

NORWALK COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

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Norwalk Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Katherine Schmidt	President	2008
George Meinecke	Vice President	2008
Rick Kaul	Board Member	2010
Tom Phillips	Board Member	2009
Deborah Hobbs	Board Member	2009
Board of Education (After September 2008 Election)		
Katherine Schmidt	President	2011
Rick Kaul	Vice President	2011*
Tom Phillips	Board Member	2009
Deborah Hobbs	Board Member	2009
George Meinecke	Board Member	2011
School Officials		
Dr. Dennis Wulf	Superintendent	2009
Kate Baldwin	Business Manager and District Secretary	2009
Drew Bracken	Attorney	2009

* Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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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, 2009, 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.

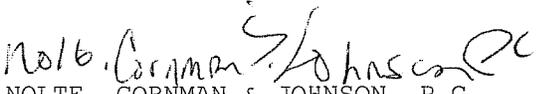
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2009, 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 report dated March 29, 2010 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 provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 18 and 48 through 50 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. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 29, 2010

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Fiscal 2009 General Fund revenues exceeded expenses by \$54,921. The excess of revenues over expenses resulted in an increase in the fund balance from \$6,191,171 to \$6,246,092. Revenues were \$20.0 million vs. \$19.8 million in fiscal 2008, and expenditures were \$19.9 million vs. \$18.7 million in fiscal 2008.
- The increase in General Fund revenues was attributable to an increase in state and federal sources of revenue in fiscal 2009. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.
- 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.

In FY2003 the Board of Directors of the Norwalk Community School District adopted specific financial goals and procedures to pro-actively place the School District in a stronger financial position with a higher solvency ratio. The Board of Directors renewed these final goals in August 2008 and November 2009.

Goals and Actions Approved by the Board of Directors:

- Adopt a Board Resolution to maintain the District's solvency ratio between 15% and 20%
- Adopt a Board Policy to create and maintain a "Balanced Budget" annually. If this is not possible due to a reduction in allowable growth or an enrollment decline, the Board will backfill with the Cash Reserve, but shall not allow the solvency ratio to decline below 15%.
- Maintain an Instructional Support Levy at the Maximum 10% Revenue Rate
- Maintain a Voter Approved Physical Plant & Equipment Levy at the Maximum Rate of \$1.34/\$1000
- Make Operating Expenditure Reductions and/or Use the Cash Reserve Levy when necessary to maintain a solvency ratio of 15%

Below is a recap of the solvency ratios for the past seven fiscal years:

FY2003	0.96%
FY2004	7.75%
FY2005	17.51%
FY2006	27.19%
FY2007	33.59%
FY2008	32.20%
FY2009	30.46%
<i>Est. FY2010 (As of 03-08-10)</i>	<i>23.45%</i>

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 custodian 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, as well as presenting the schedule of funding progress for the retiree health plan.

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.

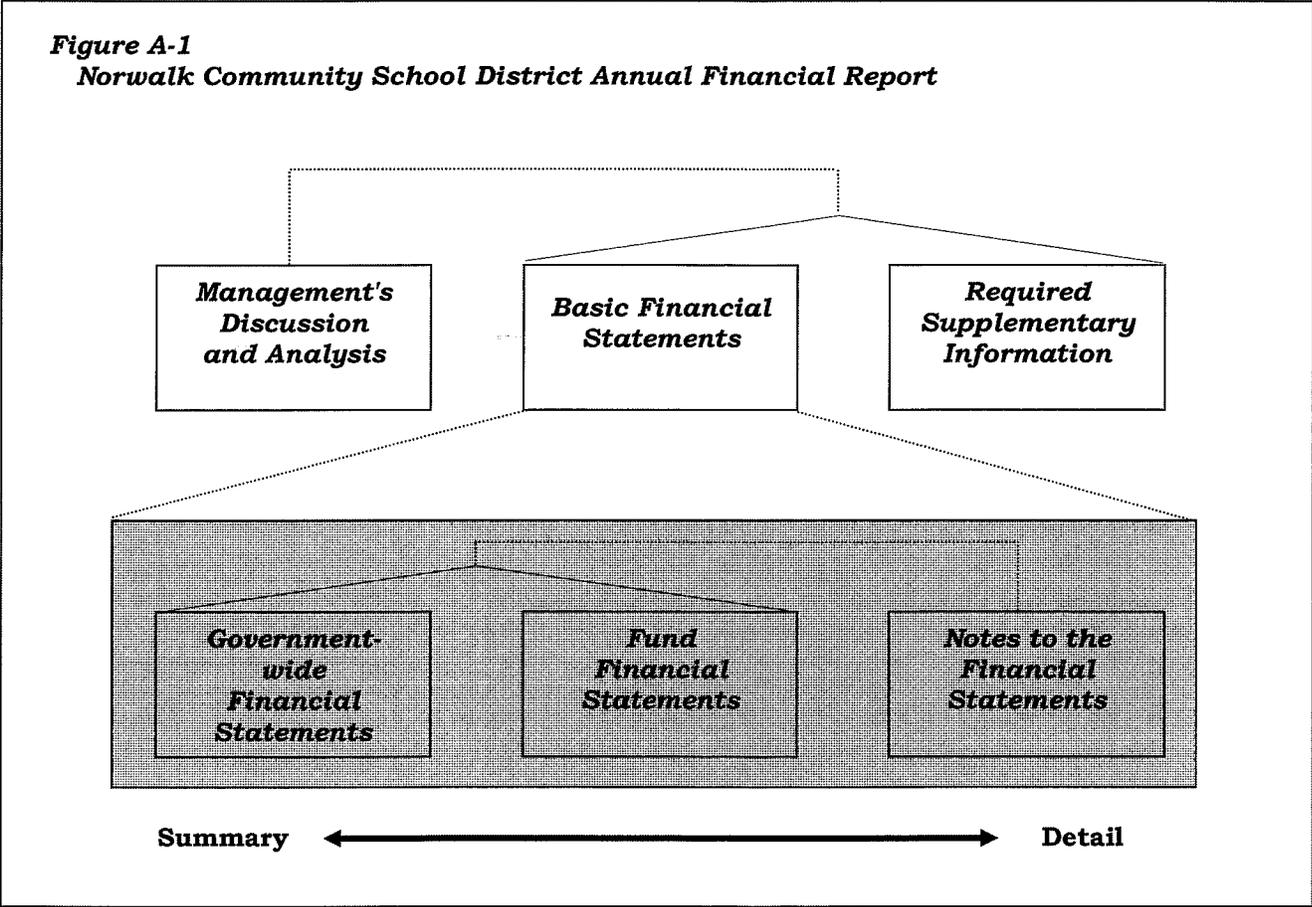


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or 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 three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, 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.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private Purpose Trust Fund.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 22,056,497	23,203,873	607,689	517,271	22,664,186	23,721,144	-4.46%
Capital assets	26,102,313	23,950,164	516,410	573,610	26,618,723	24,523,774	8.54%
Total assets	48,158,810	47,154,037	1,124,099	1,090,881	49,282,909	48,244,918	2.15%
Long-term obligations	22,126,815	23,164,794	3,138	-	22,129,953	23,164,794	-4.47%
Other liabilities	7,740,320	7,513,460	16,130	43,069	7,756,450	7,556,529	2.65%
Total liabilities	29,867,135	30,678,254	19,268	43,069	29,886,403	30,721,323	-2.72%
Net assets:							
Invested in capital assets, net of related debt	9,791,423	7,389,431	516,410	573,610	10,307,833	7,963,041	29.45%
Restricted	2,089,102	2,741,339	-	-	2,089,102	2,741,339	-23.79%
Unrestricted	6,411,150	6,345,013	588,421	474,202	6,999,571	6,819,215	2.64%
Total net assets	\$ 18,291,675	16,475,783	1,104,831	1,047,812	19,396,506	17,523,595	10.69%

The District's combined net assets increased by 10.69%, or \$1,872,911, 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 \$652,237, or 23.79% over the prior year. The decrease was

primarily a result of the decreased carryover grant balances as well as the restricted fund balance in the Capital Projects, Statewide Sales and Services Tax Fund.

