

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

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

YEAR ENDED JUNE 30, 2013

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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	2015
Dan DeWall	Vice President	2015
Tony Jacobsen	Board Member	2013
Brent Johnson	Board Member	2013
Terry Lawler	Board Member	2013
Kim Nelsen	Board Member	2015
Aaron Peterson	Board Member	2015
School Officials		
Mark Egli	Superintendent	2013
Erin Schroeder	District Secretary	2013
Diane Davis	Business Manager/District Treasurer	2013
Dodie Wood	Business Manager/District Treasurer	2013
Gruhn Law Firm	Attorney	Indefinite

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

Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Basis for Disclaimer of Opinion on Discretely Presented Component Units

The financial statements of the Cougar Club and Manson Area Community Center, Inc. have not been audited, and we were not engaged to audit the Cougar Club or Manson Area Community Center, Inc.'s financial statements as part of our audit of the District's basic financial statements. The Cougar Club and Manson Area Community Center, Inc.'s financial activities are included in the District's financial statements as discretely presented component units and represent 100 percent of the assets, net position and revenues of the District's aggregate discretely presented component units.

Disclaimer of Opinion on Discretely Presented Component Units

Because the Cougar Club and Manson Area Community Center, Inc. have not been audited, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units. Accordingly, we do not express an opinion on the financial statements of the aggregate discretely presented component units of Manson Northwest Webster Community School District as of and for the year ended June 30, 2013.

Unmodified Opinion

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, 2013, and the respective changes in financial position and, where applicable cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 16 and 53 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We

do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 third paragraph of this report, the financial statements for the three years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the six years ended June 30, 2009 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2014 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 in considering Manson Northwest Webster Community School District's internal control over financial reporting and compliance.

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

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

March 28, 2014

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$8,860,295 in fiscal year 2012 to \$8,141,444 in fiscal year 2013, while General Fund expenditures increased from \$8,654,853 in fiscal year 2012 to \$8,765,684 in fiscal year 2013. The District's General Fund balance decreased from \$2,218,706 at the end of fiscal year 2012 to \$1,602,484 at the end of fiscal year 2013, a 28% decrease.
- The fiscal year 2013 General Fund revenue decrease was attributable to decreases in property tax, other local sources and federal grant revenue. The increase in expenditures was due primarily to an increase in support services. As a result, the District funded a portion of the current year expenditures from the carryover fund balance.

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 Position 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 financial 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.

Supplementary Information provides detailed information about the nonmajor governmental and enterprise funds.

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

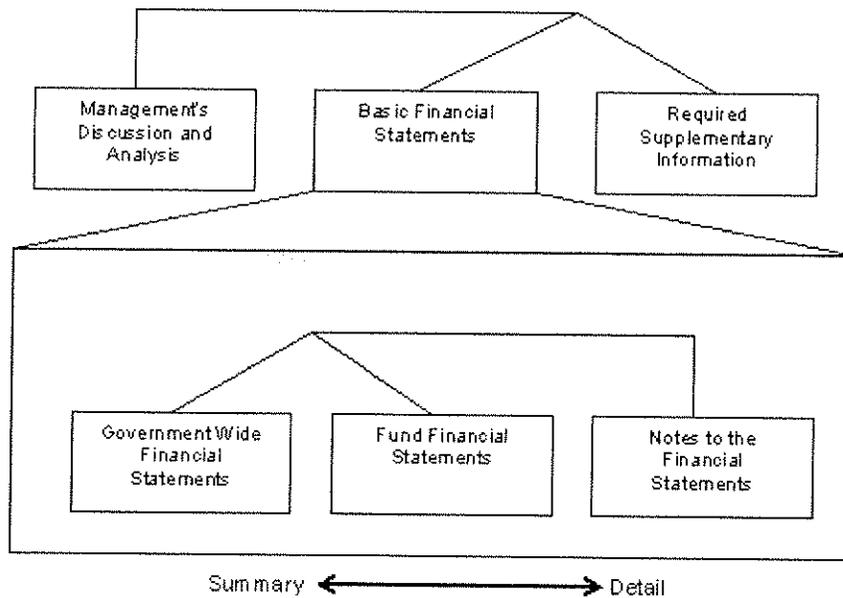


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • 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 position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 Position 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 position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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, is 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 Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position 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 as a fiscal agent, 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 Position and a Statement of Changes in Fiduciary Net Position.

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 position at June 30, 2013 compared to June 30, 2012.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$ 6,566	7,276	151	164	6,717	7,440	-9.7%
Capital assets	<u>3,305</u>	<u>3,001</u>	<u>52</u>	<u>43</u>	<u>3,357</u>	<u>3,044</u>	<u>10.3%</u>
Total assets	<u>9,871</u>	<u>10,277</u>	<u>203</u>	<u>207</u>	<u>10,074</u>	<u>10,484</u>	<u>-3.9%</u>
Long-term liabilities	1,439	1,009	---	---	1,439	1,009	42.6%
Other liabilities	<u>3,622</u>	<u>3,873</u>	<u>29</u>	<u>26</u>	<u>3,651</u>	<u>3,899</u>	<u>-6.4%</u>
Total liabilities	<u>5,061</u>	<u>4,882</u>	<u>29</u>	<u>26</u>	<u>5,090</u>	<u>4,908</u>	<u>3.7%</u>
Net position:							
Net investment in capital assets	2,567	2,453	52	43	2,619	2,496	4.9%
Restricted	801	841	---	---	801	841	-4.8%
Unrestricted	<u>1,442</u>	<u>2,101</u>	<u>122</u>	<u>138</u>	<u>1,564</u>	<u>2,239</u>	<u>-30.1%</u>
Total net position	<u>\$ 4,810</u>	<u>5,395</u>	<u>174</u>	<u>181</u>	<u>4,984</u>	<u>5,576</u>	<u>-10.6%</u>

The District's total net position decreased 11%, or approximately \$592,000 from the prior year. The largest portion of the District's net position 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 position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$40,000 or 5% from the prior year. The decrease was primarily a result of a decrease in unspent categorical funds.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$675,000 or 30%. This decrease in unrestricted net position was a result of the District's expenditures exceeding revenues.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for service	\$ 2,716	2,900	191	456	2,907	3,356	-13.4%
Operating grants, contributions and restricted interest	1,047	1,078	146	144	1,193	1,222	-2.4%
Capital grants, contributions and restricted interest	---	---	16	---	16	---	100.0%
General revenues:							
Property tax	3,041	3,215	---	---	3,041	3,215	-5.4%
Statewide sales, services and use tax	521	489	---	---	521	489	6.5%
Income surtax	327	311	---	---	327	311	5.1%
Unrestricted state grants	1,901	2,001	---	---	1,901	2,001	5.0%
Unrestricted investment earnings	11	13	---	---	11	13	-15.4%
Other	52	55	---	---	52	55	-5.5%
Gain (loss) on disposal of capital assets	<u>3</u>	<u>1</u>	<u>---</u>	<u>---</u>	<u>3</u>	<u>1</u>	<u>200.0 %</u>
Total revenues	<u>9,619</u>	<u>10,063</u>	<u>353</u>	<u>600</u>	<u>9,972</u>	<u>10,663</u>	<u>-6.5 %</u>
Program expenses:							
Instruction	6,880	6,458	---	---	6,880	6,458	6.5%
Support services	2,763	2,649	---	---	2,763	2,649	4.3%
Non-instructional programs	---	---	360	597	360	597	-39.7%
Other expenses	<u>561</u>	<u>541</u>	<u>---</u>	<u>---</u>	<u>561</u>	<u>541</u>	<u>3.7%</u>
Total expenses	<u>10,204</u>	<u>9,648</u>	<u>360</u>	<u>597</u>	<u>10,564</u>	<u>10,245</u>	<u>3.1%</u>
Change in net position before transfers	(585)	415	(7)	3	(592)	418	-241.6%
Transfers	<u>---</u>	<u>(3)</u>	<u>---</u>	<u>3</u>	<u>---</u>	<u>---</u>	<u>0.0%</u>
Increase (decrease) in net position	(585)	412	(7)	6	(592)	418	-241.6%
Net position beginning of year	<u>5,395</u>	<u>4,983</u>	<u>181</u>	<u>175</u>	<u>5,576</u>	<u>5,158</u>	<u>8.1%</u>
Net position end of year	\$ <u>4,810</u>	<u>5,395</u>	<u>174</u>	<u>181</u>	<u>4,984</u>	<u>5,576</u>	<u>-10.6%</u>

