NORWALK COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

Contents

		Page
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	Exhibit	
Government-Wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	20
Propriety Fund Financial Statements:		
Statement of Net Assets	G	21
Statement of Revenues, Expenses and Changes in Net Assets	H	22
Statement of Cash Flows	I	23
Notes to Financial Statements		24-37
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual(GAAP Basis) - All Governmental Funds and Proprietary Fund		38-39
Notes to Required Supplementary Information - Budgetary Reporting		40
Other Supplementary Information:	Schedule	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	42
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	43-44
Schedule of Changes in Special Revenue Fund, Expendable Trust Accounts	4	45
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5	46
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		47-48
Schedule of Findings		49-51

Norwalk Community School District

Officials

Name	Title	Term Expires
	Board of Education (Before September 2004 Election)	
Tom Phillips	President	2006
Debra R. Ostrem	Vice President	2004
George Meinecke	Board Member	2005
Katherine Schmidt	Board Member	2005
Deborah Hobbs	Board Member	2006
	Board of Education (After September 2004 Election)	
Tom Phillips	President	2006
George Meinecke	Vice President	2005
Katherine Schmidt	Board Member	2005
Deborah Hobbs	Board Member	2006
Rick Kaul	Board Member	2007
	School Officials	
Dr. Dennis Wulf	Superintendent	2005
Kate Baldwin	Business Manager and District Secretary	2005
Drew Bracken	Attorney	2005

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Norwalk Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Norwalk Community School District, Norwalk, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Norwalk Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated November 3, 2005 on our consideration of the Norwalk Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 provided an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Norwalk Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2002 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

November 3, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Norwalk Community School District provides the 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Fiscal 2005 General Fund revenues exceeded expenses by $1,477,236. The excess of revenues over expenses resulted in an increase in the fund balance from $1,197,612 to $2,674,848. Revenues were $15.9 million vs. $15.2 million in fiscal 2004, and expenditures were $14.4 million vs. $14.0 million in fiscal 2004.

- The increase in General Fund revenues was attributable to an increase in local, state and federal sources of revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

- AN increase in interest rates during the past year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from $23,068 in fiscal 2004 to $97,700 in fiscal 2005.

- Financial solvency ratio is a measure of the financial health of a School District used to determine the District's ability to fund outstanding financial liabilities at fiscal year end. A targeted solvency ratio is at or above the 5% level. If a school district's financial solvency is negative, this raises cause for concern. A solvency ratio at or below –3% requires action in the form of a "Workout Plan" by the School District's Board of Directors to correct the financial position of the District.

  Norwalk Community School District's solvency ratio for FY2002 was –5.08% (negative).

  In FY2003 the Board of Directors of the Norwalk Community School District adopted specific financial goals and procedures to correct this negative solvency position. Below is a recap of the solvency ratios for the past four fiscal years:

FY2001	0.78%
FY2002	-5.08%
FY2003	0.96%
FY2004	7.75%
FY2005	16.25%

  The District has surpasses the original targeted goal of 5%.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Norwalk 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 Norwalk Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Norwalk Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the 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.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

Figure A-1
Norwalk Community School District Annual Financial Report

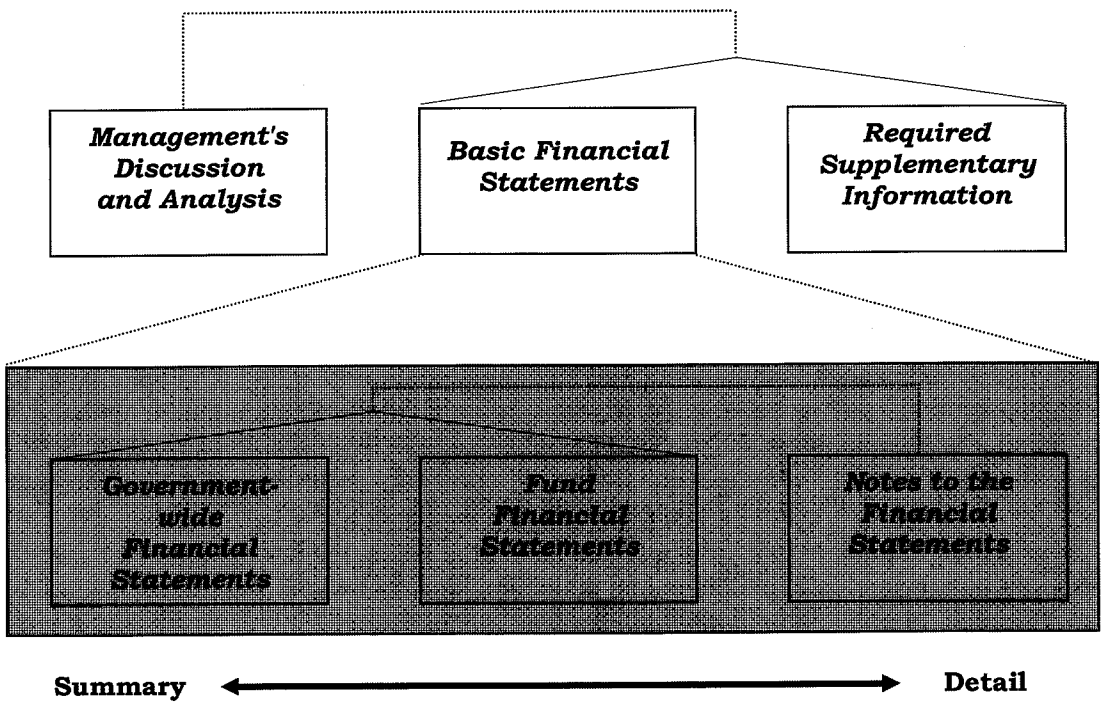

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
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
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, and short-term and long-term
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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two 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, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the 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, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District's internal service funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service fund, the Self-Funded Health Insurance Fund.

