

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

JUNE 30, 2013

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# Norwalk Community School District

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</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	2013
Kate Baldwin	Business Manager and District Secretary	2013
Drew Bracken	Attorney	2013

**NORWALK COMMUNITY SCHOOL DISTRICT**

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Norwalk Community School District, Norwalk, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by managements, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**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 Norwalk Community School District at June 30, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 20 and 48 through 50 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 inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Norwalk Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applies in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2014, on our consideration of Norwalk Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2014  
Newton, Iowa

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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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

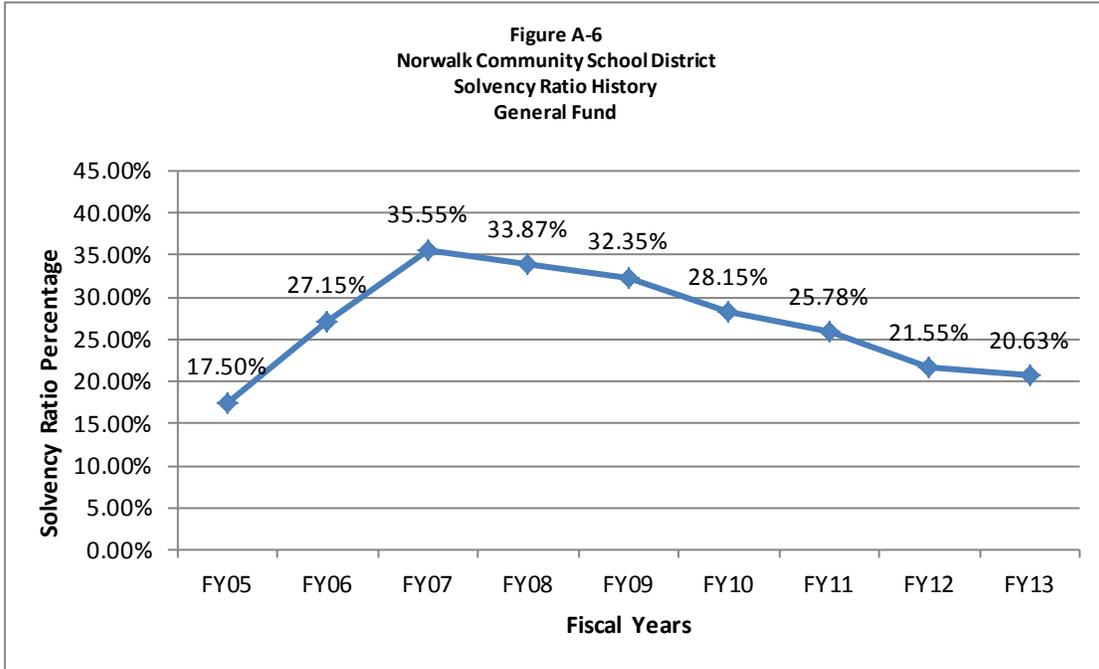
- Fiscal 2013 General Fund expenditures exceeded revenues by \$73,441. The excess of expenditures over revenues resulted in a decrease in the fund balance from \$5,364,857 to \$5,291,416. Revenues were \$22.11 million in fiscal 2013 compared to \$21.83 million in fiscal 2012 and expenditures were \$22.19 million in fiscal 2013 compared to \$21.81 million in fiscal 2012.
- 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. The District has a specific board financial goal to maintain a solvency ratio between 15% and 20%. The Board manages the District's finances to maintain this goal.

In fiscal year 2003 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).

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



- In November 2012, the District took action to pay off the final principal and interest due as of December 1, 2012 on two outstanding capital project bonds; FY2005 Sales Tax Revenue bond and 2007 Physical Plant & Equipment bond. The board of directors authorized a short-term inter-fund loan from the Management Fund reserves to the Sales Tax Fund to provide the necessary cash to pay off the Sales Tax bond. Below is a recap of the interest savings totaling \$33,472.

	Principal	Interest Rate	Interest Due 12/1/2012	Additional Interest Due w/o Prepayment	Interest Due to Mgt. Fund @ 0.6%	Interest Savings
PPEL Due 6/1/13	\$ 275,000	3.88%	\$ 5,328	\$ 5,328	\$ 825	\$ 4,503
Sales Tax Bonds Due 7/1/13	390,000	3.75%	6,094	8,531	1,365	7,166
Sales Tax Bonds Due 7/1/14	405,000	4.00%	6,750	25,650	3,848	21,803
<b>Totals</b>	<b>\$ 1,070,000</b>		<b>\$ 18,172</b>	<b>\$ 39,509</b>	<b>\$ 6,038</b>	<b>\$ 33,472</b>

## USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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.

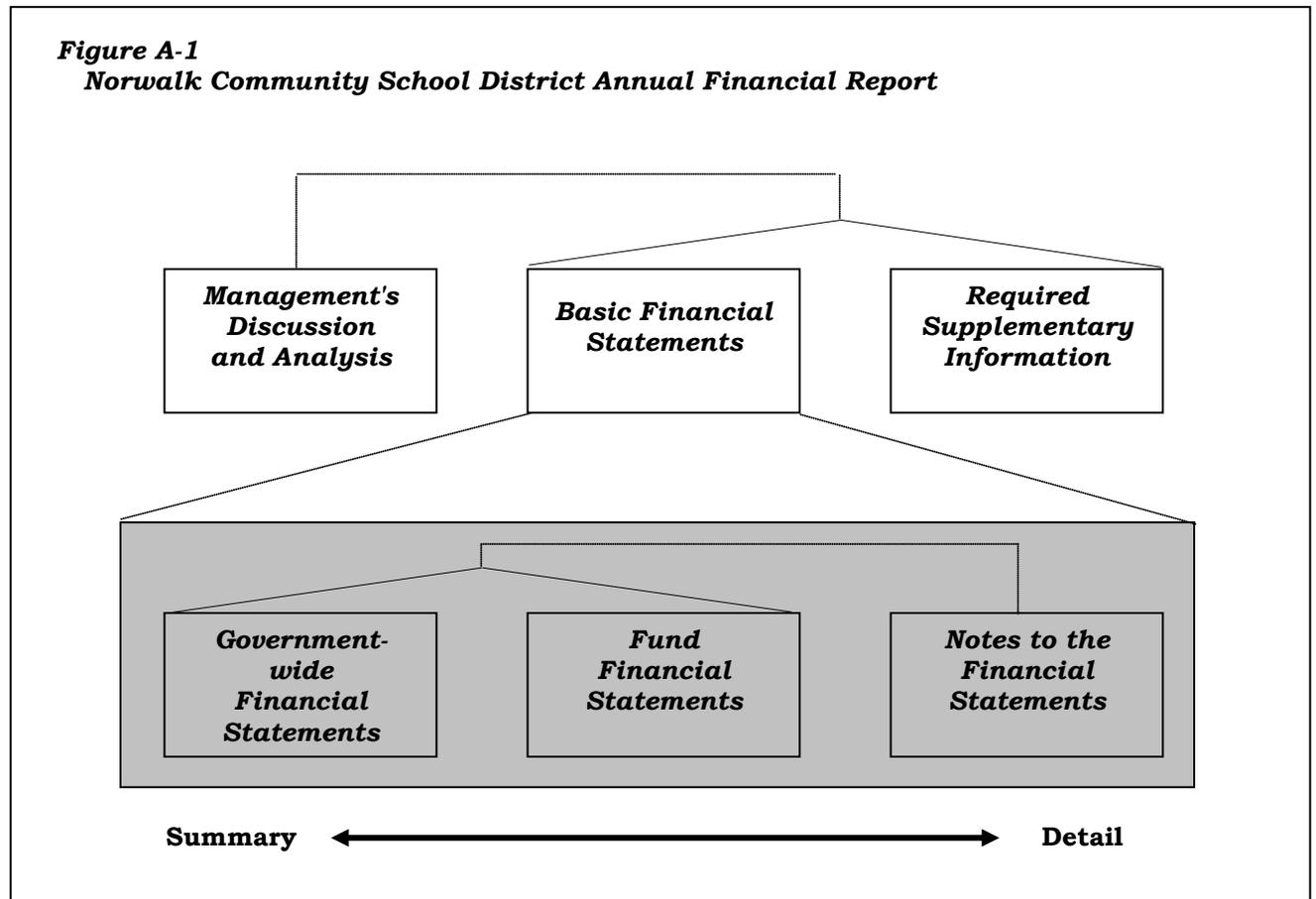


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<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
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</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 Position</li> <li>• Statement of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</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 Position 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 position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position 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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include 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 Position and a Statement of Changes in Fiduciary Net Position.