In fiscal 2013, property tax and unrestricted state grants account for 51.4% of governmental activities revenue while charges for service and operating grants and contributions account for 95.5% of the revenue from business type activities.

The District's total revenues were approximately \$10 million, of which approximately \$9.6 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 6.5% decrease in revenues and a 3.1% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$9,618,632 and expenses were \$10,203,797 for the year ended June 30, 2013.

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, 2013 compared to the year ended June 30, 2012.

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

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instruction	\$ 6,880	6,458	6.5%	3,506	2,973	17.9%
Support services	2,763	2,649	4.3%	2,614	2,394	9.2%
Non-instructional programs	---	---	0.0%	---	---	0.0%
Other expenses	<u>561</u>	<u>541</u>	<u>3.7%</u>	<u>321</u>	<u>303</u>	<u>5.9%</u>
Total	<u>\$ 10,204</u>	<u>9,648</u>	<u>5.8%</u>	<u>6,441</u>	<u>5,670</u>	<u>13.6%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$2,715,560.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,047,289.
- The net cost of governmental activities was financed with \$3,888,353 in property and other taxes and \$1,900,887 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$352,546, representing a 41.3% decrease from the prior year, while expenses totaled \$359,527, a 39.7% decrease from 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, 2012, the District sold a spec house that was constructed by the District's Building Trades students. During the year ended June 30, 2013 the District's Building Trades students constructed a spec house, but it was not sold during the year. 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 \$2,648,471, below last year's ending fund balances of \$3,111,977.

Governmental Fund Highlights

- The General Fund balance decreased from \$2,218,706 to \$1,602,484 due, in part, to the negotiated salaries and benefits and existing expenditure commitments of the District.
- The Capital Projects Fund balance decreased from \$612,960 in fiscal 2012 to \$574,653 in fiscal 2013.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$96,422 at June 30, 2012 to \$93,755 at June 30, 2013, representing a decrease of approximately 3%. 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 increased costs of building repairs and the building trades project.

The District's total revenues were \$939,896 less than total budgeted revenues, a variance of 8.6%.

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.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$3.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 10.3% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$480,070.

The original cost of the District's capital assets was approximately \$11.0 million. Governmental funds account for approximately \$10.7 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, 2013	2012	June 30, 2013	2012	June 30, 2013	2012	June 30, 2012-2013
Land	\$ 10	10	---	---	10	10	0.0%
Construction in progress	23	17	---	---	23	17	35.3%
Buildings	2,005	1,979	---	---	2,005	1,979	1.3%
Improvements other than buildings	205	191	---	---	205	191	7.3%
Furniture and equipment	<u>1,062</u>	<u>804</u>	<u>52</u>	<u>43</u>	<u>1,114</u>	<u>847</u>	<u>31.5%</u>
Total	<u>\$ 3,305</u>	<u>3,001</u>	<u>52</u>	<u>43</u>	<u>3,357</u>	<u>3,044</u>	<u>10.3%</u>

Long-Term Debt

At June 30, 2013, the District had \$1,150,237 in total long-term debt outstanding. This represents an increase of approximately 24.3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	<u>Total</u>		<u>Total</u>
	<u>District</u>		<u>Change</u>
	<u>June 30,</u>		<u>June 30,</u>
	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
Sales tax revenue bonds	\$ 225	315	-28.6%
Bus lease purchase obligation	362	146	147.9%
Computer lease purchase obligation	151	87	73.6%
Compensated absences	4	3	33.3%
Termination benefits	<u>408</u>	<u>374</u>	<u>9.1%</u>
Total	<u>\$ 1,150</u>	<u>925</u>	<u>24.3%</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 enrollment for the 2013-2014 year increased from 630 students to 668. Open enrollment increased from 107 to 120. With the new business in the Highway 7 agriculture development, the outlook for student enrollment may be encouraging, provided there is housing within the Manson Northwest Webster District boundaries.
2. Regarding the Capital Projects and PPEL funds, a number of projects have been initiated to repair and replace the aging infrastructure at the high school building. Projects include updating the electrical system and water piping system, replacing the chiller, adding DDC as well as installing AC to classrooms at both the junior high/high school and elementary buildings. This will place an increased burden on the PPEL and Capital Projects funds; additional PPEL dollars may be necessary in the near future.

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, 1016 Main Street, Manson, Iowa, 50563.

Basic Financial Statements

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit A

Statement of Net Position

June 30, 2013

	Primary Government			Component
	Governmental	Business Type		Units
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u> <u>Discrete</u>
Assets				
Cash, cash equivalents and pooled investments	\$ 2,042,779	143,315	2,186,094	76,739
Receivables:				
Property tax:				
Delinquent	15,773	-	15,773	-
Succeeding year	2,881,982	-	2,881,982	-
Accounts	65	2,536	2,601	-
Accrued interest	13	-	13	-
Due from other governments	1,430,963	-	1,430,963	-
Due from other funds	194,040	(194,040)	-	-
Inventories	-	199,965	199,965	-
Capital assets, net of accumulated depreciation	3,305,181	51,609	3,356,790	-
Total assets	<u>9,870,796</u>	<u>203,385</u>	<u>10,074,181</u>	<u>76,739</u>
Liabilities				
Accounts payable	112,275	7	112,282	-
Salaries and benefits payable	617,196	23,866	641,062	-
Accrued interest payable	10,896	-	10,896	-
Deferred revenue:				
Succeeding year property tax	2,881,982	-	2,881,982	-
Other	-	5,452	5,452	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds	90,000	-	90,000	-
Bus lease purchase obligation	53,731	-	53,731	-
Computer lease purchase obligation	75,103	-	75,103	-
Termination benefits	89,044	-	89,044	-
Compensated absences	3,926	-	3,926	-
Portion due after one year:				
Revenue bonds	135,000	-	135,000	-
Bus lease purchase obligation	308,707	-	308,707	-
Computer lease purchase obligation	75,594	-	75,594	-
Termination benefits	319,132	-	319,132	-
Net OPEB liability	288,303	-	288,303	-
Total liabilities	<u>5,060,889</u>	<u>29,325</u>	<u>5,090,214</u>	<u>-</u>

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit A

Statement of Net Position

June 30, 2013

	Primary Government			Component
	Governmental Activities	Business Type Activities	Total	Units Total Discrete
Net position				
Net investment in capital assets	2,567,046	51,609	2,618,655	-
Restricted for:				
Categorical funding	77,462	-	77,462	-
Physical plant and equipment	100,124	-	100,124	-
School infrastructure	474,529	-	474,529	-
Student activities	149,020	-	149,020	-
Unrestricted	1,441,726	122,451	1,564,177	76,739
Total net position	<u>\$ 4,809,907</u>	<u>174,060</u>	<u>4,983,967</u>	<u>76,739</u>