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

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	$ 23,845,678	10,857,141	346,217	243,778	24,191,895	11,100,919	117.93%
Capital assets	10,574,708	10,220,344	147,394	144,412	10,722,102	10,364,756	3.45%
Total assets	34,420,386	21,077,485	493,611	388,190	34,913,997	21,465,675	62.65%
Long-term obligations	21,146,016	8,315,000	0	0	21,146,016	8,315,000	154.31%
Other liabilities	7,127,709	9,317,172	18,724	11,299	7,146,433	9,328,471	-23.39%
Total liabilities	28,273,725	17,632,172	18,724	11,299	28,292,449	17,643,471	60.36%
Net assets:							
Invested in capital assets, net of related debt	3,322,573	1,892,027	147,394	144,412	3,469,967	2,036,439	70.39%
Restricted	251,532	389,395	0	0	251,532	389,395	-35.40%
Unrestricted	2,572,556	1,163,891	327,493	232,479	2,900,049	1,396,370	107.68%
Total net assets	$ 6,146,661	3,445,313	474,887	376,891	6,621,548	3,822,204	73.24%

The District's combined net assets increased by 73.24%, or $2,799,344, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased $137,863, or 35.40% over the prior year. The decrease was primarily a result of the Special Revenue, Management Fund incurring early retirement liabilities reducing the fund balance from $181,810 to $13,914.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased $1,503,679, or 107.68%. This increase in unrestricted net assets was a result of the District receiving more in local, state and federal sources in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	$ 1,473,612	1,498,298	567,399	551,883	2,041,011	2,050,181	-0.45%
Operating grants and contributions and restricted interest	1,476,213	1,452,856	183,648	169,651	1,659,861	1,622,507	2.30%
Capital grants and contributions and restricted interest	25,907	1,013,733	0	0	25,907	1,013,733	-97.44%
General revenues:							
Property tax	5,495,096	5,305,313	0	0	5,495,096	5,305,313	3.58%
Local option sales and services tax	667,416	0	0	0	667,416	0	100.00%
Unrestricted state grants	9,466,777	8,819,125	0	0	9,466,777	8,819,125	7.34%
Other	251,023	25,216	3,833	233	254,856	25,449	901.44%
Total revenues	18,856,044	18,114,541	754,880	721,767	19,610,924	18,836,308	4.11%
Program expenses:							
Governmental activities:							
Instructional	9,568,648	9,560,226	0	0	9,568,648	9,560,226	0.09%
Support services	4,866,717	4,514,451	0	0	4,866,717	4,514,451	7.80%
Non-instructional programs	8,311	511	656,884	642,788	665,195	643,299	3.40%
Other expenses	1,663,788	1,750,829	0	0	1,663,788	1,750,829	-4.97%
Total expenses	16,107,464	15,826,017	656,884	642,788	16,764,348	16,468,805	1.79%
Changes in net assets before other financing uses	2,748,580	2,288,524	97,996	78,979	2,846,576	2,367,503	20.24%
Other financing uses, net	(47,232)	0	0	0	(47,232)	0	-100.00%
Changes in net assets	2,701,348	2,288,524	97,996	78,979	2,799,344	2,367,503	18.24%
Beginning Net Assets	3,445,313	1,156,789	376,891	297,912	3,822,204	1,454,701	162.75%
Ending Net Assets	$ 6,146,661	3,445,313	474,887	376,891	6,621,548	3,822,204	73.24%

Property tax, local option sales and services tax and unrestricted state grants account for 80% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86% of the total expenses.

In FY03 the District adopted a one-year Instructional Support Levy for the FY04 School Year. In FY04 the School District extended this new Levy for an additional five years beginning with the FY05 School Year. The District collected an additional $522,537 in property taxes and an additional $166,207 in State Aid, resulting in an increase in General Fund revenues of $688,744. The District held these funds in reserve to insure adequate cash flow needs and improve the District's overall financial stability.

In September 2002, the District renewed the Physical Plant & Equipment Levy (PPEL) for a 10-year levy period beginning with the FY04 School Year. The District renewed the annual levy amount at the State Maximum limit of $1.34 per $1000, doubling the annual property tax

collections for this levy. In FY04 the District collected an additional $170,000 in PPEL revenues. This additional revenue was utilized to offset negative fund balances.

These measures to increase District revenues have resulted in a significant increase in ending year fund balances. The creation of these additional revenues are part an action plan that was established to meet one of the District's financial goals. In FY03 School District's Board of Directors adopted the following financial goal with respect to fund balances: "The School District will maintain an Undesignated, Unreserved General Fund Balance equal to a minimum of 7% of total General Fund Expenditures for that school year (Fund Balance to increase as the budget grows; maximum of 12%)." The adoption of this Board financial goal and the subsequent action plan to increase General Fund and PPEL revenues has lead to an increase in Ending Net Assets.

In FY2005 the District implemented a partial self-funding employee health insurance program, assuming some of the employee health insurance claims for hospitalizations up to maximum of $500 per plan (single or family). This accounting is managed through an internal service fund. In FY2005 the District reduced the total health insurance premiums paid by $179,891 and incurred $12,976 in health claims. The partial self-funding insurance program yielding a savings of $152,979 after covering administrative fees and services.

Governmental Activities

Revenue for governmental activities were $18,856,044 and expenses were $16,107,464.

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.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$ 9,568,648	7,282,195
Support services	4,866,717	4,815,827
Non-instructional programs	8,311	8,311
Other expenses	1,663,788	1,025,399
Totals	$ 16,107,464	13,131,732

- The cost financed by users of the District's programs was $1,473,612.
- Federal and state governments subsidized certain programs with grants and contributions totaling $1,502,120.
- The net cost of governmental activities was financed with $5,495,096 in property tax, $667,416 in local option sales and services tax, $9,466,777 in state foundation aid and $97,700 in interest income.

Business-Type Activities

Revenues of the District's business-type activity were $754,880 and expenses were $656,884. The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Norwalk 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 $16,703,348, well above last year's ending fund balances of $1,616,256. However, the primary reason for the increase was the activity in the Capital Project, Debt Service and General Funds.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in tax, state and federal grants resulted in an increase in revenues. The increase in revenues was partially offset by the District's increase in General Fund expenditures, resulting in a fund balance increase from $1,197,612 to $2,674,848.

- The Capital Projects Fund balance was utilized for the issuance of bonds and the collection of local option sales and services tax. The capital improvement expenditures were funded by the issuance of a G.O. Bond of $6.3 million and a Revenue Bond of $2.875 million.

