

NORWALK COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2012

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Norwalk Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2011 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>(After September 2011 Election)</b>		
Katherine Schmidt	President	2015
Rick Kaul	Vice President	2015
Tom Phillips	Board Member	2013
Deborah Hobbs	Board Member	2013
George Meinecke	Board Member	2015
<b>School Officials</b>		
Dr. Dennis Wulf	Superintendent	2012
Kate Baldwin	Business Manager and District Secretary	2012
Drew Bracken	Attorney	2012

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**(a professional corporation)**  
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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, 2012, 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, 2012, 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, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 19 and 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to

our inquires, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Norwalk Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson, P.C.", written in a cursive style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2013

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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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- Fiscal 2012 General Fund revenues exceeded expenditures by \$19,098. The excess of revenues over expenditures resulted in an increase in the fund balance from \$5,345,759 to \$5,364,857. Revenues were \$21.8 million vs. \$21.3 million in fiscal 2011, and expenditures were \$21.8 million vs. \$21.3 million in fiscal 2011.
- 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, November 2009 and January of 2012.

Goals and Actions Approved by the Board of Directors:

- Strive to adopt a Board Resolution that guarantees the development of a "Balanced Budget" based on conservative revenue estimates. (Adoption January 2003).
- Maintain an Unspent Balance equal to or greater than Fund Balance (15% or greater than Total Annual Expenses) (Adopted January 2003; Revised August 4, 2008).
- Maintain a General Fund Budget Contingency equal to 3% - 5% of total Budgeted Expenditures (Adopted January 2003; Revised August 4, 2008, Revised January 9, 2012).
- Utilize Sales Tax revenues as needed to meet uses as defined under the District's Revenue Purpose Statement. (Adopted January 9, 2012).
- Adopt an Instructional Support Levy at the maximum allowable level to fund adequate General Fund Reserves, and for expenditures related to curriculum and technology, (Adopted January 2003; Revised December 14, 2009, January 9, 2012).
- Preferred Solvency Ratio is at 15% - 20% Should the Solvency Ratio go below 20% action plans will be implemented to ensure the Solvency Ratio does not go below 15%. (Adopted August 4, 2008; Revised December 14, 2009, Revised January 9, 2012).
- Classify all allowable expenditures to PPEL, Management, and Nutrition Funds to maximize the spending authority granted to those funds. (Adopted January 9, 2012).
- Apply for all available SBRC Spending Authority (Adopted January 2003).
- Strive to maintain competitive employee salary levels with schools at or above Norwalk's enrollment ranking within the State. (Adopted August 4, 2008).

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

FY2005	17.50%
FY2006	27.15%
FY2007	35.55%
FY2008	33.87%
FY2009	32.35%
FY2010	28.15%
FY2011	25.78%
FY2012	21.55%
<i>Est. FY2013</i>	<i>19.91%</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.

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.

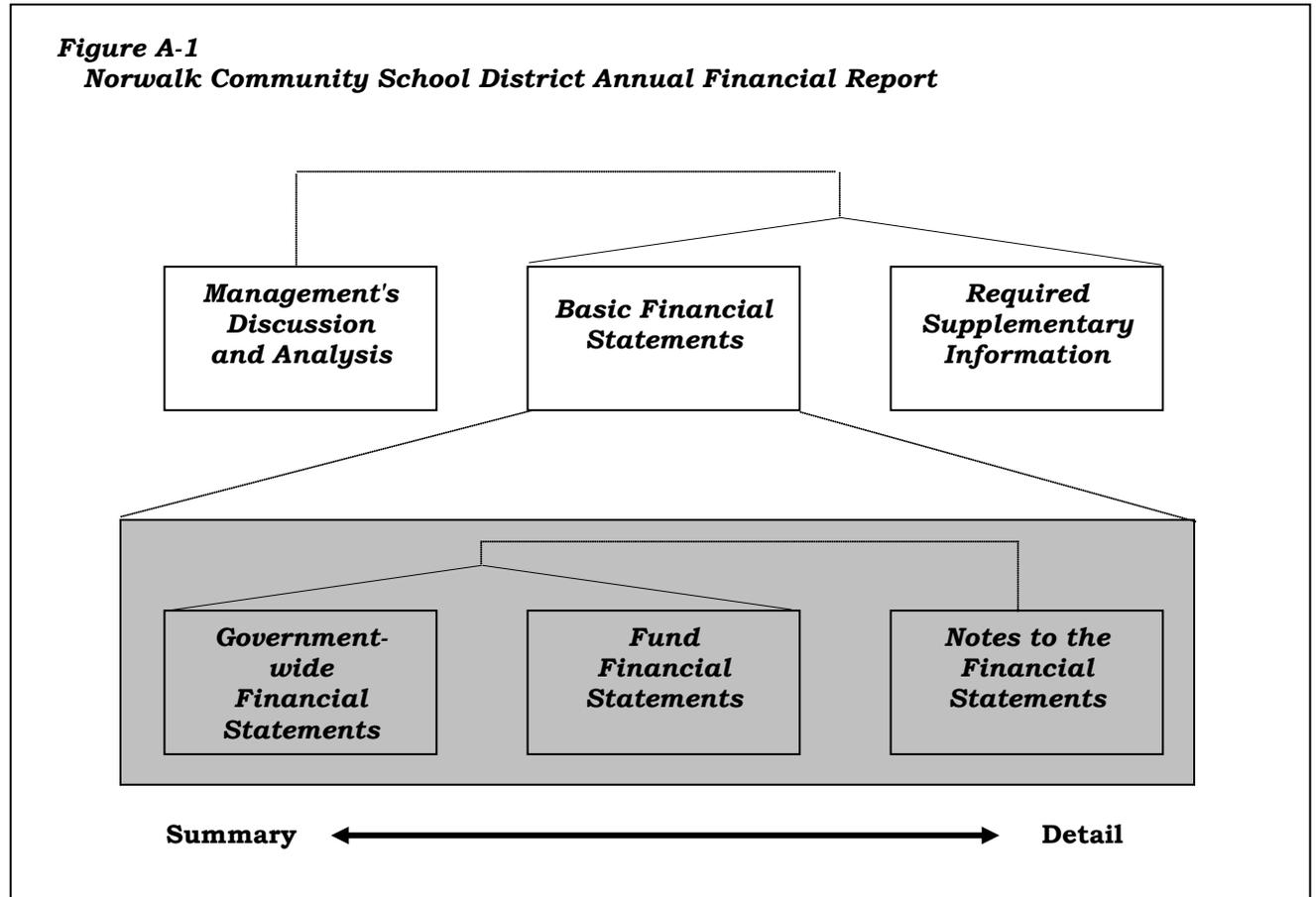


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	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 net assets</li> <li>• Statement of revenues, expenses and changes in fund 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 fund 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, 2012 compared to June 30, 2011.

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,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 23,761,458	24,811,406	793,305	678,416	24,554,763	25,489,822	-3.67%
Capital assets	46,642,880	44,177,993	517,070	588,426	47,159,950	44,766,419	5.35%
Total assets	<u>70,404,338</u>	<u>68,989,399</u>	<u>1,310,375</u>	<u>1,266,842</u>	<u>71,714,713</u>	<u>70,256,241</u>	<u>2.08%</u>
Long-term obligations	36,582,899	38,331,737	9,889	7,390	36,592,788	38,339,127	-4.55%
Other liabilities	12,722,041	11,189,481	69,752	39,767	12,791,793	11,229,248	13.91%
Total liabilities	<u>49,304,940</u>	<u>49,521,218</u>	<u>79,641</u>	<u>47,157</u>	<u>49,384,581</u>	<u>49,568,375</u>	<u>-0.37%</u>
Net assets:							
Invested in capital assets, net of related debt	10,661,201	9,024,044	517,070	588,426	11,178,271	9,612,470	16.29%
Restricted	4,920,754	5,187,101	0	0	4,920,754	5,187,101	-5.13%
Unrestricted	5,517,443	5,257,036	713,664	631,259	6,231,107	5,888,295	5.82%
Total net assets	<u>\$ 21,099,398</u>	<u>19,468,181</u>	<u>1,230,734</u>	<u>1,219,685</u>	<u>22,330,132</u>	<u>20,687,866</u>	<u>7.94%</u>

The District's combined net assets increased by 7.94%, or \$1,642,266, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$266,347, or 5.13% over the prior year. The decrease was primarily a result of a decrease in 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 – increased \$342,812, or 5.82%. This increase in unrestricted net assets was a result of the decrease in the District's compensated absences liability.

