

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

JUNE 30, 2010

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-5
Management's Discussion and Analysis (MD&A)		6-18
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	20
Statement of Activities	B	21
Governmental Fund Financial Statements:		
Balance Sheet	C	22
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	25
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	26
Statement of Revenues, Expenses and Changes in Net Assets	H	27
Statement of Cash Flows	I	28
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	29
Statement of Changes in Fiduciary Net Assets	K	30
Notes to Financial Statements		31-44
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		46
Notes to Required Supplementary Information - Budgetary Reporting		47
Notes to Required Supplementary Information - Budgetary Reporting		48
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	51
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	52-53
Capital Projects Funds:		
Combining Balance Sheet	4	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	5	55
Debt Service Funds:		
Combining Balance Sheet	6	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	7	57
Fiduciary Fund - Private Purpose Trust Funds:		
Combining Statement of Fiduciary Net Assets	8	58
Combining Statement of Changes in Fiduciary Net Assets	9	59
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	10	60-61
Schedule of Expenditures of Federal Awards	11	62
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 <u>Government Auditing Standards</u>		63-64
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		65-66
Schedule of Findings and Questioned Costs		67-70

Norwalk Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2009 Election)</b>		
Katherine Schmidt	President	2011
Rick Kaul	Vice President	2011
Tom Phillips	Board Member	2009
Deborah Hobbs	Board Member	2009
George Meinecke	Board Member	2011
<b>Board of Education (After September 2009 Election)</b>		
Katherine Schmidt	President	2011
Rick Kaul	Vice President	2011
Tom Phillips	Board Member	2013
Deborah Hobbs	Board Member	2013
George Meinecke	Board Member	2011
<b>School Officials</b>		
Dr. Dennis Wulf	Superintendent	2010
Kate Baldwin	Business Manager and District Secretary	2010
Drew Bracken	Attorney	2010

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Norwalk Community School District, Norwalk, Iowa, as of and for the year ended June 30, 2010, 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.

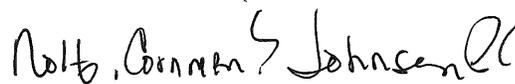
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2010, 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 25, 2011 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 46 through 48 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 two 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 seven years ended June 30, 2009 (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 25, 2011

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- Fiscal 2010 General Fund expenditures exceeded revenues by \$869,836. The excess of expenditures over revenues resulted in a decrease in the fund balance from \$6,246,092 to \$5,376,256. Revenues were \$19.7 million vs. \$20.0 million in fiscal 2009, and expenditures were \$20.6 million vs. \$19.9 million in fiscal 2009.
- The decrease in General Fund revenues was primarily attributable to a 10% state-wide reduction across the board cut in state aid revenues issued during October of 2009. Federal stimulus funds were received to back-fill state aid funding sources, preventing the state-side reduction from exceeding 10%. 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%

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

FY2004	7.75%
FY2005	17.51%
FY2006	27.19%
FY2007	33.59%
FY2008	32.20%
FY2009	30.46%
FY2010	26.11%
<i>Est. FY2011</i>	<i>22.33%</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.

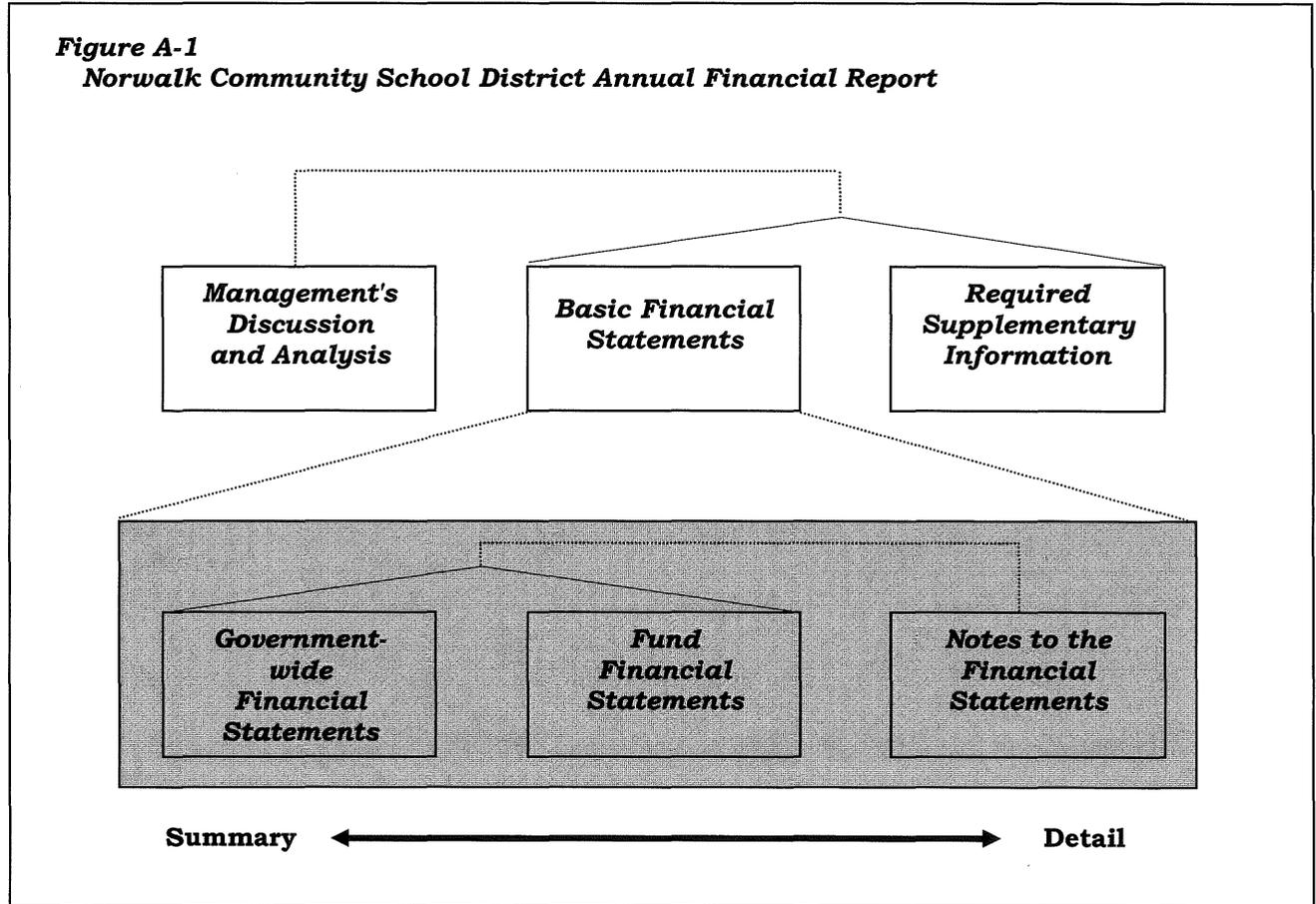


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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.

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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, 2010 compared to June 30, 2009.