- The Debt Service Fund balance was utilized for the payments of principal and interest on bonds. During the year, the District crossover refunded $3,675,000 in G.O. Bonds. Due to the bond requirements the District is required to report the escrow at Bankers Trust that will be used to payoff the original bond issue and show the debt liability on the entity-wide statements.

- The Special Revenue, Management Fund balance increased from $120,711 to $181,810. This was due to the increase in property taxes levied to cover property insurance and early retirement incentives.

- The Special Revenue, Physical Plant and Equipment Levy Fund balance decreased from a deficit $33,721 to a deficit $202,151. This was due to the increase in expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from $376,891 at June 30, 2004 to $474,887 at June 30, 2005, representing an increase of 20.64%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Norwalk Community School District amended its annual budget one time to reflect additional expenditures associated with all functional areas except for the non-instructional programs.

The District's revenues were $1,060,591 more than budgeted revenues, a variance of 5.72%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority 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 always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs and other expenditures functional areas due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested $10.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 3.45% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was $391,196.

The original cost of the District's capital assets was $18.5 million. Governmental funds account for $18.2 million with the remainder of $0.3 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled $604,554 at June 30, 2005, compared to $406,307 reported at June 30, 2004. This increase resulted from the District's addition of new assets, including two buses, less deletions and depreciation.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-05
Land	$ 27,300	27,300	0	0	27,300	27,300	0.00%
Construction in progress	118,057	0	0	0	118,057	0	100.00%
Buildings	9,517,404	9,458,225	0	0	9,517,404	9,458,225	0.63%
Land improvements	307,393	328,512	0	0	307,393	328,512	-6.43%
Machinery and equipment	604,554	406,307	147,394	144,412	751,948	550,719	36.54%
Total	$ 10,574,708	10,220,344	147,394	144,412	10,722,102	10,364,756	3.45%

Long-Term Debt

At June 30, 2005, the District had $21,146,016 in general obligation debt outstanding. This represents a increase of 154.31% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding General Obligation Bonds payable of $18,050,000 at June 30, 2005.

The District had outstanding Revenue Bonds payable of $2,875,000 at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2005	2004	2004-05
General obligation bonds	$ 18,050,000	8,315,000	117.1%
Revenue bonds	2,875,000	0	100.0%
Early retirement	167,896	0	100.0%
Compensated absences	53,120	0	100.0%
Totals	$ 21,146,016	8,315,000	154.31%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The State of Iowa has approved a 4% allowable growth factor for all school districts in FY06. This will provide significant new funding for the School District.

- The District has experienced increasing enrollment for the past several years and expects greater enrollment increases due to new housing developments in progress within the District.

- The State of Iowa has approved a 4% allowable growth factor for all school districts in FY06. This will provide significant new funding for the School District.

- In FY03 the District adopted a one-year Instructional Support Levy for the FY04 School Year. In FY04 the School District extended this new Levy for an additional five years beginning with the FY05 School Year. This new revenue source has provided the District with the necessary funds to build adequate fund balances to meet cash flow operating needs through the school year and has enabled the School District to create a General Fund balance reserve to provide financial stability if the District is faced with a future reduction in State Aid.

- In September 2002, the District renewed the Physical Plant & Equipment Levy for a 10-year levy period beginning with FY04 School Year. The District renewed the annual levy amount at the State Maximum limit of $1.34 per $1000, doubling the annual property tax collects for this levy.

- In January 2003 the school districts of Warren County successfully passed a 10-year, county-wide Local Options Sales Tax Levy to increase school infrastructure funding. This new sales tax levy will generate an additional $525,000 per year for the Norwalk Community School District.

- In February 2005 the District sold $6.3 million on general obligation bonds to fund school construction. This new debt liability raised the District's Debt Service Levy to the $4.04, close the legal debt capacity levy limit of $4.05/$1000. The District has developed a 20-Year facilities plan and does not intend to issuance any additional general obligation debt until FY2012.

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 Kate Baldwin, Business Manager, Norwalk Community School District, 906 School Avenue, Norwalk, Iowa, 50211.

BASIC FINANCIAL STATEMENTS

Exhibit A

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	$ 828,918	0	828,918
U.S. Treasury Securities on deposit with escrow agent	3,733,551	0	3,733,551
Other	12,449,773	336,156	12,785,929
Receivables:			
Property tax:			
Delinquent	120,170	0	120,170
Succeeding year	6,000,564	0	6,000,564
Accounts	20,638	0	20,638
Accrued interest:			
ISCAP(Note 4)	177	0	177
Other	37,473	0	37,473
Due from other governments	654,414	0	654,414
Inventories	0	10,061	10,061
Capital assets, net of accumulated depreciation(Note 5)	10,574,708	147,394	10,722,102
TOTAL ASSETS	34,420,386	493,611	34,913,997
LIABILITIES			
Accounts payable	73,400	13,388	86,788
Salaries and benefits payable	11,695	0	11,695
Accrued interest payable	138,358	0	138,358
ISCAP warrants payable(Note 4)	825,000	0	825,000
ISCAP accrued interest payable(Note 4)	138	0	138
ISCAP unamortized premium	11,080	0	11,080
Deferred revenue:			
Succeeding year property tax	6,000,564	0	6,000,564
Other	67,474	5,336	72,810
Long-term liabilities(Note 6):			
Portion due within one year:			
G.O. bonds payable	430,000	0	430,000
Early retirement payable	83,948	0	83,948
Compensated absences payable	53,120	0	53,120
Portion due after one year:			
G.O. bonds payable	17,620,000	0	17,620,000
Revenue bonds payable	2,875,000	0	2,875,000
Early retirement payable	83,948	0	83,948
TOTAL LIABILITIES	28,273,725	18,724	28,292,449
NET ASSETS			
Investment in capital assets, net of related debt	3,322,573	147,394	3,469,967
Restricted for:			
Management levy	13,914	0	13,914
Other special revenue purposes	237,618	0	237,618
Unrestricted	2,572,556	327,493	2,900,049
TOTAL NET ASSETS	$ 6,146,661	474,887	6,621,548