In June 2012, the Board of Directors approved a committed fund balance of \$519,783.13 as provided under GASB Statement 54 for the purpose of securing funds for the purchase of curriculum and technology for the 2012-2013 school year.

In June of 2012, the Board of Directors authorized an inter-fund loan from the Partial Self-Funding Internal Health Insurance Fund to the Sales Tax Fund in the amount of \$511,948.00 for the purpose of cash flow needs only. Each of the District's governmental fund accounts had a positive ending fund balance, including the Sales Tax Fund. The inter-fund loan was to accommodate expenditures in the Sales Tax Fund prior to receipt of accrued revenues for FY2012.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

Figure A-4  
Changes in Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
<b>Revenues and Transfers:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 1,993,505	1,815,262	625,623	609,580	2,619,128	2,424,842	8.01%
Operating grants and contributions and restricted interest	1,904,904	2,095,737	308,914	313,548	2,213,818	2,409,285	-8.11%
Capital grants and contributions and restricted interest	931,648	10,000	0	0	931,648	10,000	9216.48%
<b>General revenues:</b>							
Property tax	7,730,122	7,268,650	0	0	7,730,122	7,268,650	6.35%
Statewide sales, services and use tax	867,118	1,607,720	0	0	867,118	1,607,720	-46.07%
Unrestricted state grants	13,542,257	12,350,648	0	0	13,542,257	12,350,648	9.65%
Nonspecific program federal grants	6,740	682,066	0	0	6,740	682,066	-99.01%
Other	173,899	162,660	3,367	7,780	177,266	170,440	4.00%
Transfers	(300)	(5,995)	300	5,995	0	0	0.00%
<b>Total revenues and transfers</b>	<b>27,149,893</b>	<b>25,986,748</b>	<b>938,204</b>	<b>936,903</b>	<b>28,088,097</b>	<b>26,923,651</b>	<b>4.32%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	15,294,876	14,801,091	0	0	15,294,876	14,801,091	3.34%
Support services	6,684,773	6,744,723	109,598	38,294	6,794,371	6,783,017	0.17%
Non-instructional programs	0	0	817,557	843,776	817,557	843,776	-3.11%
Other expenses	3,539,027	3,753,313	0	0	3,539,027	3,753,313	-5.71%
<b>Total expenses</b>	<b>25,518,676</b>	<b>25,299,127</b>	<b>927,155</b>	<b>882,070</b>	<b>26,445,831</b>	<b>26,181,197</b>	<b>1.01%</b>
<b>Changes in net assets</b>	<b>1,631,217</b>	<b>687,621</b>	<b>11,049</b>	<b>54,833</b>	<b>1,642,266</b>	<b>742,454</b>	<b>121.19%</b>
<b>Net assets beginning of year</b>	<b>19,468,181</b>	<b>18,780,560</b>	<b>1,219,685</b>	<b>1,164,852</b>	<b>20,687,866</b>	<b>19,945,412</b>	<b>3.72%</b>
<b>Net assets end of year</b>	<b>\$ 21,099,398</b>	<b>19,468,181</b>	<b>1,230,734</b>	<b>1,219,685</b>	<b>22,330,132</b>	<b>20,687,866</b>	<b>7.94%</b>

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. Through FY2011, the ISL was funded by a combination of state aid and local property taxes. Beginning with FY2012, the ISL will be funded solely by local property tax revenues. Below is a recap of the additional revenues this levy has generated for the District over the past six years.

	Local <u>Property Tax</u>	State <u>Aid</u>	Total ISL <u>Revenues</u>
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
FY2011	\$759,559	\$ 68,291	\$827,850
FY2012	\$778,665	\$ 0	\$778,665
<i>Est. FY2013</i>	<i>\$849,868</i>	<i>\$ 0</i>	<i>\$849,868</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 anticipated a decline in the FY2011 June 30th ending General Fund Balance due to an enrollment decline of 26 students in October of 2011 and a reduction of state funding from 4% to 0% allowable growth rate. However, local budget reductions and one-time federal ARRA stimulus revenues provided a small surplus of \$30,497. For FY2012, the Iowa legislature decreased state allowable growth funding for K-12 school district from 4% to 2%. The District anticipated a sharp decline in the ending General Fund for June 30, 2012. However, the District incurred a General Fund surplus of \$19,099 due to a reduction of expenditures in student revolving account balances. The estimated ending General Fund Balance for FY2013 is listed below as \$4,474,049. In response to a reduction of revenues due decline in enrollment, the Board of Directors has authorized additional budget reductions of approximately \$500,000 in the General Fund for FY2013.

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

FY2008	\$ 6,062,576
FY2009	\$ 6,087,178
FY2010	\$ 5,376,256
FY2011	\$ 5,345,759
FY2012	\$ 5,364,857
<i>Est. FY2013</i>	<i>\$ 4,474,049</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 2011, 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 FY2010, the District increased 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 lower employer health insurance costs. Below is a listing of the annual premium savings that has created retained earnings since the beginning of the program on July 1, 2004. The employee health insurance program changes to assume slightly more risk has created significant savings for the District. The District will continue to monitor the savings and determine if additional changes should be implemented in the future.

	<u>Revenues</u>	<u>Expenses</u>	<u>Surplus/ Deficit</u>	<u>Ending Fund Balances</u>
FY2005	\$ 961,724	\$ 808,744	\$ 152,979	\$ 152,979
FY2006	\$1,164,170	\$1,030,888	\$ 133,282	\$ 286,261
FY2007	\$1,124,495	\$1,010,645	\$ 113,849	\$ 400,110
FY2008	\$1,247,067	\$1,123,216	\$ 123,851	\$ 523,961
FY2009	\$1,412,245	\$1,215,192	\$ 197,053	\$ 721,014
FY2010	\$1,754,802	\$1,543,281	\$ 211,521	\$ 932,535
FY2011	\$2,715,340	\$2,481,840	\$ 233,500	\$1,166,035
FY2012	\$2,932,269	\$2,587,273	\$ 344,996	\$1,511,031
<i>Est. FY2013</i>	<i>\$2,851,241</i>	<i>\$2,546,265</i>	<i>\$ 304,977</i>	<i>\$1,816,007</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. This debt will be retired in June of 2013. In September 2011, the District renewed the PPEL levy for another nine year period, extending the expiration date to June 30, 2022. This infrastructure funding will be used to maintain school building, purchase large equipment items and maintain district computer equipment formerly purchased from the General Fund. 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
FY2011	\$667,902	\$ 763,800	\$59,024
FY2012	\$721,100	\$ 681,105	\$99,019
<i>Est. FY2013</i>	<i>\$934,700</i>	<i>\$1,033,719</i>	<i>\$ 0</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 2029. 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
FY2011	\$1,687,595	\$1,221,110	\$1,259,862
FY2012	\$1,798,905	\$2,517,859	\$ 540,908
<i>Est. FY2013</i>	<i>\$2,311,024</i>	<i>\$2,810,744</i>	<i>\$ 41,188</i>

### Governmental Activities

Revenues for governmental activities were \$27,149,893 and expenses were \$25,518,676.

The following table represents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5  
Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 15,294,876	14,801,091	3.34%	12,439,117	11,951,356	4.08%
Support services	6,684,773	6,744,723	-0.89%	5,565,749	6,578,766	-15.40%
Other expenses	3,539,027	3,753,313	-5.71%	2,683,753	2,848,006	-5.77%
Totals	<u>\$ 25,518,676</u>	<u>25,299,127</u>	<u>0.87%</u>	<u>20,688,619</u>	<u>21,378,128</u>	<u>-3.23%</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$1,993,505.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,836,552.

- 
- The net cost of governmental activities was financed with \$7,730,122 in property tax, \$867,118 in statewide sales, services and use tax, \$13,542,257 in unrestricted state grants, \$6,740 in nonspecific program federal grants and \$173,599 in other general revenues net of transfers.