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 \$180,356, or 2.64%. This increase in unrestricted net assets was a result of the District increases in unrestricted fund balance in the General, School Nutrition and Internal Service Funds.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to June 30, 2008.

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,
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 1,699,435	1,702,646	598,768	595,027	2,298,203	2,297,673	0.02%
Operating grants and contributions and restricted interest	3,043,945	2,334,355	258,106	222,369	3,302,051	2,556,724	29.15%
Capital grants and contributions and restricted interest	-	146,100	-	-	-	146,100	-100.00%
General revenues:							
Property tax	7,056,408	6,130,000	-	-	7,056,408	6,130,000	15.11%
Statewide sales and services tax	1,330,428	1,279,874	-	-	1,330,428	1,279,874	3.95%
Unrestricted state grants	10,865,554	10,741,463	-	-	10,865,554	10,741,463	1.16%
Other	441,098	466,327	5,764	16,883	446,862	483,210	-7.52%
Transfers	-	(483,821)	-	483,821	-	-	0.00%
Total revenues and transfers	24,436,868	22,316,944	862,638	1,318,100	25,299,506	23,635,044	7.04%
Program expenses:							
Governmental activities:							
Instruction	14,108,509	12,678,045	-	-	14,108,509	12,678,045	11.28%
Support services	6,106,261	6,093,041	47,679	40,807	6,153,940	6,133,848	0.33%
Non-instructional programs	-	-	757,940	769,393	757,940	769,393	-1.49%
Other expenses	2,406,206	1,830,592	-	-	2,406,206	1,830,592	31.44%
Total expenses	22,620,976	20,601,678	805,619	810,200	23,426,595	21,411,878	9.41%
Changes in net assets	1,815,892	1,715,266	57,019	507,900	1,872,911	2,223,166	-15.75%
Beginning Net Assets	16,475,783	14,760,517	1,047,812	539,912	17,523,595	15,300,429	14.53%
Ending Net Assets	\$ 18,291,675	16,475,783	1,104,831	1,047,812	19,396,506	17,523,595	10.69%

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 Board of Directors understands the significantly positive impact the Instructional Support Levy revenues have provided to the General Fund. The ISL Board adoption expired in FY2009, but the Board of Directors took action in May of 2008 to renew the ISL for a second five-year period, extending the additional levy until 2014. The ISL is funded by a combination of local property tax revenues and state aid. Below is a recap of the additional revenues this levy has generated for the District over the past five years.

	Local Property Taxes	State Aid	Total ISL Revenues
FY2005	\$599,292	\$141,965	\$741,257
FY2006	\$637,632	\$138,055	\$775,687
FY2007	\$636,497	\$138,055	\$774,552
FY2008	\$666,495	\$136,522	\$803,017
FY2009	\$749,245	\$126,860	\$876,105
<i>Est. FY2010</i>	<i>\$751,522</i>	<i>\$117,341</i>	<i>\$868,863</i>

The ISL has enabled the School District to achieve the targeted solvency ratios within a four-year period, by retaining these additional revenues to create a reserve fund to insure adequate cash flow needs and improve the District's overall financial stability. In year two (FY2005) the District achieved the initial goal of reaching a 5% solvency ratio. The District elected to utilize approximately 40% of the ISL revenues to fund new expenditures for curriculum and textbook purchases.

The District anticipate to incur a decline in the June 30th ending General Fund Balance in FY2010 due to an enrollment decline of 26 students in October of 2008 and a 10% across-the-board State Aid cut imposed by the Governor on October 8, 2010.

Below is a recap of the District's June 30th ending General Fund Balances for the past five fiscal years:

FY2005	\$ 2,674,848
FY2006	\$ 4,308,547
FY2007	\$ 6,099,919
FY2008	\$ 6,062,576
FY2009	\$ 6,087,178
<i>Est. FY2010</i>	<i>\$ 4,572,864</i>

In FY2008 the District opened a new secondary attendance center to serve 8th and 9th grade students. The District hired 15 new teachers to serve this school. The salaries of these teachers were funded out of the General Fund reserve balances. The District does not anticipate construction of another new attendance center until 2022, requiring the necessity to hire a large number of staff again. Until that time, staff will be added in small increments of one or two per year, depending upon enrollment growth.

In FY2005 the District implemented a partial self-funding employee health insurance program, assuming some of the employee health insurance claims liability for hospitalizations up to a maximum of \$500 per plan (single or family). This accounting is managed through an internal service fund. Below is a listing of the annual premium savings that has created retained earnings during each of the five years.

	<u>Revenues</u>	<u>Expenses</u>	<u>Surplus/ Deficit</u>	<u>Ending Fund Balances</u>
FY2005	\$ 961,724	\$ 808,744	\$ 152,979	\$ 152,979
FY2006	\$1,164,170	\$1,030,888	\$ 133,282	\$ 286,261
FY2007	\$1,124,495	\$1,010,645	\$ 113,849	\$ 400,110
FY2008	\$1,247,067	\$1,123,216	\$ 123,851	\$ 523,961
FY2009	\$1,412,245	\$1,215,192	\$ 197,053	\$ 721,014
<i>Est. FY2010</i>	<i>\$1,590,934</i>	<i>\$1,385,332</i>	<i>\$ 205,602</i>	<i>\$ 926,616</i>

These measures to increase District revenues have resulted in a significant increase in ending year fund balances. The creation of these additional revenues is part of 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 12% of total General Fund Expenditures for that school year (Fund Balance to increase as the budget grows; maximum of 15%).” The adoption of this Board financial goal and the subsequent action plan to increase General Fund and PPEL revenues has led to an increase in Ending Net Assets.

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 October 2007, the District issued \$1,290,000 in capital loan notes to purchase capital equipment. Below is a recap of the recent PPEL revenues, expenses and ending fund balances:

	<u>Revenues</u>	<u>Expenses</u>	<u>Ending Fund Balances</u>
FY2005	\$470,174	\$638,605	(\$202,151)
FY2006	\$486,648	\$212,594	\$ 71,903
FY2007	\$509,508	\$437,484	\$143,927
FY2008	\$1,860,271	\$1,830,154	\$174,044
FY2009	\$597,805	\$795,372	(\$23,523)
<i>Est. FY2010</i>	<i>\$ 634,154</i>	<i>\$ 653,440</i>	<i>(\$ 42,809)</i>

In January 2003 the school districts of Warren County successfully passed a 10-year, county-wide Local Options Sales Tax Levy (LOSST) to increase school infrastructure funding. This revenue source has funded new construction and capital improvements. In 2008, the Iowa legislature passed new legislation to implement a statewide one-cent sales tax for school infrastructure. The new state sales tax legislation replaced the local count sales tax. State sales tax revenue collections will be distributed to all Iowa schools based on annual student enrollment totals. The new state sales tax for schools will expire in 2019. Below is a recap of the annual revenues, expenses and ending fund balance for Sales Tax Fund.

	<u>Revenues</u>	<u>Expenses</u>	<u>Ending Fund Balances</u>
FY2005	\$ 961,895	\$ 0	\$ 961,895
FY2006	\$1,063,835	\$1,541,985	\$ 483,745
FY2007	\$1,315,794	\$1,163,783	\$ 635,756
FY2008	\$1,347,285	\$ 819,500	\$1,163,541
FY2009	\$1,350,897	\$1,956,011	\$ 558,427
<i>Est. FY2010</i>	<i>\$1,368,771</i>	<i>\$1,125,837</i>	<i>\$ 801,361</i>

Governmental Activities

Revenues for governmental activities were \$24,436,868 and expenses were \$22,620,976.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	2009	2008	Change	2009	2008	Change
			2008-09			2008-09
Instruction	\$ 14,108,509	12,678,045	11.28%	10,221,183	9,423,880	8.46%
Support services	6,106,261	6,093,041	0.22%	6,052,183	5,903,567	2.52%
Other expenses	2,406,206	1,830,592	31.44%	1,604,230	1,091,130	47.02%
Totals	<u>\$ 22,620,976</u>	<u>20,601,678</u>	<u>9.80%</u>	<u>17,877,596</u>	<u>16,418,577</u>	<u>8.89%</u>

- The cost financed by users of the District’s programs was \$1,699,435.