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,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 30,155,341	22,056,497	733,775	607,689	30,889,116	22,664,186	36.29%
Capital assets	33,441,325	26,102,313	457,056	516,410	33,898,381	26,618,723	27.35%
Total assets	63,596,666	48,158,810	1,190,831	1,124,099	64,787,497	49,282,909	31.46%
Long-term obligations	37,118,404	22,126,815	5,732	3,138	37,124,136	22,129,953	67.76%
Other liabilities	7,697,702	7,740,320	20,247	16,130	7,717,949	7,756,450	-0.50%
Total liabilities	44,816,106	29,867,135	25,979	19,268	44,842,085	29,886,403	50.04%
Net assets:							
Invested in capital assets, net of related debt	8,767,550	9,791,423	457,056	516,410	9,224,606	10,307,833	-10.51%
Restricted	4,406,393	2,089,102	0	0	4,406,393	2,089,102	110.92%
Unrestricted	5,606,617	6,411,150	707,796	588,421	6,314,413	6,999,571	-9.79%
Total net assets	\$ 18,780,560	18,291,675	1,164,852	1,104,831	19,945,412	19,396,506	2.83%

The District's combined net assets increased by 2.83%, or \$548,906, 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 increased \$2,317,291, or 110.92% over the prior year. The increase was primarily a result of increased carryover grant balances as well as the restricted fund balance in the Capital Projects, Statewide Sales Services and Use 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 – decreased \$685,158, or 9.79%. This decrease in unrestricted net assets was a result of the District decrease in unrestricted fund balance in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to June 30, 2009.

Figure A-4  
Changes of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,749,629	1,699,435	593,837	598,768	2,343,466	2,298,203	1.97%
Operating grants and contributions and restricted interest	4,478,320	3,043,945	273,195	258,106	4,751,515	3,302,051	43.90%
General revenues:							
Property tax	7,106,794	7,056,408	0	0	7,106,794	7,056,408	0.71%
Statewide sales, services and use tax	1,323,164	1,330,428	0	0	1,323,164	1,330,428	-0.55%
Unrestricted state grants	9,221,520	10,865,554	0	0	9,221,520	10,865,554	-15.13%
Other	268,141	441,098	4,953	5,764	273,094	446,862	-38.89%
Transfers	(800)	0	0	0	(800)	0	-100.00%
Total revenues and transfers	24,146,768	24,436,868	871,985	862,638	25,018,753	25,299,506	-1.11%
Program expenses:							
Governmental activities:							
Instruction	14,382,199	14,108,509	0	0	14,382,199	14,108,509	1.94%
Support services	6,482,286	6,106,261	37,346	47,679	6,519,632	6,153,940	5.94%
Non-instructional programs	0	0	774,618	757,940	774,618	757,940	2.20%
Other expenses	2,793,398	2,406,206	0	0	2,793,398	2,406,206	16.09%
Total expenses	23,657,883	22,620,976	811,964	805,619	24,469,847	23,426,595	4.45%
Changes in net assets	488,885	1,815,892	60,021	57,019	548,906	1,872,911	-70.69%
Beginning Net Assets	18,291,675	16,475,783	1,104,831	1,047,812	19,396,506	17,523,595	10.69%
Ending Net Assets	\$ 18,780,560	18,291,675	1,164,852	1,104,831	19,945,412	19,396,506	2.83%

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.

	<u>Local Property Tax</u>	<u>State Aid</u>	<u>Total ISL Revenues</u>
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
FY2010	\$750,778	\$117,341	\$868,119
<i>Est. FY2011</i>	<i>\$759,187</i>	<i>\$ 68,291</i>	<i>\$827,478</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 is anticipating a decline in the June 30<sup>th</sup> ending General Fund Balance in FY2010 due to an enrollment decline of 26 students in October of 2008 and a 20% across-the-board State Aid cut imposed by the Governor on October 8, 2010.

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

FY2006	\$ 4,308,547
FY2007	\$ 6,099,919
FY2008	\$ 6,062,576
FY2009	\$ 6,087,178
FY2010	\$ 5,376,256
<i>Est. FY2011</i>	<i>\$ 4,681,434</i>

In FY2008 the District opened a new secondary attendance center to serve 8<sup>th</sup> and 9<sup>th</sup> 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 February 2008 the District approved the sale of \$8.4 million of general obligation bonds to fund an elementary school addition. The District used additional Sales Tax revenues to contract a \$10.7 million elementary construction project. The project was completed in 2010, providing major renovations and a building addition at one of the two elementary attendance centers. The project included the construction of sixteen new classrooms, cafeteria/kitchen, gym, three technology labs, and an art room. The District re-configured grade level attendance centers in grades K-5 but no new instructional staff was hired.

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. In FY2011, the District will be increasing the partial self-funding program by assuming all health insurance claims up to a maximum of \$1000 single/\$2000. The District is assuming this additional risk to low employer health insurance costs. 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>
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
FY2010	\$1,754,802	\$1,543,281	\$ 211,521	\$ 932,535
<i>Est. FY2011</i>	<i>\$2,802,472</i>	<i>\$2,556,645</i>	<i>\$ 245,827</i>	<i>\$1,178,362</i>

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 lead 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)
FY2010	\$633,661	\$455,216	\$154,922
<i>Est. FY2011</i>	<i>\$668,628</i>	<i>\$827,237</i>	<i>(\$ 3,686)</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
FY2010	\$1,386,465	\$1,151,515	\$ 793,377
<i>Est. FY2011</i>	<i>\$1,618,825</i>	<i>\$1,317,911</i>	<i>\$1,094,291</i>

### **Governmental Activities**

Revenues for governmental activities were \$24,146,768 and expenses were \$23,657,883.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services			
	#	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$	14,382,199	14,108,509	1.94%	9,282,230	10,221,183	-9.19%
Support services		6,482,286	6,106,261	6.16%	6,226,558	6,052,183	2.88%
Other expenses		2,793,398	2,406,206	16.09%	1,921,146	1,604,230	19.76%
Totals	\$	23,657,883	22,620,976	4.58%	17,429,934	17,877,596	-2.50%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$1,749,629.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,478,320.
- The net cost of governmental activities was financed with \$7,106,794 in property tax, \$1,323,164 in statewide sales, services and use tax, \$9,221,520 in unrestricted state grants and \$267,341 in other general revenues net of transfers.

### Business type Activities

Revenues of the District's Business type activity were \$871,985 and expenses were \$811,964. 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 \$21,656,085, above last year's ending fund balances of \$13,731,345. However, the primary reason for the increase was due to capital facility construction in the Capital Projects, Auditorium and Stadium Projects Construction Fund financed by the issuance of \$16.095 million of Statewide Sales, Services and Use Tax bonds.

### Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The reduction in state revenues due to the 10% across the board cut by the state decreased General Fund revenues. Increased salary and benefits costs were the main contributing factor in the increase in fund expenditures. This resulted in a decrease in General Fund balance from \$6,246,092 in 2009 to \$5,376,256 in 2010.
- The Capital Projects Fund balance was utilized for the collection of statewide sales, services and use tax. The capital improvement expenditures were funded by the issuance of \$16.095 million of revenue bonds in February of 2010. During the year, the Capital Projects Fund balance to increase from \$6,017,537 to \$12,744,602.

- 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 \$763,740 to \$2,516,465. The increase in fund balance is mainly due to the reserves needed for the revenue bond issuance of February 2010.

### Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$1,104,831 at June 30, 2009 to \$1,164,852 at June 30, 2010, representing an increase of 5.43%.

## 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, support services, non-instructional programs and other expenditures functions.

The District's revenues were \$944,969 less than budgeted revenues, a variance of 3.65%. The most significant variance resulted from the District receiving less in state sources than originally anticipated due to the across the board cut in funding by the state in October 2009.

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, 2010, the District had invested \$33.9 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 37.35% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,064,186.

The original cost of the District's capital assets was \$44.72 million. Governmental funds account for \$43.98 million with the remainder of \$0.74 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,590,316 at June 30, 2009, compared to \$10,226,213 reported at June 30, 2010. This increase resulted from the District's continuing capital construction projects that had not been completed as of year end.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 256,352	256,352	0	0	256,352	256,352	0.00%
Construction in progress	10,226,213	2,590,316	0	0	10,226,213	2,590,316	294.79%
Buildings	21,192,715	21,241,795	0	0	21,192,715	21,241,795	-0.23%
Land improvements	1,005,176	1,054,617	0	0	1,005,176	1,054,617	-4.69%
Machinery and equipment	760,869	959,233	457,056	516,410	1,217,925	1,475,643	-17.46%
Total	\$ 33,441,325	26,102,313	457,056	516,410	33,898,381	26,618,723	27.35%

## Long-Term Debt

At June 30, 2010, the District had \$37,124,136 in general obligation, revenue and other long-term debt outstanding. This represents an increase of 67.76% 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 \$17,845,000 at June 30, 2010.