### **Business type Activities**

Revenues of the District's Business type activity were \$938,204 and expenses were \$927,155. 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 \$10,020,502, below last year's ending fund balances of \$12,962,618. However, the primary reason for the decrease was due to capital facility construction in the Capital Projects Fund.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. An increase in property tax and state source revenues increased General Fund revenues. Increased salary and benefits costs were the main contributing factor in the increase in fund expenditures. This resulted in an increase in General Fund balance from \$5,345,759 in 2011 to \$5,364,857 in 2012.
- The Capital Projects Fund balance decreased from a balance of \$3,837,247 to \$703,222. The decrease in the Capital Projects Fund Balance was a result of construction costs associated with a new auditorium and football stadium.
- The Debt Service Fund balance was utilized for the payments of principal and interest on bonds, capital loan notes and a copier lease. During the year, the Debt Service Fund balance increased from \$2,696,103 to \$2,715,971. The increase in fund balance is mainly due to the transfers from the Capital Projects: Statewide Sales Services and Use Tax Fund in excess of revenue bond payments.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$1,219,685 at June 30, 2011 to \$1,230,734 at June 30, 2012, representing an increase of 0.91%.

## **BUDGETARY HIGHLIGHTS**

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

The District's revenues were \$328,967 less than budgeted revenues, a variance of 1.16%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested \$47.16 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 5.35% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,629,829.

The original cost of the District's capital assets was approximately \$60.61 million. Governmental funds account for approximately \$59.67 million with the remainder of approximately \$0.94 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 \$12,218,869 at June 30, 2011, compared to \$0 reported at June 30, 2012. This decrease resulted from the District's completing a new auditorium and football stadium.

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,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 256,352	256,352	0	0	256,352	256,352	0.00%
Construction in progress	0	12,218,869	0	0	0	12,218,869	-100.00%
Buildings	45,000,722	30,073,584	0	0	45,000,722	30,073,584	49.64%
Land improvements	755,259	782,109	0	0	755,259	782,109	-3.43%
Machinery and equipment	630,547	847,079	517,070	588,426	1,147,617	1,435,505	-20.05%
Total	\$ 46,642,880	44,177,993	517,070	588,426	47,159,950	44,766,419	5.35%

### Long-Term Debt

At June 30, 2012, the District had \$36,592,788 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 4.55% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$18,480,000 at June 30, 2012.

The District had outstanding Revenue Bonds payable from the Capital Projects: Statewide Sales Services and Use Tax Fund of \$17,165,000 at June 30, 2012.

The District had outstanding Capital Loan Notes payable from the Capital Projects: Physical Plant and Equipment Levy Fund of \$275,000 at June 30, 2012.

The District had an outstanding Copier Lease payable from the Capital Projects: Physical Plant and Equipment Levy Fund of \$122,974 at June 30, 2012.

The District had outstanding net OPEB liability of \$549,814 at June 30, 2012.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
General obligation bonds	\$ 18,480,000	19,350,000	0	0	18,480,000	19,350,000	-4.50%
Revenue bonds	17,165,000	17,630,000	0	0	17,165,000	17,630,000	-2.64%
Capital loan notes	275,000	540,000	0	0	275,000	540,000	-49.07%
Copier lease	122,974	152,310	0	0	122,974	152,310	-19.26%
Compensated absences	0	255,817	0	0	0	255,817	-100.00%
Net OPEB liability	539,925	403,610	9,889	7,390	549,814	411,000	33.77%
Totals	\$ 36,582,899	38,331,737	9,889	7,390	36,592,788	38,339,127	-4.55%

## 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:

- Despite the slight enrollment decline in the fall of 2011 the District's enrollment is expected to continue an upward trend. As anticipated, enrollment increased by 47 students in the fall of 2012. 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 twelve 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
2011-2012	2385.8	-5.1
2012-2013	2434.0	47.2

- The State of Iowa approved a 4% allowable growth factor for all school districts in FY2010 and FY2011. This annual percentage increase in the per-pupil cost coupled with increased enrollment provided significant new funding for the School District. However, state allowable growth for FY2012 was reduced to 0% and was 2% in FY2013. This reduction of K-12 funding has presented several budgetary challenges and the District has explored several expenditure reduction options to maintain a balanced budget.

## 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 and District Secretary, Norwalk Community School District, 906 School Avenue, Norwalk, Iowa, 50211.

NORWALK COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 12,901,419	751,191	13,652,610
Receivables:			
Property tax:			
Delinquent	211,333	-	211,333
Succeeding year	8,857,799	-	8,857,799
Accounts	22,600	2,676	25,276
Accrued interest	10,696	3	10,699
Due from other governments	1,757,611	-	1,757,611
Inventories	-	39,435	39,435
Capital assets, net of accumulated depreciation	46,642,880	517,070	47,159,950
<b>TOTAL ASSETS</b>	<b>70,404,338</b>	<b>1,310,375</b>	<b>71,714,713</b>
<b>LIABILITIES</b>			
Accounts payable	376,656	26,947	403,603
Salaries and benefits payable	2,852,906	17,384	2,870,290
Accrued interest payable	492,116	-	492,116
Deferred revenue:			
Succeeding year property tax	8,857,799	-	8,857,799
Other	142,564	-	142,564
Unearned revenue	-	25,421	25,421
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	900,000	-	900,000
Revenue bonds payable	495,000	-	495,000
Capital loan note payable	275,000	-	275,000
Copier lease payable	30,730	-	30,730
Portion due after one year:			
General obligation bonds payable	17,580,000	-	17,580,000
Revenue bonds payable	16,670,000	-	16,670,000
Copier lease payable	92,244	-	92,244
Net OPEB liability	539,925	9,889	549,814
<b>TOTAL LIABILITIES</b>	<b>49,304,940</b>	<b>79,641</b>	<b>49,384,581</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	10,661,201	517,070	11,178,271
Restricted for:			
Categorical funding	326,404	-	326,404
School infrastructure	542,908	-	542,908
Physical plant and equipment	99,019	-	99,019
Debt service	2,715,971	-	2,715,971
Management levy purposes	1,042,603	-	1,042,603
Student activities	193,849	-	193,849
Unrestricted	5,517,443	713,664	6,231,107
<b>TOTAL NET ASSETS</b>	<b>\$ 21,099,398</b>	<b>1,230,734</b>	<b>22,330,132</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 10,244,360	894,926	100,889	-	(9,248,545)	-	(9,248,545)
Special	2,549,873	248,886	203,759	-	(2,097,228)	-	(2,097,228)
Other	2,500,643	800,881	606,418	-	(1,093,344)	-	(1,093,344)
	<u>15,294,876</u>	<u>1,944,693</u>	<u>911,066</u>	<u>-</u>	<u>(12,439,117)</u>	<u>-</u>	<u>(12,439,117)</u>
Support services:							
Student	798,953	-	91,981	-	(706,972)	-	(706,972)
Instructional staff	761,059	-	16,172	-	(744,887)	-	(744,887)
Administration	2,360,504	-	1,345	-	(2,359,159)	-	(2,359,159)
Operation and maintenance of plant	2,089,745	-	-	931,648	(1,158,097)	-	(1,158,097)
Transportation	674,512	48,812	29,066	-	(596,634)	-	(596,634)
	<u>6,684,773</u>	<u>48,812</u>	<u>138,564</u>	<u>931,648</u>	<u>(5,565,749)</u>	<u>-</u>	<u>(5,565,749)</u>
Long-term debt interest	1,509,664	-	-	-	(1,509,664)	-	(1,509,664)
Other expenses:							
AEA flowthrough	855,274	-	855,274	-	-	-	-
Depreciation(unallocated)*	1,174,089	-	-	-	(1,174,089)	-	(1,174,089)
	<u>2,029,363</u>	<u>-</u>	<u>855,274</u>	<u>-</u>	<u>(1,174,089)</u>	<u>-</u>	<u>(1,174,089)</u>
Total governmental activities	25,518,676	1,993,505	1,904,904	931,648	(20,688,619)	-	(20,688,619)
Business Type activities:							
Support services:							
Student	90	-	-	-	-	(90)	(90)
Administration	5,087	-	-	-	-	(5,087)	(5,087)
Operation and maintenance of plant	104,421	-	-	-	-	(104,421)	(104,421)
	<u>109,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,598)</u>	<u>(109,598)</u>
Non-instructional programs:							
Nutrition services	817,557	625,623	308,914	-	-	116,980	116,980
Total business type activities	927,155	625,623	308,914	-	-	7,382	7,382
Total	\$ 26,445,831	2,619,128	2,213,818	931,648	(20,688,619)	7,382	(20,681,237)
<b>General Revenues &amp; Transfers:</b>							
Property tax levied for:							
General purposes					\$ 5,393,772	-	5,393,772
Capital outlay					720,782	-	720,782
Debt service					1,615,568	-	1,615,568
Statewide sales, services and use tax					867,118	-	867,118
Unrestricted state grants					13,542,257	-	13,542,257
Nonspecific program federal grants					6,740	-	6,740
Unrestricted investment earnings					29,413	156	29,569
Other general revenues					144,486	3,211	147,697
Transfers					(300)	300	-
Total general revenues & transfers					<u>22,319,836</u>	<u>3,667</u>	<u>22,323,503</u>
Changes in net assets					1,631,217	11,049	1,642,266
Net assets beginning of year					<u>19,468,181</u>	<u>1,219,685</u>	<u>20,687,866</u>
Net assets end of year					<u>\$ 21,099,398</u>	<u>1,230,734</u>	<u>22,330,132</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, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 7,805,505	208,240	2,693,948	1,258,295	11,965,988
Receivables:					
Property tax:					
Delinquent	141,277	15,958	43,199	10,899	211,333
Succeeding year	5,445,106	772,088	1,613,604	1,027,001	8,857,799
Accounts	21,545	-	-	1,055	22,600
Accrued interest	2,444	-	8,252	-	10,696
Due from other governments	292,115	1,052,833	-	300	1,345,248
<b>TOTAL ASSETS</b>	<b>\$ 13,707,992</b>	<b>2,049,119</b>	<b>4,359,003</b>	<b>2,297,550</b>	<b>22,413,664</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Due to other funds	\$ -	511,948	-	-	511,948
Accounts payable	299,922	52,046	-	24,688	376,656
Salaries and benefits payable	2,501,520	-	-	2,675	2,504,195
Deferred revenue:					
Succeeding year property tax	5,445,106	772,088	1,613,604	1,027,001	8,857,799
Other	96,587	9,815	29,428	6,734	142,564
<b>Total liabilities</b>	<b>8,343,135</b>	<b>1,345,897</b>	<b>1,643,032</b>	<b>1,061,098</b>	<b>12,393,162</b>
Fund balances:					
Restricted for:					
Categorical funding	326,404	-	-	-	326,404
Construction	-	61,295	-	-	61,295
School infrastructure	-	542,908	-	-	542,908
Physical plant and equipment	-	99,019	-	-	99,019
Debt service	-	-	2,715,971	-	2,715,971
Management levy purposes	-	-	-	1,042,603	1,042,603
Student activities	-	-	-	193,849	193,849
Assigned for special purposes	90,145	-	-	-	90,145
Committed for:					
Curriculum department	482,183	-	-	-	482,183
Professional development	37,600	-	-	-	37,600
Unassigned	4,428,525	-	-	-	4,428,525
<b>Total fund balances</b>	<b>5,364,857</b>	<b>703,222</b>	<b>2,715,971</b>	<b>1,236,452</b>	<b>10,020,502</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 13,707,992</b>	<b>2,049,119</b>	<b>4,359,003</b>	<b>2,297,550</b>	<b>22,413,664</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, 2012