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 position at June 30, 2013 compared to June 30, 2012.

Figure A-3  
Condensed Statement of Net Position

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 23,708,147	23,761,458	779,782	793,305	24,487,929	24,554,763	-0.27%
Capital assets	46,483,004	46,642,880	515,486	517,070	46,998,490	47,159,950	-0.34%
Total assets	70,191,151	70,404,338	1,295,268	1,310,375	71,486,419	71,714,713	-0.32%
Long-term obligations	34,226,601	36,582,899	14,643	9,889	34,241,244	36,592,788	-6.43%
Other liabilities	12,888,301	12,722,041	72,415	69,752	12,960,716	12,791,793	1.32%
Total liabilities	47,114,902	49,304,940	87,058	79,641	47,201,960	49,384,581	-4.42%
Net position:							
Invested in capital assets, net of related debt	12,935,760	10,661,201	515,486	517,070	13,451,246	11,178,271	20.33%
Restricted	4,043,966	4,920,754	0	0	4,043,966	4,920,754	-17.82%
Unrestricted	6,096,523	5,517,443	692,724	713,664	6,789,247	6,231,107	8.96%
Total net position	\$ 23,076,249	21,099,398	1,208,210	1,230,734	24,284,459	22,330,132	8.75%

The District's combined net position increased by 8.75%, or \$1,954,327, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$876,788, or 17.82% under the prior year. The decrease was primarily a result of a decrease in the restricted fund balance in the Capital Projects Fund

accounts. The District utilized sales tax capital project funding to purchase a commercial “flex” type building that is utilized for both central office space and a maintenance shop/warehouse. The District also utilized sales tax capital project funds to install fiber optic cable and other technology infrastructure improvements.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$558,140, or 8.96%. The increase in unrestricted net position was a result of the District calling their 2005 Revenue Bonds early and also paying off a capital loan note in fiscal year 2013.

In June 2013, the Board of Directors approved a committed fund balance of \$591,318 for curriculum department budget and \$36,900 for professional development allocation as provided under GASB Statement 54 for the purpose of securing funds for the purchase of curriculum and technology for the 2013-2014 school year.

In June of 2013, the Board of Directors authorized two inter-fund loans: the Partially Self-Funded Internal Health Insurance Fund transferred \$580,720 to the Capital Projects: Statewide Sales, Services and Use Tax account to cash flow the District Office project and Management Levy Fund transferred \$379,849 to the Capital Projects: Statewide Sales, Services and Use Tax account to call the 2005 revenue bonds early.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to June 30, 2012.

Figure A-4  
Changes in Net Position

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,918,291	1,993,505	641,752	625,623	2,560,043	2,619,128	-2.26%
Operating grants and contributions and restricted interest	1,796,550	1,904,904	337,071	308,914	2,133,621	2,213,818	-3.62%
Capital grants and contributions and restricted interest	1,422	931,648	0	0	1,422	931,648	-99.85%
General revenues:							
Property tax	8,866,094	7,730,122	0	0	8,866,094	7,730,122	14.70%
Statewide sales, services and use tax	2,013,412	867,118	0	0	2,013,412	867,118	132.20%
Unrestricted state grants	13,415,464	13,542,257	0	0	13,415,464	13,542,257	-0.94%
Nonspecific program federal grants	0	6,740	0	0	0	6,740	-100.00%
Unrestricted investment earnings	16,133	29,413	45	156	16,178	29,569	-45.29%
Other	59,691	144,486	1,544	3,211	61,235	147,697	-58.54%
Transfers	10,219	(300)	(10,219)	300	0	0	0.00%
Total revenues and transfers	28,097,276	27,149,893	970,193	938,204	29,067,469	28,088,097	3.49%
Program expenses:							
Governmental activities:							
Instruction	15,425,915	15,294,876	0	0	15,425,915	15,294,876	0.86%
Support services	7,193,655	6,684,773	102,289	109,598	7,295,944	6,794,371	7.38%
Non-instructional programs	0	0	890,428	817,557	890,428	817,557	8.91%
Other expenses	3,500,855	3,539,027	0	0	3,500,855	3,539,027	-1.08%
Total expenses	26,120,425	25,518,676	992,717	927,155	27,113,142	26,445,831	2.52%
Changes in net position	1,976,851	1,631,217	(22,524)	11,049	1,954,327	1,642,266	19.00%
Net position beginning of year	21,099,398	19,468,181	1,230,734	1,219,685	22,330,132	20,687,866	7.94%
Net position end of year	\$ 23,076,249	21,099,398	1,208,210	1,230,734	24,284,459	22,330,132	8.75%

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 eight 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
FY2013	\$851,001	\$ 0	\$851,001
<i>Est. FY2014</i>	<i>\$842,958</i>	<i>\$ 0</i>	<i>\$842,958</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 FY2012 June 30th ending General Fund Balance due to a sharp reduction in the state allowable growth rate from 2% to 0%. However, local budget reductions and one-time federal ARRA stimulus revenues provided a small surplus of \$19,099. For FY2013, the Iowa legislature provided a 2% state allowable growth rate increase. The District continued to with a few additional budget reductions and decided to use fund balance reserves if necessary. The District's ending fund balance declined by \$73,441 to avoid additional budget reductions. In FY13 the state continues to provide a 2% allowable growth increase and an additional 2% "one-time" cash payment. The board decided not to make any additional budget reductions and plans to use General Fund reserves to cover any expenditure deficits. The District anticipates a \$750,000 decline in the ending General Fund for June 30, 2014. The District has analyzed the educational program and department areas to determine where additional budget reductions can be made and which areas are attributing to the deficits. The analysis has determined that the special education program deficits are increasing each year by 30% to 50%. The District may be forced to levy a Cash Reserve levy to offset these deficits and to maintain the solvency rate between 15% and 20%.

Below is a recap of the District's June 30<sup>th</sup> ending General Fund Balances (w/o Categorical Reserves) for the past seven fiscal years:

FY2008	\$ 6,062,576
FY2009	\$ 6,087,178
FY2010	\$ 5,141,662
FY2011	\$ 5,113,881
FY2012	\$ 4,948,309
FY2013	\$ 4,886,248
<i>Est. FY2014</i>	<i>\$ 4,119,764</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
FY2013	\$2,814,837	\$2,533,642	\$ 281,195	\$1,792,226
<i>Est. FY2014</i>	<i>\$2,982,772</i>	<i>\$2,703,584</i>	<i>\$ 279,188</i>	<i>\$2,071,413</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 led to an increase in net position.

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 equipment, this debt was 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. The District does not intend to leverage this funding source again. 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
FY2013	\$843,582	\$ 968,597	(\$ 25,996)
<i>Est. FY2014</i>	<i>\$817,791</i>	<i>\$ 721,775</i>	<i>\$ 70,020</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
FY2013	\$2,301,413	\$2,742,018	\$ 100,303
<i>Est. FY2014</i>	<i>\$2,026,184</i>	<i>\$1,798,251</i>	<i>\$ 328,237</i>

### Governmental Activities

Revenues for governmental activities were \$28,097,276 and expenses were \$26,120,425.