The District had outstanding Revenue Bonds payable of \$17,980,000 at June 30, 2010.

The District had outstanding Capital Loan Notes payable from the Physical Plant and Equipment Levy Fund of \$800,000 at June 30, 2010.

The District had outstanding compensated absences payable from the General Fund of \$256,247 at June 30, 2010.

The District had outstanding net OPEB liability of \$242,889 at June 30, 2010.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
General obligation bonds	\$ 17,845,000	18,495,000	0	0	17,845,000	18,495,000	-3.51%
Revenue bonds	17,980,000	2,225,000	0	0	17,980,000	2,225,000	708.09%
Capital loan notes	800,000	1,050,000	0	0	800,000	1,050,000	-23.81%
Compensated absences	256,247	226,953	0	0	256,247	226,953	12.91%
Net OPEB liability	237,157	129,862	5,732	3,138	242,889	133,000	100.00%
Totals	\$ 37,118,404	22,126,815	5,732	3,138	37,124,136	22,129,953	67.76%

## 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>
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
2010-2011	2390.9	61.1

- 
- 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.

### **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, 2010

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 21,560,268	714,802	22,275,070
Receivables:			
Property tax:			
Delinquent	192,023	0	192,023
Succeeding year	7,269,459	0	7,269,459
Accounts	25,585	4,815	30,400
Accrued interest	13,432	13	13,445
Due from other governments	1,094,574	0	1,094,574
Inventories	0	14,145	14,145
Capital assets, net of accumulated depreciation	33,441,325	457,056	33,898,381
<b>TOTAL ASSETS</b>	<b>63,596,666</b>	<b>1,190,831</b>	<b>64,787,497</b>
<b>LIABILITIES</b>			
Accounts payable	63,117	348	63,465
Salaries and benefits payable	101,686	3,472	105,158
Accrued interest payable	130,981	0	130,981
Deferred revenue:			
Succeeding year property tax	7,269,459	0	7,269,459
Other	132,459	0	132,459
Unearned revenue	0	16,427	16,427
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	675,000	0	675,000
Revenue bonds payable	350,000	0	350,000
Capital loan note payable	260,000	0	260,000
Compensated absences payable	256,247	0	256,247
Portion due after one year:			
General obligation bonds payable	17,170,000	0	17,170,000
Revenue bonds payable	17,630,000	0	17,630,000
Capital loan note payable	540,000	0	540,000
Net OPEB liability	237,157	5,732	242,889
<b>TOTAL LIABILITIES</b>	<b>44,816,106</b>	<b>25,979</b>	<b>44,842,085</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,767,550	457,056	9,224,606
Restricted for:			
Debt service	2,516,465	0	2,516,465
Market factor	11,945	0	11,945
Market factor incentives	15,796	0	15,796
Model core curriculum	25,494	0	25,494
Talented and gifted	3,339	0	3,339
Statewide voluntary preschool	21,215	0	21,215
Capital projects	793,377	0	793,377
Physical plant and equipment levy	154,922	0	154,922
Management levy	672,666	0	672,666
Other special revenue purposes	191,174	0	191,174
Unrestricted	5,606,617	707,796	6,314,413
<b>TOTAL NET ASSETS</b>	<b>\$ 18,780,560</b>	<b>1,164,852</b>	<b>19,945,412</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 9,710,792	844,023	2,648,747	(6,218,022)	0	(6,218,022)
Special	2,418,124	190,956	620,685	(1,606,483)	0	(1,606,483)
Other	2,253,283	672,302	123,256	(1,457,725)	0	(1,457,725)
	<u>14,382,199</u>	<u>1,707,281</u>	<u>3,392,688</u>	<u>(9,282,230)</u>	<u>0</u>	<u>(9,282,230)</u>
Support services:						
Student	797,031	0	54,513	(742,518)	0	(742,518)
Instructional staff	770,025	0	129,541	(640,484)	0	(640,484)
Administration	2,358,478	0	378	(2,358,100)	0	(2,358,100)
Operation and maintenance of plant	1,901,849	0	0	(1,901,849)	0	(1,901,849)
Transportation	654,903	42,348	28,948	(583,607)	0	(583,607)
	<u>6,482,286</u>	<u>42,348</u>	<u>213,380</u>	<u>(6,226,558)</u>	<u>0</u>	<u>(6,226,558)</u>
Other expenditures:						
Facilities acquisitions	343,515	0	0	(343,515)	0	(343,515)
Long-term debt interest	907,727	0	0	(907,727)	0	(907,727)
AEA flowthrough	872,252	0	872,252	0	0	0
Depreciation (unallocated)*	669,904	0	0	(669,904)	0	(669,904)
	<u>2,793,398</u>	<u>0</u>	<u>872,252</u>	<u>(1,921,146)</u>	<u>0</u>	<u>(1,921,146)</u>
Total governmental activities	23,657,883	1,749,629	4,478,320	(17,429,934)	0	(17,429,934)
Business Type activities:						
Support services:						
Administration	2,071	0	0	0	(2,071)	(2,071)
Operation and maintenance of plant	35,275	0	0	0	(35,275)	(35,275)
	<u>37,346</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(37,346)</u>	<u>(37,346)</u>
Non-instructional programs:						
Nutrition services	774,618	593,837	273,195	0	92,414	92,414
Total business type activities	811,964	593,837	273,195	0	55,068	55,068
Total	\$ 24,469,847	2,343,466	4,751,515	(17,429,934)	55,068	(17,374,866)
<b>General Revenues &amp; Transfers:</b>						
Property tax levied for:						
General purposes				\$ 5,026,772	0	5,026,772
Capital outlay				633,048	0	633,048
Debt service				1,446,974	0	1,446,974
Statewide sales, services and use tax				1,323,164	0	1,323,164
Unrestricted state grants				9,221,520	0	9,221,520
Unrestricted investment earnings				136,081	837	136,918
Other general revenues				132,060	4,116	136,176
Transfers				(800)	0	(800)
Total general revenues & transfers				<u>17,918,819</u>	<u>4,953</u>	<u>17,923,772</u>
Changes in net assets				488,885	60,021	548,906
Net assets beginning of year				18,291,675	1,104,831	19,396,506
Net assets end of year				<u>\$ 18,780,560</u>	<u>1,164,852</u>	<u>19,945,412</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, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 5,214,970	11,880,134	2,502,268	1,000,219	20,597,591
Receivables:					
Property tax:					
Delinquent	126,880	0	40,980	24,163	192,023
Succeeding year	4,537,781	0	1,615,525	1,116,153	7,269,459
Accounts	13,490	2,747	0	9,348	25,585
Accrued interest	13,367	0	65	0	13,432
Due from other governments	232,066	862,508	0	0	1,094,574
<b>TOTAL ASSETS</b>	<b>\$ 10,138,554</b>	<b>12,745,389</b>	<b>4,158,838</b>	<b>2,149,883</b>	<b>29,192,664</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 62,247	787	0	83	63,117
Salaries and benefits payable	71,404	0	0	140	71,544
Deferred revenue:					
Succeeding year property tax	4,537,781	0	1,615,525	1,116,153	7,269,459
Other	90,866	0	26,848	14,745	132,459
<b>Total liabilities</b>	<b>4,762,298</b>	<b>787</b>	<b>1,642,373</b>	<b>1,131,121</b>	<b>7,536,579</b>
Fund balances:					
Reserved:					
Debt service	0	0	2,516,465	0	2,516,465
Capital facility construction	0	11,951,225	0	0	11,951,225
Categorical funding:					
Statewide sales, services and use tax supplemental	0	750,578	0	0	750,578
Market factor	11,945	0	0	0	11,945
Market factor incentives	15,796	0	0	0	15,796
Model core curriculum	25,494	0	0	0	25,494
Talented and gifted	3,339	0	0	0	3,339
Statewide voluntary preschool	21,215	0	0	0	21,215
Unreserved:					
Designated for special purposes	156,803	0	0	0	156,803
Undesignated	5,141,664	42,799	0	1,018,762	6,203,225
<b>Total fund balances</b>	<b>5,376,256</b>	<b>12,744,602</b>	<b>2,516,465</b>	<b>1,018,762</b>	<b>21,656,085</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 10,138,554</b>	<b>12,745,389</b>	<b>4,158,838</b>	<b>2,149,883</b>	<b>29,192,664</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2010