<b>Total fund balances of governmental funds(page 24)</b>	\$	10,020,502
 <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 report as assets in the governmental funds.		46,642,880
Blending of the Internal Service Fund to be reflected at an entity-wide basis.		1,511,031
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.		(492,116)
Long-term liabilities, including bonds payable, capital loan notes payable, copier lease payable, and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(36,582,899)
		(36,582,899)
<b>Net assets of governmental activities(page 22)</b>	<b>\$</b>	<b>21,099,398</b>
		<b>21,099,398</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 4,933,907	1,587,900	1,615,568	459,865	8,597,240
Tuition	948,685	-	-	-	948,685
Other	539,126	40,809	16,633	678,439	1,275,007
Intermediate sources	8,334	-	-	-	8,334
State sources	14,909,172	931,942	659	213	15,841,986
Federal sources	478,941	-	-	-	478,941
Total revenues	21,818,165	2,560,651	1,632,860	1,138,517	27,150,193
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	10,118,984	16,635	-	77,775	10,213,394
Special	2,591,442	-	-	-	2,591,442
Other	1,933,291	-	-	639,344	2,572,635
	14,643,717	16,635	-	717,119	15,377,471
Support services:					
Student	773,818	28,364	-	-	802,182
Instructional staff	756,513	25,952	-	-	782,465
Administration	2,480,569	40,448	6,000	20,390	2,547,407
Operation and maintenance of plant	1,722,195	129,902	-	217,279	2,069,376
Transportation	576,685	1,036	-	27,501	605,222
	6,309,780	225,702	6,000	265,170	6,806,652
Capital outlay	-	3,905,719	-	-	3,905,719
Long-term debt:					
Principal	-	-	1,629,336	-	1,629,336
Interest and fiscal charges	-	-	1,524,276	-	1,524,276
	-	-	3,153,612	-	3,153,612
Other expenditures:					
AEA flowthrough	855,274	-	-	-	855,274
Total expenditures	21,808,771	4,148,056	3,159,612	982,289	30,098,728
Excess(deficiency) of revenues over(under) expenditures	9,394	(1,587,405)	(1,526,752)	156,228	(2,948,535)
Other financing sources(uses):					
Transfer in	3,285	1,101,538	1,546,620	-	2,651,443
Transfer out	(300)	(2,648,158)	-	(3,285)	(2,651,743)
Sale of capital assets	6,719	-	-	-	6,719
Total other financing sources(uses)	9,704	(1,546,620)	1,546,620	(3,285)	6,419
Net change in fund balances	19,098	(3,134,025)	19,868	152,943	(2,942,116)
Fund balance beginning of year	5,345,759	3,837,247	2,696,103	1,083,509	12,962,618
Fund balance end of year	\$ 5,364,857	703,222	2,715,971	1,236,452	10,020,502

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, 2012

**Net change in fund balances - total governmental funds(page 26)** \$ (2,942,116)

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

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

Expenditures for capital assets	\$ 4,041,614	
Depreciation expense	(1,555,612)	
Loss on disposal of capital assets	(21,115)	
		2,464,887

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 344,996

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 1,629,336

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. 14,612

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	255,817	
Other postemployment benefits	(136,315)	
		119,502

**Changes in net assets of governmental activities(page 23)** \$ 1,631,217

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
<b>ASSETS</b>		
Cash and pooled investments	\$ 751,191	935,431
Receivables:		
Accounts	2,676	-
Accrued interest	3	-
Due from other governments	-	412,363
Due from other funds	-	511,948
Inventories	39,435	-
Capital assets, net of accumulated depreciation	517,070	-
<b>TOTAL ASSETS</b>	<b>1,310,375</b>	<b>1,859,742</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	26,947	-
Salaries and benefits payable	17,384	348,711
Unearned revenue	25,421	-
Total current liabilities	<b>69,752</b>	<b>348,711</b>
Long-term liabilities:		
Net OPEB liability	9,889	-
Total long-term liabilities	<b>9,889</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>79,641</b>	<b>348,711</b>
<b>NET ASSETS</b>		
Invested in capital assets	517,070	-
Unrestricted	713,664	1,511,031
<b>TOTAL NET ASSETS</b>	<b>\$ 1,230,734</b>	<b>1,511,031</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 625,623	2,932,269
Contributions	1,182	
Miscellaneous	3,211	-
<b>TOTAL OPERATING REVENUES</b>	<b>630,016</b>	<b>2,932,269</b>
OPERATING EXPENSES:		
Support services:		
Student:		
Other	90	-
Administrative:		
Services	5,087	-
Operation and maintenance of plant:		
Salaries	54,086	-
Benefits	14,672	-
Services	20,590	-
Supplies	15,073	-
	104,421	-
Total support services	109,598	-
Non-instructional programs:		
Food service operations:		
Salaries	221,328	-
Benefits	76,942	-
Services	37,623	-
Supplies	407,447	-
Depreciation	74,217	-
	817,557	-
Other enterprise operations:		
Benefits	-	2,564,112
Services	-	23,161
	-	2,587,273
Total non-instructional programs	817,557	2,587,273
<b>TOTAL OPERATING EXPENSES</b>	<b>927,155</b>	<b>2,587,273</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(297,139)</b>	<b>344,996</b>
NON-OPERATING REVENUES:		
State sources	7,813	-
Federal sources	299,919	-
Interest income	156	-
<b>TOTAL NON-OPERATING REVENUES</b>	<b>307,888</b>	<b>-</b>
Income before transfers	10,749	344,996
Transfers in	300	-
Changes in net assets	11,049	344,996
Net assets beginning of year	1,219,685	1,166,035
Net assets end of year	\$ 1,230,734	1,511,031

