

**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, 2015

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Manson Northwest Webster Community School District
Manson, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Duane Paterson	President	2015
Dan DeWall	Vice President	2015
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	2015
Erin Schroeder	District Secretary	2015
Diane Davis	Business Manager/District Treasurer	2015
Dodie Wood	Business Manager/District Treasurer	2015
Gruhn Law Firm	Attorney	Indefinite

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Certified Public Accountants

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Independent Auditor's Report

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

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, 2015, 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. Except as explained in the Basis for Disclaimer of Opinion paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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's or Manson Area Community Center, Inc.'s financial statements as part of our audit of the Manson Northwest Webster Community School District's basic financial statements. The Cougar Club's and Manson Area Community Center, Inc.'s financial activities are included in the District's basic financial statements as discretely presented component units.

Disclaimer of Opinion on Discretely Presented Component Units

Because the Cougar Club's 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, 2015.

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, 2015, 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, Manson Northwest Webster Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 18 and 64 through 72 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 five years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the four years ended June 30, 2009 (which are not presented herein) were audited by other auditors who expressed unmodified 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 8, 2016 on our consideration of Manson Northwest Webster Community School District's internal control over financial reporting and on 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 8, 2016

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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,081,821 in fiscal year 2014 to \$8,392,377 in fiscal year 2015, while General Fund expenditures decreased from \$8,360,006 in fiscal year 2014 to \$8,283,268 in fiscal year 2015. The District's General Fund balance increased from \$1,325,949 at the end of fiscal year 2014 to \$1,436,258 at the end of fiscal year 2015, an 8% increase.
- The fiscal year 2015 General Fund revenue increase was attributable to increases in local tax and state grant revenue. The decrease in expenditures was due primarily to a decrease in instructional costs. As a result, current year revenues were enough to fund current year expenditures.

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 financial statements provide 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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

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

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

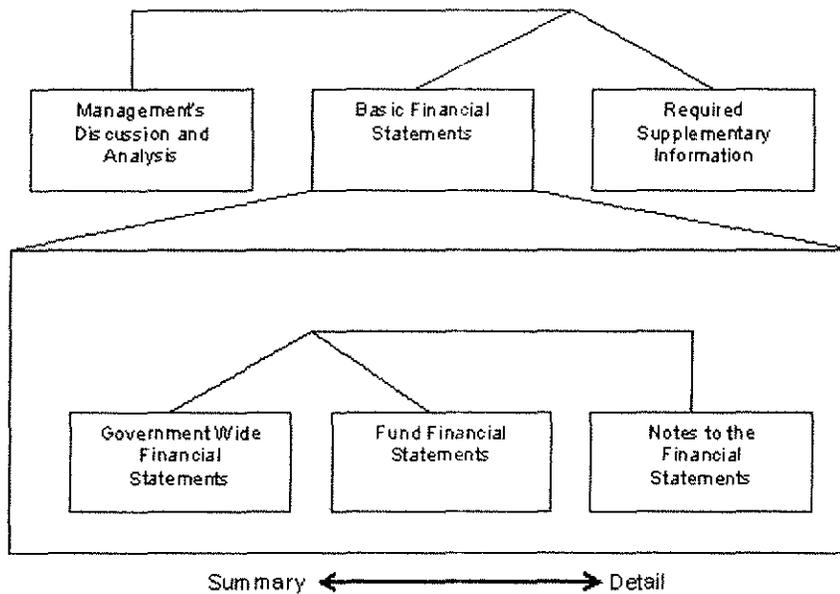


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/ inflow information	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
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 three 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.
- *Component units:* This includes the activities of the Cougar Club and the Manson Area Community Center, Inc. The District receives significant financial benefits from these component units although they are legally separate entities.

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 governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-2015
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Current and other assets	\$ 7,325	6,770	201	157	7,526	6,927	8.6%
Capital assets	<u>3,859</u>	<u>3,378</u>	<u>67</u>	<u>76</u>	<u>3,926</u>	<u>3,454</u>	<u>13.7%</u>
Total assets	<u>11,184</u>	<u>10,148</u>	<u>268</u>	<u>233</u>	<u>11,452</u>	<u>10,381</u>	<u>10.3%</u>
Deferred outflows of resources	<u>516</u>	---	<u>15</u>	---	<u>531</u>	---	<u>100.0%</u>
Long-term liabilities	4,826	1,610	69	---	4,895	1,610	204.0%
Other liabilities	<u>1,080</u>	<u>846</u>	<u>90</u>	<u>60</u>	<u>1,170</u>	<u>906</u>	<u>29.1%</u>
Total liabilities	<u>5,906</u>	<u>2,456</u>	<u>159</u>	<u>60</u>	<u>6,065</u>	<u>2,516</u>	<u>141.1%</u>
Deferred inflows of resources	<u>4,516</u>	<u>3,350</u>	<u>29</u>	---	<u>4,545</u>	<u>3,350</u>	<u>35.7%</u>
Net position:							
Net investment in capital assets	2,513	2,593	67	76	2,580	2,669	-3.3%
Restricted	988	810	---	---	988	810	22.0%
Unrestricted	<u>(2,223)</u>	<u>939</u>	<u>28</u>	<u>97</u>	<u>(2,195)</u>	<u>1,036</u>	<u>-311.9%</u>
Total net position	<u>\$1,278</u>	<u>4,342</u>	<u>95</u>	<u>173</u>	<u>1,373</u>	<u>4,515</u>	<u>-69.6%</u>

The District's total net position decreased 69.6%, or approximately \$3,142,000 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 \$178,000 or 22% over the prior year. The increase was primarily a result of an increase in unspent physical plant and equipment levy 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 \$3,231,000 or 311.9%. This reduction in unrestricted net position was primarily a result of the District’s net pension liability and net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$3,178,187 and \$89,988, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

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

	Governmental Activities		Business Type Activities		Total District		Total Change 2014-2015
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 2,095	2,464	683	606	2,778	3,070	-9.5%
Operating grants, contributions and restricted interest	1,063	1,015	151	145	1,214	1,160	4.7%
Capital grants, contributions and restricted interest	25	---	---	21	25	21	19.0%
General revenues:							
Property tax	3,356	2,895	---	---	3,356	2,895	15.9%
Statewide sales, services and use tax	629	553	---	---	629	553	13.7%
Income surtax	378	398	---	---	378	398	-5.0%
Unrestricted state grants	2,309	1,950	---	---	2,309	1,950	18.4%
Unrestricted investment earnings	11	11	---	---	11	11	0.0%
Other	27	76	1	1	28	77	-63.6%
Gain (loss) on disposal of capital assets	4	(19)	---	---	4	(19)	121.1%
Total revenues	9,897	9,343	835	773	10,732	10,116	-6.1%
Program expenses:							
Instruction	6,146	6,516	---	---	6,146	6,516	-5.7%
Support services	2,759	2,668	---	---	2,759	2,668	3.4%
Non-instructional programs	---	---	823	774	823	774	6.3%
Other expenses	878	627	---	---	878	627	40.0%
Total expenses	9,783	9,811	823	774	10,606	10,585	0.2%
Change in net position	114	(468)	12	(1)	126	(469)	126.9%
Net position beginning of year, as restated	1,164	4,810	83	174	1,247	4,984	-75.0%
Net position end of year	\$ 1,278	4,342	95	173	1,373	4,515	-69.6%

In fiscal 2015, property tax and unrestricted state grants account for 57.2% of governmental activities revenue while charges for service and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were approximately \$11 million, of which approximately \$10 million was for governmental activities and \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.1% increase in revenues and a 0.4% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$9,897,350 and expenses were \$9,783,765 for the year ended June 30, 2015.

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, 2015 compared to the year ended June 30, 2014.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-2015	2015	2014 (Not restated)	Change 2014-2015
Instruction	\$ 6,146	6,516	-5.7%	3,324	3,450	-3.7%
Support services	2,759	2,668	3.4%	2,700	2,534	6.6%
Non-instructional programs	---	---	0.0%	---	---	0.0%
Other expenses	878	627	40.0%	576	348	65.5%
Total	\$ 9,783	9,811	-0.3%	6,600	6,332	4.2%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$2,095,189.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,088,336.
- The net cost of governmental activities was financed with \$4,363,516 in property and other taxes and \$2,309,013 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$835,077, representing an 8.0% increase from the prior year, while expenses totaled \$823,607, a 6.4% 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.