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa
Statement of Activities
Year ended June 30, 2013

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,562,536	697,826	471,486	-
Special instruction	2,099,950	1,588,394	134,263	-
Other instruction	1,216,943	317,731	163,887	-
	<u>6,879,429</u>	<u>2,603,951</u>	<u>769,636</u>	<u>-</u>
Support services:				
Student	188,326	-	-	-
Instructional staff	374,822	11,795	14,879	-
Administration	857,974	31,726	4,744	-
Operation and maintenance of plant	663,745	1,857	5,000	-
Transportation	678,523	66,231	13,185	-
	<u>2,763,390</u>	<u>111,609</u>	<u>37,808</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	103,847	-	-	-
Long-term debt interest	32,413	-	-	-
AEA flowthrough	239,845	-	239,845	-
Depreciation (unallocated)*	184,873	-	-	-
	<u>560,978</u>	<u>-</u>	<u>239,845</u>	<u>-</u>
Total governmental activities	<u>10,203,797</u>	<u>2,715,560</u>	<u>1,047,289</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	344,742	180,981	145,473	15,611
Building trades	35	-	-	-
Preschool	3,559	1,430	-	-
Before & after school	11,191	8,993	-	-
Total business type activities	<u>359,527</u>	<u>191,404</u>	<u>145,473</u>	<u>15,611</u>
Total primary government	\$ 10,563,324	2,906,964	1,192,762	15,611
Component Units:				
Total discrete	\$ 200,212	56,587	102,456	58,043
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Sale of fixed assets				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position 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 Position			
Primary Government			Component Units
Governmental Activities	Business Type Activities	Total	Total Discrete
(2,393,224)	-	(2,393,224)	-
(377,293)	-	(377,293)	-
(735,325)	-	(735,325)	-
<u>(3,505,842)</u>	-	<u>(3,505,842)</u>	-
(188,326)	-	(188,326)	-
(348,148)	-	(348,148)	-
(821,504)	-	(821,504)	-
(656,888)	-	(656,888)	-
(599,107)	-	(599,107)	-
<u>(2,613,973)</u>	-	<u>(2,613,973)</u>	-
(103,847)	-	(103,847)	-
(32,413)	-	(32,413)	-
-	-	-	-
(184,873)	-	(184,873)	-
(321,133)	-	(321,133)	-
<u>(6,440,948)</u>	-	<u>(6,440,948)</u>	-
-	(2,677)	(2,677)	-
-	(35)	(35)	-
-	(2,129)	(2,129)	-
-	(2,198)	(2,198)	-
-	(7,039)	(7,039)	-
<u>(6,440,948)</u>	<u>(7,039)</u>	<u>(6,447,987)</u>	-
-	-	-	16,874
2,795,128	-	2,795,128	-
245,443	-	245,443	-
327,006	-	327,006	-
520,776	-	520,776	-
1,900,887	-	1,900,887	-
11,422	58	11,480	50
52,389	-	52,389	180
2,732	-	2,732	-
<u>5,855,783</u>	<u>58</u>	<u>5,855,841</u>	<u>230</u>
(585,165)	(6,981)	(592,146)	17,104
<u>5,395,072</u>	<u>181,041</u>	<u>5,576,113</u>	<u>59,635</u>
<u>\$ 4,809,907</u>	<u>174,060</u>	<u>4,983,967</u>	<u>76,739</u>

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2013

Assets	<u>General</u>	<u>Capital Projects</u>	Nonmajor	<u>Total</u>
Cash, cash equivalents and pooled investments	\$ 1,332,689	240,621	469,469	2,042,779
Receivables:				
Property tax:				
Delinquent	12,712	1,273	1,788	15,773
Succeeding year	2,526,000	255,982	100,000	2,881,982
Accounts	-	-	65	65
Accrued interest	-	1	12	13
Due from other funds	-	194,040	-	194,040
Due from other governments	1,263,818	167,145	-	1,430,963
Total assets	<u>\$ 5,135,219</u>	<u>859,062</u>	<u>571,334</u>	<u>6,565,615</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 83,848	28,427	-	112,275
Salaries and benefits payable	617,196	-	-	617,196
Deferred revenue:				
Succeeding year property tax	2,526,000	255,982	100,000	2,881,982
Income surtax	305,691	-	-	305,691
Total liabilities	<u>3,532,735</u>	<u>284,409</u>	<u>100,000</u>	<u>3,917,144</u>
Fund balances:				
Restricted for:				
Categorical funding	77,462	-	-	77,462
Management levy purposes	-	-	322,314	322,314
Student activities	-	-	149,020	149,020
School infrastructure	-	474,529	-	474,529
Physical plant and equipment	-	100,124	-	100,124
Assigned	16,067	-	-	16,067
Unassigned	1,508,955	-	-	1,508,955
Total fund balances	<u>1,602,484</u>	<u>574,653</u>	<u>471,334</u>	<u>2,648,471</u>
Total liabilities and fund balances	<u>\$ 5,135,219</u>	<u>859,062</u>	<u>571,334</u>	<u>6,565,615</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 Position

June 30, 2013

Total fund balances of governmental funds (page 21)	\$ 2,648,471
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,305,181
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	305,691
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.	(10,896)
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.	<u>(1,438,540)</u>
Net position of governmental activities (page 18)	<u><u>\$ 4,809,907</u></u>

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, 2013

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	Nonmajor	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 2,771,742	766,218	344,670	3,882,630
Tuition	2,266,382	-	-	2,266,382
Other	166,395	1,936	343,615	511,946
State sources	2,717,937	105	147	2,718,189
Federal sources	218,988	-	-	218,988
Total revenues	8,141,444	768,259	688,432	9,598,135
Expenditures:				
Current:				
Instruction:				
Regular	3,194,903	229,429	95,890	3,520,222
Special	2,073,167	-	-	2,073,167
Other	886,393	-	292,982	1,179,375
	6,154,463	229,429	388,872	6,772,764
Support services:				
Student	182,151	-	-	182,151
Instructional staff	298,912	65,048	-	363,960
Administration	814,642	25,310	-	839,952
Operation and maintenance of plant	557,501	-	92,451	649,952
Transportation	518,170	315,215	16,086	849,471
	2,371,376	405,573	108,537	2,885,486
Other expenditures:				
Facilities acquisition	-	337,685	-	337,685
Long-term debt:				
Principal	-	-	249,053	249,053
Interest and fiscal charges	-	-	30,611	30,611
AEA flowthrough	239,845	-	-	239,845
	239,845	337,685	279,664	857,194
Total expenditures	8,765,684	972,687	777,073	10,515,444
Excess (deficiency) of revenues over (under) expenditures	(624,240)	(204,428)	(88,641)	(917,309)
Other financing sources (uses):				
Lease purchase obligation issued	-	439,028	-	439,028
Sale of assets	2,731	-	-	2,731
Proceeds from insurance claim	5,287	6,757	-	12,044
Operating transfers in	-	-	279,664	279,664
Operating transfers out	-	(279,664)	-	(279,664)
Total other financing sources (uses)	8,018	166,121	279,664	453,803
Change in fund balances	(616,222)	(38,307)	191,023	(463,506)
Fund balances beginning of year	2,218,706	612,960	280,311	3,111,977
Fund balances end of year	\$ 1,602,484	574,653	471,334	2,648,471

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, 2013

Change in fund balances - total governmental funds (page 23) \$ (463,506)