-
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,043,945.
 - The net cost of governmental activities was financed with \$7,056,408 in property tax, \$1,330,428 in statewide sales and services tax, \$10,865,554 in unrestricted state grant and \$441,098 in other general revenues.

Business type Activities

Revenues of the District's Business type activity were \$862,638 and expenses were \$805,619. 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 \$13,731,345, below last year's ending fund balances of \$15,286,690. However, the primary reason for the decrease was due to capital facility construction in the Capital Projects, Elementary GO Bond Construction Fund financed from the prior year issuance of \$6.2 million in general obligation bonds.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local 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 \$6,191,171 to \$6,246,092.
- The Capital Projects Fund balance was utilized for the collection of statewide sales and services tax. The capital improvement expenditures were funded by the issuance of a G.O. Bond of \$6.2 million issued in 2008. During the year, the Capital Projects Fund balance to decrease from \$7,583,479 to \$6,017,537.
- The Debt Service Fund balance was utilized for the payments of principal and interest on bonds and capital loan notes. During the year, the Debt Service Fund balance to increase from \$756,745 to \$763,740.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$1,047,812 at June 30, 2008 to \$1,104,831 at June 30, 2009, representing an increase of 5.44%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Norwalk Community School District amended its annual budget one time to reflect additional expenditures in the instruction, non-instructional programs and other expenditures functions.

The District's revenues were \$314,860 more than budgeted revenues, a variance of 1.26%. The most significant variance resulted from the District receiving more in federal 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$26.6 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 8.54% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,032,553.

The original cost of the District's capital assets was \$36.5 million. Governmental funds account for \$35.8 million with the remainder of \$0.7 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$21,241,795 at June 30, 2009, compared to \$9,309,964 reported at June 30, 2008. This increase resulted from the District's capital construction completion at the secondary campus site for an addition and renovations that were completed in the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 256,352	256,352	-	-	256,352	256,352	0.00%
Construction in progress	2,590,316	12,977,098	-	-	2,590,316	12,977,098	-80.04%
Buildings	21,241,795	9,309,964	-	-	21,241,795	9,309,964	128.16%
Land improvements	1,054,617	349,991	-	-	1,054,617	349,991	201.33%
Machinery and equipment	959,233	1,056,759	516,410	573,610	1,475,643	1,630,369	-9.49%
Total	\$ 26,102,313	23,950,164	516,410	573,610	26,618,723	24,523,774	8.54%

Long-Term Debt

At June 30, 2009, the District had \$22,129,953 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 4.47% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$18,495,000 at June 30, 2009.

The District had outstanding Revenue Bonds payable of \$2,225,000 at June 30, 2009.

The District had outstanding Capital Loan Notes payable from the Physical Plant and Equipment Levy Fund of \$1,050,000 at June 30, 2009.

The District had outstanding compensated absences payable from the General Fund of \$226,953 at June 30, 2009.

The District had outstanding net OPEB liability of \$133,000 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
General obligation bonds	\$ 18,495,000	19,135,000	-	-	18,495,000	19,135,000	-3.34%
Revenue bonds	2,225,000	2,555,000	-	-	2,225,000	2,555,000	-12.92%
Capital loan notes	1,050,000	1,290,000	-	-	1,050,000	1,290,000	-18.60%
Compensated absences	226,953	184,794	-	-	226,953	184,794	22.81%
Net OPEB liability	129,862	-	3,138	-	133,000	-	100.00%
Totals	\$ 22,126,815	23,164,794	3,138	-	22,129,953	23,164,794	-4.47%

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 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 average annual increase in student enrollment is approximately 25 to 30 students, based in the past five years of data. Below is a recap of the District's enrollment growth for the past nine years:

<u>School Year</u>	<u>Certified Enrollment</u>	<u>Increase/Decrease</u>
2000-2001	2083.9	61.2
2001-2002	2097.2	13.3
2002-2003	2160.3	63.1
2003-2004	2185.8	25.5
2004-2005	2185.5	- 0.3
2005-2006	2238.0	52.5
2006-2007	2269.6	31.6
2007-2008	2329.9	60.3
2008-2009	2303.6	-26.3
2009-2010	2329.8	26.2

- The State of Iowa has approved a 4% allowable growth factor for all school districts in FY09 and 4% again in FY2010. This annual percentage increase in the per pupil cost coupled with increased enrollment will provide significant new funding for the School District.
- In 2004 the District had developed a 20-Year facilities plan and did not intend to issue any additional general obligation debt until FY2012. Based in recent enrollment increases in our elementary grades and a desire to maintain small student class sizes (lower teacher-pupil ratios) to achieve academic goals, the District has revised our 20-year building plan to move the construction of elementary classroom up from 2012 to 2010.
- In February 2008 the District approved the sale of \$8.4 million of general obligation bonds to fund an elementary school addition. The bonds will be sold in two increments. The sale of bonds with principal values totaling \$6.2 million was sold in May 2008. The second bond sale of \$2.2 million will occur in April or May of 2010.

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

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 13,788,471	584,387	14,372,858
Receivables:			
Property tax:			
Delinquent	240,625	-	240,625
Succeeding year	7,116,818	-	7,116,818
Accounts	60,264	4,400	64,664
Accrued interest	38,996	25	39,021
Due from other governments	811,323	238	811,561
Inventories	-	18,639	18,639
Capital assets, net of accumulated depreciation	26,102,313	516,410	26,618,723
TOTAL ASSETS	48,158,810	1,124,099	49,282,909
LIABILITIES			
Accounts payable	294,042	-	294,042
Salaries and benefits payable	66,481	44	66,525
Accrued interest payable	136,182	-	136,182
Deferred revenue:			
Succeeding year property tax	7,116,818	-	7,116,818
Other	126,797	-	126,797
Unearned revenue	-	16,086	16,086
Long-term liabilities:			
Portion due within one year:			
G.O. bonds payable	650,000	-	650,000
Revenue bonds payable	340,000	-	340,000
Capital loan note payable	250,000	-	250,000
Compensated absences payable	226,953	-	226,953
Portion due after one year:			
G.O. bonds payable	17,845,000	-	17,845,000
Revenue bonds payable	1,885,000	-	1,885,000
Capital loan note payable	800,000	-	800,000
Net OPEB liability	129,862	3,138	133,000
TOTAL LIABILITIES	29,867,135	19,268	29,886,403
NET ASSETS			
Invested in capital assets, net of related debt	9,791,423	516,410	10,307,833
Restricted for:			
Debt service	763,740	-	763,740
Market factor	11,946	-	11,946
Market factor incentives	15,796	-	15,796
Model core curriculum	11,694	-	11,694
Capital projects	558,427	-	558,427
Management levy	520,012	-	520,012
Other special revenue purposes	207,487	-	207,487
Unrestricted	6,411,150	588,421	6,999,571
TOTAL NET ASSETS	\$ 18,291,675	1,104,831	19,396,506

