

**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, 2014**

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Manson Northwest Webster Community School District  
Manson, Iowa

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September 2013 Election)**

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

**(After September 2013 Election)**

Duane Paterson	President	2015
Dan DeWall	Vice President	2015
Brent Johnson	Board Member	2017
Steve Markert	Board Member	2017
Kim Nelsen	Board Member	2015
Aaron Peterson	Board Member	2015
Zuella Swartzendruber	Board Member	2017

**School Officials**

Mark Egli	Superintendent	2014
Erin Schroeder	District Secretary	2014
Diane Davis	Business Manager/District Treasurer	2014
Dodie Wood	Business Manager/District Treasurer	2014
Gruhn Law Firm	Attorney	Indefinite

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

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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, 2014, and the related Notes to 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 audit 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.

Disclaimer of Opinion on Discretely Presented Component Units

Because the Cougar Club and Manson Area Community Center, Inc.'s financial statements 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 discretely presented component units. Accordingly, we do not express an opinion on the financial statements of the discretely presented component units of Manson Northwest Webster Community School District as of and for the year ended June 30, 2014.

Opinions

In our opinion, the financial statements referred to in the first paragraph of this report 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 as of June 30, 2014, 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 54 through 59 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 four years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the five years ended June 30, 2010 (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 the 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 basic 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 27, 2015 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 27, 2015

## 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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$8,141,444 in fiscal year 2013 to \$8,081,821 in fiscal year 2014, while General Fund expenditures decreased from \$8,765,684 in fiscal year 2013 to \$8,360,006 in fiscal year 2014. The District's General Fund balance decreased from \$1,602,484 at the end of fiscal year 2013 to \$1,325,949 at the end of fiscal year 2014, a 17% decrease.
- The fiscal year 2014 General Fund revenue decrease was attributable to decreases in tuition and federal grant revenue. The decrease in expenditures was due primarily to a decrease in instructional costs. 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**

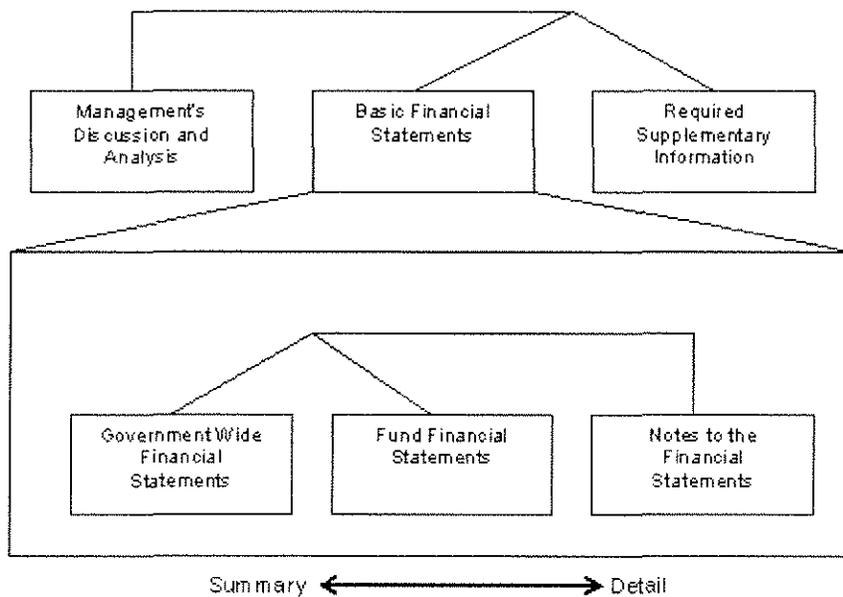


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. 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 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 governmental 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, 2014 compared to June 30, 2013.

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

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 6,770	6,566	157	151	6,927	6,717	3.1%
Capital assets	<u>3,378</u>	<u>3,305</u>	<u>76</u>	<u>52</u>	<u>3,454</u>	<u>3,357</u>	<u>2.9%</u>
Total assets	<u>10,148</u>	<u>9,871</u>	<u>233</u>	<u>203</u>	<u>10,381</u>	<u>10,074</u>	<u>3.1%</u>
Long-term liabilities	1,610	1,439	---	---	1,610	1,439	11.9%
Other liabilities	<u>846</u>	<u>740</u>	<u>60</u>	<u>29</u>	<u>906</u>	<u>769</u>	<u>17.8%</u>
Total liabilities	<u>2,456</u>	<u>2,179</u>	<u>60</u>	<u>29</u>	<u>2,516</u>	<u>2,208</u>	<u>13.9%</u>
Deferred inflows of resources	<u>3,350</u>	<u>2,882</u>	---	---	<u>3,350</u>	<u>2,882</u>	<u>16.2%</u>
Net position:							
Net investment in							
capital assets	2,593	2,567	76	52	2,669	2,619	1.9%
Restricted	810	801	---	---	810	801	1.1%
Unrestricted	<u>939</u>	<u>1,442</u>	<u>97</u>	<u>122</u>	<u>1,036</u>	<u>1,564</u>	<u>-33.8%</u>
Total net position	<u>\$ 4,342</u>	<u>4,810</u>	<u>173</u>	<u>174</u>	<u>4,515</u>	<u>4,984</u>	<u>-9.4%</u>

The District's total net position decreased 9%, or approximately \$469,000 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 increased approximately \$9,000 or 1% over the prior year. The increase was primarily a result of an increase 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 \$528,000 or 34%. 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, 2014 compared to the year ended June 30, 2013.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 2,464	2,716	606	191	3,070	2,907	5.6%
Operating grants, contributions and restricted interest	1,015	1,047	145	146	1,160	1,193	-2.8%
Capital grants, contributions and restricted interest	---	---	21	16	21	16	31.3%
General revenues:							
Property tax	2,895	3,041	---	---	2,895	3,041	-4.8%
Statewide sales, services and use tax	553	521	---	---	553	521	6.1%
Income surtax	398	327	---	---	398	327	21.7%
Unrestricted state grants	1,950	1,901	---	---	1,950	1,901	2.6%
Unrestricted investment earnings	11	11	---	---	11	11	0.0%
Other	76	52	1	---	77	52	48.1%
Gain (loss) on disposal of capital assets	(19)	3	---	---	(19)	3	-733.3 %
Total revenues	<u>9,343</u>	<u>9,619</u>	<u>773</u>	<u>353</u>	<u>10,116</u>	<u>9,972</u>	<u>1.4 %</u>
Program expenses:							
Instruction	6,516	6,880	---	---	6,516	6,880	-5.3%
Support services	2,668	2,763	---	---	2,668	2,763	-3.4%
Non-instructional programs	---	---	774	360	774	360	115.0%
Other expenses	<u>627</u>	<u>561</u>	<u>---</u>	<u>---</u>	<u>627</u>	<u>561</u>	<u>11.8%</u>
Total expenses	<u>9,811</u>	<u>10,204</u>	<u>774</u>	<u>360</u>	<u>10,585</u>	<u>10,564</u>	<u>0.2%</u>
Change in net position	(468)	(585)	(1)	(7)	(469)	(592)	20.8%
Net position beginning 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>
Net position end of year	\$ <u>4,342</u>	<u>4,810</u>	<u>173</u>	<u>174</u>	<u>4,515</u>	<u>4,984</u>	<u>-9.4%</u>

In fiscal 2014, property tax and unrestricted state grants account for 51.9% of governmental activities revenue while charges for service and operating grants and contributions account for 97.2% of the revenue from business type activities.

The District’s total revenues were approximately \$10 million, of which approximately \$9.3 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 1.4% increase in revenues and a 0.2% increase in expenses.

**Governmental Activities**

Revenues for governmental activities were \$9,343,570 and expenses were \$9,811,275 for the year ended June 30, 2014.