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 \$2,429,225, above last year's ending fund balances of \$2,263,746.

Governmental Fund Highlights

- The General Fund balance increased from \$1,325,949 to \$1,436,258 due, in part, to the increase in revenues.
- The Capital Projects Fund balance increased from \$573,878 in fiscal 2014 to \$681,578 in fiscal 2015.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$7,712 at June 30, 2014 to \$8,365 at June 30, 2015, representing an increase of approximately 8.5%. 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 \$580,684 more than total budgeted revenues, a variance of 5.1%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures with enough margin to allow some flexibility for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should typically exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and non-instructional programs functional areas 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, 2015, the District had invested approximately \$3.9 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 13.7% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$553,859.

The original cost of the District's capital assets was approximately \$12.4 million. Governmental funds account for approximately \$12.1 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 Change June 30, 2014-2015
	Activities		Activities		District		
	June 30, 2015	2014	June 30, 2015	2014	June 30, 2015	2014	
Land	\$ 10	10	---	---	10	10	0.0%
Construction in progress	37	---	---	---	37	---	100.0%
Buildings	2,604	2,123	---	---	2,604	2,123	22.7%
Improvements other than buildings	178	191	---	---	178	191	-6.8%
Furniture and equipment	<u>1,030</u>	<u>1,054</u>	<u>67</u>	<u>76</u>	<u>1,097</u>	<u>1,130</u>	<u>-2.9%</u>
Total	<u>\$3,859</u>	<u>3,378</u>	<u>67</u>	<u>76</u>	<u>3,926</u>	<u>3,454</u>	<u>13.7%</u>

Long-Term Debt

At June 30, 2015, the District had \$1,651,624 in total long-term debt outstanding. This represents an increase of approximately 48.4% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total District		Total Change
	June 30,		June 30,
	2015	2014	2014-2015
Sales tax revenue bonds	\$ 832	135	516.3%
Bus lease purchase obligation	443	437	1.4%
Computer lease purchase obligation	54	176	-69.3%
Equipment lease purchase obligation	18	36	-50.0%
Compensated absences	2	3	-33.3%
Termination benefits	<u>303</u>	<u>326</u>	<u>-7.1%</u>
Total	<u>\$1,652</u>	<u>1,113</u>	<u>48.4%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

1. The District's enrollment appears to be rebounding from a loss of students the prior year. The certified count was 644, up 11 students. A number of move-ins over the course of the year have provided optimism that we will continue an upward course. This increase combined with a slight increase in supplemental aid per student has removed MNW from the budget guarantee. Large class sizes have begun to appear at several grade levels. However, the small increases in supplemental state aid have made it difficult to increase staff accordingly.
2. The combination of SAVE and PPEL funds continue to afford the District numerous facility improvements. The major of the coming summer will be the addition of air conditioning to all classrooms. On the activities side, the running track's surface must be replaced. The FCS room will also be undergoing a complete remodel. It appears that the District's funds will be sufficient for the necessary improvements.

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, 2015

	Primary Government			Component
	Governmental	Business Type	Total	Units
	Activities	Activities		Total
				Discrete
Assets				
Cash, cash equivalents and pooled investments	\$ 2,237,346	140,841	2,378,187	89,609
Receivables:				
Property tax:				
Delinquent	21,892	-	21,892	-
Succeeding year	3,491,501	-	3,491,501	-
Accounts	-	56,411	56,411	-
Accrued interest	13	-	13	-
Due from other governments	1,574,287	-	1,574,287	-
Due from other funds	150	-	150	-
Inventories	-	4,107	4,107	-
Capital assets, net of accumulated depreciation	3,859,196	67,052	3,926,248	-
Total assets	11,184,385	268,411	11,452,796	89,609
Deferred Outflows of Resources				
Pension related deferred outflows	516,347	14,620	530,967	-
Liabilities				
Accounts payable	319,174	65,949	385,123	-
Salaries and benefits payable	750,161	19,628	769,789	-
Unearned revenue	-	4,152	4,152	-
Accrued interest payable	11,199	-	11,199	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds	100,326	-	100,326	-
Bus lease purchase obligation	225,628	-	225,628	-
Computer lease purchase obligation	53,733	-	53,733	-
Equipment lease purchase obligation	18,348	-	18,348	-
Termination benefits	79,887	-	79,887	-
Compensated absences	1,859	-	1,859	-
Portion due after one year:				
Revenue bonds	731,192	-	731,192	-
Bus lease purchase obligation	217,177	-	217,177	-
Termination benefits	223,474	-	223,474	-
Net pension liability	2,449,888	69,367	2,519,255	-
Net OPEB liability	724,420	-	724,420	-
Total liabilities	5,906,466	159,096	6,065,562	-

(continued)

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit A

Statement of Net Position

June 30, 2015

	Primary Government			Component
	Governmental	Business Type	Total	Units
	Activities	Activities		Total
	Activities	Activities	Total	Discrete
Deferred Inflows of Resources				
Unavailable property tax revenue	3,491,501	-	3,491,501	-
Pension related deferred inflows	<u>1,025,165</u>	<u>29,027</u>	<u>1,054,192</u>	-
Total deferred inflows of resources	<u>4,516,666</u>	<u>29,027</u>	<u>4,545,693</u>	-
Net Position				
Net investment in capital assets	2,512,792	67,052	2,579,844	-
Restricted for:				
Categorical funding	121,852	-	121,852	-
Physical plant and equipment	358,995	-	358,995	-
School infrastructure	322,583	-	322,583	-
Student activities	184,040	-	184,040	-
Unrestricted	<u>(2,222,662)</u>	<u>27,856</u>	<u>(2,194,806)</u>	<u>89,609</u>
Total net position	<u>\$ 1,277,600</u>	<u>94,908</u>	<u>1,372,508</u>	<u>89,609</u>

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa
Statement of Activities
Year ended June 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs:				
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,194,917	742,124	440,010	-
Special instruction	1,636,142	998,470	132,991	-
Other instruction	1,314,984	342,787	165,731	-
	<u>6,146,043</u>	<u>2,083,381</u>	<u>738,732</u>	<u>-</u>
Support services:				
Student	202,289	-	15,220	-
Instructional staff	308,805	7,756	14,191	-
Administration	886,285	270	1,039	-
Operation and maintenance of plant	716,868	3,222	-	-
Transportation	645,105	560	16,744	-
	<u>2,759,352</u>	<u>11,808</u>	<u>47,194</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	336,933	-	-	25,000
Long-term debt interest	33,656	-	-	-
AEA flowthrough	277,410	-	277,410	-
Depreciation (unallocated)*	230,371	-	-	-
	<u>878,370</u>	<u>-</u>	<u>277,410</u>	<u>25,000</u>
Total governmental activities	<u>9,783,765</u>	<u>2,095,189</u>	<u>1,063,336</u>	<u>25,000</u>
Business type activities:				
Non-instructional programs:				
Food service operations	341,414	190,211	151,332	-
Building trades	475,388	479,873	-	-
Preschool	1,875	4,429	-	-
Before & after school	4,930	8,648	-	-
Total business type activities	<u>823,607</u>	<u>683,161</u>	<u>151,332</u>	<u>-</u>
Total primary government	<u>\$ 10,607,372</u>	<u>2,778,350</u>	<u>1,214,668</u>	<u>25,000</u>
Component Units:				
Total discrete	<u>\$ 177,700</u>	<u>149,349</u>	<u>69,479</u>	<u>-</u>
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Sale of fixed assets				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
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			
Governmental Activities	Primary Government		Component Units
	Business Type Activities	Total	Total Discrete
(2,012,783)	-	(2,012,783)	-
(504,681)	-	(504,681)	-
(806,466)	-	(806,466)	-
<u>(3,323,930)</u>	<u>-</u>	<u>(3,323,930)</u>	<u>-</u>
(187,069)	-	(187,069)	-
(286,858)	-	(286,858)	-
(884,976)	-	(884,976)	-
(713,646)	-	(713,646)	-
(627,801)	-	(627,801)	-
<u>(2,700,350)</u>	<u>-</u>	<u>(2,700,350)</u>	<u>-</u>
(311,933)	-	(311,933)	-
(33,656)	-	(33,656)	-
-	-	-	-
(230,371)	-	(230,371)	-
(575,960)	-	(575,960)	-
<u>(6,600,240)</u>	<u>-</u>	<u>(6,600,240)</u>	<u>-</u>
-	129	129	-
-	4,485	4,485	-
-	2,554	2,554	-
-	3,718	3,718	-
-	10,886	10,886	-
<u>(6,600,240)</u>	<u>10,886</u>	<u>(6,589,354)</u>	<u>-</u>
-	-	-	41,128
2,986,893	-	2,986,893	-
368,818	-	368,818	-
378,487	-	378,487	-
629,318	-	629,318	-
2,309,013	-	2,309,013	-
10,932	72	11,004	17
26,597	512	27,109	385
3,767	-	3,767	-
<u>6,713,825</u>	<u>584</u>	<u>6,714,409</u>	<u>402</u>
113,585	11,470	125,055	41,530
1,164,015	83,438	1,247,453	48,079
<u>\$ 1,277,600</u>	<u>94,908</u>	<u>1,372,508</u>	<u>89,609</u>