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 9,530,838	897,674	1,848,972	(6,784,192)	-	(6,784,192)
Special	2,646,991	170,665	265,082	(2,211,244)	-	(2,211,244)
Other	1,930,680	597,587	107,346	(1,225,747)	-	(1,225,747)
	<u>14,108,509</u>	<u>1,665,926</u>	<u>2,221,400</u>	<u>(10,221,183)</u>	<u>-</u>	<u>(10,221,183)</u>
Support services:						
Student	680,037	-	-	(680,037)	-	(680,037)
Instructional staff	757,195	-	-	(757,195)	-	(757,195)
Administration	2,060,905	-	-	(2,060,905)	-	(2,060,905)
Operation and maintenance of plant	1,982,700	-	-	(1,982,700)	-	(1,982,700)
Transportation	625,424	33,509	20,569	(571,346)	-	(571,346)
	<u>6,106,261</u>	<u>33,509</u>	<u>20,569</u>	<u>(6,052,183)</u>	<u>-</u>	<u>(6,052,183)</u>
Other expenditures:						
Long-term debt interest	955,762	-	-	(955,762)	-	(955,762)
AEA flowthrough	801,976	-	801,976	-	-	-
Depreciation(unallocated)*	648,468	-	-	(648,468)	-	(648,468)
	<u>2,406,206</u>	<u>-</u>	<u>801,976</u>	<u>(1,604,230)</u>	<u>-</u>	<u>(1,604,230)</u>
Total governmental activities	22,620,976	1,699,435	3,043,945	(17,877,596)	-	(17,877,596)
Business Type activities:						
Support services:						
Administration	10,824	-	-	-	(10,824)	(10,824)
Operation and maintenance of plant	36,855	-	-	-	(36,855)	(36,855)
	<u>47,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,679)</u>	<u>(47,679)</u>
Non-instructional programs:						
Nutrition services	757,940	598,768	258,106	-	98,934	98,934
Total business type activities	805,619	598,768	258,106	-	51,255	51,255
Total	\$ 23,426,595	2,298,203	3,302,051	(17,877,596)	51,255	(17,826,341)
General Revenues:						
Property tax levied for:						
General purposes				\$ 5,013,523	-	5,013,523
Capital outlay				596,436	-	596,436
Debt service				1,446,449	-	1,446,449
Statewide sales and services tax				1,330,428	-	1,330,428
Unrestricted state grants				10,865,554	-	10,865,554
Unrestricted investment earnings				376,100	5,764	381,864
Other general revenues				64,998	-	64,998
Total general revenues				<u>19,693,488</u>	<u>5,764</u>	<u>19,699,252</u>
Changes in net assets				1,815,892	57,019	1,872,911
Net assets beginning of year				16,475,783	1,047,812	17,523,595
Net assets end of year				<u>\$ 18,291,675</u>	<u>1,104,831</u>	<u>19,396,506</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
ASSETS					
Cash and pooled investments	\$ 6,158,924	5,521,151	739,781	688,369	13,108,225
Receivables:					
Property tax:					
Delinquent	160,917	-	49,446	30,262	240,625
Succeeding year	4,618,830	-	1,449,036	1,048,952	7,116,818
Accounts	8,216	-	-	2,306	10,522
Accrued interest	30,646	8,262	88	-	38,996
Due from other governments	209,346	601,973	-	4	811,323
TOTAL ASSETS	\$ 11,186,879	6,131,386	2,238,351	1,769,893	21,326,509
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 177,231	113,849	62	2,900	294,042
Salaries and benefits payable	57,227	-	-	280	57,507
Deferred revenue:					
Succeeding year property tax	4,618,830	-	1,449,036	1,048,952	7,116,818
Other	87,499	-	25,513	13,785	126,797
Total liabilities	4,940,787	113,849	1,474,611	1,065,917	7,595,164
Fund balances:					
Reserved:					
Debt service	-	-	763,740	-	763,740
Capital facility construction	-	5,459,110	-	-	5,459,110
Categorical funding:					
Statewide supplemental	-	492,820	-	-	492,820
Market factor	11,946	-	-	-	11,946
Market factor incentives	15,796	-	-	-	15,796
Model core curriculum	11,694	-	-	-	11,694
Unreserved:					
Designated for special purposes	119,479	-	-	-	119,479
Undesignated	6,087,177	65,607	-	703,976	6,856,760
Total fund balances	6,246,092	6,017,537	763,740	703,976	13,731,345
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,186,879	6,131,386	2,238,351	1,769,893	21,326,509

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 22)	\$ 13,731,345
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	26,102,313
Blending of the Internal Service Fund to be reflected at an entity-wide basis.	721,014
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(136,182)
Long-term liabilities, including bonds payable, capital loan notes payable, compensated absences and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(22,126,815)</u>
Net assets of governmental activities (page 20)	<u><u>\$ 18,291,675</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 4,599,555	837,608	1,446,449	1,010,404	7,894,016
Tuition	896,431	-	-	-	896,431
Other	617,498	208,329	4,062	462,767	1,292,656
Intermediate sources	12,091	-	-	-	12,091
State sources	13,217,052	492,820	659	473	13,711,004
Federal sources	630,670	-	-	-	630,670
Total revenues	<u>19,973,297</u>	<u>1,538,757</u>	<u>1,451,170</u>	<u>1,473,644</u>	<u>24,436,868</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	9,380,043	-	-	75,034	9,455,077
Special	2,659,726	-	-	-	2,659,726
Other	1,487,432	-	-	438,089	1,925,521
	<u>13,527,201</u>	<u>-</u>	<u>-</u>	<u>513,123</u>	<u>14,040,324</u>
Support services:					
Student	682,263	-	-	-	682,263
Instructional staff	739,245	-	-	-	739,245
Administration	1,978,708	34,310	4,471	20,292	2,037,781
Operation and maintenance of plant	1,700,066	-	-	198,788	1,898,854
Transportation	500,936	-	-	188,693	689,629
	<u>5,601,218</u>	<u>34,310</u>	<u>4,471</u>	<u>407,773</u>	<u>6,047,772</u>
Other expenditures:					
Facilities acquisitions	-	2,649,669	-	314,296	2,963,965
Long-term debt:					
Principal	-	-	1,210,000	-	1,210,000
Interest and fiscal charges	-	-	939,818	-	939,818
AEA flowthrough	801,976	-	-	-	801,976
	<u>801,976</u>	<u>2,649,669</u>	<u>2,149,818</u>	<u>314,296</u>	<u>5,915,759</u>
Total expenditures	<u>19,930,395</u>	<u>2,683,979</u>	<u>2,154,289</u>	<u>1,235,192</u>	<u>26,003,855</u>
Excess(deficiency) of revenues over(under) expenditures	42,902	(1,145,222)	(703,119)	238,452	(1,566,987)
Other financing sources(uses):					
Transfer in	377	1,199,595	710,114	-	1,910,086
Transfer out	-	(1,620,315)	-	(289,771)	(1,910,086)
Proceeds from the disposal of property	11,642	-	-	-	11,642
Total other financing sources(uses)	<u>12,019</u>	<u>(420,720)</u>	<u>710,114</u>	<u>(289,771)</u>	<u>11,642</u>
Net change in fund balances	54,921	(1,565,942)	6,995	(51,319)	(1,555,345)
Fund balance beginning of year	6,191,171	7,583,479	756,745	755,295	15,286,690
Fund balance end of year	<u>\$ 6,246,092</u>	<u>6,017,537</u>	<u>763,740</u>	<u>703,976</u>	<u>13,731,345</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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, 2009

Net change in fund balances - total governmental funds (page 24) \$ (1,555,345)

**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, depreciation expense and loss on disposal of capital assets in the current year, as follows:

Expenditures for capital assets	\$ 3,131,324	
Depreciation expense	(973,137)	
Loss on disposal of capital assets	<u>(6,038)</u>	2,152,149

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 197,053

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. 1,210,000

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. (15,944)

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.