<b>Total fund balances of governmental funds (page 22)</b>		\$ 21,656,085
 <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.		33,441,325
Blending of the Internal Service Fund to be reflected at an entity-wide basis.		932,535
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.		(130,981)
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>(37,118,404)</u>
<b>Net assets of governmental activities (page 20)</b>		<u><u>\$ 18,780,560</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, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 4,612,383	572,586	1,446,974	1,047,437	7,679,380
Tuition	773,194	0	0	0	773,194
Other	583,121	86,956	629	548,398	1,219,104
Intermediate sources	3,668	0	0	0	3,668
State sources	11,977,731	750,578	640	482	12,729,431
Federal sources	1,701,874	0	0	0	1,701,874
Total revenues	19,651,971	1,410,120	1,448,243	1,596,317	24,106,651
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	9,586,341	0	0	84,836	9,671,177
Special	2,437,947	0	0	441	2,438,388
Other	1,742,687	0	0	524,081	2,266,768
	13,766,975	0	0	609,358	14,376,333
Support services:					
Student	800,331	0	0	0	800,331
Instructional staff	754,884	0	0	0	754,884
Administration	2,133,986	40,369	5,000	22,435	2,201,790
Operation and maintenance of plant	1,693,729	0	0	172,400	1,866,129
Transportation	540,412	0	0	26,421	566,833
	5,923,342	40,369	5,000	221,256	6,189,967
Other expenditures:					
Facilities acquisitions	0	8,390,888	0	159,907	8,550,795
Long-term debt:					
Principal	0	0	1,240,000	0	1,240,000
Interest and fiscal charges	0	0	912,928	0	912,928
AEA flowthrough	872,252	0	0	0	872,252
	872,252	8,390,888	2,152,928	159,907	11,575,975
Total expenditures	20,562,569	8,431,257	2,157,928	990,521	32,142,275
Excess(deficiency) of revenues over(under) expenditures	(910,598)	(7,021,137)	(709,685)	605,796	(8,035,624)
Other financing sources(uses):					
Transfer in	127	201,656	2,446,752	432	2,648,967
Transfer out	(432)	(2,357,893)	0	(291,442)	(2,649,767)
Revenue bond issuance	0	16,095,000	0	0	16,095,000
Premium on bond issuance	0	78,870	0	0	78,870
Discounts on bond issuance	0	(269,431)	0	0	(269,431)
Accrued interest on bond issuance	0	0	15,658	0	15,658
Proceeds from the disposal of property	41,067	0	0	0	41,067
Total other financing sources(uses)	40,762	13,748,202	2,462,410	(291,010)	15,960,364
Net change in fund balances	(869,836)	6,727,065	1,752,725	314,786	7,924,740
Fund balance beginning of year	6,246,092	6,017,537	763,740	703,976	13,731,345
Fund balance end of year	\$ 5,376,256	12,744,602	2,516,465	1,018,762	21,656,085

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  
 YEAR ENDED JUNE 30, 2010

**Net change in fund balances - total governmental funds (page 24)** \$ 7,924,740

**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 are as follows:

Expenditures for capital assets	\$ 8,343,994	
Depreciation expense	(1,004,832)	
Loss on disposal of capital assets	<u>(150)</u>	7,339,012

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 211,521

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues and repayments are as follows:

Issued	\$ (16,095,000)	
Repaid	<u>1,240,000</u>	(14,855,000)

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. 5,201

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	\$ (29,294)	
Other postemployment benefits	<u>(107,295)</u>	<u>(136,589)</u>

**Changes in net assets of governmental activities (page 21)** \$ 488,885

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2010

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
<b>ASSETS</b>		
Cash and pooled investments	\$ 714,802	962,677
Receivables:		
Accounts	4,815	0
Accrued interest	13	0
Inventories	14,145	0
Capital assets, net of accumulated depreciation	457,056	0
<b>TOTAL ASSETS</b>	<b>1,190,831</b>	<b>962,677</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	348	0
Salaries and benefits payable	3,472	30,142
Unearned revenue	16,427	0
Total current liabilities	20,247	30,142
Long-term liabilities:		
Net OPEB liability	5,732	0
Total long-term liabilities	5,732	0
<b>TOTAL LIABILITIES</b>	<b>25,979</b>	<b>30,142</b>
<b>NET ASSETS</b>		
Invested in capital assets	457,056	0
Unrestricted	707,796	932,535
<b>TOTAL NET ASSETS</b>	<b>\$ 1,164,852</b>	<b>932,535</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2010

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 593,837	1,754,802
Miscellaneous	4,116	0
TOTAL OPERATING REVENUES	<u>597,953</u>	<u>1,754,802</u>
OPERATING EXPENSES:		
Support services:		
Administrative services:		
Services	<u>2,071</u>	0
Operation and maintenance of plant services:		
Salaries	13,980	0
Benefits	4,269	0
Services	4,469	0
Supplies	12,557	0
	<u>35,275</u>	<u>0</u>
Total support services	<u>37,346</u>	<u>0</u>
Non-instructional programs:		
Food service operations:		
Salaries	206,864	0
Benefits	74,969	0
Services	44,496	0
Supplies	388,935	0
Depreciation	59,354	0
	<u>774,618</u>	<u>0</u>
Other enterprise operations:		
Benefits	0	1,528,391
Services	0	14,890
	<u>0</u>	<u>1,543,281</u>
Total non-instructional programs	<u>774,618</u>	<u>1,543,281</u>
TOTAL OPERATING EXPENSES	<u>811,964</u>	<u>1,543,281</u>
OPERATING INCOME (LOSS)	<u>(214,011)</u>	<u>211,521</u>
NON-OPERATING REVENUES:		
State sources	7,697	0
Federal sources	265,498	0
Interest income	837	0
TOTAL NON-OPERATING REVENUES	<u>274,032</u>	<u>0</u>
Changes in net assets	60,021	211,521
Net assets beginning of year	<u>1,104,831</u>	<u>721,014</u>
Net assets end of year	<u>\$ 1,164,852</u>	<u>932,535</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2010

	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	\$ 593,775	0
Cash received from miscellaneous operating activities	4,116	1,804,544
Cash payments to employees for services	(294,060)	(1,507,223)
Cash payments to suppliers for goods or services	(371,311)	(14,890)
Net cash provided by(used in) operating activities	<u>(67,480)</u>	<u>282,431</u>
Cash flows from non-capital financing activities:		
State grants received	7,697	0
Federal grants received	189,361	0
Net cash provided by non-capital financing activities	<u>197,058</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	837	0
Net increase in cash and cash equivalents	130,415	282,431
Cash and cash equivalents at beginning of year	584,387	680,246
Cash and cash equivalents at end of year	<u>\$ 714,802</u>	<u>962,677</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (214,011)	211,521
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	76,375	0
Depreciation	59,354	0
Decrease in inventories	4,494	0
(Increase)Decrease in accounts receivable	(403)	49,742
Increase in accounts payable	348	0
Increase in salaries and benefits payable	3,428	21,168
Increase in unearned revenue	341	0
Increase in other postemployment benefits	2,594	0
Net cash provided by(used in) operating activities	<u>\$ (67,480)</u>	<u>282,431</u>

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$76,375.