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, 2014 compared to the year ended June 30, 2013.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 6,516	6,880	-5.3%	3,450	3,506	-1.6%
Support services	2,668	2,763	-3.4%	2,534	2,614	-3.1%
Non-instructional programs	---	---	0.0%	---	---	0.0%
Other expenses	627	561	11.8%	348	321	8.4%
Total	\$ 9,811	10,204	-3.9%	6,332	6,441	-1.7%

For the year ended June 30, 2014:

- The cost financed by users of the District’s programs was \$2,464,361.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,015,027.
- The net cost of governmental activities was financed with \$3,846,371 in property and other taxes and \$1,950,553 in unrestricted state grants.

## **Business Type Activities**

Revenues for business type activities during the year ended June 30, 2014 were \$773,466, representing a 119.4% increase from the prior year, while expenses totaled \$774,100, a 115.3% increase 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, 2014, the District sold a spec house that was constructed by the District's Building Trades students. The spec house was constructed during the year ended June 30, 2013. This accounts for a major portion of the increase 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 \$2,263,746, below last year's ending fund balances of \$2,648,471.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$1,602,484 to \$1,325,949 due, in part, to the negotiated salaries and benefits and existing expenditure commitments of the District.
- The Capital Projects Fund balance decreased from \$574,653 in fiscal 2013 to \$573,878 in fiscal 2014.

### **Proprietary Fund Highlights**

School Nutrition Fund net position increased from \$93,755 at June 30, 2013 to \$97,700 at June 30, 2014, representing a increase of approximately 4%. 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 \$384,273 more than total budgeted revenues, a variance of 4.0%.

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 non-instructional programs 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, 2014, the District had invested approximately \$3.5 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 2.9% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$504,993.

The original cost of the District's capital assets was approximately \$11.5 million. Governmental funds account for approximately \$11.2 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		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 10	10	---	---	10	10	0.0%
Construction in progress	---	23	---	---	---	23	-100.0%
Buildings	2,123	2,005	---	---	2,123	2,005	5.9%
Improvements other than buildings	191	205	---	---	191	205	-6.8%
Furniture and equipment	<u>1,054</u>	<u>1,062</u>	<u>76</u>	<u>52</u>	<u>1,130</u>	<u>1,114</u>	<u>1.4%</u>
Total	\$ <u>3,378</u>	<u>3,305</u>	<u>76</u>	<u>52</u>	<u>3,454</u>	<u>3,357</u>	<u>2.9%</u>

## Long-Term Debt

At June 30, 2014, the District had \$1,113,295 in total long-term debt outstanding. This represents a decrease of approximately 3.2% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 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>2014</u>	<u>2013</u>	<u>2013-2014</u>
Sales tax revenue bonds	\$ 135	225	-40.0%
Bus lease purchase obligation	437	362	20.7%
Computer lease purchase obligation	176	151	16.6%
Equipment lease purchase obligation	36	---	100.0%
Compensated absences	3	4	-25.0%
Termination benefits	<u>326</u>	<u>408</u>	<u>-20.1%</u>
Total	<u>\$ 1,113</u>	<u>1,150</u>	<u>-3.2%</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. In spite of the prior year's optimism over an increase of 38 students (668), the current year's enrollment dropped to 633 resident students erasing the entire gain. This will place MNW in the position of receiving the 101% budget adjustment for the 15-16 fiscal year resulting in approximately the same general fund revenues as in the current year. The area as a whole, however, remains optimistic that continuing developments in the nearby ag park will result in ever-increasing financial and population gains.
2. This year saw a number of projects completed on the district's facilities and infrastructure. The recent passage of an additional .33 PPEL and statewide sharing of the one penny sales tax have made the biannual repayment of the facilities loan (\$900,000) possible along with numerous other internal projects and equipment purchases for the Fine Arts department. No other funds appear to be in danger of being depleted.

## **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, 2014

	Primary Government			Component
	Governmental	Business Type	Total	Units
	Activities	Activities	Total	Discrete
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 1,734,273	125,933	1,860,206	48,079
Receivables:				
Property tax:				
Delinquent	20,216	-	20,216	-
Succeeding year	3,350,286	-	3,350,286	-
Accounts	-	30,445	30,445	-
Accrued interest	14	-	14	-
Due from other governments	1,664,909	-	1,664,909	-
Inventories	-	1,545	1,545	-
Capital assets, net of accumulated depreciation	3,378,204	75,836	3,454,040	-
<b>Total assets</b>	<u>10,147,902</u>	<u>233,759</u>	<u>10,381,661</u>	<u>48,079</u>
<b>Liabilities</b>				
Excess of warrants issued over bank balance	-	2,324	2,324	-
Accounts payable	175,669	30,805	206,474	-
Salaries and benefits payable	658,852	21,252	680,104	-
Unearned revenue	-	5,952	5,952	-
Accrued interest payable	11,409	-	11,409	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds	90,000	-	90,000	-
Bus lease purchase obligation	150,811	-	150,811	-
Computer lease purchase obligation	116,130	-	116,130	-
Equipment lease purchase obligation	17,807	-	17,807	-
Termination benefits	88,612	-	88,612	-
Compensated absences	2,781	-	2,781	-
Portion due after one year:				
Revenue bonds	45,000	-	45,000	-
Bus lease purchase obligation	286,860	-	286,860	-
Computer lease purchase obligation	59,690	-	59,690	-
Equipment lease purchase obligation	18,348	-	18,348	-
Termination benefits	237,256	-	237,256	-
Net OPEB liability	496,189	-	496,189	-
<b>Total liabilities</b>	<u>2,455,414</u>	<u>60,333</u>	<u>2,515,747</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Unavailable property tax revenue	3,350,286	-	3,350,286	-

Manson Northwest Webster Community School District  
Manson, Iowa

Exhibit A

Statement of Net Position

June 30, 2014

	Primary Government			Component
	Governmental	Business Type	Total	Units
	<u>Activities</u>	<u>Activities</u>		<u>Total</u>
<b>Net Position</b>				
Net investment in capital assets	2,593,558	75,836	2,669,394	-
Restricted for:				
Categorical funding	87,937	-	87,937	-
Physical plant and equipment	184,594	-	184,594	-
School infrastructure	389,284	-	389,284	-
Student activities	147,951	-	147,951	-
Unrestricted	<u>938,878</u>	<u>97,590</u>	<u>1,036,468</u>	<u>48,079</u>
<b>Total net position</b>	<u>\$ 4,342,202</u>	<u>173,426</u>	<u>4,515,628</u>	<u>48,079</u>

See notes to financial statements.

Manson Northwest Webster Community School District  
Manson, Iowa  
Statement of Activities  
Year ended June 30, 2014