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

		Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	$ 5,473,714	433,830	749,428	0
Special instruction	2,777,661	215,209	98,469	0
Other instruction	1,317,273	788,517	1,000	0
	9,568,648	1,437,556	848,897	0
Support services:				
Student services	545,985	0	0	0
Instructional staff services	721,940	0	0	0
Adminstration services	1,849,696	0	0	0
Operation and maintenance of plant services	1,282,829	0	0	0
Transportation services	466,267	36,056	14,834	0
	4,866,717	36,056	14,834	0
Non-instructional programs:				
Food service operations	8,311	0	0	0
Other expenditures:				
Facilities acquisitions	144,619	0	0	25,907
Long-term debt interest	610,760	0	0	0
AEA flowthrough	612,482	0	612,482	0
Depreciation (unallocated)*	295,927	0	0	0
	1,663,788	0	612,482	25,907
Total governmental activities	16,107,464	1,473,612	1,476,213	25,907
Business-Type activities:				
Non-instructional programs:				
Nutrition services	656,884	567,399	183,648	0
Total	$ 16,764,348	2,041,011	1,659,861	25,907

General Revenues:
Property tax levied for:
General purposes
Capital outlay
Debt service
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings

Total general revenues

Changes in net assets

Other Financing Sources(Uses):
Premium on bonds
Accrued interest on sale of bonds
Discount on bonds sold
Cost of issuance

Total other financing sources(uses)

Changes in net assets

Net assets beginning of year

Net assets end of year

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(4,290,456)	0	(4,290,456)
(2,463,983)	0	(2,463,983)
(527,756)	0	(527,756)
(7,282,195)	0	(7,282,195)
(545,985)	0	(545,985)
(721,940)	0	(721,940)
(1,849,696)	0	(1,849,696)
(1,282,829)	0	(1,282,829)
(415,377)	0	(415,377)
(4,815,827)	0	(4,815,827)
(8,311)	0	(8,311)
(118,712)	0	(118,712)
(610,760)	0	(610,760)
0	0	0
(295,927)	0	(295,927)
(1,025,399)	0	(1,025,399)
(13,131,732)	0	(13,131,732)
0	94,163	94,163
(13,131,732)	94,163	(13,037,569)
$ 4,256,699	0	4,256,699
443,757	0	443,757
794,640	0	794,640
667,416	0	667,416
9,466,777	0	9,466,777
251,023	3,833	254,856
15,880,312	3,833	15,884,145
2,748,580	97,996	2,846,576
110,376	0	110,376
9,614	0	9,614
(38,100)	0	(38,100)
(129,122)	0	(129,122)
(47,232)	0	(47,232)
2,701,348	97,996	2,799,344
3,445,313	376,891	3,822,204
$ 6,146,661	474,887	6,621,548

Exhibit C

NORWALK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments:					
ISCAP(Note 4)	$ 828,918	0	0	0	828,918
U.S. Treasury Securities on deposit with escrow agent	0	0	3,733,551	0	3,733,551
Other	2,494,001	9,205,445	350,814	246,534	12,296,794
Receivables:					
Property tax					
Delinquent	86,866	0	21,547	11,757	120,170
Succeeding year	4,107,067	0	1,110,482	783,015	6,000,564
Accounts	20,638	0	0	0	20,638
Accrued interest:					
ISCAP(Note 4)	177	0	0	0	177
Other	0	37,139	123	211	37,473
Due from other governments	177,739	476,583	0	92	654,414
TOTAL ASSETS	$ 7,715,406	9,719,167	5,216,517	1,041,609	23,692,699
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 37,307	0	0	36,093	73,400
Salaries and benefits payable	11,695	0	0	0	11,695
ISCAP warrants payable(Note 4)	825,000	0	0	0	825,000
ISCAP accrued interest payable(Note 4)	138	0	0	0	138
ISCAP unamortized premium	11,080	0	0	0	11,080
Deferred revenue:					
Succeeding year property tax	4,107,067	0	1,110,482	783,015	6,000,564
Other	48,271	0	13,979	5,224	67,474
Total liabilities	5,040,558	0	1,124,461	824,332	6,989,351
Fund balances:					
Reserved:					
Debt service	0	0	4,092,056	0	4,092,056
Salary improvement program	531	0	0	0	531
Unreserved:					
Designated for special purposes	92,134	0	0	0	92,134
Undesignated:					
General	2,582,183	0	0	0	2,582,183
Capital projects	0	9,719,167	0	0	9,719,167
Management levy	0	0	0	181,810	181,810
Physical plant and equipment levy	0	0	0	(202,151)	(202,151)
Other special revenue purposes	0	0	0	237,618	237,618
Total fund balances	2,674,848	9,719,167	4,092,056	217,277	16,703,348
TOTAL LIABILITIES AND FUND BALANCES	$ 7,715,406	9,719,167	5,216,517	1,041,609	23,692,699

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit D

NORWALK COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balances of governmental funds (page 17)	$ 16,703,348
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	10,574,708
Blending of the Internal Service Fund to be reflected at an entity-wide basis.	152,979
Accrued interest payable on long-term liabiliities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(138,358)
Long-term liabilities, including bonds payable, early retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(21,146,016)
Net assets of governmental activites (page 14)	$ 6,146,661