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, 2013 compared to the year ended June 30, 2012.

Figure A-5  
Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 15,425,915	15,294,876	0.86%	12,693,244	12,439,117	2.04%
Support services	7,193,655	6,684,773	7.61%	7,085,254	5,565,749	27.30%
Other expenses	3,500,855	3,539,027	-1.08%	2,625,664	2,683,753	-2.16%
Totals	<u>\$ 26,120,425</u>	<u>25,518,676</u>	<u>2.36%</u>	<u>22,404,162</u>	<u>20,688,619</u>	<u>8.29%</u>

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For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,918,291.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,797,972.
- The net cost of governmental activities was financed with \$8,866,094 in property tax, \$2,013,412 in statewide sales, services and use tax, \$13,415,464 in unrestricted state grants, \$16,133 in unrestricted investment earnings and \$69,910 in other general revenues including transfers.

### **Business type Activities**

Revenues of the District's Business type activity were \$970,193, net of transfers and expenses were \$992,717. 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, interest income and other general revenues.

### **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 \$9,489,114, below last year's ending fund balances of \$10,020,502. However, the primary reason for the decrease was due to the District retiring long term obligations in fiscal 2013.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. An increase in property tax and federal source revenues increased General Fund revenues. Increased salary and benefits costs were the main factor in the increase in fund expenditures. This resulted in a decrease in General Fund balance from \$5,364,857 in 2012 to \$5,291,416 in 2013.
- The Management Fund balance increased from a balance of \$1,042,603 in 2012 to \$1,747,383 in 2013. This increase was a result of an increase in local tax source revenues in fiscal year 2013.
- The Capital Projects Fund balance decreased from a balance of \$703,222 in 2012 to \$72,562 in 2013. The decrease in the Capital Projects Fund Balance was a result of the Capital Projects: Statewide Sales, Services and Use Tax account calling \$795,000 of 2005 Revenue bonds in fiscal 2013.
- 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 decreased from \$2,715,971 in 2012 to \$2,119,692 in 2013. The decrease in fund balance is mainly due to transferring the required bond reserve for the 2005 Revenue Bonds back to the Capital Projects: Statewide Sales Services and Use Tax Fund in 2013. The District levied a surplus of \$365,000 in FY14 for the advance payment of outstanding principal on bonds that will be callable on May 1<sup>st</sup> of 2014 or 2015. The Board intends to maximize the annual debt service levy (\$4.05 per \$1000) to accelerate bond principal re-payments over the next several years.

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## Proprietary Fund Highlights

The School Nutrition Fund's net position decreased 1.83%, from \$1,230,734 at June 30, 2012 to \$1,208,210 at June 30, 2013.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Norwalk Community School District amended its annual budget one time to reflect additional expenditures in the instruction and support services functional areas to account for additional expenditures for computer equipment purchases, non-instructional programs for additional food costs and other expenditures functions for purchasing a building and calling the 2005 Revenue Bonds.

The District's revenues were \$321,705 more than budgeted revenues, a variance of 1.12%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$47.00 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 decrease of 0.34% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,508,221.

The original cost of the District's capital assets was approximately \$61.79 million. Governmental funds account for approximately \$60.78 million with the remainder of approximately \$1.01 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 \$0 at June 30, 2012, compared to \$639,851 reported at June 30, 2013. This increase resulted mainly from the District's renovations on an office building purchased in fiscal 2013.

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,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 256,352	256,352	0	0	256,352	256,352	0.00%
Construction in progress	639,851	0	0	0	639,851	0	100.00%
Buildings	44,274,495	45,000,722	0	0	44,274,495	45,000,722	-1.61%
Land improvements	712,501	755,259	0	0	712,501	755,259	-5.66%
Machinery and equipment	599,805	630,547	515,486	517,070	1,115,291	1,147,617	-2.82%
Total	\$ 46,483,004	46,642,880	515,486	517,070	46,998,490	47,159,950	-0.34%

## Long-Term Debt

At June 30, 2013, the District had \$34,241,244 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 6.43% 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 \$17,580,000 at June 30, 2013.
- The District had outstanding Revenue Bonds payable from the Capital Projects: Statewide Sales Services and Use Tax Fund of \$15,875,000 at June 30, 2013.
- The District had an outstanding Copier Lease payable from the Capital Projects: Physical Plant and Equipment Levy Fund of \$92,244 at June 30, 2013.
- The District had outstanding net OPEB liability of \$694,000 at June 30, 2013, \$679,357 is attributable to the governmental activities and \$14,643 is attributable to business type activities.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 17,580,000	18,480,000	0	0	17,580,000	18,480,000	-4.87%
Revenue bonds	15,875,000	17,165,000	0	0	15,875,000	17,165,000	-7.52%
Capital loan note	0	275,000	0	0	0	275,000	-100.00%
Copier lease	92,244	122,974	0	0	92,244	122,974	-24.99%
Net OPEB liability	679,357	539,925	14,643	9,889	694,000	549,814	26.22%
Totals	\$ 34,226,601	36,582,899	14,643	9,889	34,241,244	36,592,788	-6.43%

## 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:

School Year	Certified Enrollment	Increase/Decrease
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

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2009-2010	2329.8	26.2
2010-2011	2390.9	61.1
2011-2012	2385.8	-5.1
2012-2013	2434.0	47.2
2013-2014	2516.6	82.6

- The annual fluctuations in the State of Iowa allowable growth rate and local changes in student enrollment have 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.