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	Nonmajor	<u>Total</u>
Assets				
Cash, cash equivalents and pooled investments	\$ 1,343,462	581,828	312,056	2,237,346
Receivables:				
Property tax:				
Delinquent	18,836	2,402	654	21,892
Succeeding year	2,962,262	429,239	100,000	3,491,501
Accrued interest	-	-	13	13
Due from other funds	150	-	-	150
Due from other governments	1,475,587	98,700	-	1,574,287
Total assets	<u>\$ 5,800,297</u>	<u>1,112,169</u>	<u>412,723</u>	<u>7,325,189</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 316,488	1,352	1,334	319,174
Salaries and benefits payable	750,161	-	-	750,161
Total liabilities	<u>1,066,649</u>	<u>1,352</u>	<u>1,334</u>	<u>1,069,335</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,962,262	429,239	100,000	3,491,501
Income surtax	335,128	-	-	335,128
Total deferred inflows of resources	<u>3,297,390</u>	<u>429,239</u>	<u>100,000</u>	<u>3,826,629</u>
Fund balances:				
Restricted for:				
Categorical funding	121,852	-	-	121,852
Management levy purposes	-	-	127,349	127,349
Student activities	-	-	184,040	184,040
School infrastructure	-	322,583	-	322,583
Physical plant and equipment	-	358,995	-	358,995
Assigned	25,161	-	-	25,161
Unassigned	1,289,245	-	-	1,289,245
Total fund balances	<u>1,436,258</u>	<u>681,578</u>	<u>311,389</u>	<u>2,429,225</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,800,297</u>	<u>1,112,169</u>	<u>412,723</u>	<u>7,325,189</u>

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit D

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

June 30, 2015

Total fund balances of governmental funds (page 23)			\$ 2,429,225
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			3,859,196
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.			335,128
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.			(11,199)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:			
Deferred outflows of resources	516,347		
Deferred inflows of resources	<u>(1,025,165)</u>	(508,818)	
Long-term liabilities, including bonds, compensated absences, termination benefits, lease obligations, other postemployment benefits payable and net pension liability, are not due and payable in the current year and therefore, are not reported in the governmental funds.			<u>(4,825,932)</u>
Net position of governmental activities (page 20)			<u>\$ 1,277,600</u>

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2015

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 3,251,235	368,818	100,161	3,720,214
Tuition	1,724,334	-	-	1,724,334
Other	51,202	3,282	357,238	411,722
State sources	3,197,202	631,995	729	3,829,926
Federal sources	168,404	25,000	-	193,404
Total revenues	<u>8,392,377</u>	<u>1,029,095</u>	<u>458,128</u>	<u>9,879,600</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,937,222	105,726	102,316	3,145,264
Special	1,619,446	-	-	1,619,446
Other	1,032,707	-	305,600	1,338,307
	<u>5,589,375</u>	<u>105,726</u>	<u>407,916</u>	<u>6,103,017</u>
Support services:				
Student	204,097	-	-	204,097
Instructional staff	242,106	67,232	-	309,338
Administration	867,563	27,077	-	894,640
Operation and maintenance of plant	609,599	10,100	93,180	712,879
Transportation	493,118	187,818	9,562	690,498
	<u>2,416,483</u>	<u>292,227</u>	<u>102,742</u>	<u>2,811,452</u>
Other expenditures:				
Facilities acquisition	-	1,151,295	-	1,151,295
Long-term debt:				
Principal	-	-	394,226	394,226
Interest and fiscal charges	-	-	33,866	33,866
AEA flowthrough	277,410	-	-	277,410
	<u>277,410</u>	<u>1,151,295</u>	<u>428,092</u>	<u>1,856,797</u>
Total expenditures	<u>8,283,268</u>	<u>1,549,248</u>	<u>938,750</u>	<u>10,771,266</u>
Excess (deficiency) of revenues over (under) expenditures	<u>109,109</u>	<u>(520,153)</u>	<u>(480,622)</u>	<u>(891,666)</u>
Other financing sources (uses):				
Revenue bonds issued	-	900,000	-	900,000
Lease purchase obligation issued	-	155,945	-	155,945
Sale of assets	1,200	-	-	1,200
Operating transfers in	-	-	428,092	428,092
Operating transfers out	-	(428,092)	-	(428,092)
Total other financing sources (uses)	<u>1,200</u>	<u>627,853</u>	<u>428,092</u>	<u>1,057,145</u>
Change in fund balances	110,309	107,700	(52,530)	165,479
Fund balances beginning of year	1,325,949	573,878	363,919	2,263,746
Fund balances end of year	<u>\$ 1,436,258</u>	<u>681,578</u>	<u>311,389</u>	<u>2,429,225</u>

See notes to financial statements.

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

Year ended June 30, 2015

Change in fund balances - total governmental funds (page 25) \$ 165,479

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

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

Expenditures for capital assets	\$ 1,123,461	
Depreciation expense	(545,075)	
Gain on sale of fixed assets	<u>2,567</u>	580,953

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. 13,983

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	(1,055,945)	
Repaid	<u>394,226</u>	(661,719)

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. 210

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 381,603

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	22,507	
Compensated absences	922	
Pension expense	(162,122)	
Other postemployment benefits	<u>(228,231)</u>	(366,924)

Change in net position of governmental activities (page 22) \$ 113,585

See notes to financial statements.

Statement of Net Position
Proprietary Fund

June 30, 2015

	Nonmajor Enterprise Funds
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 140,841
Accounts receivable	56,411
Inventories	<u>4,107</u>
Total current assets	<u>201,359</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>67,052</u>
Total noncurrent assets	<u>67,052</u>
Total assets	<u>268,411</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>14,620</u>
Liabilities	
Current liabilities:	
Accounts payable	65,949
Salaries and benefits payable	19,628
Unearned revenue	<u>4,152</u>
Total current liabilities	<u>89,729</u>
Noncurrent liabilities:	
Net pension liability	<u>69,367</u>
Total noncurrent liabilities	<u>69,367</u>
Total liabilities	<u>159,096</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>29,027</u>
Net Position	
Net investment in capital assets	67,052
Unrestricted	<u>27,856</u>
Total net position	<u>\$ 94,908</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, 2015

	Nonmajor Enterprise <u>Funds</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 673,208
Miscellaneous	<u>10,465</u>
Total operating revenues	<u>683,673</u>
 Operating expenses:	
Support services:	
Instructional staff	975
Administration	1,267
Operation and maintenance of plant	<u>9,771</u>
	<u>12,013</u>
 Non-instructional programs:	
Salaries	130,943
Benefits	24,098
Supplies	647,770
Depreciation	<u>8,783</u>
	<u>811,594</u>
Total operating expenses	<u>823,607</u>
Operating loss	<u>(139,934)</u>

(continued)

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

Year ended June 30, 2015

	Nonmajor Enterprise <u>Funds</u>
Non-operating revenues:	
State sources	2,902
Federal sources	148,430
Interest income	<u>72</u>
Total non-operating revenues	<u>151,404</u>
 Increase in net position	 11,470
 Net position beginning of year, as restated	 <u>83,438</u>
 Net position end of year	 <u>\$ 94,908</u>

See notes to financial statements.