	Expenses	Charges for Service	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,305,949	762,668	432,364	-
Special instruction	1,896,656	1,291,545	127,170	-
Other instruction	1,313,941	290,926	161,670	-
	<u>6,516,546</u>	<u>2,345,139</u>	<u>721,204</u>	<u>-</u>
Support services:				
Student	210,245	-	14,823	-
Instructional staff	289,690	10,838	12,427	-
Administration	784,324	636	1,234	-
Operation and maintenance of plant	696,073	4,232	-	-
Transportation	687,551	76,740	13,340	-
	<u>2,667,883</u>	<u>92,446</u>	<u>41,824</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	165,763	26,776	-	-
Long-term debt interest	32,529	-	-	-
AEA flowthrough	251,999	-	251,999	-
Depreciation (unallocated)*	176,555	-	-	-
	<u>626,846</u>	<u>26,776</u>	<u>251,999</u>	<u>-</u>
Total governmental activities	<u>9,811,275</u>	<u>2,464,361</u>	<u>1,015,027</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	338,958	176,039	145,400	20,914
Building trades	418,367	416,063	-	-
Preschool	1,107	2,853	-	-
Before & after school	15,668	11,602	-	-
Total business type activities	<u>774,100</u>	<u>606,557</u>	<u>145,400</u>	<u>20,914</u>
<b>Total primary government</b>	<u>\$ 10,585,375</u>	<u>3,070,918</u>	<u>1,160,427</u>	<u>20,914</u>
<b>Component Units:</b>				
Total discrete	\$ 210,940	162,867	18,900	-
<b>General Revenues:</b>				
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
(2,110,917)	-	(2,110,917)	-
(477,941)	-	(477,941)	-
(861,345)	-	(861,345)	-
(3,450,203)	-	(3,450,203)	-
(195,422)	-	(195,422)	-
(266,425)	-	(266,425)	-
(782,454)	-	(782,454)	-
(691,841)	-	(691,841)	-
(597,471)	-	(597,471)	-
(2,533,613)	-	(2,533,613)	-
(138,987)	-	(138,987)	-
(32,529)	-	(32,529)	-
-	-	-	-
(176,555)	-	(176,555)	-
(348,071)	-	(348,071)	-
(6,331,887)	-	(6,331,887)	-
-	3,395	3,395	-
-	(2,304)	(2,304)	-
-	1,746	1,746	-
-	(4,066)	(4,066)	-
-	(1,229)	(1,229)	-
(6,331,887)	(1,229)	(6,333,116)	-
-	-	-	(29,173)
2,638,052	-	2,638,052	-
257,135	-	257,135	-
398,484	-	398,484	-
552,700	-	552,700	-
1,950,553	-	1,950,553	-
10,552	56	10,608	115
76,104	539	76,643	398
(19,398)	-	(19,398)	-
5,864,182	595	5,864,777	513
(467,705)	(634)	(468,339)	(28,660)
4,809,907	174,060	4,983,967	76,739
\$ 4,342,202	173,426	4,515,628	48,079

Manson Northwest Webster Community School District  
Manson, Iowa

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	Nonmajor	<u>Total</u>
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 997,529	373,095	363,649	1,734,273
Receivables:				
Property tax:				
Delinquent	17,720	1,795	701	20,216
Succeeding year	2,882,063	368,223	100,000	3,350,286
Accrued interest	-	-	14	14
Due from other governments	<u>1,449,126</u>	<u>215,783</u>	<u>-</u>	<u>1,664,909</u>
<b>Total assets</b>	<b><u>\$ 5,346,438</u></b>	<b><u>958,896</u></b>	<b><u>464,364</u></b>	<b><u>6,769,698</u></b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 158,429	16,795	445	175,669
Salaries and benefits payable	<u>658,852</u>	<u>-</u>	<u>-</u>	<u>658,852</u>
<b>Total liabilities</b>	<b><u>817,281</u></b>	<b><u>16,795</u></b>	<b><u>445</u></b>	<b><u>834,521</u></b>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,882,063	368,223	100,000	3,350,286
Income surtax	<u>321,145</u>	<u>-</u>	<u>-</u>	<u>321,145</u>
<b>Total deferred inflows of resources</b>	<b><u>3,203,208</u></b>	<b><u>368,223</u></b>	<b><u>100,000</u></b>	<b><u>3,671,431</u></b>
Fund balances:				
Restricted for:				
Categorical funding	87,937	-	-	87,937
Management levy purposes	-	-	215,968	215,968
Student activities	-	-	147,951	147,951
School infrastructure	-	389,284	-	389,284
Physical plant and equipment	-	184,594	-	184,594
Assigned	27,082	-	-	27,082
Unassigned	<u>1,210,930</u>	<u>-</u>	<u>-</u>	<u>1,210,930</u>
<b>Total fund balances</b>	<b><u>1,325,949</u></b>	<b><u>573,878</u></b>	<b><u>363,919</u></b>	<b><u>2,263,746</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b><u>\$ 5,346,438</u></b>	<b><u>958,896</u></b>	<b><u>464,364</u></b>	<b><u>6,769,698</u></b>

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, 2014

**Total fund balances of governmental funds (page 21)** \$ 2,263,746

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

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported as assets in the governmental funds. 3,378,204

Other long-term assets are not available to pay current year expenditures and,  
therefore, are recognized as deferred inflows of resources in the governmental  
funds. 321,145

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. (11,409)

Long-term liabilities, including bonds, compensated absences, termination benefits,  
lease obligations, and other postemployment benefits payable, are not due and  
payable in the current year and therefore, are not reported in the governmental  
funds. (1,609,484)

**Net position of governmental activities (page 18)** \$ 4,342,202

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, 2014

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 2,920,096	257,080	101,041	3,278,217
Tuition	2,035,335	-	-	2,035,335
Other	165,899	32,640	318,404	516,943
State sources	2,795,745	552,806	41	3,348,592
Federal sources	164,746	-	-	164,746
Total revenues	8,081,821	842,526	419,486	9,343,833
Expenditures:				
Current:				
Instruction:				
Regular	2,983,343	195,100	115,043	3,293,486
Special	1,868,652	-	-	1,868,652
Other	995,678	-	290,333	1,286,011
	5,847,673	195,100	405,376	6,448,149
Support services:				
Student	203,848	-	-	203,848
Instructional staff	205,081	66,321	-	271,402
Administration	740,402	25,716	-	766,118
Operation and maintenance of plant	579,816	-	108,718	688,534
Transportation	531,187	199,933	12,807	743,927
	2,260,334	291,970	121,525	2,673,829
Other expenditures:				
Facilities acquisition	-	386,635	-	386,635
Long-term debt:				
Principal	-	-	281,124	281,124
Interest and fiscal charges	-	-	32,016	32,016
AEA flowthrough	251,999	-	-	251,999
	251,999	386,635	313,140	951,774
Total expenditures	8,360,006	873,705	840,041	10,073,752
Deficiency of revenues under expenditures	(278,185)	(31,179)	(420,555)	(729,919)
Other financing sources (uses):				
Lease purchase obligation issued	-	339,863	-	339,863
Sale of assets	1,650	-	-	1,650
Proceeds from insurance claim	-	3,681	-	3,681
Operating transfers in	-	-	313,140	313,140
Operating transfers out	-	(313,140)	-	(313,140)
Total other financing sources (uses)	1,650	30,404	313,140	345,194
Change in fund balances	(276,535)	(775)	(107,415)	(384,725)
Fund balances beginning of year	1,602,484	574,653	471,334	2,648,471
Fund balances end of year	\$ 1,325,949	573,878	363,919	2,263,746

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, 2014

**Change in fund balances - total governmental funds (page 23)** \$ (384,725)

*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	\$ 590,226	
Depreciation expense	(496,155)	
Loss on sale of fixed assets	<u>(21,048)</u>	73,023

Certain delinquent property tax and income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 15,454

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	(339,863)	
Repaid	<u>293,352</u>	(46,511)

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. (513)

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	82,308	
Compensated absences	1,145	
Other postemployment benefits	<u>(207,886)</u>	<u>(124,433)</u>

**Change in net position of governmental activities (page 20)** \$ (467,705)

See notes to financial statements.