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2010

	<u>Private Purpose Trust</u>
	<u>Scholarship Fund</u>
ASSETS	
Cash and pooled investments	\$ 33,877
Accrued interest receivable	113
Total assets	<u>33,990</u>
LIABILITIES	<u>0</u>
NET ASSETS	
Reserved for scholarships	<u>\$ 33,990</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship Fund
Additions:	
Local sources:	
Interest income	\$ 719
Deductions:	
Instruction:	
Regular instruction:	
Scholarships awarded	2,580
Change in net assets before other financing sources	(1,861)
Other financing sources:	
Transfer in	800
Change in net assets	(1,061)
Net assets beginning of year	35,051
Net assets end of year	\$ 33,990

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(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, special education pre-kindergarten and a state voluntary preschool program. 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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 and intangibles, 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
Intangibles	100,000
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
Intangibles	2 + 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, 2010. 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 \$2,516,465 for debt service, \$77,789 for categorical funding, \$793,377 for capital projects, \$672,666 for management levy and \$191,174 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) **Transfers**

The detail of transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects, Statewide Sales, Services and Use Tax	\$ 863,660
Capital Projects, Statewide Sales, Services and Use Tax	Capital Projects, Elementary GO Bond Construction	45,233
Debt Service	Special Revenue, Physical Plant and Equipment Levy	290,514
Debt Service	Capital Projects, Auditorium and Stadium Projects	1,449,000
Private Purpose Trust	Special Revenue, Student Activity	800
Special Revenue, Student Activity	General	508
General	Special Revenue, Student Activity	52
Total		<u>\$ 2,649,767</u>

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

(3) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio and IPASeducation. These investments are valued at an amortized cost of \$1,834,709 and \$957,390 respectively, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 256,352	0	0	256,352
Construction in progress	2,590,316	7,800,437	164,540	10,226,213
Total capital assets not being depreciated	<u>2,846,668</u>	<u>7,800,437</u>	<u>164,540</u>	<u>10,482,565</u>
Capital assets being depreciated:				
Buildings	27,724,169	558,383	0	28,282,552
Land improvements	1,677,420	13,000	0	1,690,420
Machinery and equipment	3,572,296	136,714	181,866	3,527,144
Total capital assets being depreciated	<u>32,973,885</u>	<u>708,097</u>	<u>181,866</u>	<u>33,500,116</u>
Less accumulated depreciation for:				
Buildings	6,482,374	607,463	0	7,089,837
Land improvements	622,803	62,441	0	685,244
Machinery and equipment	2,613,063	334,928	181,716	2,766,275
Total accumulated depreciation	<u>9,718,240</u>	<u>1,004,832</u>	<u>181,716</u>	<u>10,541,356</u>
Total capital assets being depreciated, net	<u>23,255,645</u>	<u>(296,735)</u>	<u>150</u>	<u>22,958,760</u>
Governmental activities capital assets, net	<u>\$ 26,102,313</u>	<u>7,503,702</u>	<u>164,690</u>	<u>33,441,325</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 737,782	0	0	737,782
Less accumulated depreciation	221,372	59,354	0	280,726
Business type activities capital assets, net	<u>\$ 516,410</u>	<u>(59,354)</u>	<u>0</u>	<u>457,056</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 135,395
Other		36,983
Support services:		
Instructional staff services		14,318
Administration		9,686
Operation and maintenance		46,589
Transportation		91,957
		<u>334,928</u>
Unallocated depreciation		<u>669,904</u>
		<u>\$ 1,004,832</u>
Business type activities:		
Food services		<u>\$ 59,354</u>

#### (5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 18,495,000	0	650,000	17,845,000	675,000
Revenue bonds	2,225,000	16,095,000	340,000	17,980,000	350,000
Capital loan notes	1,050,000	0	250,000	800,000	260,000
Compensated absences	226,953	256,247	226,953	256,247	256,247
Net OPEB liability	129,862	107,295	0	237,157	0
Total	<u>\$ 22,126,815</u>	<u>16,458,542</u>	<u>1,466,953</u>	<u>37,118,404</u>	<u>1,541,247</u>
Business type activities:					
Net OPEB liability	\$ 3,138	2,594	0	5,732	0

General Obligation Bonds Payable

Details of the District's June 30, 2010 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
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	4.70	50,000	124,841	4.50	120,000	228,242
2016-2020	4.80-5.00	1,825,000	510,871	4.40-4.50	950,000	1,042,834
2021-2025	5.00	630,000	31,500	4.25-4.50	4,165,000	616,540
2026-2028	-	-	-	-	-	-
Total		<u>\$ 2,685,000</u>	<u>1,189,855</u>		<u>\$ 5,755,000</u>	<u>2,855,712</u>

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
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	4.00	505,000	62,869	5.00	120,000	231,869	795,000	647,821	1,442,821
2016-2020	4.00-4.13	1,050,000	64,738	3.75-5.00	695,000	1,061,304	4,520,000	2,679,747	7,199,747
2021-2025	-	-	-	3.80-4.00	850,000	903,758	5,645,000	1,551,798	7,196,798
2026-2028	-	-	-	4.00	4,005,000	324,800	4,005,000	324,800	4,329,800
Total		<u>\$ 3,340,000</u>	<u>560,482</u>		<u>\$ 6,065,000</u>	<u>3,503,205</u>	<u>\$ 17,845,000</u>	<u>8,109,254</u>	<u>25,954,254</u>

Revenue Bonds Payable

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of June 1, 2005			Bond issue of February 1, 2010			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2011	3.63 %	\$ 350,000	63,994	3.63 %	-	645,909	\$ 350,000	709,903	1,059,903
2012	3.63	365,000	51,034	3.63	100,000	702,815	465,000	753,849	1,218,849
2013	3.63	375,000	37,622	3.63	120,000	698,828	495,000	736,450	1,231,450
2014	3.75	390,000	23,513	3.63	215,000	692,756	605,000	716,269	1,321,269
2015	4.00	405,000	8,100	3.63	220,000	684,871	625,000	692,971	1,317,971
2016-2020	-	-	-	3.63-4.00	4,125,000	3,024,341	4,125,000	3,024,341	7,149,341
2021-2025	-	-	-	4.15-4.50	5,035,000	2,087,601	5,035,000	2,087,601	7,122,601
2026-2028	-	-	-	4.60-5.00	6,280,000	800,331	6,280,000	800,331	7,080,331
Total		<u>\$ 1,885,000</u>	<u>2,069,263</u>		<u>\$ 16,095,000</u>	<u>9,337,452</u>	<u>\$ 17,980,000</u>	<u>9,521,715</u>	<u>27,501,715</u>

The District has pledged future statewide sales, services and use tax revenues to repay \$2,875,000 of revenue bonds issued in June 2005 and \$16,095,000 of revenue bonds issued February 2010. 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, services and use tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2028. 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 \$27,501,715. For the current year, principal of \$340,000 and interest of \$75,778 was paid on the revenue bonds and total statewide sales, services and use tax revenues were \$1,323,164.