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	Nonmajor Enterprise <u>Funds</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 180,434
Cash received from other services	475,473
Cash paid to employees for services	(162,879)
Cash paid to suppliers for goods or services	<u>(602,899)</u>
Net cash used by operating activities	<u>(109,871)</u>
Cash flows from non-capital financing activities:	
State grants received	2,902
Federal grants received	124,129
Excess of warrants issued over bank balance	<u>(2,324)</u>
Net cash provided by non-capital financing activities	<u>124,707</u>
Cash flows from investing activities:	
Interest on investments	<u>72</u>
Net increase in cash and cash equivalents	14,908
Cash and cash equivalents beginning of year	<u>125,933</u>
Cash and cash equivalents end of year	<u>\$ 140,841</u>

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	Nonmajor Enterprise <u>Funds</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (139,934)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	24,301
Depreciation	8,783
Increase in accounts receivable	(25,966)
Increase in inventories	(2,561)
Increase in accounts payable	35,144
Decrease in salaries and benefits payable	(1,624)
Decrease in deferred revenue	(1,800)
Decrease in net pension liability	(30,842)
Increase in deferred outflows of resources	(4,399)
Increase in deferred inflows of resources	29,027
Net cash used by operating activities	<u>\$ (109,871)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$24,301 of federal commodities.

See notes to financial statements.

Manson Northwest Webster Community School District
Manson, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 989,011
Accrued interest receivable	<u>2,295</u>
Total assets	<u>991,306</u>
Liabilities	
Accounts payable	516
Due to other funds	<u>150</u>
Total liabilities	<u>666</u>
Net position	
Reserved for scholarships	<u>\$ 990,640</u>

See notes to financial statements.

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 954,738
Interest income	<u>3,852</u>
Total additions	958,590
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>5,613</u>
Change in net position	952,977
Net position beginning of year	<u>37,663</u>
Net position end of year	<u><u>\$ 990,640</u></u>

See notes to financial statements.

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(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 Units – 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 is also to provide 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 jointly governed organizations that provide services to the District but do not meet the criteria of joint ventures since there are no ongoing financial interests or responsibilities 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 consists 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, Deferred Outflows of Resources, 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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.

Unearned Revenues – Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

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 who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. 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

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activities column in the Statement of Net Position.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources– Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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 the 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.

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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, 2015, expenditures exceeded the amounts budgeted in the support services and non-instructional programs functions.

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

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2015, the District's Fiduciary Fund, Private Purpose Trust held an investment of 14,990 shares in Columbia Tax-exempt Fund Class A valued at 207,171 that was gifted to the District for scholarship awards to students.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$262,229 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standards & Poor's Financial Services.

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(3) Due To and Due From Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Fiduciary: Private Purpose Trust, Scholarship	\$ <u>150</u>

The Fiduciary; Private Purpose Trust, Scholarship Fund is repaying the General Fund for cash advanced to it to cover expenses. The balance is to be repaid by October 1, 2015.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 356,611
	Physical Plant and Equipment Levy	<u>71,481</u>
Total		\$ <u>428,092</u>

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

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(5) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	---	---	10,000
Construction in progress	<u>---</u>	<u>36,568</u>	<u>---</u>	<u>36,568</u>
Total capital assets not being depreciated	<u>10,000</u>	<u>36,568</u>	<u>---</u>	<u>46,568</u>
Capital assets being depreciated:				
Buildings	6,668,276	640,366	---	7,308,642
Improvements other than buildings	610,341	---	---	610,341
Furniture and equipment	<u>3,888,376</u>	<u>446,527</u>	<u>(228,932)</u>	<u>4,105,971</u>
Total capital assets being depreciated	<u>11,166,993</u>	<u>1,086,893</u>	<u>(228,932)</u>	<u>12,024,954</u>
Less accumulated depreciation for:				
Buildings	4,545,198	159,804	---	4,705,002
Improvements other than buildings	418,833	13,085	---	431,918
Furniture and equipment	<u>2,834,758</u>	<u>372,186</u>	<u>(131,538)</u>	<u>3,075,406</u>
Total accumulated depreciation	<u>7,798,789</u>	<u>545,075</u>	<u>(131,538)</u>	<u>8,212,326</u>
Total capital assets being depreciated, net	<u>3,368,204</u>	<u>541,818</u>	<u>(97,394)</u>	<u>3,812,628</u>
Governmental activities capital assets, net	<u>\$ 3,378,204</u>	<u>578,386</u>	<u>(97,394)</u>	<u>3,859,196</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 333,143	---	---	333,143
Less accumulated depreciation	<u>257,307</u>	<u>8,784</u>	<u>---</u>	<u>266,091</u>
Business type activities capital assets, net	<u>\$ 75,836</u>	<u>8,784</u>	<u>---</u>	<u>67,052</u>

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Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular	\$ 138,566	
Other	15,483	
Support services:		
Instructional staff	1,751	
Operation and maintenance of plant	5,448	
Transportation	<u>153,456</u>	
	314,704	
Unallocated	<u>230,371</u>	
Total depreciation expense – governmental activities		\$ <u>545,075</u>
Business type activities:		
Food service operations		\$ <u>8,784</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$ 135,000	---	90,000	45,000	45,000
Sales tax revenue bonds	---	900,000	113,482	786,518	55,326
Bus lease purchase obligation	208,746	---	31,163	177,583	177,583
Propane bus purchase obligation	99,961	---	99,961	---	---
Bus lease purchase obligation	128,964	---	19,687	109,277	20,258
Bus lease purchase obligation	---	187,818	31,873	155,945	27,787
Computer lease purchase obligation					
Google Chromebooks	69,919	---	69,919	---	---
Computer lease purchase obligation	105,901	---	52,168	53,733	53,733
Equipment lease purchase obligation	36,155	---	17,807	18,348	18,348
Compensated absences	2,781	---	922	1,859	1,859
Termination benefits	325,868	---	22,507	303,361	79,887
Net pension liability	3,539,156	---	1,089,268	2,449,888	---
Net OPEB liability	<u>496,189</u>	<u>228,231</u>	<u>---</u>	<u>724,420</u>	<u>---</u>
Total	<u>\$ 5,148,640</u>	<u>1,316,049</u>	<u>1,638,757</u>	<u>4,825,932</u>	<u>479,781</u>

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	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net pension liability	<u>100,209</u>	<u>---</u>	<u>30,842</u>	<u>69,367</u>	<u>---</u>

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	<u>Bond Issue of September 27, 2010</u>			<u>Bond Issue of July 8, 2014</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2016	3.85	\$ 45,000	885	2.46	55,326	9,674
2017		---	---	2.46	112,702	17,298
2018		---	---	2.46	115,491	14,509
2019		---	---	2.46	118,350	11,650
2020		---	---	2.46	121,279	8,721
2021-2022		---	---	2.46	<u>263,370</u>	<u>7,431</u>
Total		<u>\$ 45,000</u>	<u>885</u>		<u>786,518</u>	<u>69,283</u>

Year Ending June 30,	<u>Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	100,326	10,559	110,885
2017	112,702	17,298	130,000
2018	115,491	14,509	130,000
2019	118,350	11,650	130,000
2020	121,279	8,721	130,000
2021-2022	<u>263,370</u>	<u>7,431</u>	<u>270,801</u>
Total	<u>831,518</u>	<u>70,168</u>	<u>901,686</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 District also issued \$900,000 of bonds in July 2014 for the purpose of financing school infrastructure improvements. The bonds are not a general obligation of the

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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 21% of the statewide sales, services, and use tax revenue. The total principal and interest remaining to be paid on the notes is \$901,686. For the current year, \$224,399 of principal and interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$629,318.

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.

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, 2015:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	182,751
Less amount representing interest	<u>(5,168)</u>
Net present value of minimum lease payments	\$ <u>177,583</u>

Payments made under the agreement totaled \$37,237 for the year ended June 30, 2015.