Manson Northwest Webster Community School District  
Manson, Iowa

Exhibit G

Statement of Net Position  
Proprietary Fund

June 30, 2014

	Nonmajor Enterprise <u>Funds</u>
<b>Assets</b>	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 125,933
Accounts receivable	30,445
Inventories	<u>1,545</u>
Total current assets	<u>157,923</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>75,836</u>
Total noncurrent assets	<u>75,836</u>
<b>Total assets</b>	<u><u>233,759</u></u>
<b>Liabilities</b>	
Current liabilities:	
Excess of warrants issued over bank balance	2,324
Accounts payable	30,805
Salaries and benefits payable	21,252
Unearned revenue	<u>5,952</u>
Total current liabilities	<u>60,333</u>
<b>Total liabilities</b>	<u>60,333</u>
<b>Net Position</b>	
Net investment in capital assets	75,836
Unrestricted	<u>97,590</u>
<b>Total net position</b>	<u><u>\$ 173,426</u></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, 2014

	Nonmajor Enterprise <u>Funds</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 596,950
Miscellaneous	<u>10,146</u>
Total operating revenues	<u>607,096</u>
 Operating expenses:	
Support services:	
Administration	2,166
Operation and maintenance of plant	<u>8,552</u>
	<u>10,718</u>
 Non-instructional programs:	
Salaries	132,606
Benefits	31,427
Supplies	590,511
Depreciation	<u>8,838</u>
	<u>763,382</u>
Total operating expenses	<u>774,100</u>
Operating loss	<u>(167,004)</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, 2014

	Nonmajor Enterprise Funds
Non-operating revenues:	
State sources	3,028
Federal sources	142,372
Interest income	<u>56</u>
Total non-operating revenues	<u>145,456</u>
Loss before capital asset contributions	(21,548)
Capital asset contributions	<u>20,914</u>
Decrease in net position	(634)
Net position beginning of year	<u>174,060</u>
Net position end of year	<u>\$ 173,426</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, 2014

	Nonmajor Enterprise <u>Funds</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 167,165
Cash received from other services	412,522
Cash paid to employees for services	(166,647)
Cash paid to suppliers for goods or services	<u>(354,282)</u>
Net cash provided by operating activities	<u>58,758</u>
Cash flows from non-capital financing activities:	
Interfund loans paid	(194,040)
State grants received	3,028
Federal grants received	124,643
Excess of warrants issued over bank balance	<u>2,324</u>
Net cash used by non-capital financing activities	<u>(64,045)</u>
Cash flows from investing activities:	
Interest on investments	<u>56</u>
Net decrease in cash and cash equivalents	(17,382)
Cash and cash equivalents beginning of year	<u>143,315</u>
Cash and cash equivalents end of year	<u><u>\$ 125,933</u></u>

Manson Northwest Webster Community School District  
Manson, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2014

	Nonmajor Enterprise <u>Funds</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (167,004)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Commodities used	17,729
Depreciation	8,838
Increase in accounts receivable	(27,909)
Decrease in inventories	198,420
Increase in accounts payable	30,798
Decrease in salaries and benefits payable	(2,614)
Increase in deferred revenue	<u>500</u>
Net cash provided by operating activities	<u>\$ 58,758</u>

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

During the year ended June 30, 2014, the District received \$17,729 of federal commodities.

During the year ended June 30, 2014, the District received \$20,914 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, 2014

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets</b>		
Cash, cash equivalents and pooled investments	\$ 37,637	1,851
Accrued interest receivable	<u>26</u>	<u>-</u>
<b>Total assets</b>	<u>37,663</u>	<u>1,851</u>
<b>Liabilities</b>		
Accounts payable	-	1,438
Other payables	<u>-</u>	<u>413</u>
<b>Total liabilities</b>	<u>-</u>	<u>1,851</u>
<b>Net position</b>		
Reserved for scholarships	<u>\$ 37,663</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, 2014

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 10,530
Interest income	<u>169</u>
Total additions	10,699
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>6,857</u>
Change in net position	3,842
Net position beginning of year	<u>33,821</u>
Net position end of year	<u><u>\$ 37,663</u></u>

See notes to financial statements.

Manson Northwest Webster Community School District  
Manson, Iowa

Notes to Financial Statements

June 30, 2014

**(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.

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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 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, deferred outflows of resources, liabilities and deferred inflows of resources, 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. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consist of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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.

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The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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

The District 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.

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

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

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

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

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depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities, Deferred Inflows of Resources 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.

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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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment 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

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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.

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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, 2014. 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.

Deferred Inflows of Resources – 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 inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

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Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances 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 are 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 the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amount budgeted in the non-instructional programs function.

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2014 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.

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At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$228,709 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.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 226,519
	Physical Plant and Equipment Levy	<u>86,621</u>
Total		\$ <u>313,140</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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Notes to Financial Statements

June 30, 2014

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year																									
<b>Governmental activities:</b>																													
Capital assets not being depreciated:																													
Land	\$ 10,000	---	---	10,000																									
Construction in progress	<u>23,351</u>	<u>166,489</u>	<u>(189,840)</u>	<u>---</u>																									
Total capital assets not being depreciated	<u>33,351</u>	<u>166,489</u>	<u>(189,840)</u>	<u>10,000</u>																									
Capital assets being depreciated:																													
Buildings	6,421,364	246,912	---	6,668,276																									
Improvements other than buildings	610,341	---	---	610,341																									
Furniture and equipment	<u>3,674,933</u>	<u>366,665</u>	<u>(153,222)</u>	<u>3,888,376</u>																									
Total capital assets being depreciated	<u>10,706,638</u>	<u>613,577</u>	<u>(153,222)</u>	<u>11,166,993</u>																									
Less accumulated depreciation for:																													
Buildings	4,416,211	128,987	---	4,545,198																									
Improvements other than buildings	405,748	13,085	---	418,833																									
Furniture and equipment	<u>2,612,849</u>	<u>354,083</u>	<u>(132,174)</u>	<u>2,834,758</u>																									
Total accumulated depreciation	<u>7,434,808</u>	<u>496,155</u>	<u>(132,174)</u>	<u>7,798,789</u>																									
Total capital assets being depreciated, net	<u>3,271,830</u>	<u>117,422</u>	<u>(21,048)</u>	<u>3,368,204</u>																									
Governmental activities capital assets, net	<u>\$ 3,305,181</u>	<u>283,911</u>	<u>(210,888)</u>	<u>3,378,204</u>																									
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 45%;"></th> <th style="text-align: right; border-bottom: 1px solid black;">Balance Beginning of Year</th> <th style="text-align: right; border-bottom: 1px solid black;">Increases</th> <th style="text-align: right; border-bottom: 1px solid black;">Decreases</th> <th style="text-align: right; border-bottom: 1px solid black;">Balance End of Year</th> </tr> </thead> <tbody> <tr> <td colspan="5"><b>Business type activities:</b></td> </tr> <tr> <td>Furniture and equipment</td> <td style="text-align: right;">\$ 300,078</td> <td style="text-align: right;">33,065</td> <td style="text-align: right;">---</td> <td style="text-align: right;">333,143</td> </tr> <tr> <td>Less accumulated depreciation</td> <td style="text-align: right;"><u>248,469</u></td> <td style="text-align: right;"><u>8,838</u></td> <td style="text-align: right;"><u>---</u></td> <td style="text-align: right;"><u>257,307</u></td> </tr> <tr> <td>Business type activities capital assets, net</td> <td style="text-align: right;"><u>\$ 51,609</u></td> <td style="text-align: right;"><u>24,227</u></td> <td style="text-align: right;"><u>---</u></td> <td style="text-align: right;"><u>75,836</u></td> </tr> </tbody> </table>						Balance Beginning of Year	Increases	Decreases	Balance End of Year	<b>Business type activities:</b>					Furniture and equipment	\$ 300,078	33,065	---	333,143	Less accumulated depreciation	<u>248,469</u>	<u>8,838</u>	<u>---</u>	<u>257,307</u>	Business type activities capital assets, net	<u>\$ 51,609</u>	<u>24,227</u>	<u>---</u>	<u>75,836</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year																									
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Less accumulated depreciation	<u>248,469</u>	<u>8,838</u>	<u>---</u>	<u>257,307</u>																									
Business type activities capital assets, net	<u>\$ 51,609</u>	<u>24,227</u>	<u>---</u>	<u>75,836</u>																									