## BASIC FINANCIAL STATEMENTS

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 12,664,356	729,129	13,393,485
Receivables:			
Property tax:			
Delinquent	211,577	-	211,577
Succeeding year	8,764,712	-	8,764,712
Accounts	45,777	3,951	49,728
Accrued interest	7,634	1	7,635
Due from other governments	2,014,091	-	2,014,091
Inventories	-	46,701	46,701
Capital assets, net of accumulated depreciation	46,483,004	515,486	46,998,490
<b>TOTAL ASSETS</b>	<b>70,191,151</b>	<b>1,295,268</b>	<b>71,486,419</b>
<b>LIABILITIES</b>			
Accounts payable	691,050	29,696	720,746
Deposits payable	4,644	-	4,644
Salaries and benefits payable	2,828,062	20,194	2,848,256
Accrued interest payable	461,494	-	461,494
Deferred revenue:			
Succeeding year property tax	8,764,712	-	8,764,712
Other	138,339	-	138,339
Unearned revenue	-	22,525	22,525
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	935,000	-	935,000
Revenue bonds payable	215,000	-	215,000
Copier lease payable	32,189	-	32,189
Portion due after one year:			
General obligation bonds payable	16,645,000	-	16,645,000
Revenue bonds payable	15,660,000	-	15,660,000
Copier lease payable	60,055	-	60,055
Net OPEB liability	679,357	14,643	694,000
<b>TOTAL LIABILITIES</b>	<b>47,114,902</b>	<b>87,058</b>	<b>47,201,960</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	12,935,760	515,486	13,451,246
Restricted for:			
Categorical funding	281,766	-	281,766
School infrastructure	98,558	-	98,558
Debt service	1,658,198	-	1,658,198
Management levy purposes	1,747,383	-	1,747,383
Student activities	258,061	-	258,061
Unrestricted	6,096,523	692,724	6,789,247
<b>TOTAL NET POSITION</b>	<b>\$ 23,076,249</b>	<b>1,208,210</b>	<b>24,284,459</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		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	\$ 10,515,046	1,040,499	124,581	-	(9,349,966)	-	(9,349,966)
Special	2,608,886	254,973	313,324	-	(2,040,589)	-	(2,040,589)
Other	2,301,983	549,193	448,679	1,422	(1,302,689)	-	(1,302,689)
	<u>15,425,915</u>	<u>1,844,665</u>	<u>886,584</u>	<u>1,422</u>	<u>(12,693,244)</u>	<u>-</u>	<u>(12,693,244)</u>
Support services:							
Student	1,012,256	-	-	-	(1,012,256)	-	(1,012,256)
Instructional staff	892,146	25,000	16,088	-	(851,058)	-	(851,058)
Administration	2,447,202	-	350	-	(2,446,852)	-	(2,446,852)
Operation and maintenance of plant	2,106,862	-	-	-	(2,106,862)	-	(2,106,862)
Transportation	735,189	48,626	18,337	-	(668,226)	-	(668,226)
	<u>7,193,655</u>	<u>73,626</u>	<u>34,775</u>	<u>-</u>	<u>(7,085,254)</u>	<u>-</u>	<u>(7,085,254)</u>
Long-term debt interest	1,432,061	-	-	-	(1,432,061)	-	(1,432,061)
Other expenses:							
AEA flowthrough	875,191	-	875,191	-	-	-	-
Depreciation(unallocated)*	1,193,603	-	-	-	(1,193,603)	-	(1,193,603)
	<u>2,068,794</u>	<u>-</u>	<u>875,191</u>	<u>-</u>	<u>(1,193,603)</u>	<u>-</u>	<u>(1,193,603)</u>
Total governmental activities	26,120,425	1,918,291	1,796,550	1,422	(22,404,162)	-	(22,404,162)
Business Type activities:							
Support services:							
Administration	2,203	-	-	-	-	(2,203)	(2,203)
Operation and maintenance of plant	100,086	-	-	-	-	(100,086)	(100,086)
	<u>102,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(102,289)</u>	<u>(102,289)</u>
Non-instructional programs:							
Nutrition services	890,428	641,752	337,071	-	-	88,395	88,395
Total business type activities	992,717	641,752	337,071	-	-	(13,894)	(13,894)
Total	\$ 27,113,142	2,560,043	2,133,621	1,422	(22,404,162)	(13,894)	(22,418,056)
<b>General Revenues &amp; Transfers:</b>							
Property tax levied for:							
General purposes				\$ 6,478,411	-		6,478,411
Capital outlay				772,732	-		772,732
Debt service				1,614,951	-		1,614,951
Statewide sales, services and use tax				2,013,412	-		2,013,412
Unrestricted state grants				13,415,464	-		13,415,464
Unrestricted investment earnings				16,133	45		16,178
Other general revenues				59,691	1,544		61,235
Transfers				10,219	(10,219)		-
Total general revenues & transfers				<u>24,381,013</u>	<u>(8,630)</u>		<u>24,372,383</u>
Changes in net position				1,976,851	(22,524)		1,954,327
Net position beginning of year				<u>21,099,398</u>	<u>1,230,734</u>		<u>22,330,132</u>
Net position end of year				<u>\$ 23,076,249</u>	<u>1,208,210</u>		<u>24,284,459</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, 2013

	General	Management Levy	Capital Projects	Debt Service	Nonmajor Student Activity	Total
<b>ASSETS</b>						
Cash and pooled investments	\$ 7,770,716	1,353,961	1,501	2,095,283	280,742	11,502,203
Receivables:						
Property tax:						
Delinquent	128,481	12,899	19,833	50,364	-	211,577
Succeeding year	5,366,079	599,998	817,131	1,981,504	-	8,764,712
Due from other funds	2,990	386,849	-	-	-	389,839
Accounts	11,079	-	12,399	-	22,299	45,777
Accrued interest	4,742	-	-	2,892	-	7,634
Due from other governments	370,428	-	1,290,368	-	-	1,660,796
<b>TOTAL ASSETS</b>	<b>\$ 13,654,515</b>	<b>2,353,707</b>	<b>2,141,232</b>	<b>4,130,043</b>	<b>303,041</b>	<b>22,582,538</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Due to other funds	\$ -	-	970,559	-	-	970,559
Accounts payable	374,697	-	271,443	-	44,910	691,050
Deposits payable	4,644	-	-	-	-	4,644
Salaries and benefits payable	2,524,050	-	-	-	70	2,524,120
Deferred revenue:						
Succeeding year property tax	5,366,079	599,998	817,131	1,981,504	-	8,764,712
Other	93,629	6,326	9,537	28,847	-	138,339
Total liabilities	8,363,099	606,324	2,068,670	2,010,351	44,980	13,093,424
Fund balances:						
Restricted for:						
Categorical funding	281,766	-	-	-	-	281,766
School infrastructure	-	-	98,558	-	-	98,558
Debt service	-	-	-	2,119,692	-	2,119,692
Management levy purposes	-	1,747,383	-	-	-	1,747,383
Student activities	-	-	-	-	258,061	258,061
Assigned for special purposes	118,758	-	-	-	-	118,758
Committed for:						
Curriculum department	591,318	-	-	-	-	591,318
Professional development	36,900	-	-	-	-	36,900
Unassigned:						
General Fund	4,262,674	-	-	-	-	4,262,674
Physical plant and equipment	-	-	(25,996)	-	-	(25,996)
Total fund balances	5,291,416	1,747,383	72,562	2,119,692	258,061	9,489,114
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 13,654,515</b>	<b>2,353,707</b>	<b>2,141,232</b>	<b>4,130,043</b>	<b>303,041</b>	<b>22,582,538</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

<b>Total fund balances of governmental funds(page 24)</b>	\$	9,489,114
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.		46,483,004
Blending of the Internal Service Fund to be reflected at an entity-wide basis.		1,792,226
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.		(461,494)
Long-term liabilities, including bonds payable, capital loan notes payable, copier lease payable, and other postemployment benefits, payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(34,226,601)
		(34,226,601)
<b>Net position of governmental activities(page 22)</b>	<b>\$</b>	<b>23,076,249</b>
		<b>23,076,249</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, 2013

	General	Management Levy	Capital Projects	Debt Service	Nonmajor Student Activity	Total
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 5,450,465	1,027,946	2,786,144	1,614,951	-	10,879,506
Tuition	947,651	-	-	-	-	947,651
Other	542,572	19,294	14,330	5,823	546,447	1,128,466
Intermediate sources	8,020	-	-	-	-	8,020
State sources	14,623,101	424	297	620	-	14,624,442
Federal sources	498,972	-	-	-	-	498,972
<b>Total revenues</b>	<b>22,070,781</b>	<b>1,047,664</b>	<b>2,800,771</b>	<b>1,621,394</b>	<b>546,447</b>	<b>28,087,057</b>
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular	10,195,698	88,041	340,377	-	-	10,624,116
Special	2,660,160	-	-	-	-	2,660,160
Other	1,778,927	-	-	-	476,444	2,255,371
	14,634,785	88,041	340,377	-	476,444	15,539,647
Support services:						
Student	986,848	-	31,305	-	-	1,018,153
Instructional staff	863,150	-	23,259	-	-	886,409
Administration	2,387,029	22,111	15,933	-	291	2,425,364
Operation and maintenance of plant	1,787,895	200,918	5,000	-	-	1,993,813
Transportation	650,760	31,814	98,302	-	-	780,876
	6,675,682	254,843	173,799	-	291	7,104,615
Capital outlay	-	-	1,167,566	-	-	1,167,566
Long-term debt:						
Principal	-	-	-	2,495,730	-	2,495,730
Interest and fiscal charges	-	-	-	1,462,683	-	1,462,683
	-	-	-	3,958,413	-	3,958,413
Other expenditures:						
AEA flowthrough	875,191	-	-	-	-	875,191
<b>Total expenditures</b>	<b>22,185,658</b>	<b>342,884</b>	<b>1,681,742</b>	<b>3,958,413</b>	<b>476,735</b>	<b>28,645,432</b>
Excess(Deficiency) of revenues over(under) expenditures	(114,877)	704,780	1,119,029	(2,337,019)	69,712	(558,375)
Other financing sources(uses):						
Transfer in	25,168	-	391,038	2,028,240	500	2,444,946
Transfer out	(500)	-	(2,140,727)	(287,500)	(6,000)	(2,434,727)
Insurance proceeds	4,253	-	-	-	-	4,253
Sale of capital assets	12,515	-	-	-	-	12,515
<b>Total other financing sources(uses)</b>	<b>41,436</b>	<b>-</b>	<b>(1,749,689)</b>	<b>1,740,740</b>	<b>(5,500)</b>	<b>26,987</b>
Change in fund balances	(73,441)	704,780	(630,660)	(596,279)	64,212	(531,388)
Fund balances beginning of year	5,364,857	1,042,603	703,222	2,715,971	193,849	10,020,502
Fund balances end of year	\$ 5,291,416	1,747,383	72,562	2,119,692	258,061	9,489,114