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	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	\$ 633,685	-
Cash received from miscellaneous operating activities	4,393	2,875,234
Cash payments to employees for services	(368,452)	(2,546,412)
Cash payments to suppliers for goods or services	(390,978)	(23,161)
Net cash provided by(used in) operating activities	<u>(121,352)</u>	<u>305,661</u>
Cash flows from non-capital financing activities:		
Transfer from General Fund	300	-
Interfund loan to the Capital Projects Fund	-	(511,948)
State grants received	7,813	-
Federal grants received	226,168	-
Net cash provided by(used in) non-capital financing activities	<u>234,281</u>	<u>(511,948)</u>
Cash flows from capital and related financing activities:		
Acquisition of assets	(2,861)	-
Cash flows from investing activities:		
Interest on investments	156	-
Net increase(decrease) in cash and cash equivalents	110,224	(206,287)
Cash and cash equivalents at beginning of year	640,967	1,141,718
Cash and cash equivalents at end of year	<u>\$ 751,191</u>	<u>935,431</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (297,139)	344,996
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	73,751	-
Depreciation	74,217	-
Increase in inventories	(5,766)	-
(Increase)Decrease in accounts receivable	1,101	(57,035)
Increase in accounts payable	26,947	-
Increase(Decrease) in salaries and benefits payable	(3,923)	17,700
Increase in unearned revenue	6,961	-
Increase in other postemployment benefits	2,499	-
Net cash provided by(used in) operating activities	<u>\$ (121,352)</u>	<u>305,661</u>

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

During the year ended June 30, 2012, the District received Federal commodities valued at \$73,751.

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 JUNE 30, 2012

		Private Purpose Trust	Scholarship Fund
<b>ASSETS</b>			
Cash and pooled investments	\$	32,056	
Accrued interest receivable		72	
Total assets		32,128	
<b>LIABILITIES</b>			
		-	
<b>NET ASSETS</b>			
Restricted for scholarships	\$	32,128	

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust</u>
	<u>Scholarship Fund</u>
Additions:	
Local sources:	
Contributions	\$          300
Interest income	367
Total additions	<u>          667</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>         1,507</u>
Change in net assets	(840)
Net assets beginning of year	<u>         32,968</u>
Net assets end of year	<u><u>         \$  32,128</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

**(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 and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets. Unspent bond proceeds for construction have been added back to invested in capital assets, net of related debt.

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

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

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

The District reports the following major 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 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less restrictive classifications - restricted and then unassigned fund balances.

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 Funds are 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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 or more years
Machinery and equipment	5-12 years

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

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 represents 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 student fees and 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 balance sheet in the Enterprise, School Nutrition Fund.

Compensated Absences – District employees accumulate an 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, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Assigned - Amounts the Board intends to use for specific purposes.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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.

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

#### E. Budgeting and Budgetary Control

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

### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This 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 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio and The Education Liquidity Fund. These investments are valued at an amortized cost of \$7,175,387 and \$558,754 respectively, pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard & Poor's Financial Services. The investments in the The Education Liquidity Fund 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 longer than 397 days but the maturities shall be consistent with the needs and use of the District.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
Internal Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 511,948</u>

The Capital Projects: Statewide Sales, Services and Use Tax Fund is repaying the Internal Service Fund for money borrowed for cash flow purposes.

**(4) Transfers**

The detail of transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 1,224,463
Debt Service	Capital Projects: Physical Plant and Equipment Levy	322,157
Capital Projects: Auditorium and Stadium Projects	Capital Projects: Statewide Sales, Services and Use Tax	1,101,538
School Nutrition	General	300
General	Special Revenue: Student Activity	<u>3,285</u>
Total		<u>\$ 2,651,743</u>

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 256,352	-	-	256,352
Construction in progress	12,218,869	504,471	12,723,340	-
Total capital assets not being depreciated	<u>12,475,221</u>	<u>504,471</u>	<u>12,723,340</u>	<u>256,352</u>
Capital assets being depreciated:				
Buildings	37,953,600	16,053,104	-	54,006,704
Land improvements	1,386,698	42,388	127,926	1,301,160
Machinery and equipment	3,935,302	164,991	-	4,100,293
Total capital assets being depreciated	<u>43,275,600</u>	<u>16,260,483</u>	<u>127,926</u>	<u>59,408,157</u>
Less accumulated depreciation for:				
Buildings	7,880,016	1,125,966	-	9,005,982
Land improvements	604,589	48,123	106,811	545,901
Machinery and equipment	3,088,223	381,523	-	3,469,746
Total accumulated depreciation	<u>11,572,828</u>	<u>1,555,612</u>	<u>106,811</u>	<u>13,021,629</u>
Total capital assets being depreciated, net	<u>31,702,772</u>	<u>14,704,871</u>	<u>21,115</u>	<u>46,386,528</u>
Governmental activities capital assets, net	<u>\$ 44,177,993</u>	<u>15,209,342</u>	<u>12,744,455</u>	<u>46,642,880</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 937,883	2,861	-	940,744
Less accumulated depreciation	349,457	74,217	-	423,674
Business type activities capital assets, net	<u>\$ 588,426</u>	<u>(71,356)</u>	<u>-</u>	<u>517,070</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 138,768
Other	49,081
Support services:	
Instructional staff	10,344
Administration	42,197
Operation and maintenance of plant	43,878
Transportation	97,255
	<u>381,523</u>
Unallocated depreciation	<u>1,174,089</u>
Total governmental activities depreciation expense	<u>\$ 1,555,612</u>
Business type activities:	
Food services	<u>\$ 74,217</u>

**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 19,350,000	-	870,000	18,480,000	900,000
Revenue bonds	17,630,000	-	465,000	17,165,000	495,000
Capital loan notes	540,000	-	265,000	275,000	275,000
Copier lease	152,310	-	29,336	122,974	30,730
Compensated absences	255,817	-	255,817	-	-
Net OPEB liability	403,610	136,315	-	539,925	-
Total	\$ 38,331,737	136,315	1,885,153	36,582,899	1,700,730
Business type activities:					
Net OPEB liability	\$ 7,390	2,499	-	9,889	-

**General Obligation Bonds Payable**

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2004			Bond Issue of May 1, 2005			Bond Issue of June 1, 2008		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2013	4.00 %	\$ 450,000	99,669	4.50 %	120,000	238,818	5.00	\$ 110,000	243,366
2014	4.00	470,000	81,668	4.50	115,000	233,418	5.00	120,000	237,868
2015	4.00	505,000	62,869	4.50	120,000	228,242	5.00	120,000	231,869
2016	4.00	515,000	42,669	4.50	135,000	222,841	5.00	125,000	225,869
2017	4.13	535,000	22,069	4.40	135,000	216,768	5.50	135,000	219,619
2018-2022		-	-	4.25-4.50	1,840,000	953,544	3.70-5.50	760,000	996,743
2023-2027		-	-	4.30-4.40	3,005,000	266,220	3.90-4.00	3,140,000	792,030
2028-2030		-	-		-	-	4.00	1,390,000	55,600
Total		\$ 2,475,000	308,944		\$ 5,470,000	2,359,851		\$ 5,900,000	3,002,964