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Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular	\$ 137,120	
Other	12,323	
Support services:		
Instructional staff	11,964	
Operation and maintenance of plant	4,038	
Transportation	<u>154,155</u>	
	319,600	
Unallocated	<u>176,555</u>	
		\$ <u>496,155</u>
Business type activities:		
Food service operations		\$ <u>8,838</u>

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$ 225,000	---	90,000	135,000	90,000
Bus lease purchase obligation	239,028	---	30,282	208,746	31,163
Propane bus purchase obligation	123,410	---	23,449	99,961	99,961
Bus lease purchase obligation	---	152,391	23,427	128,964	19,687
Student computer lease purchase obligation	14,163	---	14,163	---	---
Computer lease purchase obligation Google Chromebooks	136,534	---	66,615	69,919	63,962
Computer lease purchase obligation	---	157,329	51,428	105,901	52,168
Equipment lease purchase obligation	---	53,570	17,415	36,155	17,807
Compensated absences	3,926	2,781	3,926	2,781	2,781
Termination benefits	408,176	19,864	102,172	325,868	88,612
Net OPEB liability	<u>288,303</u>	<u>207,886</u>	<u>---</u>	<u>496,189</u>	<u>---</u>
Total	<u>\$ 1,438,540</u>	<u>593,821</u>	<u>422,877</u>	<u>1,609,484</u>	<u>466,141</u>

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June 30, 2014

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>Bond Issue of September 27, 2010</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 135,000</u>	<u>5,284</u>	<u>140,284</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 \$140,284. For the current year, \$97,912 of principal and interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$552,700.

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, 2014:

<u>Year ending June 30,</u>	<u>Amount</u>
2015	\$ 37,237
2016	<u>182,751</u>
Total minimum lease payments	219,988
Less amount representing interest	<u>(11,242)</u>
Net present value of minimum lease payments	\$ <u>208,746</u>

Payments made under the agreement totaled \$37,237 for the year ended June 30, 2014.

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, 2014:

<u>Year ending June 30,</u>	<u>Amount</u>
2015	\$102,000
Total minimum lease payments	102,000
Less amount representing interest	<u>(2,039)</u>
Net present value of minimum lease payments	\$ <u>99,961</u>

Payments under the agreement totaled \$29,111 for the year ended June 30, 2014.

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In August 2013, the District entered into a capital lease-purchase agreement with American Financial Network, Inc. to finance the purchase of two buses totaling \$152,391. The lease is financed for three years at an interest rate of 2.90%. 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, 2014:

<u>Year ending June 30,</u>	<u>Amount</u>
2015	\$ 23,427
2016	23,427
2017	<u>91,600</u>
Total minimum lease payments	138,454
Less amount representing interest	<u>(9,490)</u>
Net present value of minimum lease payments	\$ <u>128,964</u>

Payments under the agreement totaled \$23,427 for the year ended June 30, 2014.

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%. There are no future minimum payments.

Payments under the agreement totaled \$15,140 for the year ended June 30, 2014.

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, 2014:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 65,805
2016	<u>5,957</u>
Total minimum lease payments	71,762
Less amount representing interest	<u>(1,843)</u>
Net present value of minimum lease payments	\$ <u>69,919</u>

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Payments under the agreement totaled \$71,481 for the year ended June 30, 2014.

In August 2013, the District entered into a capital lease-purchase agreement with American Financial Network, Inc. to finance the purchase of computers for the one to one computer program totaling \$157,329. The lease is financed for three years at an interest rate of 2.98%. 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, 2014:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 54,751
2016	<u>54,750</u>
Total minimum lease payments	109,501
Less amount representing interest	<u>(3,600)</u>
Net present value of minimum lease payments	\$ <u>105,901</u>

Payments under the agreement totaled \$54,751 for the year ended June 30, 2014.

In August 2013, the District entered into a capital lease-purchase agreement with American Financial Network, Inc. to finance the purchase of A/C equipment totaling \$53,570. The lease is financed for three years at an interest rate of 3.00%. 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, 2014:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 18,648
2016	<u>18,648</u>
Total minimum lease payments	37,296
Less amount representing interest	<u>(1,141)</u>
Net present value of minimum lease payments	\$ <u>36,155</u>

Payments under the agreement totaled \$18,648 for the year ended June 30, 2014.

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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, 2014 the District has obligations to eighteen participants with a total liability of \$325,868. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$102,173.

**(6) 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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$371,381, \$360,490, and \$317,842, respectively, equal to the required contributions for each year.

Manson Northwest Webster Community School District  
Manson, Iowa

Notes to Financial Statements

June 30, 2014

(7) **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, 2014, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 309,801
Interest on net OPEB obligation	7,208
Adjustment to annual required contribution	<u>(23,759)</u>
Annual OPEB cost	293,250
Contributions made	<u>(85,364)</u>
Increase in net OPEB obligation	207,886
Net OPEB obligation beginning of year	<u>288,303</u>
Net OPEB obligation end of year	\$ <u>496,189</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, 2014.

Manson Northwest Webster Community School District  
Manson, Iowa

Notes to Financial Statements

June 30, 2014

For the year ended June 30, 2014, the District contributed \$85,364 to the medical plan. Plan members eligible for benefits contributed \$12,315, or 13% 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:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 38,716	29.1%	\$ 83,844
2013	287,052	28.8%	288,303
2014	293,250	29.1%	496,189

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1.751 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.751 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,327,000 and the ratio of the UAAL to covered payroll was 52.6%. As of June 30, 2014, 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.

Manson Northwest Webster Community School District  
Manson, Iowa

Notes to Financial Statements

June 30, 2014

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 \$514 per month for retirees less than age 65 and \$187 per month for retirees who have attained age 65. The UAAL is being amortized as a level dollar funding over 30 years.

**(8) Risk Management**

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$251,999 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) 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, 2014 was \$25,716. Future rentals are scheduled as follows:

Manson Northwest Webster Community School District

Manson, Iowa

Notes to Financial Statements

June 30, 2014

Year Ending <u>June 30,</u>	
2015	\$ 25,716
2016	25,716
2017	25,716
2018	<u>4,286</u>
Total	\$ <u>81,434</u>

**(11) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	\$ 32,379
Teacher leadership	7,345
Professional development – core curriculum	22,186
Professional development	<u>26,027</u>
Total	\$ <u>87,937</u>

**(12) Deficit Fund Balance**

The Enterprise, Before and After School Fund had a deficit fund balance of \$3,415 at June 30, 2014. The deficit will be eliminated with revenue received in the next year. The deficit in the Enterprise, Before and After School Fund was due to expenditures being incurred before the receipts were available to pay for them.

**(13) Subsequent Events**

Subsequent events have been evaluated through March 27, 2015 which is the date the financial statements were available to be issued.

On September 18, 2014 the Board approved a three year lease agreement for two propane powered school buses with annual payments of \$31,873.