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, 2013

**Change in fund balances - total governmental funds(page 26)** \$ (531,388)

*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 and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 1,274,744	
Depreciation expense	(1,434,620)	(159,876)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis.	281,195
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Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	2,495,730
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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.	30,622
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Other postemployment benefits 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.	(139,432)
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<b>Change in net position of governmental activities(page 23)</b>	<b>\$ 1,976,851</b>
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SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
<b>ASSETS</b>		
Cash and pooled investments	\$ 729,129	1,162,153
Receivables:		
Accounts	3,951	-
Accrued interest	1	-
Due from other governments	-	353,295
Due from other funds	-	580,720
Inventories	46,701	-
Capital assets, net of accumulated depreciation	515,486	-
<b>TOTAL ASSETS</b>	<b>1,295,268</b>	<b>2,096,168</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	29,696	-
Salaries and benefits payable	20,194	303,942
Unearned revenue	22,525	-
Total current liabilities	<u>72,415</u>	<u>303,942</u>
Long-term liabilities:		
Net OPEB liability	14,643	-
Total long-term liabilities	<u>14,643</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b>87,058</b>	<b>303,942</b>
<b>NET POSITION</b>		
Invested in capital assets	515,486	-
Unrestricted	692,724	1,792,226
<b>TOTAL NET POSITION</b>	<b>\$ 1,208,210</b>	<b>1,792,226</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
<b>OPERATING REVENUE:</b>		
Local sources:		
Charges for services	\$ 641,752	2,809,669
Contributions	8,250	-
Miscellaneous	1,544	5,168
<b>TOTAL OPERATING REVENUES</b>	<b>651,546</b>	<b>2,814,837</b>
<b>OPERATING EXPENSES:</b>		
Support services:		
Administrative:		
Services	2,203	-
Operation and maintenance of plant:		
Salaries	57,268	-
Benefits	15,500	-
Services	12,495	-
Supplies	13,779	-
	99,042	-
Total support services	101,245	-
Non-instructional programs:		
Food service operations:		
Salaries	221,046	-
Benefits	86,693	-
Services	37,754	-
Supplies	471,334	-
Depreciation	73,601	-
	890,428	-
Other enterprise operations:		
Benefits	-	2,512,122
Services	-	21,520
	-	2,533,642
Total non-instructional programs	890,428	2,533,642
<b>TOTAL OPERATING EXPENSES</b>	<b>991,673</b>	<b>2,533,642</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(340,127)</b>	<b>281,195</b>
<b>NON-OPERATING REVENUES:</b>		
State sources	7,837	-
Federal sources	320,984	-
Interest income	45	-
<b>TOTAL NON-OPERATING REVENUES</b>	<b>328,866</b>	<b>-</b>
Net income(loss) before other financing uses	(11,261)	281,195
<b>OTHER FINANCING USES:</b>		
Transfers out	(10,219)	-
Loss on disposal of capital assets	(1,044)	-
Total other financing uses	(11,263)	-
Changes in net position	(22,524)	281,195
Net position beginning of year	1,230,734	1,511,031
Net position end of year	\$ 1,208,210	1,792,226

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	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	\$ 637,581	-
Cash received from miscellaneous operating activities	9,794	2,873,905
Cash payments to employees for services	(372,943)	(2,556,891)
Cash payments to suppliers for goods or services	(473,905)	(21,520)
Net cash provided by(used in) operating activities	<u>(199,473)</u>	<u>295,494</u>
Cash flows from non-capital financing activities:		
Transfer to General Fund	(10,219)	-
Interfund loan to the Capital Projects Fund	-	(68,772)
State grants received	7,837	-
Federal grants received	252,807	-
Net cash provided by(used in) non-capital financing activities	<u>250,425</u>	<u>(68,772)</u>
Cash flows from capital and related financing activities:		
Acquisition of assets	(73,061)	-
Cash flows from investing activities:		
Interest on investments	47	-
Net increase(decrease) in cash and cash equivalents	(22,062)	226,722
Cash and cash equivalents at beginning of year	751,191	935,431
Cash and cash equivalents at end of year	<u>\$ 729,129</u>	<u>1,162,153</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (340,127)	281,195
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	68,177	-
Depreciation	73,601	-
Increase in inventories	(7,266)	-
(Increase)Decrease in accounts receivable	(1,275)	59,068
Increase in accounts payable	2,749	-
Increase(Decrease) in salaries and benefits payable	2,810	(44,769)
Decrease in unearned revenue	(2,896)	-
Increase in other postemployment benefits	4,754	-
Net cash provided by(used in) operating activities	<u>\$ (199,473)</u>	<u>295,494</u>

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

During the year ended June 30, 2013, the District received Federal commodities valued at \$68,177.

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2013

	<u>Private Purpose Trust</u>	<u>Scholarship Fund</u>
<b>ASSETS</b>		
Cash and pooled investments	\$ 31,376	
Accrued interest receivable		70
Total assets		<u>31,446</u>
<b>LIABILITIES</b>		
		<u>-</u>
<b>NET POSITION</b>		
Restricted for scholarships	\$ 31,446	

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarship Fund
Additions:	
Local sources:	
Contributions	\$ 600
Interest income	318
Total additions	918
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	1,600
Change in net position	(682)
Net position beginning of year	32,128
Net position end of year	\$ 31,446

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**(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 Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is 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 position* results when constraints placed on net position use is either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 Management Levy Fund is utilized to account for the District's termination benefits, workers compensation claims and payments for the District's property insurance.

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 position and changes in net position. 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 position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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 Position 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, 2013. 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 Position.

Fund Balance - 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 Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use is 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 position 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, 2013 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, 2013, 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 \$8,678,410 and \$558,834 respectively, pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Education Liquidity Fund are registered and not subject to rating. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

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

The detail of interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Internal Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 580,720
Management Levy	Capital Projects: Statewide Sales, Services and Use Tax	379,849
Management Levy	Capital Projects: Physical Plant and Equipment Levy	7,000
General	Capital Projects: Physical Plant and Equipment Levy	2,990
		<u>\$ 970,559</u>

The Capital Projects: Statewide Sales, Services and Use Tax Fund is repaying the Internal Service Fund for money borrowed to cover a cash shortage at year end related to the District office project.

The Capital Projects: Statewide Sales, Services and Use Tax Fund is repaying the Management Fund for money borrowed to call 2005 revenue bonds early.

The Capital Projects: Physical Plant and Equipment Levy is repaying the Management Fund for money borrowed to pay the balance due on the District's capital loan note.

The Capital Projects: Physical Plant and Equipment Levy is repaying the General Fund for money borrowed to cover a cash shortage at the end of the year.