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

- a) \$1,736,500 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, services and use 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, 2010 capital loan notes bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Issue dated October 1, 2007		
		Principal	Interest	Total
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		\$ 800,000	62,254	862,254

**(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 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. 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. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$856,304, \$798,686 and \$695,850, respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits (OPEB)**

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 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, 2010, 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	5,985
Adjustment of annual required contribution	<u>(5,096)</u>
Annual OPEB cost	167,889
Contributions made	<u>(58,000)</u>
Increase in net OPEB obligation	109,889
Net OPEB obligation beginning of year	133,000
Net OPEB obligation end of year	<u><u>\$ 242,889</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, 2010.

For the year ended June 30, 2010, the District contributed \$58,000 to the medical plan. Plan members eligible for benefits contributed \$38,845, or 40.1% 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, 2010 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 167,889	34.5%	\$ 242,889

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1.331 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.331 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9.814 million, and the ratio of the UAAL to covered payroll was 13.6%. As of June 30, 2010, 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 \$872,252 for the year ended June 30, 2010 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 for the capital construction of the elementary building, bus barn and auditorium projects. As of June 30, 2010, costs of \$10,226,213 had been incurred against the contracts. The balance remaining at June 30, 2010 will be paid as work on the projects progresses. Once the projects are completed, the construction costs will be added to the District's capital assets listing.

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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 9,671,678	598,790	10,270,468	10,901,987	10,901,987	(631,519)
Intermediate sources	3,668	0	3,668	10,427	10,427	(6,759)
State sources	12,729,431	7,697	12,737,128	14,498,283	14,498,283	(1,761,155)
Federal sources	1,701,874	265,498	1,967,372	512,908	512,908	1,454,464
Total revenues	<u>24,106,651</u>	<u>871,985</u>	<u>24,978,636</u>	<u>25,923,605</u>	<u>25,923,605</u>	<u>(944,969)</u>
<b>Expenditures/Expenses:</b>						
Instruction	14,376,333	0	14,376,333	14,533,986	14,998,000	621,667
Support services	6,189,967	37,346	6,227,313	6,378,153	6,700,000	472,687
Non-instructional programs	0	774,618	774,618	897,419	1,114,816	340,198
Other expenditures	11,575,975	0	11,575,975	11,815,766	15,000,000	3,424,025
Total expenditures/expenses	<u>32,142,275</u>	<u>811,964</u>	<u>32,954,239</u>	<u>33,625,324</u>	<u>37,812,816</u>	<u>4,858,577</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(8,035,624)	60,021	(7,975,603)	(7,701,719)	(11,889,211)	3,913,608
Other financing sources, net	15,960,364	0	15,960,364	2,220,999	2,220,999	13,739,365
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	7,924,740	60,021	7,984,761	(5,480,720)	(9,668,212)	17,652,973
Balance beginning of year	13,731,345	1,104,831	14,836,176	14,732,135	14,732,135	104,041
Balance end of year	<u>\$ 21,656,085</u>	<u>1,164,852</u>	<u>22,820,937</u>	<u>9,251,415</u>	<u>5,063,923</u>	<u>17,757,014</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2010

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 \$4,187,492.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-c)			Percentage of Covered Payroll ((b-a)/c)
6/30/2009	July 1, 2008	\$ -	\$1,331	\$1,331	0.0%	\$9,941	13.4%
6/30/2010	July 1, 2008	\$ -	\$1,331	\$1,331	0.0%	\$9,814	13.6%

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, 2010

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 669,430	182,049	148,740	1,000,219
Receivables:				
Property tax:				
Delinquent	9,260	0	14,903	24,163
Succeeding year	449,999	0	666,154	1,116,153
Accounts	0	9,348	0	9,348
<b>TOTAL ASSETS</b>	<b>\$ 1,128,689</b>	<b>191,397</b>	<b>829,797</b>	<b>2,149,883</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts payable	\$ 0	83	0	83
Salaries and benefits payable	0	140	0	140
Deferred revenue:				
Succeeding year property tax	449,999	0	666,154	1,116,153
Other	6,024	0	8,721	14,745
Total liabilities	456,023	223	674,875	1,131,121
Unreserved fund balances	672,666	191,174	154,922	1,018,762
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,128,689</b>	<b>191,397</b>	<b>829,797</b>	<b>2,149,883</b>

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, 2010

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 414,389	0	633,048	1,047,437
Other	39,290	508,775	333	548,398
State sources	202	0	280	482
TOTAL REVENUES	453,881	508,775	633,661	1,596,317
EXPENDITURES:				
Current:				
Instruction:				
Regular	84,836	0	0	84,836
Special	441	0	0	441
Other	0	524,081	0	524,081
Support services:				
Administration	21,924	511	0	22,435
Operation and maintenance of plant	167,605	0	4,795	172,400
Transportation	26,421	0	0	26,421
Other expenditures:				
Facilities acquisition	0	0	159,907	159,907
TOTAL EXPENDITURES	301,227	524,592	164,702	990,521
Excess(deficiency) of revenues over(under) expenditures	152,654	(15,817)	468,959	605,796
Other financing sources(uses):				
Transfers in	0	432	0	432
Transfers out	0	(928)	(290,514)	(291,442)
Total other financing sources(uses)	0	(496)	(290,514)	(291,010)
Net change in fund balances	152,654	(16,313)	178,445	314,786
Fund balances beginning of year	520,012	207,487	(23,523)	703,976
Fund balances end of year	\$ 672,666	191,174	154,922	1,018,762

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expend- itures	Transfers	Balance End of Year
Middle School Accounts:					
General Athletics	\$ 585	358	852	0	91
Chorus	1,040	8,394	7,005	0	2,429
Cross Country	24	0	83	59	0
Cheerleaders	1,106	1,235	1,528	0	813
Boys Basketball	3,492	2,090	2,251	(2,410)	921
Football	0	2,613	1,473	0	1,140
Concessions	4,590	5,140	4,431	0	5,299
Baseball	0	0	810	810	0
Boys Track	966	2,374	2,480	(290)	570
Wrestling	1,793	653	383	(250)	1,813
Girls Basketball	1,164	985	1,430	(250)	469
Volleyball	1,461	2,619	1,506	(2,229)	345
Softball	0	0	2,060	2,060	0
Girls Track	0	688	918	500	270
Student Council	6,911	7,266	6,389	(267)	7,521
Art Club	532	2,100	2,382	0	250
FCCLA	0	80	0	0	80
Ace Club	0	3,862	4,129	267	0
Annual	2,202	2,754	2,110	0	2,846
SADD	778	543	28	0	1,293
High School Accounts:					
General Athletics	17,938	65,777	37,908	(21,646)	24,161
All School Play	1,457	958	727	0	1,688
Speech	0	0	987	987	0
Chorus	5,635	45,451	51,757	732	61
Dinner Show	2,838	16,225	18,555	0	508
Swing Choir	5,718	9,967	12,347	0	3,338
Band	3,525	9,885	12,663	3,367	4,114
Tri-M Club	130	0	0	0	130
Athletic Letter Club	680	0	0	0	680
Cross Country	51	2,360	3,365	1,035	81
Swimming	200	0	0	0	200
Bowling	0	1,050	1,435	385	0
Boys Basketball	24,736	21,049	21,983	(405)	23,397
Football	19,207	46,079	54,559	(830)	9,897
Boys Soccer	4,004	14,888	16,808	(265)	1,819
Baseball	12,116	31,959	37,926	5,032	11,181
Boys Track	997	8,027	7,773	740	1,991
Boys Tennis	351	501	1,900	1,399	351
Boys Golf	250	3,190	4,240	1,320	520
Concessions	7,716	6,805	2,105	0	12,416
Wrestling	8,594	24,268	22,486	0	10,376