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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, 2015:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	23,427
2017	<u>91,600</u>
Total minimum lease payments	115,027
Less amount representing interest	<u>(5,750)</u>
Net present value of minimum lease payments	\$ <u>109,277</u>

Payments under the agreement totaled \$21,577 for the year ended June 30, 2015.

In September 2014, the District entered into a capital lease-purchase agreement with De Lage Landen Public Finance LLC to finance the purchase of two buses totaling 187,818. The lease is financed for three years at an interest rate of 2.62%. 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, 2015:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	31,873
2017	31,873
2018	<u>102,254</u>
Total minimum lease payments	166,000
Less amount representing interest	<u>(10,055)</u>
Net present value of minimum lease payments	\$ <u>155,945</u>

Payments under the agreement totaled \$31,873 for the year ended June 30, 2015.

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%. There are no future lease payments. The buses were returned during the year.

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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%. There are no future lease payments.

Payments under the agreement totaled \$71,481 for the year ended June 30, 2015.

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, 2015:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	54,751
Less amount representing interest	<u>(1,018)</u>
Net present value of minimum lease payments	<u>\$ 53,733</u>

Payments under the agreement totaled \$54,751 for the year ended June 30, 2015.

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, 2015:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	18,648
Less amount representing interest	<u>(300)</u>
Net present value of minimum lease payments	<u>\$ 18,348</u>

Payments under the agreement totaled \$18,648 for the year ended June 30, 2015.

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2015

Termination Benefits

Prior to fiscal 2014, the District offered 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.

For licensed employees that retired at the end of fiscal year 2014, the employee must have reached the age of fifty-five on or before August 30 of the year in which they retired and completed a total of 10 years of service as a full-time licensed employee or have completed equivalent part-time service to the District. The employee could also qualify for benefits after completion of a total of 7 years of service as a full-time licensed employee or equivalent part-time service to the District and have completed at least 25 years of combined service as a licensed employee in all Districts with a reduction in benefits. The benefit is calculated by taking the employee's current salary and subtracting the base of the BA Lane. For retirees with less than 10 but at least 7 years with the District, the benefit is equal to 10 percent for each year of service, i.e. 7 years is 70% of the benefit that would be calculated if the employee meets the 10 years of service requirement.

Eligible classified employees must have completed ten 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, 2015 the District has obligations to sixteen participants with a total liability of \$303,361. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$88,933.

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2015

(7) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of the date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012 the reduction is 0.50 percent for each month that the member receives benefits before age 65.

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Notes to Financial Statements

June 30, 2015

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$392,408.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$2,519,255 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2015

30, 2014, the District's collective proportion was 0.0635228 percent, which was an increase of 0.000138 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$166,713. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 27,379	\$ -
Changes of assumptions	111,180	-
Net difference between projected and actual earnings on pension plan investments	-	960,771
Changes in proportion and differences between District contributions and proportionate share of contributions	-	93,421
District contributions subsequent to the measurement date	<u>392,408</u>	<u>-</u>
Total	<u>\$ 530,967</u>	<u>\$ 1,054,192</u>

\$392,408 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	
2016	\$ (229,647)
2017	(229,647)
2018	(229,647)
2019	(229,647)
2020	<u>2,955</u>
Total	<u>\$ (915,633)</u>

There were no non-employer contributing entities at IPERS.

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2015

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocations</u>	<u>Long-Term Expected Real Rate Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(.069)
Total	<u>100%</u>	

Manson Northwest Webster Community School District
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Notes to Financial Statements

June 30, 2015

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
District’s proportionate share of the net pension liability	\$ 4,760,062	\$ 2,519,255	\$ 627,782

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the District reported no payables to the defined benefit pension plan.

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2015

(8) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical benefits for employees, retirees and their spouses. There are 60 active and 16 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 322,788
Interest on net OPEB obligation	12,405
Adjustment to annual required contribution	<u>(25,962)</u>
Annual OPEB cost	309,231
Contributions made	<u>(81,000)</u>
Increase in net OPEB obligation	228,231
Net OPEB obligation beginning of year	<u>496,189</u>
Net OPEB obligation end of year	\$ <u>724,420</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, 2015.

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Notes to Financial Statements

June 30, 2015

For the year ended June 30, 2015, the District contributed \$81,000 to the medical plan. Plan members eligible for benefits contributed \$6,997, or 8% 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 follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2013	287,052	28.8%	288,303
2014	293,250	29.1%	496,189
2015	309,231	26.2%	724,420

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, 2015, the actuarial accrued liability was \$1.719 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.719 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,417,000 and the ratio of the UAAL to covered payroll was 50.3%. As of June 30, 2015, there were no trust fund assets.

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

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

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Notes to Financial Statements

June 30, 2015

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 \$532 per month for retirees less than age 65 and \$129 per month for retirees who have attained age 65. The UAAL is being amortized as a level dollar funding over 30 years.

(9) Risk Management

The Manson Northwest Webster Community School 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.

Workers' Compensation, Property, General Liability and Other Insurance

The District is a member of the Iowa Public School Insurance Program (IPSIP), a public entity risk pool formed in July of 2012 between certain Iowa school districts, created in accordance with Chapter 28E of the Code of Iowa. The purpose of IPSIP is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections so as to effectively manage and contain costs for insurance coverage and related administration. IPSIP has approximately 19 members as of July 1, 2014. IPSIP is governed by a six member board of directors elected by the members of IPSIP. The District has no direct control over budgeting, financing, the governing body or management selection.

IPSIP is not intended to function as an insurance company for the participants; rather, it is a means of combining the administration of claims and of obtaining lower insurance rates through the creation of a self-insurance pool and through the purchase of commercial insurance. The District's participation in IPSIP represents a risk-sharing pool as defined by GASB Statement No. 10 in which the District pools its risks and funds with other members

Manson Northwest Webster Community School District
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June 30, 2015

and shares in the cost of losses. The District is required to make annual payments, which are determined by IPSIP, based upon its direct proportion to the pro rata share of insurance costs for coverage administered by IPSIP. IPSIP may require the participating Districts to make supplemental payments if the funds on hand are insufficient to pay expenses of the administration of IPSIP. The District was not required to make any supplemental payments to IPSIP in fiscal year 2015. Payments to IPSIP by the District in order to maintain adequate insurance coverage in fiscal year 2015 was \$99,892.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$277,410 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Operating Leases

The District entered into an operating lease with Advanced Systems Inc. for the rental of nine copiers on August 16, 2012 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2015 was \$26,761. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u>	
2016	25,716
2017	25,716
2018	<u>4,286</u>
Total	\$ <u>55,718</u>

Manson Northwest Webster Community School District
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Notes to Financial Statements

June 30, 2015

The District entered into an operating lease with Josh Sturgis for the rental of an office building on October 1, 2014 for a period of 24 months. The amount paid for the fiscal year ended June 30, 2015 was \$4,500. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u>	
2016	6,000
2017	<u>1,500</u>
Total	<u>\$ 7,500</u>

The District entered into an operating lease with Advanced Systems Inc. for the rental of a scanner on May 7, 2015 for a period of 36 months. The amount paid for the fiscal year ended June 30, 2015 was \$316. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u>	
2016	1,896
2017	1,896
2018	<u>1,580</u>
Total	<u>\$ 5,372</u>

(12) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	\$ 32,379
Teacher leadership	5,981
Beginning teacher mentoring	3,900
Early Readers	13,591
Professional development – core curriculum	34,770
Professional development	<u>31,231</u>
Total	<u>\$ 121,852</u>

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2015

(13) Construction Commitment

The District entered into a contract totaling \$68,440 for electrical improvements to the high school building. As of June 30, 2015, costs of \$31,852 had been incurred against the contract. The balance of \$36,588 remaining at June 30, 2015 will be paid as work on the project progresses.