**(4) Transfers**

The detail of transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 1,711,587
Debt Service	Capital Projects: Physical Plant and Equipment Levy	316,652
Special Revenue: Student Activity	General	500
General	Special Revenue: Student Activity	6,000
Capital Projects: Physical Plant and Equipment Levy	Capital Projects: HS GO Bond Construction	58,149
Capital Projects: Auditorium and Stadium Projects	Capital Projects: Statewide Sales, Services and Use Tax	45,389
General	Capital Projects: Physical Plant and Equipment Levy	8,950
Capital Projects: Statewide Sales, Services and Use Tax	Debt Service: Bond Sinking	287,500
General	Enterprise: School Nutrition	10,219
Total		<u>\$ 2,444,946</u>

The Capital Projects: Statewide Sales, Services and Use Tax account transferred \$1,711,587 to the Debt Service Fund for the Districts principal and interest payments on revenue bond indebtedness.

The Capital Projects: Physical Plant and Equipment Levy account transferred \$316,652 to the Debt Service Fund for the Districts principal and interest payments on a copier lease and the final payment on the capital loan note.

The General Fund transferred \$500 to the Special Revenue: Student Activity Fund as a corrective transfer for play props incorrectly expensed from the Student Activity Fund.

The Special Revenue: Student Activity Fund transferred \$6,000 to the General Fund as a corrective transfer for a turf cleaning machine that was incorrectly expensed from the General Fund.

The Capital Projects: HS GO Bond Construction account transferred \$58,149 to the Capital Projects: Physical Plant and Equipment Levy for the excess bond proceeds left over after completion of construction contract.

The Capital Projects: Statewide Sales, Services and Use Tax account transferred \$45,389 to the Capital Projects: Auditorium and Stadium Projects account to pay additional construction costs.

The Capital Projects: Physical Plant and Equipment Levy account transferred \$8,950 to the General Fund to reimburse the General Fund for lease payments made in fiscal year 2011.

The Debt Service: Bond Sinking account transferred \$287,500 to the Capital Projects: Statewide Sales, Services and Use Tax account, this amount was a bond reserve that was released back to the Capital Projects: Statewide Sales, Services and Use Tax account when the District called outstanding 2005 Revenue Bonds.

The Enterprise: School Nutrition Fund transferred \$10,219 to the General Fund for indirect overhead costs for fiscal year 2013 paid by the General Fund.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2013 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	-	639,851	-	639,851
Total capital assets not being depreciated	<u>256,352</u>	<u>639,851</u>	<u>-</u>	<u>896,203</u>
Capital assets being depreciated:				
Buildings	54,006,704	418,193	6,752	54,418,145
Land improvements	1,301,160	6,425	-	1,307,585
Machinery and equipment	4,100,293	210,275	152,993	4,157,575
Total capital assets being depreciated	<u>59,408,157</u>	<u>634,893</u>	<u>159,745</u>	<u>59,883,305</u>
Less accumulated depreciation for:				
Buildings	9,005,982	1,144,420	6,752	10,143,650
Land improvements	545,901	49,183	-	595,084
Machinery and equipment	3,469,746	241,017	152,993	3,557,770
Total accumulated depreciation	<u>13,021,629</u>	<u>1,434,620</u>	<u>159,745</u>	<u>14,296,504</u>
Total capital assets being depreciated, net	<u>46,386,528</u>	<u>(799,727)</u>	<u>-</u>	<u>45,586,801</u>
Governmental activities capital assets, net	<u>\$ 46,642,880</u>	<u>(159,876)</u>	<u>-</u>	<u>46,483,004</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 940,744	73,061	7,365	1,006,440
Less accumulated depreciation	423,674	73,601	6,321	490,954
Business type activities capital assets, net	<u>\$ 517,070</u>	<u>(540)</u>	<u>1,044</u>	<u>515,486</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 29,450
Other	41,180

Support services:

Instructional staff	8,563
Administration	40,025
Operation and maintenance of plant	30,281
Transportation	91,518
	<u>241,017</u>

Unallocated depreciation	<u>1,193,603</u>
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Total governmental activities depreciation expense	<u>\$ 1,434,620</u>
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Business type activities:

Food services	<u>\$ 73,601</u>
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**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 18,480,000	-	900,000	17,580,000	935,000
Revenue bonds	17,165,000	-	1,290,000	15,875,000	215,000
Capital loan note	275,000	-	275,000	-	-
Copier lease	122,974	-	30,730	92,244	32,189
Net OPEB liability	539,925	139,432	-	679,357	-
Total	<u>\$ 36,582,899</u>	<u>139,432</u>	<u>2,495,730</u>	<u>34,226,601</u>	<u>1,182,189</u>
Business type activities:					
Net OPEB liability	\$ 9,889	4,754	-	14,643	-

**General Obligation Bonds Payable**

Details of the District's June 30, 2013 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
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	222,842	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	-	-	-	4.40	220,000	210,828	5.50	140,000	212,193
2019-2023	-	-	-	4.25-4.50	2,580,000	873,476	3.70-3.90	790,000	965,580
2024-2028	-	-	-	4.30-4.40	2,045,000	135,460	4.00	4,360,000	666,600
2029-2030	-	-	-	-	-	-	-	-	-
Total		<u>\$ 2,025,000</u>	<u>209,275</u>		<u>\$ 5,350,000</u>	<u>2,121,034</u>		<u>\$ 5,790,000</u>	<u>2,759,598</u>

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
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	610,155	1,615,155
2017	3.00	50,000	72,165	1.90	185,000	42,230	1,040,000	572,851	1,612,851
2018	3.00	50,000	70,665	2.10	670,000	38,715	1,080,000	532,401	1,612,401
2019-2023	3.00-3.65	250,000	329,850	2.25-2.40	1,070,000	33,765	4,690,000	2,202,671	6,892,671
2024-2028	3.65-4.00	460,000	270,690	-	-	-	6,865,000	1,072,750	7,937,750
2029-2030	4.25	1,000,000	63,750	-	-	-	1,000,000	63,750	1,063,750
Total		<u>\$ 1,960,000</u>	<u>1,032,615</u>		<u>\$ 2,455,000</u>	<u>256,610</u>	<u>\$ 17,580,000</u>	<u>6,379,132</u>	<u>23,959,132</u>

**Revenue Bonds Payable**

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of February 1, 2010			
	Interest Rates	Principal	Interest	Total
2014	3.63	215,000	692,756	907,756
2015	3.63	220,000	684,871	904,871
2016	3.63	765,000	667,018	1,432,018
2017	3.75	790,000	638,340	1,428,340
2018	4.00	825,000	607,028	1,432,028
2019-2023	4.00-4.30	4,635,000	2,495,873	7,130,873
2024-2028	4.40-4.80	5,735,000	1,367,765	7,102,765
2029-2030	5.00	2,690,000	136,250	2,826,250
Total		<u>\$ 15,875,000</u>	<u>7,289,901</u>	<u>\$ 23,164,901</u>

The District has pledged future statewide sales, services and use tax revenues to repay \$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 \$23,164,901. For the current year, principal of \$1,290,000 and interest of \$733,881 was paid on the revenue bonds and total statewide sales, services and use tax revenues were \$2,013,412.

The District called \$795,000 of outstanding June 2005 Revenue Bonds on December 3, 2012. By calling these bonds early the District will save \$34,182 in interest over the next two years.

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

- a) \$1,449,000 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.

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
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		\$ 92,244	6,202	98,446

**(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 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered payroll for the year ended June 30, 2013. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$1,200,940, \$1,090,840 and \$772,902 respectively, equal to the required contributions for each year.