*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 expense in the current year, as follows:

Expenditures for capital assets	\$ 776,956	
Depreciation expense	<u>(472,834)</u>	304,122

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. 5,722

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 Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Issued	(439,028)	
Repaid	<u>249,053</u>	(189,975)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (1,802)

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	(34,689)	
Compensated absences	(578)	
Other postemployment benefits	<u>(204,459)</u>	<u>(239,726)</u>

Change in net position of governmental activities (page 20) \$ (585,165)

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2013

	Nonmajor Enterprise <u>Funds</u>
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 143,315
Accounts receivable	2,536
Inventories	<u>199,965</u>
Total current assets	<u>345,816</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>51,609</u>
Total noncurrent assets	<u>51,609</u>
Total assets	<u>397,425</u>
Liabilities	
Current liabilities:	
Accounts payable	7
Salaries and benefits payable	23,866
Deferred revenue	5,452
Due to other funds	<u>194,040</u>
Total current liabilities	<u>223,365</u>
Total liabilities	<u>223,365</u>
Net Position	
Investment in capital assets	51,609
Unrestricted	<u>122,451</u>
Total net position	<u>\$ 174,060</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 Position
Proprietary Fund

Year ended June 30, 2013

	Nonmajor Enterprise Funds
Operating revenues:	
Local sources:	
Charges for service	\$ 181,588
Miscellaneous	9,816
Total operating revenues	<u>191,404</u>
Operating expenses:	
Support services:	
Administration	1,169
Operation and maintenance of plant	10,400
	<u>11,569</u>
Non-instructional programs:	
Salaries	127,806
Benefits	28,885
Purchased services	283
Supplies	183,748
Depreciation	7,236
	<u>347,958</u>
Total operating expenses	<u>359,527</u>
Operating loss	<u>(168,123)</u>

(continued)

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit H

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

Year ended June 30, 2013

	Nonmajor Enterprise Funds
Non-operating revenues:	
State sources	2,950
Federal sources	142,523
Interest income	58
Total non-operating revenues	<u>145,531</u>
Income before transfers	(22,592)
Transfers:	
Transfer from capital projects	<u>15,611</u>
Decrease in net position	(6,981)
Net position beginning of year	<u>181,041</u>
Net position end of year	<u>\$ 174,060</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, 2013

	Nonmajor Enterprise <u>Funds</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 171,548
Cash received from other services	28,589
Cash paid to employees for services	(153,023)
Cash paid to suppliers for goods or services	<u>(377,141)</u>
Net cash used by operating activities	<u>(330,027)</u>
Cash flows from non-capital financing activities:	
Interfund loans received	194,040
State grants received	2,950
Federal grants received	<u>126,997</u>
Net cash provided by non-capital financing activities	<u>323,987</u>
Cash flows from investing activities:	
Interest on investments	<u>58</u>
Net decrease in cash and cash equivalents	(5,982)
Cash and cash equivalents beginning of year	<u>149,297</u>
Cash and cash equivalents end of year	<u><u>\$ 143,315</u></u>

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2013

	Nonmajor Enterprise <u>Funds</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (168,123)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	15,526
Depreciation	7,236
Decrease in accounts receivable	8,272
Increase in inventories	(196,657)
Decrease in accounts payable	(410)
Increase in salaries and benefits payable	3,668
Increase in deferred revenue	461
Net cash used by operating activities	<u>\$ (330,027)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$15,526 of federal commodities.

During the year ended June 30, 2013, the District received \$15,611 in capital asset contributions from the Capital Projects Fund.

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash, cash equivalents and pooled investments	\$ 33,780	1,850
Accrued interest receivable	<u>41</u>	<u>-</u>
Total assets	<u>33,821</u>	<u>1,850</u>
Liabilities		
Accounts payable	-	1,437
Other payables	<u>-</u>	<u>413</u>
Total liabilities	<u>-</u>	<u>1,850</u>
Net position		
Reserved for scholarships	<u>\$ 33,821</u>	<u>-</u>

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2013

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 1,819
Interest income	<u>247</u>
Total additions	2,066
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>4,500</u>
Change in net position	(2,434)
Net position beginning of year	<u>36,255</u>
Net position end of year	<u><u>\$ 33,821</u></u>

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2013

(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 preschool 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 units, the Cougar Club and Manson Area Community Center, Inc. The component units, discussed below, are included in the District's reporting entity because of the nature and significance of their 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, 2013

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.

The Manson Area Community Center, Inc. is a separate nonprofit organization whose purpose is to provide for the sharing of a single facility for the public use of a fitness and community center. The District has a partially used facility that accommodates the needs of the Manson Area Community Center, Inc. The District also is to provide for an agreed upon amount of the operating budget each year.

The records are maintained on the basis of cash receipts and disbursements. The Manson Area Community Center, Inc. meets the definition of a component unit which should be discretely presented. The Manson Area Community Center, Inc.'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 Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

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Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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.

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.

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D. Assets, Liabilities and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments– 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. 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 year 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 year 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 Position 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, 2013. 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 Position.

Fund Equity – In the governmental fund financial statements, fund balance are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed 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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E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013 expenditures exceeded the amount budgeted in the support services function.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$276,448 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standards & Poor's Financial Services.

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(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects:		
Statewide Sales, Services and Use Tax	Enterprise: Building Trades	\$ <u>194,040</u>

The Enterprise, Building Trades is repaying the Capital Projects, Statewide Sales, Services and Use Tax for costs incurred in the construction of a spec house. The balance will be repaid when the house is sold.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects:	
	Statewide Sales, Services and Use Tax	\$ 129,080
	Physical Plant and Equipment Levy	<u>150,584</u>
Total		\$ <u>279,664</u>

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

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(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2013 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>17,205</u>	<u>23,351</u>	<u>(17,205)</u>	<u>23,351</u>
Total capital assets not being depreciated	<u>27,205</u>	<u>23,351</u>	<u>(17,205)</u>	<u>33,351</u>
Capital assets being depreciated:				
Buildings	6,278,151	143,213	---	6,421,364
Improvements other than buildings	574,160	36,181	---	610,341
Furniture and equipment	<u>3,092,210</u>	<u>591,416</u>	<u>(8,693)</u>	<u>3,674,933</u>
Total capital assets being depreciated	<u>9,944,521</u>	<u>770,810</u>	<u>(8,693)</u>	<u>10,706,638</u>
Less accumulated depreciation for:				
Buildings	4,299,570	116,641	---	4,416,211
Improvements other than buildings	394,147	11,601	---	405,748
Furniture and equipment	<u>2,276,950</u>	<u>344,592</u>	<u>(8,693)</u>	<u>2,612,849</u>
Total accumulated depreciation	<u>6,970,667</u>	<u>472,834</u>	<u>(8,693)</u>	<u>7,434,808</u>
Total capital assets being depreciated, net	<u>2,973,854</u>	<u>297,976</u>	<u>---</u>	<u>3,271,830</u>
Governmental activities capital assets, net	<u>\$ 3,001,059</u>	<u>321,327</u>	<u>(17,205)</u>	<u>3,305,181</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 284,467	15,611	---	300,078
Less accumulated depreciation	<u>241,233</u>	<u>7,236</u>	<u>---</u>	<u>248,469</u>
Business type activities capital assets, net	<u>\$ 43,234</u>	<u>8,375</u>	<u>---</u>	<u>51,609</u>