(14) Accounting Change/Restatement

Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental <u>Activities</u>	Business Type <u>Activities</u>
Net position June 30, 2014, as previously reported	\$ 4,342,202	173,426
Net pension liability at June 30, 2014	(3,539,156)	(100,209)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>360,969</u>	<u>10,221</u>
Net position July 1, 2014, as restated	\$ <u>1,164,015</u>	<u>83,438</u>

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Financial Statements

June 30, 2015

(15) New Governmental Accounting Standards Board (GASB) Statements

As of June 30, 2015, GASB had issued several statements not yet required to be implemented by the District. The Statement which might impact the District is as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the District beginning with its year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District's management has not yet determined the effect these GASB Statements will have on the Districts financial statements.

(16) Subsequent Events

Subsequent events have been evaluated through March 8, 2016 which is the date the financial statements were available to be issued.

On August 20, 2015, the Board approved a bid of \$106,000 from Midwest Tennis and Track to remove and replace the existing track surface. The Board also approved a warranty deed transferring a portion of land at the former elementary building in Manson to the City of Manson for \$1.

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, 2015

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 5,856,270	683,745
State sources	3,829,926	2,902
Federal sources	<u>193,404</u>	<u>148,430</u>
Total revenues	<u>9,879,600</u>	<u>835,077</u>
Expenditures/Expenses:		
Instruction	6,103,017	-
Support services	2,811,452	12,013
Non-instructional programs	-	811,594
Other expenditures	<u>1,856,797</u>	<u>-</u>
Total expenditures/expenses	<u>10,771,266</u>	<u>823,607</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(891,666)	11,470
Other financing sources, net	<u>1,057,145</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	165,479	11,470
Balances beginning of year	<u>2,263,746</u>	<u>83,438</u>
Balances end of year	<u>\$ 2,429,225</u>	<u>94,908</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>	
6,540,015	7,569,199	7,569,199	(1,029,184)
3,832,828	3,386,162	3,386,162	446,666
<u>341,834</u>	<u>340,000</u>	<u>340,000</u>	<u>1,834</u>
<u>10,714,677</u>	<u>11,295,361</u>	<u>11,295,361</u>	<u>(580,684)</u>
6,103,017	7,010,000	7,010,000	906,983
2,823,465	2,722,425	2,722,425	(101,040)
811,594	550,000	725,000	(86,594)
<u>1,856,797</u>	<u>931,784</u>	<u>2,000,000</u>	<u>143,203</u>
<u>11,594,873</u>	<u>11,214,209</u>	<u>12,457,425</u>	<u>862,552</u>
(880,196)	81,152	(1,162,064)	281,868
<u>1,057,145</u>	<u>500,000</u>	<u>500,000</u>	<u>557,145</u>
176,949	581,152	(662,064)	839,013
<u>2,347,184</u>	<u>2,468,857</u>	<u>2,468,857</u>	<u>(121,673)</u>
<u>2,524,133</u>	<u>3,050,009</u>	<u>1,806,793</u>	<u>717,340</u>

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2015

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 \$1,243,216.

During the year ended June 30, 2015, expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule of District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.063523%
District's proportionate share of the net pension liability	\$ 2,519
District's covered-employee payroll	\$ 4,033
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.46%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Manson Northwest Webster Community School District
Manson

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 393	371	360
Contributions in relation to the statutorily required contribution	<u>(393)</u>	<u>(371)</u>	<u>(360)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 4,255	4,033	4,050
Contributions as a percentage of covered-employee payroll	9.24%	9.20%	8.89%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
310	251	243	243	224
<u>(310)</u>	<u>(251)</u>	<u>(243)</u>	<u>(243)</u>	<u>(224)</u>
-	-	-	-	-
3,759	3,573	3,613	3,781	3,650
8.25%	7.02%	6.73%	6.43%	6.14%

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.0 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

Manson Northwest Webster Community School District
Manson, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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%
2015	Jul 1, 2012	-	1,718,849	1,718,849	0.0%	3,417,232	50.3%

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

See accompanying independent auditor's report.

Manson Northwest Webster Community School District
Manson, Iowa

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

June 30, 2015

	<u>Discrete Component Units</u>		
	Cougar <u>Club</u>	Manson Area Community <u>Center</u>	<u>Total</u>
Assets			
Cash	\$ 48,818	40,791	89,609
Total assets	<u>48,818</u>	<u>40,791</u>	<u>89,609</u>
Liabilities			
Total liabilities	-	-	-
Net Position			
Unrestricted	48,818	40,791	89,609
Total net position	<u>\$ 48,818</u>	<u>40,791</u>	<u>89,609</u>

See accompanying independent auditor's report.

Manson Northwest Webster Community School District
Manson, Iowa
Combining Statement of Revenues, Expenses and Changes
in Net Position - Modified Cash Basis
Discrete Component Units
Year ended June 30, 2015

	Discrete Component Units		
	Manson Area		
	Cougar Club	Community Center	Total
Revenues:			
Interest	\$ 17	-	17
Donations	32,769	36,710	69,479
Rental	-	870	870
Memberships	-	99,208	99,208
Fees	-	3,442	3,442
Programs	-	44,418	44,418
Other	249	1,547	1,796
Total revenues	33,035	186,195	219,230
Expenses:			
Athletics	9,334	-	9,334
Payroll	-	71,252	71,252
Scholarships	1,925	-	1,925
Programs	-	15,448	15,448
Equipment	-	1,936	1,936
Repairs and maintenance	15,496	8,649	24,145
Office	-	1,723	1,723
Supplies	-	4,452	4,452
Insurance	-	4,877	4,877
Bank charges	-	1,123	1,123
Utilities	-	14,957	14,957
Loan payments	-	16,579	16,579
Other	-	9,949	9,949
Total expenses	26,755	150,945	177,700
Change in net position	6,280	35,250	41,530
Net position beginning of year	42,538	5,541	48,079
Net position end of year	\$ 48,818	40,791	89,609

See accompanying independent auditor's report.

Supplementary Information

Manson Northwest Webster Community School District
Manson, Iowa

Schedule I

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

	Special Revenue		
	Manage- ment <u>Levy</u>	Student <u>Activity</u>	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 127,067	184,989	312,056
Receivables:			
Property tax:			
Delinquent	654	-	654
Succeeding year	100,000	-	100,000
Accrued interest	-	13	13
Total assets	\$ 227,721	185,002	412,723
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 372	962	1,334
Total liabilities	372	962	1,334
Deferred inflows of resources:			
Unavailable revenues:			
Seceeding year property tax	100,000	-	100,000
Fund balances:			
Restricted for:			
Management levy purposes	127,349	-	127,349
Student activities	-	184,040	184,040
Total fund balances	127,349	184,040	311,389
Total liabilities, deferred inflows of resources and fund balances	\$ 227,721	185,002	412,723

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, 2015

	Special Revenue			Total
	Manage- ment Levy	Student Activity	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ 100,161	-	-	100,161
Other	15,549	341,689	-	357,238
State sources	<u>729</u>	<u>-</u>	<u>-</u>	<u>729</u>
Total revenues	<u>116,439</u>	<u>341,689</u>	<u>-</u>	<u>458,128</u>
Expenditures:				
Current:				
Instruction:				
Regular	102,316	-	-	102,316
Other	-	305,600	-	305,600
Support services:				
Operation and maintenance of plant	93,180	-	-	93,180
Transportation	9,562	-	-	9,562
Other expenditures:				
Long-term debt:				
Principal	-	-	394,226	394,226
Interest and fiscal charges	-	-	33,866	33,866
Total expenditures	<u>205,058</u>	<u>305,600</u>	<u>428,092</u>	<u>938,750</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(88,619)</u>	<u>36,089</u>	<u>(428,092)</u>	<u>(480,622)</u>
Other financing sources:				
Operating transfers in	<u>-</u>	<u>-</u>	<u>428,092</u>	<u>428,092</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(88,619)	36,089	-	(52,530)
Fund balances beginning of year	<u>215,968</u>	<u>147,951</u>	<u>-</u>	<u>363,919</u>
Fund balances end of year	<u>\$ 127,349</u>	<u>184,040</u>	<u>-</u>	<u>311,389</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, 2015