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit E

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	$ 4,016,862	667,416	794,640	683,594	6,162,512
Tuition	649,039	0	0	0	649,039
Other	570,039	50,031	99,240	357,957	1,077,267
State sources	10,383,870	290,014	477	421	10,674,782
Federal sources	267,208	0	0	25,236	292,444
Total revenues	15,887,018	1,007,461	894,357	1,067,208	18,856,044
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	5,417,674	0	0	36,527	5,454,201
Special instruction	2,808,257	0	0	0	2,808,257
Other instruction	946,104	0	0	383,132	1,329,236
	9,172,035	0	0	419,659	9,591,694
Support services:					
Student services	534,207	0	0	0	534,207
Instructional staff services	722,545	0	0	0	722,545
Administration services	1,707,572	0	0	90,469	1,798,041
Operation and maintenance of plant services	1,232,536	0	0	111,707	1,344,243
Transportation services	433,354	0	0	143,380	576,734
	4,630,214	0	0	345,556	4,975,770
Non-instructional programs:					
Food service operations	0	0	0	11,371	11,371
Other expenditures:					
Facilities acquisitions	0	167,644	0	429,019	596,663
Long-term debt:					
Principal	0	0	375,000	0	375,000
Interest and fiscal charges	0	0	548,689	0	548,689
AEA flowthrough	612,482	0	0	0	612,482
	612,482	167,644	923,689	429,019	2,132,834
Total expenditures	14,414,731	167,644	923,689	1,205,605	16,711,669
Excess(deficiency) of revenues over(under) expenditures	1,472,287	839,817	(29,332)	(138,397)	2,144,375
Other financing sources(uses):					
Transfer in	0	0	287,500	0	287,500
Transfer out	0	(287,500)	0	0	(287,500)
Proceeds from sale of bonds	0	9,175,000	0	0	9,175,000
Proceeds from refunding bond	0	0	3,810,000	0	3,810,000
Premium on bonds	0	88,203	22,173	0	110,376
Accrued interest on sale of bonds	0	0	9,614	0	9,614
Discount on bonds sold	0	0	(38,100)	0	(38,100)
Cost of issuance	0	(96,353)	(32,769)	0	(129,122)
Sale of equipment	4,949	0	0	0	4,949
Total other financing sources(uses)	4,949	8,879,350	4,058,418	0	12,942,717
Net change in fund balances	1,477,236	9,719,167	4,029,086	(138,397)	15,087,092
Fund balance beginning of year	1,197,612	0	62,970	355,674	1,616,256
Fund balance end of year	$ 2,674,848	9,719,167	4,092,056	217,277	16,703,348

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit F

NORWALK COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2005

Net change in fund balances - total governmental funds (page 19)		$ 15,087,092
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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceed depreciation expense and loss on disposal in the current year, as follows:		
Expenditures for capital assets	$ 737,034	
Depreciation expense	(368,733)	
Loss on disposal of capital assets	(13,937)	354,364
Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis.		152,979
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:		
Issued	$ (12,985,000)	
Repaid	375,000	(12,610,000)
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 funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(62,071)
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.		
Early Retirement	$ (167,896)	
Compensated Absences	(53,120)	(221,016)
Changes in net assets of governmental activities (page 16)		$ 2,701,348

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit G

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	Business-Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
ASSETS		
Cash and pooled investments	$ 336,156	152,979
Inventories	10,061	0
Capital assets, net of accumulated depreciation(Note 5)	147,394	0
TOTAL ASSETS	493,611	152,979
LIABILITIES		
Accounts payable	13,388	0
Deferred revenue:		
Other	5,336	0
TOTAL LIABILITIES	18,724	0
NET ASSETS		
Investment in capital assets	147,394	0
Unrestricted	327,493	152,979
TOTAL NET ASSETS	$ 474,887	152,979

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit H

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	Business-Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
OPERATING REVENUE:		
Local sources:		
Charges for services	$ 567,399	961,723
TOTAL OPERATING REVENUES	567,399	961,723
OPERATING EXPENSES:		
Non-instructional programs:		
Salaries	190,747	0
Benefits	59,668	794,808
Services	59,236	13,936
Supplies	324,770	0
Depreciation	22,463	0
TOTAL OPERATING EXPENSES	656,884	808,744
OPERATING INCOME(LOSS)	(89,485)	152,979
NON-OPERATING REVENUES:		
State sources	8,814	0
Federal sources	174,834	0
Interest income	3,833	0
TOTAL NON-OPERATING REVENUES	187,481	0
Changes in net assets	97,996	152,979
Net assets beginning of year	376,891	0
Net assets end of year	$ 474,887	152,979

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit I

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	$ 508,457	0
Cash received from miscellaneous operating activities	69,309	961,723
Cash payments to employees for services	(260,098)	0
Cash payments to suppliers for goods or services	(325,659)	(808,744)
Net cash provided by(used in) operating activities	(7,991)	152,979
Cash flows from non-capital financing activities:		
State grants received	8,114	0
Federal grants received	129,902	0
Net cash provided by non-capital financing activities	138,016	0
Cash flows from capital and related financing activities:		
Acquisition of assets	(25,445)	0
Net cash used in capital and related financing activities	(25,445)	0
Cash flows from investing activities:		
Interest on investments	3,833	0
Net cash provided by investing activities	3,833	0
Net increase in cash and cash equivalents	108,413	152,979
Cash and cash equivalents at beginning of year	227,743	0
Cash and cash equivalents at end of year	$ 336,156	152,979
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	$ (88,785)	152,979
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	44,932	0
Depreciation	22,463	0
Decrease in inventories	141	0
Decrease in accounts receivable	5,833	0
Increase in accounts payable	13,274	0
Decrease in salary and benefits payable	(9,683)	0
Increase in deferred revenue	3,834	0
Net cash used in operating activities	$ (7,991)	152,979
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	$ 336,156	152,979

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at $44,932.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

(1) Summary of Significant Accounting Policies

The Norwalk Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. 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 City of Norwalk, Iowa, and the predominate agricultural territory in Warren County. 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, Norwalk 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 Norwalk Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Warren County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that 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 that are 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 other nonmajor governmental funds.

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 receipts that are 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 expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded health insurance operations of the District.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board

Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a

January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs 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.

Asset Class	Amount
Land	$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, expenditures in the non-instructional program and other expenditures functional areas exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2005 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 and the Treasurer of the State of Iowa; 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, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	$ 5,311,359

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The U.S. Treasury Securities are classified as Category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name.

Securities are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2005, the District had investments in U.S. Treasury Securities as follows:

Type	Fair Value
U.S. Treasury Securities	$ 3,733,551

(3) Transfers

The detail of transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	$ 287,500

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal

for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05A	6/30/04	6/30/05	$ 263	0	0	0
2005-06A	6/28/05	6/28/06	828,655	177	825,000	138
Total			$ 828,918	177	825,000	138

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund was noted for the year ended June 30, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	$ 0	1,400,000	1,400,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2005-06A	3.500%	3.903%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	$ 291,192	25,445	8,164	308,473
Less accumulated depreciation	146,780	22,463	8,164	161,079
Business-type activities capital assets, net	$ 144,412	2,982	0	147,394