Year Ending June 30,	Bond Issue of August 1, 2010			Bond Issue of October 1, 2010			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2013	3.00 %	\$ 50,000	78,165	1.00 %	170,000	51,085	\$ 900,000	711,103	1,611,103
2014	3.00	50,000	76,665	1.10	180,000	49,385	935,000	679,004	1,614,004
2015	3.00	50,000	75,165	1.35	170,000	47,405	965,000	645,550	1,610,550
2016	3.00	50,000	73,665	1.60	180,000	45,110	1,005,000	610,154	1,615,154
2017	3.00	50,000	72,165	1.90	185,000	42,230	1,040,000	572,851	1,612,851
2018-2022	3.00-3.65	250,000	338,000	2.10-2.40	1,740,000	72,480	4,590,000	2,360,767	6,950,767
2023-2027	3.65-4.00	410,000	286,705		-	-	6,555,000	1,344,955	7,899,955
2028-2030	4.00-4.25	1,100,000	110,250		-	-	2,490,000	165,850	2,655,850
Total		\$ 2,010,000	1,110,780		\$ 2,625,000	307,695	\$ 18,480,000	7,090,234	25,570,234

Revenue Bonds Payable

Details of the District's June 30, 2012 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
2013	3.63 %	\$ 375,000	37,622	3.63 %	\$ 120,000	698,827	\$ 495,000	736,449	1,231,449
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	-	-	-	3.63	765,000	667,018	765,000	667,018	1,432,018
2017	-	-	-	3.75	790,000	638,340	790,000	638,340	1,428,340
2018-2022	-	-	-	4.00-4.20	4,460,000	2,682,591	4,460,000	2,682,591	7,142,591
2023-2027	-	-	-	4.30-4.70	5,485,000	1,623,575	5,485,000	1,623,575	7,108,575
2028-2030	-	-	-	4.80-5.00	3,940,000	300,750	3,940,000	300,750	4,240,750
Total		<u>\$ 1,170,000</u>	<u>69,235</u>		<u>\$ 15,995,000</u>	<u>7,988,728</u>	<u>\$ 17,165,000</u>	<u>8,057,963</u>	<u>25,222,963</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 2030. The revenue bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 68 percent of the statewide sales, services, and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$25,222,963. For the current year, principal of \$465,000 and interest of \$753,849 was paid on the revenue bonds and total statewide sales, services and use tax revenues were \$1,798,767.

The resolution providing for the issuance of the statewide sales, services and use 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 Capital Projects: Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2012 capital loan notes bonded indebtedness are as follows:

Year Ending June 30,	Issue dated October 1, 2007			
	Interest Rate	Principal	Interest	Total
2012	3.85	% \$ 275,000	10,656	285,656

#### Copier Lease Payable

On April 29, 2011, the District entered into a lease-purchase agreement for copiers. The lease is scheduled to be repaid as follows from the Capital Projects: Physical Plant and Equipment Levy Fund:

Year Ending June 30,	Issue dated April 29, 2011			
	Interest Rate	Principal	Interest	Total
2013	4.65	% \$ 30,730	5,069	35,799
2014	4.65	32,189	3,609	35,798
2015	4.65	33,719	2,080	35,799
2016	4.65	26,336	513	26,849
Total		\$ 122,974	11,271	134,245

#### **(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. Plan members were required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Plan members were required to contribute 4.30% of their annual salary and the District are required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$1,090,840, \$772,902 and \$856,304 respectively, equal to the required contributions for each year.

#### **(8) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single- retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 333 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 201,000
Interest on net OPEB obligation	18,495
Adjustment of annual required contribution	<u>(15,681)</u>
Annual OPEB cost	203,814
Contributions made	<u>(65,000)</u>
Increase in net OPEB obligation	138,814
Net OPEB obligation beginning of year	411,000
Net OPEB obligation end of year	<u><u>\$ 549,814</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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, 2012.

For the year ended June 30, 2012, the District contributed \$65,000 to the medical plan. Plan members eligible for benefits contributed \$107,000, or 62.2% 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, 2012 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
2011	203,111	17.2%	411,000
2012	203,814	31.9%	549,814

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1.494 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.494 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10.428 million, and the ratio of the UAAL to covered payroll was 14.3%. As of June 30, 2012, 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, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 11% and the projected dental and vision trend rate is 5%. The medical, dental, and vision trend rates are reduced 0.5% 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, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are for the \$864 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.

**(9) Risk Management**

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

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$855,274 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Categorical Funding**

The District's restricted balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Homeschool assistance program	\$ 5,295
Dropout and dropout prevention	29,866
Four-year-old preschool	209,621
Model core curriculum	57,647
Market factor	8,178
Market factor incentives	15,797
Total	<u>\$ 326,404</u>

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, 2012

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types Actual	Fund Type Actual		Original	Final	
<b>Revenues:</b>						
Local sources	\$ 10,820,932	630,172	11,451,104	11,749,774	11,749,774	(298,670)
Intermediate sources	8,334	-	8,334	-	-	8,334
State sources	15,841,986	7,813	15,849,799	16,065,646	16,065,646	(215,847)
Federal sources	478,941	299,919	778,860	601,644	601,644	177,216
Total revenues	<u>27,150,193</u>	<u>937,904</u>	<u>28,088,097</u>	<u>28,417,064</u>	<u>28,417,064</u>	<u>(328,967)</u>
<b>Expenditures/Expenses:</b>						
Instruction	15,377,471	-	15,377,471	16,086,735	16,086,735	709,264
Support services	6,806,652	109,598	6,916,250	6,709,757	7,017,501	101,251
Non-instructional programs	-	817,557	817,557	920,290	1,034,362	216,805
Other expenditures	7,914,605	-	7,914,605	6,080,309	8,165,172	250,567
Total expenditures/expenses	<u>30,098,728</u>	<u>927,155</u>	<u>31,025,883</u>	<u>29,797,091</u>	<u>32,303,770</u>	<u>1,277,887</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(2,948,535)	10,749	(2,937,786)	(1,380,027)	(3,886,706)	948,920
Other financing sources, net	<u>6,419</u>	<u>300</u>	<u>6,719</u>	<u>-</u>	<u>-</u>	<u>6,719</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(2,942,116)	11,049	(2,931,067)	(1,380,027)	(3,886,706)	955,639
Balance beginning of year	<u>12,962,618</u>	<u>1,219,685</u>	<u>14,182,303</u>	<u>10,408,250</u>	<u>10,408,250</u>	<u>3,774,053</u>
Balance end of year	<u>\$ 10,020,502</u>	<u>1,230,734</u>	<u>11,251,236</u>	<u>9,028,223</u>	<u>6,521,544</u>	<u>4,729,692</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2012

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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budget expenditures by \$2,506,679.

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 Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	\$ 1,331	\$ 1,331	0.0%	9,814	13.6%
2011	July 1, 2010	-	1,494	1,494	0.0%	10,113	14.8%
2012	July 1, 2010	-	1,494	1,494	0.0%	10,428	14.3%

See Note 8 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

NORWALK COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,038,579	219,716	1,258,295
Receivables:			
Property tax:			
Delinquent	10,899	-	10,899
Succeeding year	1,027,001	-	1,027,001
Accounts	-	1,055	1,055
Due from other governments	-	300	300
<b>TOTAL ASSETS</b>	<b>\$ 2,076,479</b>	<b>221,071</b>	<b>2,297,550</b>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$ 141	24,547	24,688
Salaries and benefits payable	-	2,675	2,675
Deferred revenue:			
Succeeding year property tax	1,027,001	-	1,027,001
Other	6,734	-	6,734
Total liabilities	1,033,876	27,222	1,061,098
Restricted for:			
Management levy purposes	1,042,603	-	1,042,603
Student activities	-	193,849	193,849
	1,042,603	193,849	1,236,452
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,076,479</b>	<b>221,071</b>	<b>2,297,550</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 459,865	-	459,865
Other	34,935	643,504	678,439
State sources	213	-	213
Total revenues	<u>495,013</u>	<u>643,504</u>	<u>1,138,517</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	77,775	-	77,775
Other	-	639,344	639,344
Support services:			
Administration	19,895	495	20,390
Operation and maintenance of plant	182,029	35,250	217,279
Transportation	27,501	-	27,501
Total expenditures	<u>307,200</u>	<u>675,089</u>	<u>982,289</u>
Excess of revenues over expenditures	187,813	(31,585)	156,228
Other financing uses:			
Transfer out	-	(3,285)	(3,285)
Net change in fund balances	187,813	(34,870)	152,943
Fund balances beginning of year	854,790	228,719	1,083,509
Fund balances end of year	<u>\$ 1,042,603</u>	<u>193,849</u>	<u>1,236,452</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2012