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Speech	\$ 1,881	9,194	9,438	-	1,637
Drama Club	358	-	-	-	358
Fine Arts	681	-	-	-	681
Musical	3,255	3,543	2,631	-	4,167
Band trips	3,809	6,589	7,562	-	2,836
Boys Basketball	7,274	14,757	16,253	1	5,779
Girls Basketball	6,604	14,862	13,503	1	7,964
Activity tickets	441	35,809	26,540	(8,607)	1,103
Cross Country	314	731	1,212	167	-
Golf	756	50	240	-	566
Volleyball	1,150	8,723	8,972	-	901
Football	1,244	20,794	19,762	1	2,277
Football Fund Raiser	1,680	5,971	1,800	1	5,852
Baseball	283	4,648	7,298	3,436	1,069
Baseball Fund Raiser	-	1,460	757	34	737
Track	5,671	24,144	23,590	1	6,226
Wrestling	848	16,930	13,039	1	4,740
Softball	402	16,743	15,631	1,771	3,285
MS/ES Annual	740	1,617	1,815	1	543
National Honor Society	45	1,676	1,821	100	-
French Club	210	-	-	-	210
Student Council	519	2,916	1,839	500	2,096
Elementary projects	8,132	9,216	5,909	1	11,440
Student programs	899	4,274	4,595	1	579
Library Club	53	5,707	5,497	-	263
Electrathon	1,805	2,424	1,449	-	2,780
Junior Class	4,002	10,823	8,993	-	5,832
Senior Class	1,499	-	-	-	1,499
High School Annual	9,973	6,617	7,018	1	9,573
HS Music Department Fund Raiser	28,001	13,339	9,169	4	32,175
Drill Team	5,961	16,022	11,760	1	10,224
Cheerleaders - Basketball	1,553	1,544	758	-	2,339
Cheerleaders - Football	1,115	3,172	1,337	-	2,950
Cheerleaders - Wrestling	1,435	2,725	2,145	-	2,015
Pop	1	4,185	2,844	2,600	3,942
Needy Donations	2,816	10	223	-	2,603
FFA	34,060	49,420	46,912	4	36,572

(continued)

(continued)

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	<u>Balance End of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Interest fund balance (regular)	-	12	-	(12)	-
Athletic Calendar	1,995	941	1,869	-	1,067
Interest - ISJIT	-	8	-	(8)	-
After Prom	1,642	5,319	4,934	-	2,027
Math & Science Club	110	408	424	-	94
Scholarship	728	-	728	-	-
FCCLA	2,885	14,066	14,634	-	2,317
FCA	1,121	300	699	-	722
Total	<u>\$ 147,951</u>	<u>341,689</u>	<u>305,600</u>	<u>-</u>	<u>184,040</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, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 225,235	356,593	581,828
Receivables:			
Property tax:			
Delinquent	-	2,402	2,402
Succeeding year	-	429,239	429,239
Due from other governments	98,700	-	98,700
Total assets	\$ 323,935	788,234	1,112,169
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,352	-	1,352
Total liabilities	1,352	-	1,352
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	429,239	429,239
Fund balances:			
Restricted for:			
School infrastructure	322,583	-	322,583
Physical plant and equipment	-	358,995	358,995
Total fund balances	322,583	358,995	681,578
Total liabilities, deferred inflows of resources and fund balances	\$ 323,935	788,234	1,112,169

See accompanying independent auditor's report.

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

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	368,818	368,818
Other	2,038	1,244	3,282
State sources	629,318	2,677	631,995
Federal sources	25,000	-	25,000
Total revenues	<u>656,356</u>	<u>372,739</u>	<u>1,029,095</u>
Expenditures:			
Instruction:			
Regular	70,601	35,125	105,726
Support services:			
Instructional staff	-	67,232	67,232
Administration	27,077	-	27,077
Operation and maintenance of plant	-	10,100	10,100
Transportation	187,818	-	187,818
Other expenditures:			
Facilities acquisition	1,136,895	14,400	1,151,295
Total expenditures	<u>1,422,391</u>	<u>126,857</u>	<u>1,549,248</u>
Excess (deficiency) of revenues under (under) expenditures	<u>(766,035)</u>	<u>245,882</u>	<u>(520,153)</u>
Other financing sources (uses):			
Revenue bonds issued	900,000	-	900,000
Lease purchase obligations issued	155,945	-	155,945
Operating transfers out	(356,611)	(71,481)	(428,092)
Total other financing sources (uses)	<u>699,334</u>	<u>(71,481)</u>	<u>627,853</u>
Change in fund balances	(66,701)	174,401	107,700
Fund balances beginning of year	389,284	184,594	573,878
Fund balances end of year	<u>\$ 322,583</u>	<u>358,995</u>	<u>681,578</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, 2015

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Preschool</u>	<u>Before & After School</u>	<u>Total</u>
Assets					
Current assets:					
Cash, cash equivalents and pooled investmen	\$ 44,434	85,573	10,834	-	140,841
Accounts receivable	327	55,693	-	391	56,411
Inventories	<u>4,107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,107</u>
Total current assets	<u>48,868</u>	<u>141,266</u>	<u>10,834</u>	<u>391</u>	<u>201,359</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	<u>67,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,052</u>
Total noncurrent assets	<u>67,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,052</u>
Total assets	<u>115,920</u>	<u>141,266</u>	<u>10,834</u>	<u>391</u>	<u>268,411</u>
Deferred Outflows of Resources					
Pension related deferred outflows	<u>14,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,620</u>
Liabilities					
Current liabilities:					
Accounts payable	1	65,860	-	88	65,949
Salaries and benefits payable	19,628	-	-	-	19,628
Unearned revenue	<u>4,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,152</u>
Total current liabilities	<u>23,781</u>	<u>65,860</u>	<u>-</u>	<u>88</u>	<u>89,729</u>
Noncurrent liabilities:					
Net pension liability	<u>69,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,367</u>
Total noncurrent liabilities	<u>69,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,367</u>
Total liabilities	<u>93,148</u>	<u>65,860</u>	<u>-</u>	<u>88</u>	<u>159,096</u>
Deferred Inflows of Resources					
Pension related deferred inflows	<u>29,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,027</u>
Net Position					
Investment in capital assets	67,052	-	-	-	67,052
Unrestricted	<u>(58,687)</u>	<u>75,406</u>	<u>10,834</u>	<u>303</u>	<u>27,856</u>
Total net position	<u>\$ 8,365</u>	<u>75,406</u>	<u>10,834</u>	<u>303</u>	<u>94,908</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, 2015

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Preschool</u>	<u>Before & After School</u>	<u>Total</u>
Operating revenues:					
Local sources:					
Charges for service	\$ 180,258	479,873	4,429	8,648	673,208
Miscellaneous	<u>10,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,465</u>
Total operating revenues	<u>190,723</u>	<u>479,873</u>	<u>4,429</u>	<u>8,648</u>	<u>683,673</u>
 Operating expenses:					
Support services:					
Instructional staff	975	-	-	-	975
Administration	1,088	-	-	179	1,267
Operation and maintenance of plant	<u>8,097</u>	<u>1,397</u>	<u>277</u>	<u>-</u>	<u>9,771</u>
	<u>10,160</u>	<u>1,397</u>	<u>277</u>	<u>179</u>	<u>12,013</u>
Non-instructional programs:					
Salaries	126,921	88	-	3,934	130,943
Benefits	23,450	-	-	648	24,098
Supplies	172,100	473,903	1,598	169	647,770
Depreciation	<u>8,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,783</u>
	<u>331,254</u>	<u>473,991</u>	<u>1,598</u>	<u>4,751</u>	<u>811,594</u>
Total operating expenses	<u>341,414</u>	<u>475,388</u>	<u>1,875</u>	<u>4,930</u>	<u>823,607</u>
 Operating income (loss)	<u>(150,691)</u>	<u>4,485</u>	<u>2,554</u>	<u>3,718</u>	<u>(139,934)</u>

(continued)