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 27,300	0	0	27,300
Construction in progress	0	118,057	0	118,057
Total capital assets not being depreciated	27,300	118,057	0	145,357
Capital assets being depreciated:				
Buildings	14,165,461	333,987	0	14,499,448
Land improvements	923,561	0	0	923,561
Machinery and equipment	2,430,282	284,990	120,815	2,594,457
Total capital assets being depreciated	17,519,304	618,977	120,815	18,017,466
Less accumulated depreciation for:				
Buildings	4,707,236	274,808	0	4,982,044
Land improvements	595,049	21,119	0	616,168
Machinery and equipment	2,023,975	72,806	106,878	1,989,903
Total accumulated depreciation	7,326,260	368,733	106,878	7,588,115
Total capital assets being depreciated, net	10,193,044	250,244	13,937	10,429,351
Governmental activities capital assets, net	$ 10,220,344	368,301	13,937	10,574,708

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 14,111
Other	5,398
Support services:	
Instructional staff services	27,935
Administration	6,809
Operation and maintenance	11,715
Transportation	6,838
	72,806
Unallocated depreciation	295,927
Total governmental activities depreciation expense	$ 368,733
Business-type activities:	
Food services	$ 22,463

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	$ 8,315,000	10,110,000	375,000	18,050,000	430,000
Revenue bonds	0	2,875,000	0	2,875,000	0
Early Retirement	0	167,896	0	167,896	83,948
Compensated absences	0	53,120	0	53,120	53,120
Total	$ 8,315,000	13,206,016	375,000	21,146,016	567,068

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 1997			Bond Issue of April 1, 1998 Series A		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2006	5.10 %	$ 5,000	199,745	4.35 %	$ 335,000	64,183
2007	5.15	5,000	199,490	4.40	350,000	49,610
2008	5.20	5,000	199,232	4.45	370,000	34,210
2009	5.25	5,000	198,973	4.55	390,000	17,745
2010	5.25	380,000	198,710		-	-
2011	5.35	400,000	178,760		-	-
2012	5.40	420,000	157,360		-	-
2013	5.40	435,000	134,680		-	-
2014	5.40	460,000	111,190		-	-
2015	5.50	500,000	86,350		-	-
2016	5.50	520,000	58,850		-	-
2017	5.50	550,000	30,250		-	-
2018		-	-		-	-
2019		-	-		-	-
2020		-	-		-	-
2021		-	-		-	-
2022		-	-		-	-
2023		-	-		-	-
2024		-	-		-	-
2025		-	-		-	-
Total		$ 3,685,000	1,753,590		$ 1,445,000	165,748

Year Ending June 30,	Bond Issue of May 1, 2001			Bond Issue of May 1, 2005		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2006	4.38 %	$ 25,000	138,624	4.50 %	$ 65,000	275,930
2007	4.50	25,000	137,530	4.25	95,000	273,006
2008	4.50	25,000	136,406	4.50	110,000	268,968
2009	4.50	25,000	135,280	4.50	120,000	264,018
2010	4.50	25,000	134,156	4.50	155,000	258,618
2011	4.50	25,000	133,030	4.50	165,000	251,642
2012	4.50	40,000	131,906	4.50	120,000	244,218
2013	4.55	55,000	130,106	4.50	120,000	238,818
2014	4.60	60,000	127,601	4.50	115,000	233,418
2015	4.70	50,000	124,841	4.50	120,000	228,242
2016	4.75	55,000	122,491	4.50	135,000	222,842
2017	4.80	60,000	119,880	4.40	135,000	216,768
2018	5.00	540,000	117,000	4.40	220,000	210,828
2019	5.00	570,000	90,000	4.40	225,000	201,148
2020	5.00	600,000	61,500	4.50	235,000	191,248
2021	5.00	630,000	31,500	4.50	245,000	180,672
2022		-	-	4.25	915,000	169,648
2023		-	-	4.30	960,000	130,760
2024		-	-	4.35	1,000,000	89,480
2025		-	-	4.40	1,045,000	45,980
Total		$ 2,810,000	1,871,851		$ 6,300,000	4,196,252

Year Ending June 30,	Bond Issue of July 1, 2004			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2006	3.25 %	$ -	151,669	$ 430,000	830,151	1,260,151
2007	3.25	-	151,669	475,000	811,305	1,286,305
2008	3.25	30,000	151,669	540,000	790,485	1,330,485
2009	3.50	30,000	150,692	570,000	766,708	1,336,708
2010	3.75	410,000	149,643	970,000	741,127	1,711,127
2011	4.00	425,000	134,269	1,015,000	697,701	1,712,701
2012	4.00	440,000	117,269	1,020,000	650,753	1,670,753
2013	4.00	450,000	99,669	1,060,000	603,273	1,663,273
2014	4.00	470,000	81,668	1,105,000	553,877	1,658,877
2015	4.00	505,000	62,869	1,175,000	502,302	1,677,302
2016	4.00	515,000	42,669	1,225,000	446,852	1,671,852
2017	4.13	535,000	22,069	1,280,000	388,967	1,668,967
2018		-	-	760,000	327,828	1,087,828
2019		-	-	795,000	291,148	1,086,148
2020		-	-	835,000	252,748	1,087,748
2021		-	-	875,000	212,172	1,087,172
2022		-	-	915,000	169,648	1,084,648
2023		-	-	960,000	130,760	1,090,760
2024		-	-	1,000,000	89,480	1,089,480
2025		-	-	1,045,000	45,980	1,090,980
Total		$ 3,810,000	1,315,824	$ 18,050,000	9,303,265	27,353,265

Revenue Bonds Payable

Details of the District's June 30, 2005 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated June 1, 2005 Interest Rate	Principal	Interest	Total
2006	2.95 %	$ -	58,755	58,755
2007	2.95	-	100,722	100,722
2008	2.95	320,000	96,002	416,002
2009	3.05	330,000	86,250	416,250
2010	3.20	340,000	75,778	415,778
2011	3.63	350,000	63,994	413,994
2012	3.63	365,000	51,034	416,034
2013	3.63	375,000	37,622	412,622
2014	3.75	390,000	23,513	413,513
2015	4.00	405,000	8,100	413,100
Total		$ 2,875,000	601,770	3,476,770

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

a) $287,500 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.

b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.

c) 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.

d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees and administration. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by

the Board of Education. The early retirement incentive is 40% of the employee's salary and $30 per day for unused sick leave days with a maximum of 115 days. The cost of early retirement payments expected to liquidated currently are recorded as a liability of the government-wide financial statements representing the District's commitment to fund non-current early retirement of $167,896.