	Capital Projects					Total
	High School GO Bond Construction	Statewide Sales, Services and Use Tax	Auditorium and Stadium Projects	Physical Plant and Equipment Levy		
<b>ASSETS</b>						
Cash and pooled investments	\$ 61,295	29	3,951	142,965		208,240
Receivables:						
Property tax:						
Delinquent	-	-	-	15,958		15,958
Succeeding year	-	-	-	772,088		772,088
Due from other governments	-	1,052,833	-	-		1,052,833
<b>TOTAL ASSETS</b>	<b>\$ 61,295</b>	<b>1,052,862</b>	<b>3,951</b>	<b>931,011</b>		<b>2,049,119</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Due to other funds	\$ -	511,948	-	-		511,948
Accounts payable	-	6	1,951	50,089		52,046
Deferred revenue:						
Succeeding year property tax	-	-	-	772,088		772,088
Other	-	-	-	9,815		9,815
<b>Total liabilities</b>	<b>-</b>	<b>511,954</b>	<b>1,951</b>	<b>831,992</b>		<b>1,345,897</b>
Fund balances:						
Restricted for:						
Construction	61,295	-	-	-		61,295
School infrastructure	-	540,908	2,000	-		542,908
Physical plant and equipment	-	-	-	99,019		99,019
<b>Total fund balances</b>	<b>61,295</b>	<b>540,908</b>	<b>2,000</b>	<b>99,019</b>		<b>703,222</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 61,295</b>	<b>1,052,862</b>	<b>3,951</b>	<b>931,011</b>		<b>2,049,119</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, 2012

	Capital Projects				Total
	High School GO Bond Construction	Statewide Sales, Services and Use Tax	Auditorium and Stadium Projects	Physical Plant and Equipment Levy	
REVENUES:					
Local sources:					
Local tax	\$ -	867,118	-	720,782	1,587,900
Other	13	139	40,633	24	40,809
State sources	-	931,648	-	294	931,942
Total revenues	13	1,798,905	40,633	721,100	2,560,651
EXPENDITURES:					
Current:					
Instruction:					
Regular	-	-	-	16,635	16,635
Support services:					
Student	-	-	-	28,364	28,364
Instructional staff	-	-	-	25,952	25,952
Administration	-	506	-	39,942	40,448
Operation and maintenance of plant	-	100,000	-	29,902	129,902
Transportation	-	-	-	1,036	1,036
Capital outlay	-	91,352	3,597,250	217,117	3,905,719
Total expenditures	-	191,858	3,597,250	358,948	4,148,056
Excess(deficiency) of revenues over(under) expenditures	13	1,607,047	(3,556,617)	362,152	(1,587,405)
Other financing sources(uses):					
Transfer in	-	-	1,101,538	-	1,101,538
Transfers out	-	(2,326,001)	-	(322,157)	(2,648,158)
Total other financing sources(uses)	-	(2,326,001)	1,101,538	(322,157)	(1,546,620)
Net change in fund balances	13	(718,954)	(2,455,079)	39,995	(3,134,025)
Fund balance beginning of year	61,282	1,259,862	2,457,079	59,024	3,837,247
Fund balance end of year	\$ 61,295	540,908	2,000	99,019	703,222

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUNDS  
 JUNE 30, 2012

	Debt Service		
	Debt Service	Debt Sinking	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 89,700	2,604,248	2,693,948
Receivables:			
Property tax:			
Delinquent	43,199	-	43,199
Succeeding year	1,613,604	-	1,613,604
Accrued interest	-	8,252	8,252
<b>TOTAL ASSETS</b>	<b>\$ 1,746,503</b>	<b>2,612,500</b>	<b>4,359,003</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 1,613,604	-	1,613,604
Other	29,428	-	29,428
Total liabilities	1,643,032	-	1,643,032
Fund balances:			
Restricted for debt service	103,471	2,612,500	2,715,971
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,746,503</b>	<b>2,612,500</b>	<b>4,359,003</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, 2012

	Debt Service		
	Debt Service	Debt Sinking	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,615,568	-	1,615,568
Other	46	16,587	16,633
State sources	659	-	659
Total revenues	<u>1,616,273</u>	<u>16,587</u>	<u>1,632,860</u>
EXPENDITURES:			
Current:			
Support services:			
Administration	3,000	3,000	6,000
Other expenditures:			
Long-term debt:			
Principal	1,164,336	465,000	1,629,336
Interest and fiscal charges	770,427	753,849	1,524,276
	<u>1,934,763</u>	<u>1,218,849</u>	<u>3,153,612</u>
Total expenditures	<u>1,937,763</u>	<u>1,221,849</u>	<u>3,159,612</u>
Deficiency of revenues under expenditures	(321,490)	(1,205,262)	(1,526,752)
Other financing sources:			
Transfer in	322,157	1,224,463	1,546,620
Net change in fund balances	667	19,201	19,868
Fund balance beginning of year	102,804	2,593,299	2,696,103
Fund balance end of year	<u>\$ 103,471</u>	<u>2,612,500</u>	<u>2,715,971</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expend- itures	Transfers	Balance End of Year
Middle School Accounts:					
General Athletics	\$ 373	4	834	707	250
Chorus	1,981	7,197	5,565	-	3,613
Cross Country	-	-	92	92	-
Cheerleaders	684	1,138	307	-	1,515
Boys Basketball	155	2,983	2,085	(500)	553
Football	199	5,034	1,686	(2,856)	691
Concessions	5,580	2,672	2,812	(513)	4,927
Baseball	617	-	2,080	1,463	-
Boys Track	75	1,556	766	(500)	365
Wrestling	203	822	1,697	672	-
Girls Basketball	-	1,691	1,810	119	-
Volleyball	380	2,170	2,005	-	545
Softball	261	-	1,777	1,516	-
Girls Track	-	1,624	1,179	(200)	245
Student Council	6,538	2,498	2,035	(2,396)	4,605
Art Club	8	2,365	2,291	-	82
FCCLA	101	20	27	-	94
Ace Club	-	4,184	4,295	111	-
Annual	1,846	330	178	-	1,998
SADD	1,253	-	52	-	1,201
High School Accounts:					
General Athletics	12,757	41,356	27,391	(20,098)	6,624
All School Play	2,223	1,230	1,121	-	2,332
Speech	-	-	1,458	1,458	-
Chorus	-	-	1,173	1,173	-
Dinner Show	4,060	19,086	17,917	(1,000)	4,229
Show Choir	7,421	15,079	16,468	-	6,032
Band	4,749	165,107	165,094	-	4,762
Tri-M Club	130	-	-	-	130
Athletic Ambassadors	1,165	-	-	-	1,165
Cross Country	2,903	1,783	4,690	765	761
Swimming	200	-	-	-	200
Bowling	251	1,207	1,219	-	239
Boys Basketball	32,054	17,697	17,136	(7,835)	24,780
Football	23,830	83,431	92,564	(1,320)	13,377
Boys Soccer	1,621	29,348	26,954	(675)	3,340
Baseball	13,108	20,049	29,278	6,750	10,629
Boys Track	1,870	8,479	8,442	771	2,678
Boys Tennis	99	1,913	2,324	811	499
Boys Golf	790	8,295	11,309	2,697	473
Concessions	14,653	18,007	6,858	(10,000)	15,802
Wrestling	8,663	29,345	32,236	(90)	5,682