Compensated absences	\$ (42,159)	
Other postemployment benefits	<u>(129,862)</u>	(172,021)

Changes in net assets of governmental activities (page 21) \$ 1,815,892

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 584,387	680,246
Receivables:		
Accounts	4,400	49,742
Accrued interest	25	-
Due from other governments	238	-
Inventories	18,639	-
Capital assets, net of accumulated depreciation	516,410	-
TOTAL ASSETS	1,124,099	729,988
LIABILITIES		
Current liabilities:		
Salaries and benefits payable	44	8,974
Unearned revenue	16,086	-
Total current liabilities	16,130	8,974
Long-term liabilities:		
Net OPEB liability	3,138	-
Total long-term liabilities	3,138	-
TOTAL LIABILITIES	19,268	8,974
NET ASSETS		
Invested in capital assets	516,410	-
Unrestricted	588,421	721,014
TOTAL NET ASSETS	\$ 1,104,831	721,014

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 598,768	1,412,245
TOTAL OPERATING REVENUES	<u>598,768</u>	<u>1,412,245</u>
OPERATING EXPENSES:		
Support services:		
Administrative services:		
Services	10,824	-
Operation and maintenance of plant services:		
Salaries	14,232	-
Benefits	5,918	-
Services	6,662	-
Supplies	10,043	-
	<u>36,855</u>	<u>-</u>
Total support services	<u>47,679</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	202,772	-
Benefits	73,390	-
Services	43,779	-
Supplies	378,382	-
Depreciation	59,617	-
	<u>757,940</u>	<u>-</u>
Other enterprise operations:		
Benefits	-	1,201,864
Services	-	13,328
	<u>-</u>	<u>1,215,192</u>
Total non-instructional programs	<u>757,940</u>	<u>1,215,192</u>
TOTAL OPERATING EXPENSES	<u>805,619</u>	<u>1,215,192</u>
OPERATING INCOME (LOSS)	<u>(206,851)</u>	<u>197,053</u>
NON-OPERATING REVENUES:		
State sources	8,839	-
Federal sources	249,267	-
Interest income	5,764	-
TOTAL NON-OPERATING REVENUES	<u>263,870</u>	<u>-</u>
Changes in net assets	57,019	197,053
Net assets beginning of year	<u>1,047,812</u>	<u>523,961</u>
Net assets end of year	<u>\$ 1,104,831</u>	<u>721,014</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2009

	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	\$ 593,109	-
Cash received from miscellaneous operating activities	7,241	1,362,503
Cash payments to employees for services	(297,781)	(1,210,706)
Cash payments to suppliers for goods or services	(414,193)	(13,328)
Net cash provided by(used in) operating activities	<u>(111,624)</u>	<u>138,469</u>
Cash flows from non-capital financing activities:		
State grants received	8,839	-
Federal grants received	179,397	-
Net cash provided by non-capital financing activities	<u>188,236</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of assets	(2,417)	-
Net cash used in capital and related financing activities	<u>(2,417)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	5,764	-
Net cash provided by investing activities	<u>5,764</u>	<u>-</u>
Net increase in cash and cash equivalents	79,959	138,469
Cash and cash equivalents at beginning of year	<u>504,428</u>	<u>541,777</u>
Cash and cash equivalents at end of year	<u>\$ 584,387</u>	<u>680,246</u>

NORWALK COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2009

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (206,851)	197,053
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	69,870	-
Depreciation	59,617	-
Increase in inventories	(11,385)	-
(Increase)Decrease in accounts receivable	926	(49,742)
Decrease in accounts payable	(22,988)	-
Decrease in salaries and benefits payable	(4,607)	(8,842)
Increase in unearned revenue	656	-
Increase in other postemployment benefits	3,138	-
Net cash provided by(used in) operating activities	<u>\$ (111,624)</u>	<u>138,469</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$69,870.

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2009

	<u>Private Purpose Trust</u>
	<u>Scholarship Fund</u>
ASSETS	
Cash and pooled investments	\$ 34,877
Accrued interest receivable	174
Total assets	<u>35,051</u>
LIABILITIES	<u>-</u>
NET ASSETS	
Reserved for scholarships	<u>\$ 35,051</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust
	Scholarship Fund
Additions:	
Local sources:	
Interest income	\$ 1,060
Total additions	1,060
Deductions:	
Instruction:	
Regular instruction:	
Scholarships awarded	1,350
Total deductions	1,350
Change in net assets	(290)
Net assets beginning of year	35,341
Net assets end of year	\$ 35,051

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(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. 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 plus unspent bond proceeds 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.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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 Balances

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

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 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

Capital assets 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.

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

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, 2009. 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 Balances - 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.

Designated Fund Balances - In the governmental fund financial statements, designated funds are not available for appropriation but are set aside for a specific purpose. The designated fund balances are for various resale, fundraisers and donations accounts in the General Fund.

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.

Net assets restricted through enabling legislation consists of \$763,740 for debt service, \$39,436 for categorical funding, \$558,427 for capital projects, \$520,012 for management levy and \$207,487 for other special revenue purposes (student activity fund).

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 4,129,803</u>

At June 30, 2009, the District had investments in the IPASeducation as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 2,710,143</u>

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

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service. The investments in the IPASeducation are registered and not subject to rating.

(3) Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects, Statewide Sales and Service Tax	\$ 420,720
Capital Projects, Statewide Sales and Service Tax	Capital Projects, Elementary GO Bond Construction	1,199,595
Debt Service	Special Revenue, Physical Plant and Equipment Levy	289,394
General	Special Revenue, Student Activity	<u>377</u>
Total		<u>\$ 1,910,086</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning of</u>			<u>End</u>
	<u>Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Business type activities:				
Machinery and equipment	\$ 740,106	2,417	4,741	737,782
Less accumulated depreciation	166,496	59,617	4,741	221,372
Business type activities capital assets, net	<u>\$ 573,610</u>	<u>(57,200)</u>	<u>-</u>	<u>516,410</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 256,352	-	-	256,352
Construction in progress	12,977,098	4,910,080	15,296,862	2,590,316
Total capital assets not being depreciated	13,233,450	4,910,080	15,296,862	2,846,668
Capital assets being depreciated:				
Buildings	15,207,531	12,516,638	-	27,724,169
Land improvements	909,133	768,287	-	1,677,420
Machinery and equipment	3,376,665	233,181	37,550	3,572,296
Total capital assets being depreciated	19,493,329	13,518,106	37,550	32,973,885
Less accumulated depreciation for:				
Buildings	5,897,567	584,807	-	6,482,374
Land improvements	559,142	63,661	-	622,803
Machinery and equipment	2,319,906	324,669	31,512	2,613,063
Total accumulated depreciation	8,776,615	973,137	31,512	9,718,240
Total capital assets being depreciated, net	10,716,714	12,544,969	6,038	23,255,645
Governmental activities capital assets, net	\$ 23,950,164	17,455,049	15,302,900	26,102,313

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 128,131
Other	33,500
Support services:	
Instructional staff services	17,874
Administration	3,768
Operation and maintenance	44,401
Transportation	96,995
	<u>324,669</u>
Unallocated depreciation	<u>648,468</u>
Total governmental activities depreciation expense	<u>\$ 973,137</u>
Business type activities:	
Food services	<u>\$ 59,416</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Government activities:</u>					
General obligation bonds	\$ 19,135,000	-	640,000	18,495,000	650,000
Revenue bonds	2,555,000	-	330,000	2,225,000	340,000
Capital loan notes	1,290,000	-	240,000	1,050,000	250,000
Compensated absences	184,794	226,953	184,794	226,953	226,953
Net OPEB liability	-	129,862	-	129,862	-
Total	\$ 23,164,794	356,815	1,394,794	22,126,815	1,466,953
<u>Business type activities:</u>					
Net OPEB liability	\$ -	3,138	-	3,138	-

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2001			Bond Issue of May 1, 2005					
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest			
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	4.50	55,000	130,106	4.50	120,000	238,818			
2014	4.60	60,000	127,601	4.50	115,000	233,418			
2015-2019	4.70-5.00	1,275,000	574,212	4.40-4.50	835,000	1,079,828			
2020-2024	5.00	1,230,000	93,000	4.25-4.50	3,355,000	761,808			
2025-2028	-	-	-	4.40	1,045,000	45,980			
Total		\$ 2,710,000	1,324,011		\$ 5,910,000	3,114,330			

Year Ending June 30,	Bond Issue of July 1, 2004			Bond Issue of June 1, 2008			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2010	3.50 %	\$ 410,000	149,643	5.00 %	\$ 60,000	254,619	\$ 650,000	797,036	1,447,036
2011	3.75	425,000	134,269	5.00	60,000	251,619	675,000	770,560	1,445,560
2012	4.00	440,000	117,269	5.00	105,000	248,618	705,000	742,011	1,447,011
2013	4.00	450,000	99,669	5.00	110,000	243,368	735,000	711,961	1,446,961
2014	4.00	470,000	81,668	5.00	120,000	237,869	765,000	680,556	1,445,556
2015-2019	4.00-4.13	1,555,000	127,607	5.00-5.50	665,000	1,094,044	4,330,000	2,875,691	7,205,691
2020-2024	-	-	-	3.75-4.00	820,000	935,487	5,405,000	1,790,295	7,195,295
2025-2028	-	-	-	4.00	4,185,000	492,200	5,230,000	538,180	5,768,180
Total		\$ 3,750,000	710,125		\$ 6,125,000	3,757,824	\$ 18,495,000	8,906,290	27,401,290

Revenue Bonds Payable

Details of the District's June 30, 2009 statewide sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated June 1, 2005				
	Interest Rate		Principal	Interest	Total
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		\$	2,225,000	260,041	2,485,041

The District has pledged future statewide sales and services tax revenues to repay \$2,875,000 Revenue Bonds issued in June 2005. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The Revenue Bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2015. The Revenue Bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. The total principal and interest remaining to be paid on the bonds is \$2,485,041. For the current year, principal of \$330,000 and interest of \$86,250 was paid on the Revenue Bonds and total statewide sales and services tax revenues were \$1,330,428.