(7) General Obligation Crossover Refunding Bonds

On July 1, 2004, the District issued $3,810,000 of general obligation refunding bonds, with interest rates ranging from 3.25% to 4.125%, for a crossover refunding of a portion of the general obligation bonds issued May 1, 1997. The District entered in to an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the $3,675,000 principal on the refunded general obligation bonds when they become callable on May 1, 2017 and the interest from July 1, 2004 to and including May 1, 2017 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

The District refunded the bonds to reduce its total debt service payments by $374,837 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $156,696.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were $521,588, $564,267, and $504,786 respectively, equal to the required contributions for each year.

(9) Risk Management

The District has a partially self-funded health insurance plan. The District purchases commercial insurance from Blue Cross Blue Shield. The maximum cost to the District per plan is $500.

Norwalk 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. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $612,482 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction Commitment

The District has entered into various contracts totaling $727,000 for the purposes of researching future school construction needs. As of June 30, 2005, costs of $118,057 had been incurred against the contracts. The balance of $608,943 remaining at June 30, 2005 will be paid as work on the project progresses.

(12) Deficit Fund Balance

The Special Revenue, Physical Plant and Equipment Levy fund had a deficit undesignated balance of $202,151 at June 30, 2005.

(13) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2005, expenditures in the non-instructional programs and other expenditures functional program areas exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

NORWALK COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	$ 7,888,818	571,232
State sources	10,674,782	8,814
Federal sources	292,444	174,834
Total revenues	18,856,044	754,880
Expenditures:		
Instruction	9,591,694	0
Support services	4,975,770	0
Non-instructional programs	11,371	656,884
Other expenditures	2,132,834	0
Total expenditures	16,711,669	656,884
Excess of revenues over expenditures	2,144,375	97,996
Other financing sources, net	12,942,717	0
Excess of revenues and other financing sources over expenditures	15,087,092	97,996
Balance beginning of year	1,616,256	376,891
Balance end of year	$ 16,703,348	474,887

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance - Positive (Negative)
8,460,050	7,774,997	7,774,997	685,053
10,683,596	10,374,017	10,374,017	309,579
467,278	401,319	401,319	65,959
19,610,924	18,550,333	18,550,333	1,060,591
9,591,694	10,255,000	10,255,000	663,306
4,975,770	5,021,900	5,590,360	614,590
668,255	625,550	666,600	(1,655)
2,132,834	1,757,595	1,942,933	(189,901)
17,368,553	17,660,045	18,454,893	1,086,340
2,242,371	890,288	95,440	2,146,931
12,942,717	500	500	12,942,217
15,185,088	890,788	95,940	15,089,148
1,993,147	1,939,534	1,939,534	53,613
17,178,235	2,830,322	2,035,474	15,142,761

NORWALK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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 the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that 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 $794,848.

During the year ended June 30, 2005, expenditures in the non-instructional programs and other expenditures functional areas exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

Schedule 1

NORWALK COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue Funds				
	Management	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds
ASSETS					
Cash and pooled investments	$ 179,412	215,390	(181,453)	33,185	246,534
Receivables:					
Property tax					
Current year delinquent	4,431	0	7,326	0	11,757
Succeeding year	315,000	0	468,015	0	783,015
Accrued interest	0	0	0	211	211
Due from other governments	92	0	0	0	92
TOTAL ASSETS	$ 498,935	215,390	293,888	33,396	1,041,609
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	$ 0	11,168	24,925	0	36,093
Deferred revenue:					
Succeeding year property tax	315,000	0	468,015	0	783,015
Other	2,125	0	3,099	0	5,224
	317,125	11,168	496,039	0	824,332
Fund equity:					
Fund balances:					
Unreserved, undesignated	181,810	204,222	(202,151)	33,396	217,277
	181,810	204,222	(202,151)	33,396	217,277
TOTAL LIABILITIES AND FUND EQUITY	$ 498,935	215,390	293,888	33,396	1,041,609

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 2

NORWALK COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	Special Revenue Funds				
	Manage-ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds
REVENUES:					
Local sources:					
Local tax	$ 239,837	0	443,757	0	683,594
Other	4,976	350,975	915	1,091	357,957
State sources	154	0	267	0	421
Federal sources	0	0	25,236	0	25,236
TOTAL REVENUES	244,967	350,975	470,175	1,091	1,067,208
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	36,527	0	0	0	36,527
Other instruction	0	380,382	0	2,750	383,132
Support services:					
Administration services	20,093	0	70,376	0	90,469
Operation and maintennance of plant services	103,055	0	8,652	0	111,707
Transportation	23,610	0	119,770	0	143,380
Non-instructional programs:					
Food service operations	583	0	10,788	0	11,371
Other expenditures:					
Facilities acquisition	0	0	429,019	0	429,019
TOTAL EXPENDITURES	183,868	380,382	638,605	2,750	1,205,605
Excess(deficiency) of revenues over(under) expenditures	61,099	(29,407)	(168,430)	(1,659)	(138,397)
FUND BALANCES BEGINNING OF YEAR	120,711	233,629	(33,721)	35,055	355,674
FUND BALANCES END OF YEAR	$ 181,810	204,222	(202,151)	33,396	217,277