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Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 113,097
Other	11,560
Support services:	
Instructional staff	11,964
Operation and maintenance of plant	10,620
Transportation	<u>140,720</u>
	287,961
Unallocated	<u>184,873</u>
Total depreciation expense -- governmental activities	\$ <u>472,834</u>
Business type activities:	
Food service operations	\$ <u>7,236</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$ 315,000	---	90,000	225,000	90,000
Bus lease purchase obligation	---	239,028	---	239,028	30,282
Propane bus purchase obligation	145,750	---	22,340	123,410	23,449
Computer lease purchase obligation	5,627	---	5,627	---	---
Student computer lease purchase obligation	81,783	---	67,620	14,163	14,163
Computer lease purchase obligation Google Chromebooks	---	200,000	63,466	136,534	60,940
Compensated absences	3,348	3,926	3,348	3,926	3,926
Termination benefits	373,487	117,970	83,281	408,176	89,044
Net OPEB liability	<u>83,844</u>	<u>204,459</u>	<u>---</u>	<u>288,303</u>	<u>---</u>
Total	<u>\$ 1,008,839</u>	<u>765,383</u>	<u>335,682</u>	<u>1,438,540</u>	<u>311,804</u>

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Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30.	<u>Bond Issue of September 27, 2010</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 225,000</u>	<u>13,196</u>	<u>238,196</u>

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 19% of the statewide sales, services, and use tax revenue. The total principal and interest remaining to be paid on the notes is \$238,196. For the current year, \$101,425 of principal and interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$520,776.

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.
- 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.

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Capital Lease Purchase Obligations

In July 2012, the District entered into a capital lease-purchase agreement with De Lage Landen Public Finance LLC to finance the purchase of three buses totaling \$239,028. The lease is financed for three years at an interest rate of 2.91%. The following is the schedule of the future minimum lease payments, including interest per annum, and the net present value of the future minimum lease payments under the agreement at June 30, 2013:

<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 37,237
2015	37,237
2016	<u>182,751</u>
Total minimum lease payments	257,225
Less amount representing interest	<u>(18,197)</u>
Net present value of minimum lease payments	\$ <u>239,028</u>

No payments were made under the agreement for the year ended June 30, 2013.

In August 2011, the District entered into a capital lease-purchase agreement with BB Community Leasing Services, Inc. to finance the purchase of two propane buses totaling \$189,332. The lease is financed for three years at an interest rate of 4.83%. 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, 2013:

<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 29,111
2015	<u>102,000</u>
Total minimum lease payments	131,111
Less amount representing interest	<u>(7,701)</u>
Net present value of minimum lease payments	\$ <u>123,410</u>

Payments under the agreement totaled \$29,111 for the year ended June 30, 2013.

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%. There are no future minimum payments.

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Payments under the agreement totaled \$5,627 for the year ended June 30, 2013.

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, 2013:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 15,140
Total minimum lease payments	15,140
Less amount representing interest	<u>(977)</u>
Net present value of minimum lease payments	\$ <u>14,163</u>

Payments under the agreement totaled \$73,260 for the year ended June 30, 2013.

In August 2012, the District entered into a capital lease-purchase agreement with BB Community Leasing Services, Inc. to finance the purchase of computers for the one to one computer program totaling \$200,000. The lease is financed for three years at an interest rate of 4.71%. 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, 2013:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 66,075
2015	71,481
2016	<u>5,957</u>
Total minimum lease payments	143,513
Less amount representing interest	<u>(6,979)</u>
Net present value of minimum lease payments	\$ <u>136,534</u>

Payments under the agreement totaled \$71,631 for the year ended June 30, 2013.

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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 or until age 65, whichever occurs first.

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.

At June 30, 2013 the District has obligations to eighteen participants with a total liability of \$408,176. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$81,237.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$360,490, \$317,842 and \$250,544, respectively, equal to the required contributions for each year.

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(8) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical benefits for employees, retirees and their spouses. There are 60 active and 16 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.

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, 2013, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 292,501
Interest on net OPEB obligation	2,096
Adjustment to annual required contribution	<u>(7,545)</u>
Annual OPEB cost	287,052
Contributions made	<u>(82,593)</u>
Increase in net OPEB obligation	204,459
Net OPEB obligation beginning of year	<u>83,844</u>
Net OPEB obligation end of year	\$ <u>288,303</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, 2013.

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For the year ended June 30, 2013, the District contributed \$82,593 to the medical plan. Plan members eligible for benefits contributed \$30,185, or 27% 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 are summarized as follow:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 38,564	24.7%	\$ 56,386
2012	38,716	29.1%	83,844
2013	287,052	28.8%	288,303

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1.788 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.788 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,260,000 and the ratio of the UAAL to covered payroll was 54.8%. As of June 30, 2013, 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 for the Retiree Health Plan, 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.

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As of the July 1, 2012 actuarial valuation date, the entry age 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 based on IPERS normal retirement age for each employee and information provided by the District.

Projected claim costs of the medical plan are \$509 per month for retirees less than age 65 and \$162 per month for retirees who have attained age 65. The UAAL is being amortized as a level dollar funding over 30 years.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$239,527 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Operating Leases

The District entered into an operating lease with Advanced Systems Inc. for the rental of nine copiers on August 16, 2012 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2013 was \$21,430. Future rentals are scheduled as follows:

Manson Northwest Webster Community School District

Manson, Iowa

Notes to Financial Statements

June 30, 2013

Year Ending <u>June 30,</u>	
2014	\$ 25,716
2015	25,716
2016	25,716
2017	25,716
2018	<u>4,286</u>
Total	\$ <u>107,150</u>

(12) Construction Commitment

The District has entered into a contract totaling \$189,840 for upgrades on the heat and cooling system. As of June 30, 2013 costs of \$23,351 have been incurred on the project. The balance of \$166,489 remaining at June 30, 2013 will be paid as work on the project progresses.

(13) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Preschool	\$ 11,575
Teacher salary supplement	32,379
Professional development – core curriculum	14,472
Professional development	<u>19,036</u>
Total	\$ <u>77,462</u>

Manson Northwest Webster Community School District

Manson, Iowa

Notes to Financial Statements

June 30, 2013

(14) Subsequent Events

Subsequent events have been evaluated through March 28, 2014 which is the date the financial statements were available to be issued.

On August 15, 2013 the Board approved a lease purchase for two 72 passenger school buses for a total cost of \$152,391, a lease purchase for computer equipment for a total cost of \$157,329 and a lease purchase for a new roof top AC unit for a total cost of \$53,570.

On February 6, 2014 the Board approved a contract to remove materials containing asbestos from the old elementary building for a total cost of \$69,400.

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, 2013

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 6,660,958	191,462
Intermediate sources	-	-
State sources	2,718,189	2,950
Federal sources	<u>218,988</u>	<u>142,523</u>
Total revenues	<u>9,598,135</u>	<u>336,935</u>
Expenditures/Expenses:		
Instruction	6,772,764	-
Support services	2,885,486	11,569
Non-instructional programs	-	347,958
Other expenditures	<u>857,194</u>	<u>-</u>
Total expenditures/expenses	<u>10,515,444</u>	<u>359,527</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(917,309)	(22,592)
Other financing sources, net	<u>453,803</u>	<u>15,611</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(463,506)	(6,981)
Balances beginning of year	<u>3,111,977</u>	<u>181,041</u>
Balances end of year	<u>\$ 2,648,471</u>	<u>174,060</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>	
6,852,420	7,343,425	7,343,425	(491,005)
-	6,200	6,200	(6,200)
2,721,139	3,038,341	3,038,341	(317,202)
361,511	487,000	487,000	(125,489)
<u>9,935,070</u>	<u>10,874,966</u>	<u>10,874,966</u>	<u>(939,896)</u>
6,772,764	7,120,230	7,120,230	347,466
2,897,055	2,578,800	2,578,800	(318,255)
347,958	685,000	685,000	337,042
857,194	677,845	977,845	120,651
<u>10,874,971</u>	<u>11,061,875</u>	<u>11,361,875</u>	<u>486,904</u>
(939,901)	(186,909)	(486,909)	(452,992)
<u>469,414</u>	<u>-</u>	<u>-</u>	<u>469,414</u>
(470,487)	(186,909)	(486,909)	16,422
<u>3,293,018</u>	<u>3,337,633</u>	<u>3,337,633</u>	<u>(44,615)</u>
<u>2,822,531</u>	<u>3,150,724</u>	<u>2,850,724</u>	<u>(28,193)</u>

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2013

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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$300,000.