The resolution providing for the issuance of the statewide 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 statewide 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.

Capital Loan Notes Payable

Capital loan notes were issued in anticipation of future revenues and were issued for capital equipment purchases as part of the High School Construction Project. The capital loan notes will be

repaid using property taxes collected in the Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2009 capital loan notes bonded indebtedness are as follows:

Year Ending June 30,	Issue dated October 1, 2007			
	Interest Rate	Principal	Interest	Total
2010	3.75	% \$ 250,000	40,113	290,113
2011	3.80	260,000	30,739	290,739
2012	3.85	265,000	20,859	285,859
2013	3.88	275,000	10,656	285,656
Total		\$ 1,050,000	102,367	1,152,367

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Plan members were required to contribute 3.90% of their annual salary and the District are required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual salary and the District was required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$798,686, \$695,850 and \$582,857, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 309 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The

District currently finances the retiree benefit plan on a pay-as-you-go basis.

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 167,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>167,000</u>
Contributions made	<u>(34,000)</u>
Increase in net OPEB obligation	133,000
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u><u>\$ 133,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the District contributed \$34,000 to the medical plan. Plan members eligible for benefits contributed \$49,000, or 59.0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 167,000	20.4%	\$ 133,000

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$1,331,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,331,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9,940,903, and the ratio of the UAAL to covered payroll was 13.4%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend.

Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are for the \$713 per month for retirees who have attained age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) 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.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$801,976 for

the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitment

The District has entered into various contracts totaling \$9,194,932 for the capital construction of the elementary building, bus barn and auditorium projects. As of June 30, 2009, costs of \$2,590,316 had been incurred against the contracts. The balance of \$6,604,616 remaining at June 30, 2009 will be paid as work on the projects progress.

(11) Deficit Fund Balances

The District had a deficit fund balance in the Special Revenue, Physical Plant and Equipment Levy Fund of \$23,523 at June 30, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

NORWALK COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 10,083,103	604,532	10,687,635	10,757,064	10,757,064	(69,429)
Intermediate sources	12,091	0	12,091	11,346	11,346	745
State sources	13,711,004	8,839	13,719,843	13,730,866	13,730,866	(11,023)
Federal sources	630,670	249,267	879,937	485,370	485,370	394,567
Total revenues	<u>24,436,868</u>	<u>862,638</u>	<u>25,299,506</u>	<u>24,984,646</u>	<u>24,984,646</u>	<u>314,860</u>
Expenditures/Expenses:						
Instruction	14,040,324	0	14,040,324	14,044,995	14,529,168	488,844
Support services	6,047,772	47,679	6,095,451	6,187,043	6,425,789	330,338
Non-instructional programs	0	757,940	757,940	799,024	862,944	105,004
Other expenditures	5,915,759	0	5,915,759	5,634,908	6,142,096	226,337
Total expenditures/expenses	<u>26,003,855</u>	<u>805,619</u>	<u>26,809,474</u>	<u>26,665,970</u>	<u>27,959,997</u>	<u>1,150,523</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(1,566,987)	57,019	(1,509,968)	(1,681,324)	(2,975,351)	1,465,383
Other financing sources, net	11,642	0	11,642	0	0	11,642
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(1,555,345)	57,019	(1,498,326)	(1,681,324)	(2,975,351)	1,477,025
Balance beginning of year	15,286,690	1,047,812	16,334,502	14,764,577	14,764,577	1,569,925
Balance end of year	<u>\$ 13,731,345</u>	<u>1,104,831</u>	<u>14,836,176</u>	<u>13,083,253</u>	<u>11,789,226</u>	<u>3,046,950</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund. 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 \$1,294,027.

NORWALK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1 ,2008	\$ -	\$ 1,331,000	\$ 1,331,000	0.0%	\$ 9,605,444	13.9%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

NORWALK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2009

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 513,404	207,156	(32,191)	688,369
Receivables:				
Property tax:				
Current year delinquent	12,257	-	18,005	30,262
Succeeding year	415,001	-	633,951	1,048,952
Accounts	-	2,306	-	2,306
Due from other governments	-	4	-	4
TOTAL ASSETS	<u>\$ 940,662</u>	<u>209,466</u>	<u>619,765</u>	<u>1,769,893</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ -	1,699	1,201	2,900
Salaries and benefits payable	-	280	-	280
Deferred revenue:				
Succeeding year property tax	415,001	-	633,951	1,048,952
Other	5,649	-	8,136	13,785
	<u>420,650</u>	<u>1,979</u>	<u>643,288</u>	<u>1,065,917</u>
Unreserved fund balances	520,012	207,487	(23,523)	703,976
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 940,662</u>	<u>209,466</u>	<u>619,765</u>	<u>1,769,893</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2009

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 413,968	-	596,436	1,010,404
Other	37,563	424,107	1,097	462,767
State sources	201	-	272	473
TOTAL REVENUES	451,732	424,107	597,805	1,473,644
EXPENDITURES:				
Current:				
Instruction:				
Regular	75,034	-	-	75,034
Other	-	438,089	-	438,089
Support services:				
Administration	19,884	408	-	20,292
Operation and maintenance of plant	163,995	4,601	30,192	198,788
Transportation	27,203	-	161,490	188,693
Other expenditures:				
Facilities acquisition	-	-	314,296	314,296
TOTAL EXPENDITURES	286,116	443,098	505,978	1,235,192
Excess(deficiency) of revenues over(under) expenditures	165,616	(18,991)	91,827	238,452
OTHER FINANCING USES:				
Transfers out	-	(377)	(289,394)	(289,771)
Net change in fund balances	165,616	(19,368)	(197,567)	(51,319)
FUND BALANCES BEGINNING OF YEAR	354,396	226,855	174,044	755,295
FUND BALANCES END OF YEAR	\$ 520,012	207,487	(23,523)	703,976

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures and Transfers out	Intra- fund Transfers	Balance End of Year
Middle School Accounts:					
General Athletics	\$ 1,920	865	2,200	-	585
Concessions	3,366	5,250	4,026	-	4,590
Chorus	821	10,060	9,841	-	1,040
Cross Country	106	-	82	-	24
Boys Basketball	2,722	2,118	691	(657)	3,492
Football	21	2,116	2,794	657	-
Boys Track	704	1,522	1,260	-	966
Wrestling	1,414	778	399	-	1,793
Girls Basketball	65	2,023	924	-	1,164
Volleyball	3,069	1,912	686	(2,834)	1,461
Softball	-	-	1,405	1,405	-
Girls Track	665	1,525	3,619	1,429	-
Cheerleaders	777	1,137	808	-	1,106
Student Council	8,122	5,643	6,483	(371)	6,911
Art Club	40	3,395	2,903	-	532
Ace Club	-	5,689	6,060	371	-
Annual	1,278	2,572	1,648	-	2,202
SADD	702	371	295	-	778
High School Accounts:					
General Athletics	30,736	42,671	32,108	(23,361)	17,938
Concessions	4,377	3,339	-	-	7,716
All School Play	1,384	841	768	-	1,457
Speech	-	-	1,260	1,260	-
Chorus	-	10,770	5,135	-	5,635
Dinner Show	2,092	15,998	15,252	-	2,838
Swing Choir	4,161	7,402	5,845	-	5,718
Band	3,378	14,321	16,785	2,611	3,525
Tri-M Club	130	-	-	-	130
Athletic Letter Club	680	-	-	-	680
Cross Country	466	2,554	3,026	57	51
Swimming	200	-	-	-	200
Boys Basketball	21,918	29,436	26,223	(395)	24,736
Football	24,731	53,844	58,668	(700)	19,207
Boys Soccer	4,576	16,501	16,803	(270)	4,004
Baseball	11,891	24,376	27,015	2,864	12,116
Boys Track	786	4,644	6,078	1,645	997
Boys Tennis	351	821	2,680	1,859	351
Boys Golf	250	2,574	4,277	1,703	250
Wrestling	13,884	26,767	31,937	(120)	8,594
Weight Room	-	2,236	4,641	2,405	-
Girls Basketball	21,945	10,439	13,392	(455)	18,537
Volleyball	15,449	16,111	17,273	(180)	14,107