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 3

NORWALK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi-tures	Balance Change	Balance End of Year
D Oviatt Investment Fund	$ 21,507	500	21,282	0	725
Middle School Accounts:					
General Athletics	3,189	1,436	2,328	1,089	3,386
Concessions	1,200	5,827	3,479	0	3,548
Chorus	51	11,169	9,724	0	1,496
Cross Country	150	90	25	(50)	165
Boys Basketball	1,000	2,721	1,602	(300)	1,819
Football	1,200	2,229	1,594	(300)	1,535
Baseball	2,000	0	1,760	0	240
Boys Track	500	836	415	(200)	721
Wrestling	500	489	352	0	637
Girls Basketball	1,000	1,593	1,066	(239)	1,288
Volleyball	500	1,553	1,386	0	667
Softball	1,500	422	1,181	0	741
Girls Track	500	100	298	0	302
Cheerleaders	143	350	287	0	206
Student Council	7,367	3,938	2,841	(60)	8,404
Art Club	544	2,134	2,738	60	0
Ace Club	0	4,846	4,622	0	224
Annual	1,259	915	627	0	1,547
SADD	418	149	168	0	399
High School Accounts:					
General Athletics	36,880	45,892	55,586	0	27,186
Concessions	9,011	7,089	10,983	0	5,117
All School Play	1,709	629	1,087	0	1,251
Speech	1,500	0	816	0	684
Chorus	3,000	0	2,910	0	90
Dinner Show	3,899	17,769	19,739	0	1,929
Swing Choir	5,248	3,932	8,309	0	871
Band	4,548	6,872	8,342	0	3,078
Tri-M Club	130	0	0	0	130
Athletic Letter Club	1,000	0	0	0	1,000
Cross Country	1,516	1,949	1,933	0	1,532
Swimming	200	0	0	0	200
Boys Basketball	7,998	17,045	9,539	0	15,504
Football	19,313	44,409	36,601	0	27,121
Boys Soccer	4,559	9,468	11,095	0	2,932
Baseball	5,183	20,551	23,932	0	1,802
Boys Track	2,500	4,416	4,796	0	2,120
Boys Tennis	1,895	535	1,164	0	1,266
Boys Golf	2,500	2,867	3,482	0	1,885
Wrestling	8,542	4,286	3,480	0	9,348
Weight Room	2,000	3,498	3,661	0	1,837
Girls Basketball	6,867	11,880	8,226	0	10,521

NORWALK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi-tures	Balance Change	Balance End of Year
High School Accounts(Continued):					
Volleyball	4,644	14,790	11,146	0	8,288
Girls Soccer	3,993	2,087	3,567	0	2,513
Softball	7,426	8,977	7,843	0	8,560
Girls Track	3,009	3,277	4,777	0	1,509
Girls Tennis	1,500	238	738	0	1,000
Girls Golf	2,541	3,030	3,952	0	1,619
Cheerleaders	4,217	7,264	8,861	0	2,620
Drill Team	3,443	22,739	24,097	0	2,085
Class of 2004	295	0	0	0	295
Class of 2005	937	0	804	0	133
Class of 2006	0	16,188	15,484	0	704
Student Council	1,879	8,967	8,314	0	2,532
Art Club	1,715	4,884	2,676	0	3,923
French Club	3,154	7,050	6,135	0	4,069
Spanish Club	5,002	0	249	0	4,753
Annual	8,751	5,572	5,811	0	8,512
Newspaper	360	447	429	0	378
MOC	86	0	0	0	86
National Honor Society	1,579	330	573	0	1,336
SADD	338	664	996	0	6
SES	85	0	0	0	85
Debate	2,500	0	155	0	2,345
Mock Trial	1,500	0	319	0	1,181
Fanatecs/Pep Club	125	10	0	0	135
Poetry Club	24	77	0	0	101
Total	$ 233,629	350,975	380,382	0	204,222

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
YEAR ENDED JUNE 30, 2005

	Balance Beginning of Year	Revenues	Expendi-tures	Transfer in	Balance End of Year
V Montgomery Memorial	$ 1,425	23	250	0	1,198
J Graham Scholarship	5,071	90	50	0	5,111
Frederick Scholarship	5,035	91	50	0	5,076
J W Winter Scholarship	20,139	358	200	0	20,297
L Ghrist Scholarship	1,715	0	1,500	0	215
D Oviatt Scholarship	1,670	29	200	0	1,499
Norwalk Bank Scholarship	0	500	500	0	0
	$ 35,055	1,091	2,750	0	33,396

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

NORWALK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	$ 6,162,512	5,305,313	5,058,678	4,825,203
Tuition	649,039	651,742	562,761	461,058
Other	1,077,267	867,530	873,724	796,100
Intermediate sources	0	4,100	1,841	7,063
State sources	10,674,782	10,020,720	9,561,884	10,147,308
Federal sources	292,444	1,264,994	419,515	294,581
Total	$ 18,856,044	18,114,399	16,478,403	16,531,313
Expenditures:				
Instruction:				
Regular instruction	$ 5,454,201	5,472,518	5,280,396	5,759,774
Special instruction	2,808,257	2,788,710	2,595,218	2,649,538
Other instruction	1,329,236	1,282,384	1,398,288	1,213,939
Support services:				
Student services	534,207	472,981	522,323	529,608
Instructional staff services	722,545	585,660	496,274	496,032
Adminstration services	1,798,041	1,593,549	1,543,304	1,875,354
Operation and maintenance of plant services	1,344,243	1,293,616	1,373,322	1,363,320
Transportation services	576,734	508,090	461,675	429,892
Non-instructional programs	11,371	511	12,857	11,683
Other expenditures:				
Facilities acquisitions	596,663	1,508,524	261,122	2,510,753
Long-term debt:				
Principal	375,000	460,000	584,702	590,000
Interest and other charges	548,689	440,749	467,924	492,128
AEA flow-through	612,482	600,251	612,443	602,268
Total	$ 16,711,669	17,007,543	15,609,848	18,524,289

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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 the
Norwalk Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Norwalk Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 3, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Norwalk Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Norwalk 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 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, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Norwalk Community School District and other parties to whom Norwalk Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Norwalk 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.

Nolte, Cornman & Johnson P.C.

NOLTE, CORNMAN & JOHNSON, P.C.

November 3, 2005

NORWALK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-05 Student Activity Fund - We noted during our audit that the Student Activity fund received interest income. The interest was not allocated to the various student activity accounts.

Recommendation - The interest received should be allocated among the individual student activity accounts that earned the interest.

Response - We will make allocate the interest earned in the Student Activity Fund.

Conclusion - Response accepted.

NORWALK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

II-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005 exceeded the amount budgeted in the non-instructional programs and other expenditures functional areas.

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

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 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-E-05 Business Transactions - No business transactions between the District and District officials were noted.

II-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-I-05 Deposits and Investments - We noted 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.

II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-K-05 Financial Condition - The District had a deficit undesignated fund balance in the Special Revenues, Physical Plant and Equipment Levy fund of $202,151.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - The District has developed a 10-year plan to encumber the Physical Plant and Equipment Levy fund revenues and tying this revenue stream to infrastructure project costs. Revenues that are collected in FY 2005 will resolve this deficit balance.

Conclusion - Response accepted.