During the year ended June 30, 2013, expenditures in the support services function exceeded the budgeted amount.

Manson Northwest Webster Community School District

Manson, Iowa

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 320,354	320,354	0.0%	\$3,186,111	10.1%
2011	Jul 1, 2009	-	320,354	320,354	0.0%	3,087,845	10.4%
2012	Jul 1, 2009	-	320,354	320,354	0.0%	3,113,349	10.3%
2013	Jul 1, 2012	-	1,788,089	1,788,089	0.0%	3,260,000	54.8%

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

See accompanying independent auditor's report.

Manson Northwest Webster Community School District
Manson, Iowa

Combining Statement of Assets, Liabilities and
Net Position - Modified Cash Basis
Discrete Component Units

June 30, 2013

	Discrete Component Units		
	Cougar Club	Manson Area Community Center	Total
Assets			
Cash	\$ 45,288	31,451	76,739
Total assets	<u>45,288</u>	<u>31,451</u>	<u>76,739</u>
Liabilities			
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Restricted	-	-	-
Unrestricted	45,288	31,451	76,739
Total net position	<u>45,288</u>	<u>31,451</u>	<u>76,739</u>

See accompanying independent auditor's report.

Manson Northwest Webster Community School District
Manson, Iowa
Combining Statement of Revenues and Expenses and Changes
in Net Position - Modified Cash Basis
Discrete Component Units
Year ended June 30, 2013

	Discrete Component Units		
	Cougar <u>Club</u>	Manson Area Community <u>Center</u>	<u>Total</u>
Revenues:			
Interest	\$ 50	-	50
Donations	-	58,726	58,726
Rental	-	451	451
Memberships	-	43,861	43,861
Fees	-	2,271	2,271
Programs	-	9,971	9,971
Fundraisers	43,730	-	43,730
Loan proceeds	-	58,043	58,043
Other	-	213	213
Total revenues	43,780	173,536	217,316
Expenses:			
Athletics	24,399	-	24,399
Payroll	-	20,120	20,120
Scholarships	1,350	-	1,350
Programs	-	5,375	5,375
Equipment	-	83,884	83,884
Repairs and maintenance	-	21,987	21,987
Office	-	1,529	1,529
Supplies	32,378	1,794	34,172
Insurance	-	4,358	4,358
Bank charges	-	519	519
Utilities	-	598	598
Other	-	1,921	1,921
Total expenses	58,127	142,085	200,212
Change in net position	(14,347)	31,451	17,104
Net position beginning of year	59,635	-	59,635
Net position end of year	\$ 45,288	31,451	76,739

See accompanying independent auditor's report.

Supplementary Information

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	<u>Special Revenue</u>		
	Manage- ment <u>Levy</u>	Student <u>Activity</u>	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 320,526	148,943	469,469
Receivables:			
Property tax:			
Delinquent	1,788	-	1,788
Succeeding year	100,000	-	100,000
Accounts	-	65	65
Accrued interest	-	12	12
Total assets	<u>\$ 422,314</u>	<u>149,020</u>	<u>571,334</u>
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 100,000	-	100,000
Total liabilities	100,000	-	100,000
Fund balances:			
Restricted for:			
Management levy purposes	322,314	-	322,314
Student activities	-	149,020	149,020
Total fund balances	<u>322,314</u>	<u>149,020</u>	<u>471,334</u>
Total liabilities and fund balances	<u>\$ 422,314</u>	<u>149,020</u>	<u>571,334</u>

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, 2013

	<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	\$ 344,670	-	-	344,670
Other	26,960	316,655	-	343,615
State sources	147	-	-	147
Total revenues	<u>371,777</u>	<u>316,655</u>	<u>-</u>	<u>688,432</u>
Expenditures:				
Current:				
Instruction:				
Regular	95,890	-	-	95,890
Other	-	292,982	-	292,982
Support services:				
Operation and maintenance of plant	92,451	-	-	92,451
Transportation	16,086	-	-	16,086
Other expenditures:				
Long-term debt:				
Principal	-	-	249,053	249,053
Interest and fiscal charges	-	-	30,611	30,611
Total expenditures	<u>204,427</u>	<u>292,982</u>	<u>279,664</u>	<u>777,073</u>
Excess (deficiency) of revenues over (under) expenditures	<u>167,350</u>	<u>23,673</u>	<u>(279,664)</u>	<u>(88,641)</u>
Other financing sources:				
Operating transfers in	-	-	279,664	279,664
Excess (deficiency) of revenues and other financing sources over expenditures	167,350	23,673	-	191,023
Fund balances beginning of year	154,964	125,347	-	280,311
Fund balances end of year	<u>\$ 322,314</u>	<u>149,020</u>	<u>-</u>	<u>471,334</u>

See accompanying independent auditor's report.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Speech	\$ 2,342	11,976	11,279	1	3,040
Drama Club	878	-	-	-	878
Fine Arts	893	-	146	-	747
Musical	3,798	2,406	3,979	1	2,226
Band trips	3,773	-	201	1	3,573
Boys Basketball	6,492	14,022	15,514	1,401	6,401
Girls Basketball	204	15,754	16,376	2,700	2,282
Activity tickets	9	12,265	552	(11,415)	307
Cross Country	-	2,540	2,273	-	267
Golf	1,159	1,088	1,285	-	962
Volleyball	140	9,419	9,070	-	489
Football	1,362	19,193	20,614	1,489	1,430
Football Fund Raiser	1,500	11,773	7,669	(1,489)	4,115
Baseball	1	7,349	6,837	(460)	53
Track	2,096	16,570	18,012	-	654
Wrestling	3,851	20,088	20,722	1	3,218
Softball	138	6,023	5,167	-	994
MS/ES Annual	699	1,560	1,611	-	648
National Honor Society	-	1,769	1,769	-	-
French Club	4,015	4,920	8,574	-	361
Student Council	1,052	4,820	5,341	460	991
Elementary projects	8,884	6,220	4,986	1	10,119
Student programs	1,303	3,741	3,658	-	1,386
Library Club	-	6,813	6,813	-	-
Electrathon	4,033	2,409	3,076	1	3,367
Junior Class	1,740	8,032	7,169	1	2,604
Senior Class	1,385	211	97	-	1,499
High School Annual	10,886	7,652	8,277	1	10,262
HS Music Department Fund Raiser	32,201	22,265	26,578	4	27,892
Drill Team	1,457	13,753	11,664	-	3,546
Cheerleaders - Basketball	992	1,054	623	-	1,423
Cheerleaders - Football	1,569	4,027	2,039	-	3,557
Cheerleaders - Wrestling	1,353	1,618	1,461	-	1,510
Pop	58	3,003	2,875	-	186
Needy Donations	2,567	506	152	-	2,921
FFA	21,421	54,846	43,233	5,442	38,476