NORWALK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures and Transfers out	Intra- fund Transfers	Balance End of Year
High School Accounts(Continued):					
Girls Soccer	820	11,228	10,389	(265)	1,394
Softball	2,082	13,533	15,438	1,892	2,069
Girls Track	1,258	7,131	10,056	2,478	811
Girls Tennis	25	-	415	415	25
Girls Golf	136	4,264	5,239	850	11
Cheerleaders	5,346	10,752	14,937	-	1,161
Drill Team	1,712	16,251	10,927	3,597	10,633
Class of 2009	4,377	-	4,377	-	-
Class of 2010	-	11,210	9,472	-	1,738
Student Council	3,653	7,663	7,814	-	3,502
Art Club	1,903	1,238	2,487	-	654
French Club	2,311	1,778	1,801	-	2,288
Spanish Club	4,114	-	-	-	4,114
Annual	5,809	5,659	13,578	2,110	-
Newspaper	139	90	-	-	229
MOC	86	-	-	-	86
National Honor Society	215	655	335	-	535
SADD	79	-	-	-	79
SES	85	-	-	-	85
Debate	2,146	-	251	-	1,895
Mock Trial	718	-	614	-	104
Fanatecs/Pep Club	484	-	-	-	484
Poetry Club	180	34	55	-	159
Total	\$ 226,855	424,107	443,475	-	207,487

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2009

	Capital Project Funds			Total
	Elementary GO Bond Construction	High School GO Bond Construction	Statewide Sales and Services Tax	
ASSETS				
Cash and pooled investments	\$ 5,496,611	68,086	(43,546)	5,521,151
Accrued interest receivable	8,262	-	-	8,262
Due from other governments	-	-	601,973	601,973
TOTAL ASSETS	5,504,873	68,086	558,427	6,131,386
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	113,849	-	-	113,849
Total liabilities	113,849	-	-	113,849
Fund balances:				
Reserved:				
Capital facility construction	5,391,024	68,086	-	5,459,110
LOSST supplemental	-	-	492,820	492,820
Unreserved	-	-	65,607	65,607
Total fund balances	5,391,024	68,086	558,427	6,017,537
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,504,873	68,086	558,427	6,131,386

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2009

	Capital Projects Funds			Total
	Elementary GO Bond Construction	High School GO Bond Construction	Statewide Sales and Services Tax	
REVENUES:				
Local sources:				
Local tax	\$ -	-	837,608	837,608
Other	186,042	1,818	20,469	208,329
State sources	-	-	492,820	492,820
Total revenues	186,042	1,818	1,350,897	1,538,757
EXPENDITURES:				
Current:				
Support services:				
Administration	34,310	-	-	34,310
Other expenditures:				
Facilities acquisitions	2,183,478	130,495	335,696	2,649,669
Total expenditures	2,217,788	130,495	335,696	2,683,979
Excess(deficiency) of revenues over(under) expenditures	(2,031,746)	(128,677)	1,015,201	(1,145,222)
OTHER FINANCING SOURCES(USES):				
Transfers in	1,199,595	-	-	1,199,595
Transfers out	-	-	(1,620,315)	(1,620,315)
TOTAL OTHER FINANCING SOURCES(USES)	1,199,595	-	(1,620,315)	(420,720)
Net change in fund balances	(832,151)	(128,677)	(605,114)	(1,565,942)
Fund balance beginning of year	6,223,175	196,763	1,163,541	7,583,479
Fund balance end of year	\$ 5,391,024	68,086	558,427	6,017,537

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2009

	Debt Service Funds		
	Debt Service	Debt Sinking	Total
ASSETS			
Cash and pooled investments	\$ 71,655	668,126	739,781
Receivables:			
Property tax:			
Delinquent	49,446	-	49,446
Succeeding year	1,449,036	-	1,449,036
Accrued interest	-	88	88
TOTAL ASSETS	1,570,137	668,214	2,238,351
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	62	62
Deferred revenue:			
Succeeding year property tax	1,449,036	-	1,449,036
Other	25,513	-	25,513
Total liabilities	1,474,549	62	1,474,611
Fund balances:			
Reserved for debt service	95,588	668,152	763,740
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,570,137	668,214	2,238,351

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 DEBT SERVICE FUNDS
 YEAR ENDED JUNE 30, 2009

	Debt Service Funds		
	Debt Service	Debt Sinking	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,446,449	-	1,446,449
Other	2,614	1,448	4,062
State sources	659	-	659
Total revenues	<u>1,449,722</u>	<u>1,448</u>	<u>1,451,170</u>
EXPENDITURES:			
Current:			
Support services:			
Administration	2,400	2,071	4,471
Other expenditures:			
Long-term debt:			
Principal	880,000	330,000	1,210,000
Interest and fiscal charges	853,568	86,250	939,818
Total expenditures	<u>1,733,568</u>	<u>416,250</u>	<u>2,149,818</u>
Total expenditures	<u>1,735,968</u>	<u>418,321</u>	<u>2,154,289</u>
Deficiency of revenues under expenditures	(286,246)	(416,873)	(703,119)
OTHER FINANCING SOURCES:			
Transfers in	289,394	420,720	710,114
Net change in fund balances	3,148	3,847	6,995
Fund balance beginning of year	92,440	664,305	756,745
Fund balance end of year	<u>\$ 95,588</u>	<u>668,152</u>	<u>763,740</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund		
	J. Graham Scholarship	Frederick Scholarship	J.W. Winter Scholarship
ASSETS			
Cash and pooled investments	\$ 5,072	6,390	22,312
Accrued interest receivable	25	31	112
TOTAL ASSETS	<u>5,097</u>	<u>6,421</u>	<u>22,424</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS			
Reserved for scholarships	<u>\$ 5,097</u>	<u>6,421</u>	<u>22,424</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Private Purpose Trust - Scholarship Fund		
V. Montgomery Memorial	D. Oviatt Scholarship	Total
322	781	34,877
2	4	174
324	785	35,051
-	-	-
324	785	35,051

NORWALK COMMUNITY SCHOOL DISTRICT
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund		
	J. Graham Scholarship	Frederick Scholarship	J.W. Winter Scholarship
Additions:			
Local sources:			
Interest on investments	\$ 157	187	670
Total additions	<u>157</u>	<u>187</u>	<u>670</u>
Deductions:			
Instruction:			
Regular instruction:			
Scholarships awarded	300	-	500
Changes in net assets	(143)	187	170
Net assets beginning of year	<u>5,240</u>	<u>6,234</u>	<u>22,254</u>
Net assets end of year	<u>\$ 5,097</u>	<u>6,421</u>	<u>22,424</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

<u>Private Purpose Trust - Scholarship Fund</u>		
<u>V. Montgomery</u>	<u>D. Oviatt</u>	
<u>Memorial</u>	<u>Scholarship</u>	<u>Total</u>
16	30	1,060
<u>16</u>	<u>30</u>	<u>1,060</u>
250	300	1,350
(234)	(270)	(290)
<u>558</u>	<u>1,055</u>	<u>35,341</u>
<u>324</u>	<u>785</u>	<u>35,051</u>