Manson Northwest Webster Community School District

Manson, Iowa

Notes to Financial Statements

June 30, 2014

**(14) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

**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, 2014

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 5,830,495	607,152
State sources	3,348,592	3,028
Federal sources	<u>164,746</u>	<u>142,372</u>
Total revenues	<u>9,343,833</u>	<u>752,552</u>
Expenditures/Expenses:		
Instruction	6,448,149	-
Support services	2,673,829	10,718
Non-instructional programs	-	763,382
Other expenditures	<u>951,774</u>	<u>-</u>
Total expenditures/expenses	<u>10,073,752</u>	<u>774,100</u>
Deficiency of revenues under expenditures/expenses	(729,919)	(21,548)
Other financing sources, net	<u>345,194</u>	<u>20,914</u>
Deficiency of revenues and other financing sources under expenditures/expenses and other financing uses	(384,725)	(634)
Balances beginning of year	<u>2,648,471</u>	<u>174,060</u>
Balances end of year	<u>\$ 2,263,746</u>	<u>173,426</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>	
6,437,647	6,490,074	6,490,074	(52,427)
3,351,620	2,837,038	2,837,038	514,582
307,118	385,000	385,000	(77,882)
<u>10,096,385</u>	<u>9,712,112</u>	<u>9,712,112</u>	<u>384,273</u>
6,448,149	6,675,000	6,675,000	226,851
2,684,547	2,530,000	3,000,000	315,453
763,382	517,500	700,000	(63,382)
951,774	1,010,372	1,010,372	58,598
<u>10,847,852</u>	<u>10,732,872</u>	<u>11,385,372</u>	<u>537,520</u>
(751,467)	(1,020,760)	(1,673,260)	921,793
<u>366,108</u>	<u>348,691</u>	<u>348,691</u>	<u>17,417</u>
(385,359)	(672,069)	(1,324,569)	939,210
<u>2,822,531</u>	<u>3,316,331</u>	<u>3,316,331</u>	<u>(493,800)</u>
<u>2,437,172</u>	<u>2,644,262</u>	<u>1,991,762</u>	<u>445,410</u>

Manson Northwest Webster Community School District  
Manson, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2014

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 \$652,500.

During the year ended June 30, 2014, expenditures in the non-instructional programs 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%
2014	Jul 1, 2012	-	1,751,336	1,751,336	0.0%	3,327,000	52.6%

See Note 7 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, 2014

	<u>Discrete Component Units</u>		
	Cougar <u>Club</u>	Manson Area Community <u>Center</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 42,538	5,541	48,079
<b>Total assets</b>	<u>42,538</u>	<u>5,541</u>	<u>48,079</u>
<b>Liabilities</b>			
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>			
Unrestricted	42,538	5,541	48,079
<b>Total net position</b>	<u>\$ 42,538</u>	<u>5,541</u>	<u>48,079</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, 2014

	Discrete Component Units		
	Cougar Club	Manson Area Community Center	Total
Revenues:			
Interest	\$ 115	-	115
Donations	300	18,600	18,900
Rental	-	200	200
Memberships	-	81,985	81,985
Fees	-	4,189	4,189
Programs	-	18,887	18,887
Fundraisers	56,768	-	56,768
Other	104	1,132	1,236
Total revenues	<u>57,287</u>	<u>124,993</u>	<u>182,280</u>
Expenses:			
Athletics	2,163	-	2,163
Payroll	-	52,224	52,224
Scholarships	2,100	-	2,100
Programs	3,831	8,896	12,727
Equipment	-	13,046	13,046
Repairs and maintenance	-	9,812	9,812
Office	-	2,369	2,369
Supplies	41,443	2,967	44,410
Insurance	-	4,989	4,989
Bank charges	-	1,052	1,052
Utilities	-	1,988	1,988
Loan payments	-	44,046	44,046
Other	10,500	9,514	20,014
Total expenses	<u>60,037</u>	<u>150,903</u>	<u>210,940</u>
Change in net position	(2,750)	(25,910)	(28,660)
Net position beginning of year	<u>45,288</u>	<u>31,451</u>	<u>76,739</u>
Net position end of year	<u>\$ 42,538</u>	<u>5,541</u>	<u>48,079</u>

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, 2014

	<u>Special Revenue</u>		
	Manage- ment <u>Levy</u>	Student <u>Activity</u>	<u>Total</u>
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 215,394	148,255	363,649
Receivables:			
Property tax:			
Delinquent	701	-	701
Succeeding year	100,000	-	100,000
Accrued interest	-	14	14
<b>Total assets</b>	<u>\$ 316,095</u>	<u>148,269</u>	<u>464,364</u>
 <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 127	318	445
Total liabilities	<u>127</u>	<u>318</u>	<u>445</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Fund balances:			
Restricted for:			
Management levy purposes	215,968	-	215,968
Student activities	<u>-</u>	<u>147,951</u>	<u>147,951</u>
Total fund balances	<u>215,968</u>	<u>147,951</u>	<u>363,919</u>
<b>Total liabilities, deferred inflows of     resources and fund balances</b>	<u>\$ 316,095</u>	<u>148,269</u>	<u>464,364</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, 2014

	<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	\$ 101,041	-	-	101,041
Other	29,140	289,264	-	318,404
State sources	41	-	-	41
Total revenues	<u>130,222</u>	<u>289,264</u>	<u>-</u>	<u>419,486</u>
Expenditures:				
Current:				
Instruction:				
Regular	115,043	-	-	115,043
Other	-	290,333	-	290,333
Support services:				
Operation and maintenance of plant	108,718	-	-	108,718
Transportation	12,807	-	-	12,807
Other expenditures:				
Long-term debt:				
Principal	-	-	281,124	281,124
Interest and fiscal charges	-	-	32,016	32,016
Total expenditures	<u>236,568</u>	<u>290,333</u>	<u>313,140</u>	<u>840,041</u>
Deficiency of revenues under expenditures	<u>(106,346)</u>	<u>(1,069)</u>	<u>(313,140)</u>	<u>(420,555)</u>
Other financing sources:				
Operating transfers in	<u>-</u>	<u>-</u>	<u>313,140</u>	<u>313,140</u>
Deficiency of revenues and other financing sources under expenditures	(106,346)	(1,069)	-	(107,415)
Fund balances beginning of year	<u>322,314</u>	<u>149,020</u>	<u>-</u>	<u>471,334</u>
Fund balances end of year	<u>\$ 215,968</u>	<u>147,951</u>	<u>-</u>	<u>363,919</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, 2014

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Speech	\$ 3,040	3,941	5,100	-	1,881
Drama Club	878	-	520	-	358
Fine Arts	747	-	67	1	681
Musical	2,226	4,911	3,882	-	3,255
Band trips	3,573	4,414	4,179	1	3,809
Boys Basketball	6,401	20,747	19,875	1	7,274
Girls Basketball	2,282	26,177	21,856	1	6,604
Activity tickets	307	9,046	5,162	(3,750)	441
Cross Country	267	1,121	1,774	700	314
Golf	962	13	220	1	756
Volleyball	489	14,678	14,517	500	1,150
Football	1,430	9,984	10,170	-	1,244
Football Fund Raiser	4,115	6,399	8,834	-	1,680
Baseball	53	7,616	8,886	1,500	283
Track	654	20,300	15,284	1	5,671
Wrestling	3,218	11,866	14,236	-	848
Softball	994	7,434	9,026	1,000	402
MS/ES Annual	648	1,690	1,598	-	740
National Honor Society	-	2,132	2,088	1	45
French Club	361	294	445	-	210
Student Council	991	2,208	2,681	1	519
Elementary projects	10,119	9,578	11,566	1	8,132
Student programs	1,386	510	997	-	899
Library Club	-	5,774	5,721	-	53
Electrathon	3,367	4,242	5,804	-	1,805
Junior Class	2,604	9,095	7,697	-	4,002
Senior Class	1,499	-	-	-	1,499
High School Annual	10,262	7,360	7,650	1	9,973
HS Music Department Fund Raiser	27,892	7,083	6,978	4	28,001
Drill Team	3,546	14,262	11,847	-	5,961
Cheerleaders - Basketball	1,423	1,783	1,653	-	1,553
Cheerleaders - Football	3,557	7,511	9,953	-	1,115
Cheerleaders - Wrestling	1,510	2,030	2,106	1	1,435
Pop	186	3,315	3,550	50	1
Needy Donations	2,921	-	105	-	2,816
FFA	38,476	43,036	47,457	5	34,060

