875	
Other	131,418	
Transfers to other funds:		
Revenue debt	105,716	
Other transfers	<u>406,596</u>	<u>758,819</u>
Ending balance		\$ <u><u>526,966</u></u>

Manson Northwest Webster Community School District

Manson, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-11 Revenue Bonds – The District has not made the required monthly transfers from the revenue account to the sinking account required by the revenue bond resolution.

Recommendation – The District should make the monthly transfers to the sinking account as required by the bond resolution.

Response – We will begin making transfers to a sinking account.

Conclusion – Response accepted.

IV-N-11 Authorized Check Signatures – It was noted one check were not signed in accordance with Chapter 291.1 of the Code. The check did not have the signature of the Board President.

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 make sure the Board President’s signature is on all checks.

Conclusion – Response accepted.