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

	Modified Accrual Basis				
	Years Ended June 30,				
	2009	2008	2007	2006	2005
Revenues:					
Local sources:					
Local tax	\$ 7,894,016	6,904,300	6,850,693	6,736,606	6,162,512
Tuition	896,431	867,627	968,314	839,600	649,039
Other	1,292,656	1,423,523	1,637,994	1,564,120	1,077,267
Intermediate sources	12,091	14,071	28,766	-	-
State sources	13,711,004	13,156,299	12,054,476	10,892,381	10,674,782
Federal sources	630,670	434,945	1,399,399	278,986	292,444
Total	\$ 24,436,868	22,800,765	22,939,642	20,311,693	18,856,044
Expenditures:					
Instruction:					
Regular	\$ 9,455,077	8,704,650	7,129,750	6,477,767	5,454,201
Special	2,659,726	2,443,711	2,178,958	2,118,210	2,808,257
Other	1,925,521	2,071,577	1,857,749	1,524,948	1,329,236
Support services:					
Student	682,263	658,987	515,050	507,941	534,207
Instructional staff	739,245	631,841	642,518	629,511	722,545
Administration	2,037,781	1,861,659	1,832,423	1,687,680	1,798,041
Operation and maintenance of plant	1,898,854	1,835,468	1,481,173	1,462,716	1,344,243
Transportation	689,629	586,990	682,702	526,566	576,734
Non-instructional programs	-	-	-	-	11,371
Other expenditures:					
Facilities acquisitions	2,963,965	2,831,470	9,538,790	2,831,363	596,663
Long-term debt:					
Principal	1,210,000	855,000	4,150,000	430,000	375,000
Interest and other charges	939,818	719,916	912,526	896,321	548,689
AEA flow-through	801,976	739,462	685,792	627,295	612,482
Total	\$ 26,003,855	23,940,731	31,607,431	19,720,318	16,711,669

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Modified Accrual Basis				
Years Ended June 30,				
2004	2003	2002	2001	2000
5,305,313	5,058,678	4,825,203	4,083,807	3,825,914
651,742	562,761	461,058	497,718	462,519
867,530	873,724	796,100	1,117,389	844,043
4,100	1,841	7,063	20,837	14,076
10,020,720	9,561,884	10,147,308	8,908,181	8,371,395
1,264,994	419,515	294,581	193,628	158,059
18,114,399	16,478,403	16,531,313	14,821,560	13,676,006
5,472,518	5,280,396	5,759,774	5,377,410	5,070,946
2,788,710	2,595,218	2,649,538	2,125,277	1,840,968
1,282,384	1,398,288	1,213,939	1,272,819	1,177,344
472,981	522,323	529,608	437,088	436,300
585,660	496,274	496,032	468,960	417,130
1,593,549	1,543,304	1,875,354	1,809,678	1,535,112
1,293,616	1,373,322	1,363,320	1,216,654	1,180,802
508,090	461,675	429,892	438,742	417,745
511	12,857	11,683	53,314	57,248
1,508,524	261,122	2,510,753	2,204,173	351,551
460,000	584,702	590,000	534,507	565,000
440,749	467,924	492,128	357,176	362,467
600,251	612,443	602,268	587,565	550,194
17,007,543	15,609,848	18,524,289	16,883,363	13,962,807

NORWALK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	\$ 10,801
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	238,466
			<u>249,267</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I, PART A CLUSTER PROGRAM:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4797-G	83,623
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	9,208
			<u>92,831</u>
SPECIAL EDUCATION CLUSTER (IDEA) PROGRAM:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B - HIGH COST CLAIMS)			
	84.027	FY 09	55,144
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 09	10,941
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS			
	84.186	FY 09	4,469
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)			
	84.367	FY 09	41,231
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)			
	84.369	FY 09	15,737
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT			
	84.330	FY 09	188,867
AREA EDUCATION AGENCY 11:			
SPECIAL EDUCATION CLUSTER (IDEA) PROGRAM:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 09	112,570
SPECIAL EDUCATION - GRANTS TO STATES (MATH CAB)	84.027	FY 09	3,000
ARRA - SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 09	62,689
			<u>178,259</u>
SPECIAL EDUCATION - STATE PROGRAM IMPROVEMENT GRANTS FOR CHILDREN WITH DISABILITIES (IMPROVING TRANSITION PLANNING)			
	84.323	FY 09	251
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS			
	84.365	FY 09	1,669

NORWALK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED):			
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF EDUCATION:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE			
SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD			
OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS			
(AIDS EDUCATION)			
	93.938	FY 09	148
TOTAL			\$ 838,814

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Norwalk Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 29, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Norwalk Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Norwalk Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Norwalk Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Norwalk Community School District's financial statements that is more than inconsequential will not be prevented or detected by Norwalk Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Norwalk Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 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 such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Norwalk Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Norwalk Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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.

March 29, 2010

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Norwalk Community School District

Compliance

We have audited the compliance of Norwalk Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Norwalk Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Norwalk Community School District's management. Our responsibility is to express an opinion on Norwalk Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Norwalk Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Norwalk Community School District's compliance with those requirements.

In our opinion, Norwalk Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Norwalk Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Norwalk Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Norwalk Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

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.


NOLTE, CORNMAN & JOHNSON, P.C.

March 29, 2010

NORWALK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered Programs
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Norwalk Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-09 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. We noted that in the Student Activity Fund the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done 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 control 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.

II-B-09 Scholarship Checks - We noted during our audit that the District wrote checks to students for scholarships from the Special Revenue, Student Activity and Private Purpose Trust Funds. The checks did not include the college the student was attending as the payee.

Recommendation - The checks issued for scholarship awards should be written out to the student and college the student is attending from the Private Purpose Trust Fund. The District should not write scholarship checks out of the Special Revenue, Student Activity Fund.

Response - The District will write checks for scholarship awards to both the student and the college he/she is attending. All checks for scholarship awards will be written from the Private Purpose Trust Fund.

Conclusion - Response accepted.

II-C-09 Clothing Purchased for Coaches - We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

Response - The District will discontinue the purchasing of any apparel for coaches or sponsors. If necessary, the Booster Club or other affiliated organizations will be asked to provide clothing such as team jackets for coaches.

Conclusion - Response accepted.

II-D-09 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation.

Recommendation - The District has a policy in place for credit card usage. The users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place to ensure the proper detailed documentation will be available with paid credit card statements.

Response - The District will review credit card purchasing policy and business procedures with staff. Claims should have sufficient documentation before payment approval.

Conclusion - Response accepted.

II-E-09 Student Activity Fund - Fundraisers - We noted during our audit that the District maintains fundraisers in the Student Activity Fund. All fundraisers are not being approved by the board and do not always have a specific purpose.

Recommendation - The District should review the procedures in place. The board should approve fundraisers and all fundraisers should have a specific purpose. The District should cease the practice of fundraising without specific purposes.

Response - The District is currently reviewing policies and procedures related to fundraising. Updated policies will be put into practice and sponsors will be directed as to their implementation.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed the amount budgeted.

IV-B-09 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.

IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-09 Business Transactions - Business transactions between the District and District officials were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kim Oleson, Teacher Owner of Stitch N Print	Embroidery	\$270

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions do not appear to represent a conflict of interest.

IV-E-09 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.

IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-09 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.

IV-I-09 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.

IV-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-
Statewide sales and services tax revenue			1,330,428
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	885,747	
Other improvements		23,961	
Debt service for school infrastructure:			
Revenue debt		420,720	1,330,428
			<hr/>
Ending balance		\$	<u><u>-</u></u>

IV-L-09 Financial Condition - The District had a deficit fund balance in the Special Revenue, Physical Plant and Equipment Levy Fund of \$23,523 at June 30, 2009.

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

Response - The District will continue to monitor the deficit balance and investigate any available options to eliminate the deficit.

Conclusion - Response accepted.