(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, 2014

<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)	-	15	-	(15)	-
Athletic Calendar	2,767	248	1,020	-	1,995
Interest - ISJIT	-	6	-	(6)	-
After Prom	537	8,071	6,966	-	1,642
Math & Science Club	-	132	22	-	110
Scholarship	-	728	-	-	728
FCCLA	1,800	9,226	8,142	1	2,885
FCA	1,532	288	699	-	1,121
Total	<u>\$ 149,020</u>	<u>289,264</u>	<u>290,333</u>	<u>-</u>	<u>147,951</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, 2014

	<u>Capital Projects</u>		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 190,296	182,799	373,095
Receivables:			
Property tax:			
Delinquent	-	1,795	1,795
Succeeding year	-	368,223	368,223
Due from other governments	<u>215,783</u>	<u>-</u>	<u>215,783</u>
<b>Total assets</b>	<b><u>\$ 406,079</u></b>	<b><u>552,817</u></b>	<b><u>958,896</u></b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	<u>\$ 16,795</u>	<u>-</u>	<u>16,795</u>
Total liabilities	<u>16,795</u>	<u>-</u>	<u>16,795</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>-</u>	<u>368,223</u>	<u>368,223</u>
Fund balances:			
Restricted for:			
School infrastructure	389,284	-	389,284
Physical plant and equipment	<u>-</u>	<u>184,594</u>	<u>184,594</u>
Total fund balances	<u>389,284</u>	<u>184,594</u>	<u>573,878</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b><u>\$ 406,079</u></b>	<b><u>552,817</u></b>	<b><u>958,896</u></b>

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, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	257,080	257,080
Other	30,108	2,532	32,640
State sources	552,700	106	552,806
Total revenues	<u>582,808</u>	<u>259,718</u>	<u>842,526</u>
Expenditures:			
Instruction:			
Regular	193,164	1,936	195,100
Support services:			
Instructional staff	-	66,321	66,321
Administration	25,716	-	25,716
Transportation	199,933	-	199,933
Other expenditures:			
Facilities acquisition	366,265	20,370	386,635
Total expenditures	<u>785,078</u>	<u>88,627</u>	<u>873,705</u>
Excess (deficiency) of revenues under (under) expenditures	<u>(202,270)</u>	<u>171,091</u>	<u>(31,179)</u>
Other financing sources (uses):			
Proceeds from insurance claim	3,681	-	3,681
Lease purchase obligations issued	339,863	-	339,863
Operating transfers out	(226,519)	(86,621)	(313,140)
Total other financing sources (uses)	<u>117,025</u>	<u>(86,621)</u>	<u>30,404</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(85,245)</u>	<u>84,470</u>	<u>(775)</u>
Fund balances beginning of year	474,529	100,124	574,653
Fund balances end of year	<u>\$ 389,284</u>	<u>184,594</u>	<u>573,878</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, 2014

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Preschool</u>	<u>Before &amp; After School</u>	<u>Total</u>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 44,830	72,868	8,235	-	125,933
Accounts receivable	2,303	28,142	-	-	30,445
Inventories	1,545	-	-	-	1,545
<b>Total current assets</b>	<u>48,678</u>	<u>101,010</u>	<u>8,235</u>	<u>-</u>	<u>157,923</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	<u>75,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,836</u>
<b>Total noncurrent assets</b>	<u>75,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,836</u>
<b>Total assets</b>	<u>124,514</u>	<u>101,010</u>	<u>8,235</u>	<u>-</u>	<u>233,759</u>
<b>Liabilities</b>					
Current liabilities:					
Excess of warrants issued over bank balance	-	-	-	2,324	2,324
Accounts payable	701	30,104	-	-	30,805
Salaries and benefits payable	20,161	-	-	1,091	21,252
Unearned revenue	5,952	-	-	-	5,952
<b>Total current liabilities</b>	<u>26,814</u>	<u>30,104</u>	<u>-</u>	<u>3,415</u>	<u>60,333</u>
<b>Total liabilities</b>	<u>26,814</u>	<u>30,104</u>	<u>-</u>	<u>3,415</u>	<u>60,333</u>
<b>Net Position</b>					
Investment in capital assets	75,836	-	-	-	75,836
Unrestricted	21,864	70,906	8,235	(3,415)	97,590
<b>Total net position</b>	<u>\$ 97,700</u>	<u>70,906</u>	<u>8,235</u>	<u>(3,415)</u>	<u>173,426</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, 2014

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Preschool</u>	<u>Before &amp; After School</u>	<u>Total</u>
Operating revenues:					
Local sources:					
Charges for service	\$ 166,432	416,063	2,853	11,602	596,950
Miscellaneous	<u>10,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,146</u>
Total operating revenues	<u>176,578</u>	<u>416,063</u>	<u>2,853</u>	<u>11,602</u>	<u>607,096</u>
Operating expenses:					
Support services:					
Administration	1,690	-	-	476	2,166
Operation and maintenance of plant	<u>7,819</u>	<u>129</u>	<u>604</u>	<u>-</u>	<u>8,552</u>
	<u>9,509</u>	<u>129</u>	<u>604</u>	<u>476</u>	<u>10,718</u>
Non-instructional programs:					
Salaries	120,724	-	-	11,882	132,606
Benefits	29,767	-	-	1,660	31,427
Supplies	170,120	418,238	503	1,650	590,511
Depreciation	<u>8,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,838</u>
	<u>329,449</u>	<u>418,238</u>	<u>503</u>	<u>15,192</u>	<u>763,382</u>
Total operating expenses	<u>338,958</u>	<u>418,367</u>	<u>1,107</u>	<u>15,668</u>	<u>774,100</u>
Operating income (loss)	<u>(162,380)</u>	<u>(2,304)</u>	<u>1,746</u>	<u>(4,066)</u>	<u>(167,004)</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, 2014

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Preschool</u>	<u>Before &amp; After School</u>	<u>Total</u>
Non-operating revenues:					
State sources	3,028	-	-	-	3,028
Federal sources	142,372	-	-	-	142,372
Interest income	<u>11</u>	<u>9</u>	<u>35</u>	<u>1</u>	<u>56</u>
Total non-operating revenues	<u>145,411</u>	<u>9</u>	<u>35</u>	<u>1</u>	<u>145,456</u>
Income (loss) before capital asset contributions	<u>(16,969)</u>	<u>(2,295)</u>	<u>1,781</u>	<u>(4,065)</u>	<u>(21,548)</u>
Capital asset contributions	<u>20,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,914</u>
Increase (decrease) in net position	3,945	(2,295)	1,781	(4,065)	(634)
Net position beginning of year	<u>93,755</u>	<u>73,201</u>	<u>6,454</u>	<u>650</u>	<u>174,060</u>
Net position end of year	<u><u>\$ 97,700</u></u>	<u><u>70,906</u></u>	<u><u>8,235</u></u>	<u><u>(3,415)</u></u>	<u><u>173,426</u></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, 2014

	<u>School Nutrition</u>	<u>Building Trades</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 167,165	-
Cash received from other services	10,146	387,921
Cash paid to employees for services	(153,234)	-
Cash paid to suppliers for goods or services	<u>(156,826)</u>	<u>(194,223)</u>
Net cash provided by (used by) operating activities	<u>(132,749)</u>	<u>193,698</u>
Cash flows from non-capital financing activities:		
Interfund loans paid	-	(194,040)
State grants received	3,028	-
Federal grants received	124,643	-
Excess of warrants issued over bank balance	<u>-</u>	<u>-</u>
Net cash provided by (used by) non-capital financing activities	<u>127,671</u>	<u>(194,040)</u>
Cash flows (used by) capital and related financing activities:		
Acquisition of capital assets	<u>(12,151)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>11</u>	<u>9</u>
Net increase (decrease) in cash and cash equivalents	(17,218)	(333)
Cash and cash equivalents beginning of year	<u>62,048</u>	<u>73,201</u>
Cash and cash equivalents end of year	<u>\$ 44,830</u>	<u>72,868</u>