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expend- itures	Transfers	Balance End of Year
High School Accounts(Continued):					
Weight Room	-	4,285	4,658	373	-
Girls Basketball	20,508	19,356	17,713	(3,280)	18,871
Volleyball	22,139	11,808	15,252	(150)	18,545
Girls Soccer	142	17,932	16,303	(465)	1,306
Softball	3,252	32,879	55,259	20,144	1,016
Girls Track	1,156	6,575	6,631	89	1,189
Girls Tennis	27	1,413	2,328	959	71
Girls Golf	-	4,284	5,672	1,406	18
Cheerleaders	4,740	13,456	12,746	855	6,305
Drill Team	3,657	12,293	14,287	5,512	7,175
Class of 2011	3	-	-	-	3
Class of 2012	4,741	-	4,740	-	1
Class of 2013	-	8,815	7,090	-	1,725
Student Council	2,109	6,703	7,157	-	1,655
Art Club	1,193	398	656	-	935
French Club	1,745	1,094	854	-	1,985
Spanish Club	4,114	-	1	-	4,113
Annual	3,721	3,725	5,734	-	1,712
Newspaper	229	-	-	-	229
National Honor Society	842	660	194	-	1,308
SADD	131	-	-	-	131
Debate	1,417	112	427	-	1,102
Mock Trial	-	-	150	150	-
Poetry Club	52	16	32	-	36
Total	\$ 228,719	643,504	675,089	(3,285)	193,849

NORWALK COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund			
	J. Graham Scholarship	Frederick Scholarship	J.W. Winter Scholarship	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 5,069	6,089	20,898	32,056
Accrued interest receivable	11	14	47	72
<b>TOTAL ASSETS</b>	<b>5,080</b>	<b>6,103</b>	<b>20,945</b>	<b>32,128</b>
<b>TOTAL LIABILITIES</b>				
	-	-	-	-
<b>NET ASSETS</b>				
Restricted for scholarships	\$ 5,080	6,103	20,945	32,128

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund					Total
	J. Graham Scholarship	Frederick Scholarship	J.W. Winter Scholarship	D. Oviatt Scholarship	Student Council Scholarship	
Additions:						
Local sources:						
Gifts and contributions	\$ -	-	-	-	300	300
Interest on investments	56	68	241	2	-	367
Total additions	56	68	241	2	300	667
Deductions:						
Instruction:						
Regular:						
Scholarships awarded	-	-	1,000	207	300	1,507
Changes in net assets	56	68	(759)	(205)	-	(840)
Net assets beginning of year	5,024	6,035	21,704	205	-	32,968
Net assets end of year	\$ 5,080	6,103	20,945	-	-	32,128

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

	2012	2011	2010	2009
Revenues:				
Local sources:				
Local tax	\$ 8,597,240	8,876,370	7,679,380	7,894,016
Tuition	948,685	992,860	773,194	896,431
Other	1,275,007	1,095,677	1,219,104	1,292,656
Intermediate sources	8,334	4,022	3,668	12,091
State sources	15,841,986	13,877,485	12,729,431	13,711,004
Federal sources	478,941	1,146,329	1,701,874	630,670
Total	\$ 27,150,193	25,992,743	24,106,651	24,436,868
Expenditures:				
Instruction:				
Regular	\$ 10,213,394	10,053,012	9,671,177	9,455,077
Special	2,591,442	2,434,983	2,438,388	2,659,726
Other	2,572,635	2,127,151	2,266,768	1,925,521
Support services:				
Student	802,182	920,968	800,331	682,263
Instructional staff	782,465	783,068	754,884	739,245
Administration	2,547,407	2,288,178	2,201,790	2,037,781
Operation and maintenance of plant	2,069,376	2,020,645	1,866,129	1,898,854
Transportation	605,222	751,758	566,833	689,629
Non-instructional programs	-	-	-	-
Capital outlay	3,905,719	11,867,789	8,550,795	2,963,965
Long-term debt:				
Principal	1,629,336	1,497,741	1,240,000	1,210,000
Interest and other charges	1,524,276	1,473,508	912,928	939,818
Other expenditures:				
AEA flow-through	855,274	905,307	872,252	801,976
Total	\$ 30,098,728	37,124,108	32,142,275	26,003,855

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Modified Accrual Basis					
Years Ended June 30,					
2008	2007	2006	2005	2004	2003
6,904,300	6,850,693	6,736,606	6,162,512	5,305,313	5,058,678
867,627	968,314	839,600	649,039	651,742	562,761
1,423,523	1,637,994	1,564,120	1,077,267	867,530	873,724
14,071	28,766	-	-	4,100	1,841
13,156,299	12,054,476	10,892,381	10,674,782	10,020,720	9,561,884
434,945	1,399,399	278,986	292,444	1,264,994	419,515
22,800,765	22,939,642	20,311,693	18,856,044	18,114,399	16,478,403
8,704,650	7,129,750	6,477,767	5,454,201	5,472,518	5,280,396
2,443,711	2,178,958	2,118,210	2,808,257	2,788,710	2,595,218
2,071,577	1,857,749	1,524,948	1,329,236	1,282,384	1,398,288
658,987	515,050	507,941	534,207	472,981	522,323
631,841	642,518	629,511	722,545	585,660	496,274
1,861,659	1,832,423	1,687,680	1,798,041	1,593,549	1,543,304
1,835,468	1,481,173	1,462,716	1,344,243	1,293,616	1,373,322
586,990	682,702	526,566	576,734	508,090	461,675
-	-	-	11,371	511	12,857
2,831,470	9,538,790	2,831,363	596,663	1,508,524	261,122
855,000	4,150,000	430,000	375,000	460,000	584,702
719,916	912,526	896,321	548,689	440,749	467,924
739,462	685,792	627,295	612,482	600,251	612,443
23,940,731	31,607,431	19,720,318	16,711,669	17,007,543	15,609,848

NORWALK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

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 12	\$ 19,847
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 12	280,072 *
			<u>299,919</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4797-G	<u>103,084</u>
SPECIAL EDUCATION CLUSTER (IDEA) PROGRAM:			
SPECIAL EDUCATION - GRANTS TO STATES (HIGH COST CLAIM)	84.027	FY 11	87,135
SPECIAL EDUCATION - GRANTS TO STATES (HIGH COST CLAIM)	84.027	FY 12	715
			<u>87,850 **</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 12	<u>13,023</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 12	<u>34,132</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 12	<u>16,172</u>
EDUCATION JOBS FUND	84.410	FY 12	<u>6,740</u>
AREA EDUCATION AGENCY 11:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 12	<u>115,909 **</u>
TOTAL			<u>\$ 676,829</u>

\* - Includes \$73,751 of non-cash awards

\*\* - The total for the Special Education Cluster is \$203,759

**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)**  
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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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2013. 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

The management of Norwalk Community School District is responsible for establishing and maintaining effective internal controls 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 a deficiency in internal control over financial reporting we consider to be a material weakness.

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-12 to be a material weakness within the Student Activity Fund only.

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.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 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, 2013

**NOLTE, CORNMAN & JOHNSON P.C.**  
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**(a professional corporation)**  
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Independent Auditor's Report on Compliance with Requirements That  
Could Have a Direct and Material Effect on Each Major Program and Internal Control  
over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Norwalk Community School District:

Compliance

We have audited the compliance of Norwalk Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Norwalk Community School District's major federal programs for the year ended June 30, 2012. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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, 2013

NORWALK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was 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 10.553 - School Breakfast Program
- CFDA Number 10.555 - National School Lunch Program

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Norwalk Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 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.

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-12 Certified Budget - District disbursements for the year ended June 30, 2012, did not exceed the amount budgeted.

IV-B-12 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-12 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-12 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 performs service for the District	Printed T-shirts	\$2,915
Nick Menke, Teacher Spouse performs service for the District	Taught Color Guard Camp	\$500
Kate Baldwin, Business Manager Daughter provided painting services	Services	\$721
Jill Patava, Secretary Spouse poured sidewalks	Services	\$7,415

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-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

- IV-H-12 Supplementary Weighting - No variances in basic enrollment date certified to the Iowa Department of Education were noted.
- IV-I-12 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-12 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-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-12 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,259,862
Revenues:		
Sales tax revenues	\$ 867,118	
Other local revenues	139	
School infrastructure supplemental amount	<u>931,648</u>	<u>1,798,905</u>
		3,058,767
Expenditures/transfers out:		
School infrastructure construction	\$ 91,352	
Other	100,506	
Transfers to other funds:		
Debt service fund	<u>2,326,001</u>	<u>2,517,859</u>
Ending balance		<u>\$ 540,908</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.