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures and Transfers out	Transfers	Balance End of Year
High School Accounts(Continued):					
Weight Room	0	2,085	2,481	396	0
Girls Basketball	18,537	15,460	16,016	0	17,981
Volleyball	14,107	16,160	16,432	0	13,835
Girls Soccer	1,394	6,814	7,761	0	447
Softball	2,069	10,667	9,936	0	2,800
Girls Track	811	6,068	5,958	251	1,172
Girls Tennis	25	1,318	2,308	965	0
Girls Golf	11	4,062	5,995	1,935	13
Cheerleaders	1,161	31,676	27,991	0	4,846
Drill Team	10,633	30,468	45,838	5,625	888
Class of 2010	1,738	0	0	(1,738)	0
Class of 2011	0	11,344	8,442	0	2,902
Student Council	3,502	6,534	7,939	0	2,097
Art Club	654	3,646	3,724	0	576
French Club	2,288	3,565	3,010	0	2,843
Spanish Club	4,114	0	0	0	4,114
Annual	0	5,700	7,781	2,081	0
Newspaper	229	0	0	0	229
MOC	86	0	0	0	86
National Honor Society	535	860	666	0	729
SADD	79	0	0	0	79
SES	85	0	0	0	85
Debate	1,895	0	255	0	1,640
Mock Trial	104	150	242	138	150
Fanatecs/Pep Club	484	0	0	0	484
Poetry Club	159	5	45	0	119
Total	\$ 207,487	508,775	524,592	(496)	191,174

NORWALK COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2010

	Capital Project Funds				
	Elementary GO Bond Construction	High School GO Bond Construction	Statewide Sales, Services and Use Tax	Auditorium and Stadium Projects	Total
	<b>ASSETS</b>				
Cash and pooled investments	\$ (671,382)	64,575	(69,131)	12,556,072	11,880,134
Accounts receivable	2,747	0	0	0	2,747
Due from other governments	0	0	862,508	0	862,508
<b>TOTAL ASSETS</b>	<b>(668,635)</b>	<b>64,575</b>	<b>793,377</b>	<b>12,556,072</b>	<b>12,745,389</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	0	0	0	787	787
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>787</b>	<b>787</b>
<b>Fund balances:</b>					
<b>Reserved:</b>					
Capital facility construction	(668,635)	64,575	0	12,555,285	11,951,225
Statewide sales, services and use tax supplemental	0	0	750,578	0	750,578
Unreserved	0	0	42,799	0	42,799
<b>Total fund balances</b>	<b>(668,635)</b>	<b>64,575</b>	<b>793,377</b>	<b>12,555,285</b>	<b>12,744,602</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ (668,635)</b>	<b>64,575</b>	<b>793,377</b>	<b>12,556,072</b>	<b>12,745,389</b>

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, 2010

	Capital Projects Funds				Total
	Elementary GO Bond Construction	High School GO Bond Construction	Statewide Sales, Services and Use Tax	Auditorium and Stadium Projects	
REVENUES:					
Local sources:					
Local tax	\$ 0	0	572,586	0	572,586
Other	62,420	74	18,067	6,395	86,956
State sources	0	0	750,578	0	750,578
Total revenues	<u>62,420</u>	<u>74</u>	<u>1,341,231</u>	<u>6,395</u>	<u>1,410,120</u>
EXPENDITURES:					
Current:					
Support services:					
Administration	0	0	0	40,369	40,369
Other expenditures:					
Facilities acquisitions	6,076,846	3,585	287,854	2,022,603	8,390,888
Total expenditures	<u>6,076,846</u>	<u>3,585</u>	<u>287,854</u>	<u>2,062,972</u>	<u>8,431,257</u>
Excess(deficiency) of revenues over(under) expenditures	(6,014,426)	(3,511)	1,053,377	(2,056,577)	(7,021,137)
Other financing sources(uses):					
Transfers in	0	0	45,233	156,423	201,656
Transfers out	(45,233)	0	(863,660)	(1,449,000)	(2,357,893)
Revenue bond issuance	0	0	0	16,095,000	16,095,000
Premium on bond issuance	0	0	0	78,870	78,870
Discounts on bond issuance	0	0	0	(269,431)	(269,431)
Total other financing sources(uses)	<u>(45,233)</u>	<u>0</u>	<u>(818,427)</u>	<u>14,611,862</u>	<u>13,748,202</u>
Net change in fund balances	(6,059,659)	(3,511)	234,950	12,555,285	6,727,065
Fund balance beginning of year	5,391,024	68,086	558,427	0	6,017,537
Fund balance end of year	<u>\$ (668,635)</u>	<u>64,575</u>	<u>793,377</u>	<u>12,555,285</u>	<u>12,744,602</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUNDS  
 JUNE 30, 2010

	Debt Service Funds		
	Debt Service	Debt Sinking	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 80,264	2,422,004	2,502,268
Receivables:			
Property tax:			
Delinquent	40,980	0	40,980
Succeeding year	1,615,525	0	1,615,525
Accrued interest	0	65	65
<b>TOTAL ASSETS</b>	<b>1,736,769</b>	<b>2,422,069</b>	<b>4,158,838</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 1,615,525	0	1,615,525
Other	26,848	0	26,848
Total liabilities	1,642,373	0	1,642,373
Fund balances:			
Reserved for debt service	94,396	2,422,069	2,516,465
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,736,769</b>	<b>2,422,069</b>	<b>4,158,838</b>

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, 2010

	Debt Service Funds		
	Debt Service	Debt Sinking	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 1,446,974	0	1,446,974
Other	329	300	629
State sources	640	0	640
Total revenues	<u>1,447,943</u>	<u>300</u>	<u>1,448,243</u>
<b>EXPENDITURES:</b>			
Current:			
Support services:			
Administration	2,500	2,500	5,000
Other expenditures:			
Long-term debt:			
Principal	900,000	340,000	1,240,000
Interest and fiscal charges	837,149	75,779	912,928
	<u>1,737,149</u>	<u>415,779</u>	<u>2,152,928</u>
Total expenditures	<u>1,739,649</u>	<u>418,279</u>	<u>2,157,928</u>
Deficiency of revenues under expenditures	(291,706)	(417,979)	(709,685)
Other financing sources:			
Transfer in	290,514	2,156,238	2,446,752
Accrued interest on bond issuance	0	15,658	15,658
Total other financing sources	<u>290,514</u>	<u>2,171,896</u>	<u>2,462,410</u>
Net change in fund balances	(1,192)	1,753,917	1,752,725
Fund balance beginning of year	95,588	668,152	763,740
Fund balance end of year	<u>\$ 94,396</u>	<u>2,422,069</u>	<u>2,516,465</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, 2010

	Private Purpose Trust - Scholarship Fund				
	J. Graham Scholarship	Frederick Scholarship	J.W. Winter Scholarship	D. Oviatt Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 5,036	6,128	22,314	399	33,877
Accrued interest receivable	17	20	75	1	113
TOTAL ASSETS	5,053	6,148	22,389	400	33,990
TOTAL LIABILITIES	-	-	-	-	-
NET ASSETS					
Reserved for scholarships	\$ 5,053	6,148	22,389	400	33,990

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund						Total
	J. Graham Scholarship	Frederick Scholarship	J.W. Winter Scholarship	V. Montgomery Memorial	D. Oviatt Scholarship	Student Council Scholarship	
Additions:							
Local sources:							
Interest on investments	\$ 106	127	465	6	15	0	719
Total additions	106	127	465	6	15	0	719
Deductions:							
Instruction:							
Regular instruction:							
Scholarships awarded	150	400	500	330	400	800	2,580
Changes in net assets before other financing sources	(44)	(273)	(35)	(324)	(385)	(800)	(1,861)
Other financing sources:							
Transfer in	0	0	0	0	0	800	800
Changes in net assets	(44)	(273)	(35)	(324)	(385)	0	(1,061)
Net assets beginning of year	5,097	6,421	22,424	324	785	0	35,051
Net assets end of year	\$ 5,053	6,148	22,389	0	400	0	33,990