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

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 314 active and 6 retired members in the plan. Retired 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	183,000
Interest on net OPEB obligation		25,000
Adjustment to annual required contribution		(20,814)
Annual OPEB cost		<u>187,186</u>
Contributions made		<u>(43,000)</u>
Increase in net OPEB obligation		144,186
Net OPEB obligation beginning of year		549,814
Net OPEB obligation end of year	\$	<u><u>694,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$43,000 to the medical plan. Plan members eligible for benefits contributed \$66,000, or 60.5% 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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 203,111	17.2%	\$ 411,000
2012	203,814	31.9%	549,814
2013	187,186	23.0%	694,000

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1.398 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.398 million.

The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10.782 million, and the ratio of the UAAL to covered payroll was 13.0%. As of June 30, 2013, 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, 2012 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 10% 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 \$940 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 \$875,191 for the year ended June 30, 2013 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, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Homeschool assistance program	\$ 5,295
Four-year-old preschool state aid	227,604
Model core curriculum	26,507
Market factor	6,563
Market factor incentives	15,797
Total	<u>\$ 281,766</u>

**(12) Reconciliation of Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balances to net position is as follows:

	<u>Invested in Capital Assets</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	2,119,692	4,262,674
Invested in capital assets, net of accumulated depreciation	46,483,004	-	-
General obligation bond capitalized indebtedness	(17,580,000)	-	-
Revenue Bond capitalized indebtedness	(15,875,000)	-	-
Copier lease	(92,244)	-	-
Unassigned balance for Physical Plant and Equip.	-	-	(25,996)
Internal service fund	-	-	1,792,226
Assigned fund balance	-	-	118,758
Committed fund balance	-	-	628,218
Accrued interest payable	-	(461,494)	-
Net OPEB liability	-	-	(679,357)
Net position (Exhibit A)	<u>\$ 12,935,760</u>	<u>1,658,198</u>	<u>6,096,523</u>

**(13) Construction Commitment**

The District has entered into multiple contracts for various projects throughout the District including a fiber optic upgrade and remodeling the business office purchased in fiscal year 2013. As of June 30, 2013, costs of \$639,851 have been incurred against the contracts. The balance remaining at June 30, 2013 will be paid as work on the projects progresses.

**NORWALK COMMUNITY SCHOOL DISTRICT**

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, 2013

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>Revenues:</b>						
Local sources	\$ 12,955,623	651,591	13,607,214	12,361,764	12,361,764	1,245,450
Intermediate sources	8,020	-	8,020	-	-	8,020
State sources	14,624,442	7,837	14,632,279	15,709,010	15,709,010	(1,076,731)
Federal sources	498,972	320,984	819,956	674,990	674,990	144,966
Total revenues	<u>28,087,057</u>	<u>980,412</u>	<u>29,067,469</u>	<u>28,745,764</u>	<u>28,745,764</u>	<u>321,705</u>
<b>Expenditures/Expenses:</b>						
Instruction	15,539,647	-	15,539,647	15,931,776	16,278,269	738,622
Support services	7,104,615	101,245	7,205,860	7,101,654	7,500,000	294,140
Non-instructional programs	-	890,428	890,428	971,737	995,000	104,572
Other expenditures	6,001,170	-	6,001,170	4,811,887	6,314,704	313,534
Total expenditures/expenses	<u>28,645,432</u>	<u>991,673</u>	<u>29,637,105</u>	<u>28,817,054</u>	<u>31,087,973</u>	<u>1,450,868</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(558,375)	(11,261)	(569,636)	(71,290)	(2,342,209)	1,772,573
Other financing sources(uses), net	<u>26,987</u>	<u>(11,263)</u>	<u>15,724</u>	<u>-</u>	<u>-</u>	<u>15,724</u>
Excess(Deficiency) of revenues and other financing sources(uses) over(under) expenditures/expenses	(531,388)	(22,524)	(553,912)	(71,290)	(2,342,209)	1,788,297
Balance beginning of year	<u>10,020,502</u>	<u>1,230,734</u>	<u>11,251,236</u>	<u>10,144,558</u>	<u>10,144,558</u>	<u>1,106,678</u>
Balance end of year	<u>\$ 9,489,114</u>	<u>1,208,210</u>	<u>10,697,324</u>	<u>10,073,268</u>	<u>7,802,349</u>	<u>2,894,975</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

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 \$2,270,919.

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)
2009	July 1, 2008	\$ -	\$ 1,331	\$ 1,330	0.0%	9,605	13.8%
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%
2013	July 1, 2012	-	1,398	1,398	0.0%	10,782	13.0%

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  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2013

	Capital Projects			
	Statewide Sales, Services and Use Tax	Auditorium and Stadium Projects	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,501	-	-	1,501
Receivables:				
Property tax:				
Delinquent	-	-	19,833	19,833
Succeeding year	-	-	817,131	817,131
Accounts receivable	-	-	12,399	12,399
Due from other governments	1,290,368	-	-	1,290,368
<b>TOTAL ASSETS</b>	<b>\$ 1,291,869</b>	<b>-</b>	<b>849,363</b>	<b>2,141,232</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ 960,569	-	9,990	970,559
Accounts payable	230,997	1,745	38,701	271,443
Deferred revenue:				
Succeeding year property tax	-	-	817,131	817,131
Other	-	-	9,537	9,537
Total liabilities	1,191,566	1,745	875,359	2,068,670
Fund balances:				
Restricted for:				
School infrastructure	100,303	-	-	100,303
Unassigned	-	(1,745)	(25,996)	(27,741)
Total fund balances	100,303	(1,745)	(25,996)	72,562
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,291,869</b>	<b>-</b>	<b>849,363</b>	<b>2,141,232</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, 2013

	Capital Projects				Total
	High School GO Bond Construction	Statewide Sales, Services and Use Tax	Auditorium and Stadium Projects	Physical Plant and Equipment Levy	
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ -	2,013,412	-	772,732	2,786,144
Other	3	501	1,422	12,404	14,330
State sources	-	-	-	297	297
Total revenues	<u>3</u>	<u>2,013,913</u>	<u>1,422</u>	<u>785,433</u>	<u>2,800,771</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	-	340,377	-	-	340,377
Support services:					
Student	-	-	-	31,305	31,305
Instructional staff	-	-	-	23,259	23,259
Administration	-	10	-	15,923	15,933
Operation and maintenance of plant	-	-	-	5,000	5,000
Transportation	-	25,000	-	73,302	98,302
Capital outlay	3,149	619,654	50,556	494,207	1,167,566
Total expenditures	<u>3,149</u>	<u>985,041</u>	<u>50,556</u>	<u>642,996</u>	<u>1,681,742</u>
Excess(Deficiency) of revenues over(under) expenditures	(3,146)	1,028,872	(49,134)	142,437	1,119,029
Other financing sources(uses):					
Transfer in	-	287,500	45,389	58,149	391,038
Transfers out	(58,149)	(1,756,977)	-	(325,601)	(2,140,727)
Total other financing sources(uses)	<u>(58,149)</u>	<u>(1,469,477)</u>	<u>45,389</u>	<u>(267,452)</u>	<u>(1,749,689)</u>
Change in fund balances	(61,295)	(440,605)	(3,745)	(125,015)	(630,660)
Fund balances beginning of year	<u>61,295</u>	<u>540,908</u>	<u>2,000</u>	<u>99,019</u>	<u>703,222</u>
Fund balances end of year	<u>\$ -</u>	<u>100,303</u>	<u>(1,745)</u>	<u>(25,996)</u>	<u>72,562</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUNDS  
 JUNE 30, 2013

	Debt Service		
	Debt Service	Debt Sinking	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 82,939	2,012,344	2,095,283
Receivables:			
Property tax:			
Delinquent	50,364	-	50,364
Succeeding year	1,981,504	-	1,981,504
Accrued interest	-	2,892	2,892
<b>TOTAL ASSETS</b>	<b>\$ 2,114,807</b>	<b>2,015,236</b>	<b>4,130,043</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 1,981,504	-	1,981,504
Other	28,847	-	28,847
Total liabilities	2,010,351	-	2,010,351
Fund balances:			
Restricted for debt service	104,456	2,015,236	2,119,692
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,114,807</b>	<b>2,015,236</b>	<b>4,130,043</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, 2013