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

Year ended June 30, 2015

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Preschool</u>	<u>Before & After School</u>	<u>Total</u>
Non-operating revenues:					
State sources	2,902	-	-	-	2,902
Federal sources	148,430	-	-	-	148,430
Interest income	<u>12</u>	<u>15</u>	<u>45</u>	<u>-</u>	<u>72</u>
Total non-operating revenues	<u>151,344</u>	<u>15</u>	<u>45</u>	<u>-</u>	<u>151,404</u>
Increase in net position	653	4,500	2,599	3,718	11,470
Net position beginning of year, as restated	<u>7,712</u>	<u>70,906</u>	<u>8,235</u>	<u>(3,415)</u>	<u>83,438</u>
Net position end of year	<u>\$ 8,365</u>	<u>75,406</u>	<u>10,834</u>	<u>303</u>	<u>94,908</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, 2015

	<u>School Nutrition</u>	<u>Building Trades</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 180,434	-
Cash received from other services	10,465	452,322
Cash paid to employees for services	(157,118)	(88)
Cash paid to suppliers for goods or services	<u>(161,220)</u>	<u>(439,544)</u>
Net cash provided by (used by) operating activities	<u>(127,439)</u>	<u>12,690</u>
Cash flows from non-capital financing activities:		
State grants received	2,902	-
Federal grants received	124,129	-
Excess of warrants issued over bank balance	<u>-</u>	<u>-</u>
Net cash provided by (used by) non-capital financing activities	<u>127,031</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>12</u>	<u>15</u>
Net increase (decrease) in cash and cash equivalents	(396)	12,705
Cash and cash equivalents beginning of year	<u>44,830</u>	<u>72,868</u>
Cash and cash equivalents end of year	<u>\$ 44,434</u>	<u>85,573</u>

Schedule 8

<u>Preschool</u>	<u>Before & After School</u>	<u>Total</u>
-	-	180,434
4,429	8,257	475,473
-	(5,673)	(162,879)
<u>(1,875)</u>	<u>(260)</u>	<u>(602,899)</u>
<u>2,554</u>	<u>2,324</u>	<u>(109,871)</u>
-	-	2,902
-	-	124,129
<u>-</u>	<u>(2,324)</u>	<u>(2,324)</u>
<u>-</u>	<u>(2,324)</u>	<u>124,707</u>
<u>45</u>	<u>-</u>	<u>72</u>
2,599	-	14,908
<u>8,235</u>	<u>-</u>	<u>125,933</u>
<u>10,834</u>	<u>-</u>	<u>140,841</u>

(continued)

Manson Northwest Webster Community School District
Manson, Iowa

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2015

	<u>School Nutrition</u>	<u>Building Trades</u>
Reconciliation of operating loss to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (150,691)	4,485
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Commodities used	24,301	-
Depreciation	8,783	-
(Increase) decrease in accounts receivable	1,976	(27,551)
(Increase) decrease in inventories	(2,561)	-
Increase (decrease) in accounts payable	(700)	35,756
Increase (decrease) in salaries and benefits payable	(533)	-
Increase (decrease) in unearned revenue	(1,800)	-
Increase (decrease) in net pension liability	(30,842)	-
(Increase) decrease in deferred outflows of resources	(4,399)	-
Increase (decrease) in deferred inflows of resources	29,027	-
Net cash provided by (used by) operating activities	<u>\$ (127,439)</u>	<u>\$ 12,690</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$24,301 of federal commodities.

See accompanying independent auditor's report.

Schedule 8

<u>Preschool</u>	<u>Before & After School</u>	<u>Total</u>
2,554	3,718	(139,934)
-	-	24,301
-	-	8,783
-	(391)	(25,966)
-	-	(2,561)
-	88	35,144
-	(1,091)	(1,624)
-	-	(1,800)
-	-	(30,842)
-	-	(4,399)
-	-	29,027
<u>\$ 2,554</u>	<u>\$ 2,324</u>	<u>(109,871)</u>

Manson Northwest Webster Community School District
Manson, Iowa

Schedule 9

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

June 30, 2015

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 1,851	-	1,851	-
Total assets	<u>\$ 1,851</u>	<u>-</u>	<u>1,851</u>	<u>-</u>
Liabilities				
Accounts payable	\$ 1,313	-	1,313	-
Other payables	<u>538</u>	<u>-</u>	<u>538</u>	<u>-</u>
Total liabilities	<u>\$ 1,851</u>	<u>-</u>	<u>1,851</u>	<u>-</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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:				
Local sources:				
Local tax	\$ 3,720,214	3,278,217	3,882,630	4,009,736
Tuition	1,724,334	2,035,335	2,266,382	2,326,940
Other	411,722	516,943	511,946	641,268
Intermediate sources	-	-	-	-
State sources	3,829,926	3,348,592	2,718,189	2,766,713
Federal sources	193,404	164,746	218,988	311,865
Total	<u>\$ 9,879,600</u>	<u>9,343,833</u>	<u>9,598,135</u>	<u>10,056,522</u>
Expenditures:				
Instruction:				
Regular	\$ 3,145,264	3,293,486	3,520,222	3,014,969
Special	1,619,446	1,868,652	2,073,167	2,213,079
Other	1,338,307	1,286,011	1,179,375	1,260,918
Support services:				
Student	204,097	203,848	182,151	181,239
Instructional staff	309,338	271,402	363,960	352,676
Administration	894,640	766,118	839,952	734,237
Operation and maintenance of plant	712,879	688,534	649,952	634,875
Transportation	690,498	743,927	849,471	782,992
Other expenditures:				
Facilities acquisition	1,151,295	386,635	337,685	276,564
Long-term debt:				
Principal	394,226	281,124	249,053	249,688
Interest and other charges	33,866	32,016	30,611	41,396
AEA flowthrough	277,410	251,999	239,845	237,865
Total	<u>\$ 10,771,266</u>	<u>10,073,752</u>	<u>10,515,444</u>	<u>9,980,498</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
4,335,796	3,450,954	3,290,767	3,303,096	3,275,151	3,009,443
2,352,326	2,460,945	2,153,354	2,464,838	2,066,799	2,002,115
544,429	604,305	750,174	667,285	673,268	674,446
6,253	912	16,000	-	1,719	-
2,769,324	2,592,688	3,168,603	3,175,047	3,137,829	3,142,982
596,293	452,808	294,504	269,249	277,424	263,798
<u>10,604,421</u>	<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>
3,113,179	2,883,346	2,907,323	2,814,761	2,715,371	2,511,600
2,329,164	2,403,635	2,616,856	2,615,413	2,430,187	2,154,706
1,176,083	1,209,416	1,260,181	1,157,876	1,018,830	998,887
155,835	160,090	148,534	125,419	166,276	117,930
304,047	450,972	342,107	338,412	344,349	297,558
667,057	673,009	729,775	632,338	582,203	732,644
588,691	640,421	702,243	628,542	672,072	637,365
635,898	885,240	741,210	672,942	589,246	384,189
202,187	361,394	316,200	654,743	224,787	386,905
117,793	100,442	86,163	44,225	-	-
10,700	6,966	16,788	938	-	-
267,594	267,593	245,093	241,512	234,607	232,421
<u>9,568,228</u>	<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>

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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, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 8, 2016. Our report expressed unmodified opinions on the financial statements except for a disclaimer of opinion on the component units; the Cougar Club and the 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 a 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-15 and I-B-15 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, 2015 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 the 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 8, 2016

Manson Northwest Webster Community School District
Manson, Iowa

Schedule of Findings

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 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-15 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, 2015

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, 2015

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 , exceeded the certified budget amounts in the support services and non-instructional programs functions.

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-15 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-15 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-15 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-15 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-15 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

Manson Northwest Webster Community School District
Manson, Iowa

Schedule of Findings

Year ended June 30, 2015

- II-H-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 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-15 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-15 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services, and Use Tax – No instances of non-compliance with the allowable use of the statewide sales, services, and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 389,284
Revenues/transfers in:		
Sales tax revenues	\$ 629,318	
Other local revenues	2,038	
Federal revenues	25,000	
Sale of long-term debt	<u>1,055,945</u>	<u>1,712,301</u>
		2,101,585
Expenditures/transfers out:		
Equipment	248,460	
Other	1,173,930	
Transfers to other funds:		
Debt service	<u>356,612</u>	<u>1,779,002</u>
Ending balance		\$ <u>322,583</u>

Manson Northwest Webster Community School District
Manson, Iowa

Schedule of Findings

Year ended June 30, 2015

For the year ended June 30, 2015, 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-15 Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.