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 7,679,380	7,894,016	6,904,300	6,850,693
Tuition	773,194	896,431	867,627	968,314
Other	1,219,104	1,292,656	1,423,523	1,637,994
Intermediate sources	3,668	12,091	14,071	28,766
State sources	12,729,431	13,711,004	13,156,299	12,054,476
Federal sources	1,701,874	630,670	434,945	1,399,399
<b>Total</b>	<b>\$ 24,106,651</b>	<b>24,436,868</b>	<b>22,800,765</b>	<b>22,939,642</b>
Expenditures:				
Instruction:				
Regular	\$ 9,671,177	9,455,077	8,704,650	7,129,750
Special	2,438,388	2,659,726	2,443,711	2,178,958
Other	2,266,768	1,925,521	2,071,577	1,857,749
Support services:				
Student	800,331	682,263	658,987	515,050
Instructional staff	754,884	739,245	631,841	642,518
Administration	2,201,790	2,037,781	1,861,659	1,832,423
Operation and maintenance of plant	1,866,129	1,898,854	1,835,468	1,481,173
Transportation	566,833	689,629	586,990	682,702
Non-instructional programs	0	0	0	0
Other expenditures:				
Facilities acquisitions	8,550,795	2,963,965	2,831,470	9,538,790
Long-term debt:				
Principal	1,240,000	1,210,000	855,000	4,150,000
Interest and other charges	912,928	939,818	719,916	912,526
AEA flow-through	872,252	801,976	739,462	685,792
<b>Total</b>	<b>\$ 32,142,275</b>	<b>26,003,855</b>	<b>23,940,731</b>	<b>31,607,431</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Modified Accrual Basis					
Years Ended June 30,					
2006	2005	2004	2003	2002	2001
6,736,606	6,162,512	5,305,313	5,058,678	4,825,203	4,083,807
839,600	649,039	651,742	562,761	461,058	497,718
1,564,120	1,077,267	867,530	873,724	796,100	1,117,389
0	0	4,100	1,841	7,063	20,837
10,892,381	10,674,782	10,020,720	9,561,884	10,147,308	8,908,181
278,986	292,444	1,264,994	419,515	294,581	193,628
<b>20,311,693</b>	<b>18,856,044</b>	<b>18,114,399</b>	<b>16,478,403</b>	<b>16,531,313</b>	<b>14,821,560</b>
6,477,767	5,454,201	5,472,518	5,280,396	5,759,774	5,377,410
2,118,210	2,808,257	2,788,710	2,595,218	2,649,538	2,125,277
1,524,948	1,329,236	1,282,384	1,398,288	1,213,939	1,272,819
507,941	534,207	472,981	522,323	529,608	437,088
629,511	722,545	585,660	496,274	496,032	468,960
1,687,680	1,798,041	1,593,549	1,543,304	1,875,354	1,809,678
1,462,716	1,344,243	1,293,616	1,373,322	1,363,320	1,216,654
526,566	576,734	508,090	461,675	429,892	438,742
0	11,371	511	12,857	11,683	53,314
2,831,363	596,663	1,508,524	261,122	2,510,753	2,204,173
430,000	375,000	460,000	584,702	590,000	534,507
896,321	548,689	440,749	467,924	492,128	357,176
627,295	612,482	600,251	612,443	602,268	587,565
<b>19,720,318</b>	<b>16,711,669</b>	<b>17,007,543</b>	<b>15,609,848</b>	<b>18,524,289</b>	<b>16,883,363</b>

NORWALK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010

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 10	\$ 9,418
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	255,580 *
			<u>264,998</u>
TEAM NUTRITION GRANTS	10.574	FY 10	<u>500</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4797-G	83,292
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	46,111
			<u>129,403</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>12,649</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>4,238</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY 10	<u>560</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 10	<u>40,375</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 10	<u>15,587</u>
STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>1,072,380</u>
AREA EDUCATION AGENCY 11:			
SPECIAL EDUCATION CLUSTER (IDEA) PROGRAM:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	114,631
SPECIAL EDUCATION - GRANTS TO STATES (POSITIVE BEHAVIOR SUPPORT)	84.027	FY 10	1,359
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	FY 10	4,333
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	250,754
			<u>371,077</u>
SPECIAL EDUCATION - STATE PROGRAM IMPROVEMENT GRANTS FOR CHILDREN WITH DISABILITIES (IMPROVING TRANSITION PLANNING)	84.323	FY 10	<u>446</u>
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 10	<u>1,118</u>
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 10	<u>595</u>
TOTAL			<u>\$ 1,913,926</u>

\* - Includes \$76,375 of non-cash awards.

**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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies within the Student Activity Fund only.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness within the Student Activity Fund only.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-10 to be a significant deficiency within the Student Activity Fund only.

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Compliance and Other Matters

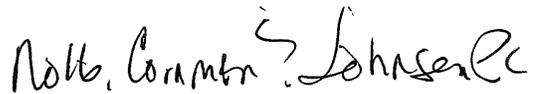
As part of obtaining reasonable assurance about whether Norwalk Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a 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. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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 25, 2011

# **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 Compliance with Requirements Applicable to Each Major Program and on 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, 2010. 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, 2010.

#### 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be 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 25, 2011

NORWALK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance 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 84.027 - Special Education - Grants to States (Part B)
    - CFDA Number 84.027 - Special Education - Grants to States (Positive Behavior Support)
    - CFDA Number 84.173 - Special Education - Preschool Grants
    - CFDA Number 84.391 - Special Education - Grants to States (Part B), Recovery Act
  - Individual Program
    - CFDA Number 84.394 - State Fiscal Stabilization Fund (SFSF)  
Education State Grants, Recovery Act
- (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.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 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-10 Activity Fund Deposits - We noted during our audit that deposits for the Activity Fund were prepared but deposits were not being made until a week, or in some cases, a month later.

Recommendation - All receipts should be deposited when received. The District should review procedures to ensure that the deposits are made timely.

Response - We will conduct a cash procedure review with those employees in the District who receive cash and stress that it should be deposited when received.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 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-10 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-10 Business Transactions - Business transactions between the District and District officials were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Laurie Nielsen, Teacher Spouse preforms service for the District	Printed T-shirts	\$4,206

In accordance with Attorney General's Opinion dated November 9, 1976, the above transaction with the employee's spouse does not appear to present a conflict of interest.

IV-E-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-10 Supplementary Weighting - We noted a variance regarding the supplementary weighting certified to the Iowa Department of Education. Supplementary weighting was understated by .18.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-I-10 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-J-10 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-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance		\$	0
Statewide sales and services tax revenue			1,323,164
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	444,277	
Debt service for school infrastructure:			
Revenue debt		707,237	1,151,514
		<u>          </u>	<u>          </u>
Ending balance		\$	<u>171,650</u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010, the District reduced no levies.

IV-M-10 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. Specific examples of questioned items and recommendations are as follows:

**Scholarship Awards:** The Student Council awards scholarships from proceeds of fundraising during the year. Currently, the District receipts the proceeds for the scholarship into the Student Activity Fund and subsequently transfers the proceeds to the Private Purpose Trust.

Recommendation - When fundraising takes place the revenues should be recorded in the fund that may legally pay for the purpose of the fundraiser. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship fundraising should be placed and expended from the Private Purpose Trust Fund.

Response - Monies raised from fundraising for scholarships will be receipted and expended from the Private Purpose Trust Fund.

Conclusion - Response accepted.