(continued)

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<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)	-	12	-	(12)	-
Athletic Calendar	563	3,501	1,297	-	2,767
Interest - ISJIT	-	5	-	(5)	-
After Prom	533	8,452	8,448	-	537
FCCLA	-	5,000	3,200	-	1,800
FCA	-	-	345	1,877	1,532
Total	<u>\$ 125,347</u>	<u>316,655</u>	<u>292,982</u>	<u>-</u>	<u>149,020</u>

See accompanying independent auditor's report.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 141,770	98,851	240,621
Receivables:			
Property tax:			
Delinquent	-	1,273	1,273
Succeeding year	-	255,982	255,982
Accrued interest	1	-	1
Due from other funds	194,040	-	194,040
Due from other governments	<u>167,145</u>	<u>-</u>	<u>167,145</u>
Total assets	<u>\$ 502,956</u>	<u>356,106</u>	<u>859,062</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 28,427	-	28,427
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>255,982</u>	<u>255,982</u>
Total liabilities	<u>28,427</u>	<u>255,982</u>	<u>284,409</u>
Fund balances:			
Restricted for:			
School infrastructure	474,529	-	474,529
Physical plant and equipment	<u>-</u>	<u>100,124</u>	<u>100,124</u>
Total fund balances	<u>474,529</u>	<u>100,124</u>	<u>574,653</u>
Total liabilities and fund balances	<u>\$ 502,956</u>	<u>356,106</u>	<u>859,062</u>

See accompanying independent auditor's report.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 5

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

Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 520,776	245,442	766,218
Other	1,575	361	1,936
State sources	-	105	105
Total revenues	<u>522,351</u>	<u>245,908</u>	<u>768,259</u>
Expenditures:			
Instruction:			
Regular	8,070	221,359	229,429
Support services:			
Instructional staff	-	65,048	65,048
Administration	25,310	-	25,310
Transportation	315,215	-	315,215
Other expenditures:			
Facilities acquisition	<u>337,685</u>	-	<u>337,685</u>
Total expenditures	<u>686,280</u>	<u>286,407</u>	<u>972,687</u>
Deficiency of revenues under expenditures	<u>(163,929)</u>	<u>(40,499)</u>	<u>(204,428)</u>
Other financing sources (uses):			
Proceeds from insurance claim	6,757	-	6,757
Lease purchase obligations issued	239,028	200,000	439,028
Operating transfers out	<u>(129,080)</u>	<u>(150,584)</u>	<u>(279,664)</u>
Total other financing sources (uses)	<u>116,705</u>	<u>49,416</u>	<u>166,121</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(47,224)	8,917	(38,307)
Fund balances beginning of year	<u>521,753</u>	<u>91,207</u>	<u>612,960</u>
Fund balances end of year	<u>\$ 474,529</u>	<u>100,124</u>	<u>574,653</u>

See accompanying independent auditor's report.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 6

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2013

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Preschool</u>	<u>Before & After School</u>	<u>Total</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ 62,048	73,201	6,454	1,612	143,315
Accounts receivable	2,536	-	-	-	2,536
Inventories	5,925	194,040	-	-	199,965
Total current assets	<u>70,509</u>	<u>267,241</u>	<u>6,454</u>	<u>1,612</u>	<u>345,816</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	51,609	-	-	-	51,609
Total noncurrent assets	<u>51,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,609</u>
Total assets	<u>122,118</u>	<u>267,241</u>	<u>6,454</u>	<u>1,612</u>	<u>397,425</u>
Liabilities					
Current liabilities:					
Accounts payable	7	-	-	-	7
Salaries and benefits payable	22,904	-	-	962	23,866
Deferred revenue	5,452	-	-	-	5,452
Due to other funds	-	194,040	-	-	194,040
Total current liabilities	<u>28,363</u>	<u>194,040</u>	<u>-</u>	<u>962</u>	<u>223,365</u>
Total liabilities	<u>28,363</u>	<u>194,040</u>	<u>-</u>	<u>962</u>	<u>223,365</u>
Net Position					
Investment in capital assets	51,609	-	-	-	51,609
Unrestricted	42,146	73,201	6,454	650	122,451
Total net position	<u>\$ 93,755</u>	<u>73,201</u>	<u>6,454</u>	<u>650</u>	<u>174,060</u>

See accompanying independent auditor's report.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 7

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

Year ended June 30, 2013

	<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	\$ 171,165	-	1,430	8,993	181,588
Miscellaneous	<u>9,816</u>	-	-	-	<u>9,816</u>
Total operating revenues	<u>180,981</u>	<u>-</u>	<u>1,430</u>	<u>8,993</u>	<u>191,404</u>
Operating expenses:					
Support services:					
Administration	795	-	-	374	1,169
Operation and maintenance of plant	<u>9,457</u>	<u>-</u>	<u>943</u>	<u>-</u>	<u>10,400</u>
	<u>10,252</u>	<u>-</u>	<u>943</u>	<u>374</u>	<u>11,569</u>
Non-instructional programs:					
Salaries	119,436	-	-	8,370	127,806
Benefits	27,517	-	-	1,368	28,885
Purchased services	283	-	-	-	283
Supplies	180,018	35	2,616	1,079	183,748
Depreciation	<u>7,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,236</u>
	<u>334,490</u>	<u>35</u>	<u>2,616</u>	<u>10,817</u>	<u>347,958</u>
Other expenditures:					
Facilities acquisition	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>344,742</u>	<u>35</u>	<u>3,559</u>	<u>11,191</u>	<u>359,527</u>
Operating loss	<u>(163,761)</u>	<u>(35)</u>	<u>(2,129)</u>	<u>(2,198)</u>	<u>(168,123)</u>

(continued)

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 7

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

Year ended June 30, 2013

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Preschool</u>	<u>Before & After School</u>	<u>Total</u>
Non-operating revenues:					
State sources	2,950	-	-	-	2,950
Federal sources	142,523	-	-	-	142,523
Interest income	<u>10</u>	<u>6</u>	<u>32</u>	<u>10</u>	<u>58</u>
Total non-operating revenues	<u>145,483</u>	<u>6</u>	<u>32</u>	<u>10</u>	<u>145,531</u>
Loss before capital asset contributions	<u>(18,278)</u>	<u>(29)</u>	<u>(2,097)</u>	<u>(2,188)</u>	<u>(22,592)</u>
Capital asset contributions	<u>15,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,611</u>
Decrease in net position	(2,667)	(29)	(2,097)	(2,188)	(6,981)
Net position beginning of year	<u>96,422</u>	<u>73,230</u>	<u>8,551</u>	<u>2,838</u>	<u>181,041</u>
Net position end of year	<u>\$ 93,755</u>	<u>73,201</u>	<u>6,454</u>	<u>650</u>	<u>174,060</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, 2013

	<u>School Nutrition</u>	<u>Building Trades</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 171,548	-
Cash received from other services	9,816	8,350
Cash paid to employees for services	(143,367)	-
Cash paid to suppliers for goods or services	<u>(178,018)</u>	<u>(194,075)</u>
Net cash used by operating activities	<u>(140,021)</u>	<u>(185,725)</u>
Cash flows from non-capital financing activities:		
Interfund loans received	-	194,040
State grants received	2,950	-
Federal grants received	<u>126,997</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>129,947</u>	<u>194,040</u>
Cash flows from investing activities:		
Interest on investments	<u>10</u>	<u>6</u>
Net increase (decrease) in cash and cash equivalents	(10,064)	8,321
Cash and cash equivalents beginning of year	<u>72,112</u>	<u>64,880</u>
Cash and cash equivalents end of year	<u>\$ 62,048</u>	<u>73,201</u>