Schedule 8

<u>Preschool</u>	<u>Before &amp; After School</u>	<u>Total</u>
-	-	167,165
2,853	11,602	412,522
-	(13,413)	(166,647)
<u>(1,107)</u>	<u>(2,126)</u>	<u>(354,282)</u>
<u>1,746</u>	<u>(3,937)</u>	<u>58,758</u>
-	-	(194,040)
-	-	3,028
-	-	124,643
<u>-</u>	<u>2,324</u>	<u>2,324</u>
<u>-</u>	<u>2,324</u>	<u>(64,045)</u>
<u>-</u>	<u>-</u>	<u>(12,151)</u>
<u>35</u>	<u>1</u>	<u>56</u>
1,781	(1,612)	(17,382)
<u>6,454</u>	<u>1,612</u>	<u>143,315</u>
<u>8,235</u>	<u>-</u>	<u>125,933</u>

(continued)

Manson Northwest Webster Community School District  
Manson, Iowa

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2014

	<u>School Nutrition</u>	<u>Building Trades</u>
<b>Reconciliation of operating loss to net cash provided by ( used by) operating activities:</b>		
Operating income (loss)	\$ (162,380)	(2,304)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Commodities used	17,729	-
Depreciation	8,838	-
(Increase) decrease in accounts receivable	233	(28,142)
(Increase) decrease in inventories	4,380	194,040
Increase (decrease) in accounts payable	694	30,104
Increase (decrease) in salaries and benefits payable	(2,743)	-
Increase (decrease) in deferred revenue	500	-
Net cash provided by (used by) operating activities	<u>\$ (132,749)</u>	<u>193,698</u>

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

During the year ended June 30, 2014, the District received \$17,729 of federal commodities.

During the year ended June 30, 2014, the District received \$20,914 in capital asset contributions from the Capital Projects Fund.

See accompanying independent auditor's report.

Schedule 8

<u>Preschool</u>	<u>Before &amp; After School</u>	<u>Total</u>
1,746	(4,066)	(167,004)
-	-	17,729
-	-	8,838
-	-	(27,909)
-	-	198,420
-	-	30,798
-	129	(2,614)
-	-	500
<u>1,746</u>	<u>(3,937)</u>	<u>58,758</u>

Manson Northwest Webster Community School District  
Manson, Iowa

Schedule 9

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

June 30, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>Assets</b>				
Cash	\$ 1,850	1	-	1,851
<b>Total assets</b>	<u>\$ 1,850</u>	<u>1</u>	<u>-</u>	<u>1,851</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,313	-	-	1,313
Other payables	537	1	-	538
<b>Total liabilities</b>	<u>\$ 1,850</u>	<u>1</u>	<u>-</u>	<u>1,851</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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Local sources:				
Local tax	\$ 3,278,217	3,882,630	4,009,736	4,335,796
Tuition	2,035,335	2,266,382	2,326,940	2,352,326
Other	516,943	511,946	641,268	544,429
Intermediate sources	-	-	-	6,253
State sources	3,348,592	2,718,189	2,766,713	2,769,324
Federal sources	164,746	218,988	311,865	596,293
Total	<u>\$ 9,343,833</u>	<u>9,598,135</u>	<u>10,056,522</u>	<u>10,604,421</u>
Expenditures:				
Instruction:				
Regular	\$ 3,293,486	3,520,222	3,014,969	3,113,179
Special	1,868,652	2,073,167	2,213,079	2,329,164
Other	1,286,011	1,179,375	1,260,918	1,176,083
Support services:				
Student	203,848	182,151	181,239	155,835
Instructional staff	271,402	363,960	352,676	304,047
Administration	766,118	839,952	734,237	667,057
Operation and maintenance of plant	688,534	649,952	634,875	588,691
Transportation	743,927	849,471	782,992	635,898
Other expenditures:				
Facilities acquisition	386,635	337,685	276,564	202,187
Long-term debt:				
Principal	281,124	249,053	249,688	117,793
Interest and other charges	32,016	30,611	41,396	10,700
AEA flowthrough	251,999	239,845	237,865	267,594
Total	<u>\$ 10,073,752</u>	<u>10,515,444</u>	<u>9,980,498</u>	<u>9,568,228</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
3,450,954	3,290,767	3,303,096	3,275,151	3,009,443	3,135,191
2,460,945	2,153,354	2,464,838	2,066,799	2,002,115	2,067,391
604,305	750,174	667,285	673,268	674,446	340,438
912	16,000	-	1,719	-	-
2,592,688	3,168,603	3,175,047	3,137,829	3,142,982	2,947,727
452,808	294,504	269,249	277,424	263,798	271,081
<u>9,562,612</u>	<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>
2,883,346	2,907,323	2,814,761	2,715,371	2,511,600	2,743,797
2,403,635	2,616,856	2,615,413	2,430,187	2,154,706	2,577,072
1,209,416	1,260,181	1,157,876	1,018,830	998,887	952,620
160,090	148,534	125,419	166,276	117,930	190,958
450,972	342,107	338,412	344,349	297,558	299,815
673,009	729,775	632,338	582,203	732,644	625,565
640,421	702,243	628,542	672,072	637,365	607,736
885,240	741,210	672,942	589,246	384,189	398,063
361,394	316,200	654,743	224,787	386,905	354,722
100,442	86,163	44,225	-	-	-
6,966	16,788	938	-	-	-
267,593	245,093	241,512	234,607	232,421	229,967
<u>10,042,524</u>	<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>

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

## Certified Public Accountants

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

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

We have audited 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, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 27, 2015. Our report expressed unmodified opinions on the financial statements except for a disclaimer of 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 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-14 and I-B-14 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, 2014 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 the 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 applied 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 27, 2015

Manson Northwest Webster Community School District  
Manson, Iowa

Schedule of Findings

Year ended June 30, 2014

**Part I: Findings Related to the Financial Statements:**

**Internal Control Deficiencies:**

I-A-14 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-14 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, 2014

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, 2014

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014, exceeded the certified budget amounts in the non-instructional programs 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-14 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-14 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-14 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-14 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-14 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-14 Certified Enrollment - The number of students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2013 was overstated. The District included two students that did not reside in the District.

Manson Northwest Webster Community School District  
Manson, Iowa

Schedule of Findings

Year ended June 30, 2014

Recommendation – The District should develop procedures to ensure accurate counts are taken and accurate enrollment data is certified to the Iowa Department of Education.

Response – In the future, the school will review student counts to ensure all students attending the District are properly included in the enrollment data certified to the Iowa Department of Education.

Conclusion – Response accepted.

II-H-14 Supplementary Weighting – The number of students reported 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-14 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-14 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-14 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.

Manson Northwest Webster Community School District  
Manson, Iowa

Schedule of Findings

Year ended June 30, 2014

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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 474,529
Revenues/transfers in:		
Sales tax revenues	\$ 552,700	
Other local revenues	33,789	
Sale of long-term debt	<u>339,863</u>	<u>926,352</u>
		1,400,881
Expenditures/transfers out:		
School infrastructure construction	13,177	
Equipment	410,872	
Other	361,029	
Transfers to other funds:		
Debt service	<u>226,519</u>	<u>1,011,597</u>
Ending balance		\$ <u>389,284</u>

For the year ended June 30, 2014, 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-14 Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.

II-N-14 Deficit Balances – The Enterprise, Before and After School Fund had a deficit balance at June 30, 2014.

Recommendation – The District should continue to investigate alternatives to eliminate the deficit in order to return the fund to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate the deficit in the Before and After School Fund at the end of the fiscal year.

Conclusion – Response accepted.