Schedule 8

<u>Preschool</u>	<u>Before & After School</u>	<u>Total</u>
-	-	171,548
1,430	8,993	28,589
-	(9,656)	(153,023)
<u>(3,559)</u>	<u>(1,489)</u>	<u>(377,141)</u>
<u>(2,129)</u>	<u>(2,152)</u>	<u>(330,027)</u>
-	-	194,040
-	-	2,950
-	-	126,997
<u>-</u>	<u>-</u>	<u>323,987</u>
<u>32</u>	<u>10</u>	<u>58</u>
(2,097)	(2,142)	(5,982)
<u>8,551</u>	<u>3,754</u>	<u>149,297</u>
<u>6,454</u>	<u>1,612</u>	<u>143,315</u>

(continued)

Manson Northwest Webster Community School District
Manson, Iowa

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2013

	<u>School Nutrition</u>	<u>Building Trades</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (163,761)	(35)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	15,526	-
Depreciation	7,236	-
(Increase) decrease in accounts receivable	(78)	8,350
(Increase) decrease in inventories	(2,617)	(194,040)
Increase (decrease) in accounts payable	(374)	-
Increase (decrease) in salaries and benefits payable	3,586	-
Increase (decrease) in deferred revenue	461	-
Net cash used by operating activities	<u>\$ (140,021)</u>	<u>(185,725)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$15,526 of federal commodities.

During the year ended June 30, 2013, the District received \$15,611 in capital asset contributions from the Capital Projects Fund.

See accompanying independent auditor's report.

Schedule 8

<u>Preschool</u>	<u>Before & After School</u>	<u>Total</u>
(2,129)	(2,198)	(168,123)
-	-	15,526
-	-	7,236
-	-	8,272
-	-	(196,657)
-	(36)	(410)
-	82	3,668
-	-	461
<u>(2,129)</u>	<u>(2,152)</u>	<u>(330,027)</u>

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

June 30, 2013

	Balance Beginning of Year	<u>Additions</u>	<u>Deductions</u>	Balance End of Year
Assets				
Cash	\$ 1,850	-	-	1,850
Total assets	<u>\$ 1,850</u>	<u>-</u>	<u>-</u>	<u>1,850</u>
Liabilities				
Accounts payable	\$ 1,313	-	-	1,313
Other payables	<u>537</u>	<u>-</u>	<u>-</u>	<u>537</u>
Total liabilities	<u>\$ 1,850</u>	<u>-</u>	<u>-</u>	<u>1,850</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 Ten Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:				
Local sources:				
Local tax	\$ 3,882,630	4,009,736	4,335,796	3,450,954
Tuition	2,266,382	2,326,940	2,352,326	2,460,945
Other	511,946	641,268	544,429	604,305
Intermediate sources	-	-	6,253	912
State sources	2,718,189	2,766,713	2,769,324	2,592,688
Federal sources	218,988	311,865	596,293	452,808
Total	<u>\$ 9,598,135</u>	<u>10,056,522</u>	<u>10,604,421</u>	<u>9,562,612</u>
Expenditures:				
Instruction:				
Regular	\$ 3,520,222	3,014,969	3,113,179	2,883,346
Special	2,073,167	2,213,079	2,329,164	2,403,635
Other	1,179,375	1,260,918	1,176,083	1,209,416
Support services:				
Student	182,151	181,239	155,835	160,090
Instructional staff	363,960	352,676	304,047	450,972
Administration	839,952	734,237	667,057	673,009
Operation and maintenance of plant	649,952	634,875	588,691	640,421
Transportation	849,471	782,992	635,898	885,240
Other expenditures:				
Facilities acquisition	337,685	276,564	202,187	361,394
Long-term debt:				
Principal	249,053	249,688	117,793	100,442
Interest and other charges	30,611	41,396	10,700	6,966
AEA flowthrough	239,845	237,865	267,594	267,593
Total	<u>\$ 10,515,444</u>	<u>9,980,498</u>	<u>9,568,228</u>	<u>10,042,524</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
3,290,767	3,303,096	3,275,151	3,009,443	3,135,191	3,202,084
2,153,354	2,464,838	2,066,799	2,002,115	2,067,391	1,352,119
750,174	667,285	673,268	674,446	340,438	331,023
16,000	-	1,719	-	-	-
3,168,603	3,175,047	3,137,829	3,142,982	2,947,727	2,876,461
294,504	269,249	277,424	263,798	271,081	270,810
<u>9,673,402</u>	<u>9,879,515</u>	<u>9,432,190</u>	<u>9,092,784</u>	<u>8,761,828</u>	<u>8,032,497</u>
2,907,323	2,814,761	2,715,371	2,511,600	2,743,797	2,750,326
2,616,856	2,615,413	2,430,187	2,154,706	2,577,072	1,956,353
1,260,181	1,157,876	1,018,830	998,887	952,620	626,888
148,534	125,419	166,276	117,930	190,958	185,033
342,107	338,412	344,349	297,558	299,815	324,558
729,775	632,338	582,203	732,644	625,565	581,754
702,243	628,542	672,072	637,365	607,736	540,780
741,210	672,942	589,246	384,189	398,063	380,624
316,200	654,743	224,787	386,905	354,722	225,642
86,163	44,225	-	-	-	-
16,788	938	-	-	-	-
245,093	241,512	234,607	232,421	229,967	234,608
<u>10,112,473</u>	<u>9,927,121</u>	<u>8,977,928</u>	<u>8,454,205</u>	<u>8,980,315</u>	<u>7,806,566</u>

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

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

We have audited 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, the 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 28, 2014. Our report expressed unmodified opinions on the financial statements but disclaimed an opinion on the component units, Cougar Club and Manson Area Community Center, Inc., which were not audited.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Manson Northwest Webster Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Manson Northwest Webster Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, 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 I of the accompanying Schedule of Findings as items I-A-13 and I-B-13 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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

Manson Northwest Webster Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Manson Northwest Webster Community School District's responses were not subjected to the auditing procedures that apply in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 28, 2014

Manson Northwest Webster Community School District
Manson, Iowa

Schedule of Findings

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

I-A-13 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.

I-B-13 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

Year ended June 30, 2013

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

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - Expenditures for the year ended June 30, 2013, exceeded the certified budget amounts in the support services function.

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

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

Conclusion - Response accepted.

II-B-13 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.

II-C-13 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.

II-D-13 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-13 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.

II-F-13 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-13 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

Year ended June 30, 2013

II-H-13 Supplementary Weighting – The number of students reported the to the Iowa Department of Education for supplementary weighting was overstated.

Recommendation – The District should contact the Iowa Department of Education and Department of Management to resolve this matter.

Responses – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

II-I-13 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.

II-J-13 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-13 Statewide Sales, Services, and Use Tax – No instances of non-compliance with the allowable use of the statewide sales, services, and use tax revenue provided in 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Manson Northwest Webster Community School District

Manson, Iowa

Schedule of Findings

Year ended June 30, 2013

Beginning balance		\$ 521,753
Revenues/transfers in:		
Sales tax revenues	\$ 520,776	
Other local revenues	8,332	
Sale of long-term debt	<u>239,028</u>	<u>768,136</u>
		1,289,889
Expenditures/transfers out:		
Equipment	373,550	
Other	312,730	
Transfers to other funds:		
Debt service	<u>129,080</u>	<u>815,360</u>
Ending balance		\$ <u><u>474,529</u></u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-13 Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.