	Debt Service		
	Debt Service	Debt Sinking	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 1,614,951	-	1,614,951
Other	19	5,804	5,823
State sources	620	-	620
Total revenues	<u>1,615,590</u>	<u>5,804</u>	<u>1,621,394</u>
<b>EXPENDITURES:</b>			
Current:			
Long-term debt:			
Principal	1,205,730	1,290,000	2,495,730
Interest and fiscal charges	725,527	737,156	1,462,683
Total expenditures	<u>1,931,257</u>	<u>2,027,156</u>	<u>3,958,413</u>
Deficiency of revenues under expenditures	(315,667)	(2,021,352)	(2,337,019)
Other financing sources(uses):			
Transfer in	316,652	1,711,588	2,028,240
Transfers out	-	(287,500)	(287,500)
Total other financing sources(uses)	<u>316,652</u>	<u>1,424,088</u>	<u>1,740,740</u>
Change in fund balances	985	(597,264)	(596,279)
Fund balances beginning of year	<u>103,471</u>	<u>2,612,500</u>	<u>2,715,971</u>
Fund balances end of year	<u>\$ 104,456</u>	<u>2,015,236</u>	<u>2,119,692</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, 2013

Account	Balance Beginning of Year	Revenues	Expend- itures	Intra- Fund Transfers	Balance End of Year
Middle School Accounts:					
General Athletics	\$ 250	1	1,107	2,441	1,585
Chorus	3,613	5,357	6,644	-	2,326
Cross Country	-	-	235	335	100
Cheerleaders	1,515	1,142	1,062	-	1,595
Boys Basketball	553	3,369	3,940	908	890
Football	691	3,490	3,199	114	1,096
Concessions	4,927	6,371	382	(8,784)	2,132
Baseball	-	-	1,235	1,500	265
Boys Track	365	1,089	632	(335)	487
Wrestling	-	677	151	-	526
Girls Basketball	-	1,816	-	(908)	908
Volleyball	545	3,224	2,591	(128)	1,050
Softball	-	1,640	3,310	1,670	-
Girls Track	245	1,816	979	(313)	769
Student Council	4,605	2,456	2,898	-	4,163
Art Club	82	1,792	1,545	-	329
FCCLA	94	-	-	-	94
Ace Club	-	6,166	5,622	-	544
Annual	1,998	5,180	4,236	-	2,942
SADD	1,201	-	67	-	1,134
High School Accounts:					
General Athletics	6,624	35,368	13,339	(18,191)	10,462
All School Play	2,332	1,804	1,536	500	3,100
Speech	-	-	887	887	-
Chorus	-	16,954	1,224	1,302	17,032
Dinner Show	4,229	20,853	19,913	(1,302)	3,867
Show Choir	6,032	17,645	19,587	-	4,090
Band	4,762	12,706	16,849	1,234	1,853
Tri-M Club	130	-	-	-	130
Athletic Ambassadors	1,165	-	-	-	1,165
Cross Country	761	4,347	6,072	1,214	250
Swimming	200	-	-	-	200
Bowling	239	163	163	-	239
Boys Basketball	24,780	20,830	12,489	(688)	32,433
Football	13,377	86,033	77,700	(1,420)	20,290
Boys Soccer	3,340	21,670	17,397	(675)	6,938
Baseball	10,629	22,620	23,128	1,846	11,967
Boys Track	2,678	8,455	6,696	(135)	4,302
Boys Tennis	499	703	2,469	1,530	263
Boys Golf	473	6,445	9,647	2,781	52
Concessions	15,802	24,209	20,813	1,500	20,698
Wrestling	5,682	24,949	19,034	(90)	11,507

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expend- itures	Transfers	Balance End of Year
High School Accounts(Continued):					
Girls Basketball	18,871	12,586	7,839	(504)	23,114
Volleyball	18,545	19,356	22,794	(215)	14,892
Girls Soccer	1,306	13,486	11,488	(570)	2,734
Softball	1,016	10,593	10,793	286	1,102
Girls Track	1,189	12,461	12,736	(45)	869
Girls Tennis	71	2,426	3,321	918	94
Girls Golf	18	4,983	6,220	1,248	29
Cheerleaders	6,305	41,520	33,114	749	15,460
Drill Team	7,175	29,205	41,432	5,450	398
Class of 2011	3	-	-	-	3
Class of 2012	1	-	-	-	1
Class of 2013	1,725	-	-	(1,725)	-
Class of 2014	-	8,020	4,649	1,725	5,096
Student Council	1,655	14,356	9,501	202	6,712
Art Club	935	105	78	-	962
French Club	1,985	1,032	692	-	2,325
Spanish Club	4,113	-	-	-	4,113
Annual	1,712	4,051	2,225	-	3,538
Newspaper	229	-	-	-	229
National Honor Society	1,308	760	186	-	1,882
SADD	131	-	116	-	15
Debate	1,102	167	549	-	720
Mock Trial	-	-	188	188	-
Poetry Club	36	-	36	-	-
Total	\$ 193,849	546,447	476,735	(5,500)	258,061

NORWALK COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund			
	J. Graham Scholarship	Frederick Scholarship	J.W. Winter Scholarship	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 5,119	6,150	20,107	31,376
Accrued interest receivable	12	13	45	70
<b>TOTAL ASSETS</b>	<b>5,131</b>	<b>6,163</b>	<b>20,152</b>	<b>31,446</b>
<b>TOTAL LIABILITIES</b>				
	-	-	-	-
<b>NET POSITION</b>				
Restricted for scholarships	\$ 5,131	6,163	20,152	31,446

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund				Total
	J. Graham Scholarship	Frederick Scholarship	J.W. Winter Scholarship	Student Council Scholarship	
Additions:					
Local sources:					
Gifts and contributions	\$ -	-	-	600	600
Interest on investments	51	60	207	-	318
Total additions	51	60	207	600	918
Deductions:					
Instruction:					
Regular:					
Scholarships awarded	-	-	1,000	600	1,600
Change in net position	51	60	(793)	-	(682)
Net position beginning of year	5,080	6,103	20,945	-	32,128
Net position end of year	\$ 5,131	6,163	20,152	-	31,446

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**

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 10,879,506	8,597,240	8,876,370	7,679,380	7,894,016	6,904,300	6,850,693	6,736,606	6,162,512	5,305,313
Tuition	947,651	948,685	992,860	773,194	896,431	867,627	968,314	839,600	649,039	651,742
Other	1,128,466	1,275,007	1,095,677	1,219,104	1,292,656	1,423,523	1,637,994	1,564,120	1,077,267	867,530
Intermediate sources	8,020	8,334	4,022	3,668	12,091	14,071	28,766	-	-	4,100
State sources	14,624,442	15,841,986	13,877,485	12,729,431	13,711,004	13,156,299	12,054,476	10,892,381	10,674,782	10,020,720
Federal sources	498,972	478,941	1,146,329	1,701,874	630,670	434,945	1,399,399	278,986	292,444	1,264,994
<b>Total</b>	<b>\$ 28,087,057</b>	<b>27,150,193</b>	<b>25,992,743</b>	<b>24,106,651</b>	<b>24,436,868</b>	<b>22,800,765</b>	<b>22,939,642</b>	<b>20,311,693</b>	<b>18,856,044</b>	<b>18,114,399</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular	\$ 10,624,116	10,213,394	10,053,012	9,671,177	9,455,077	8,704,650	7,129,750	6,477,767	5,454,201	5,472,518
Special	2,660,160	2,591,442	2,434,983	2,438,388	2,659,726	2,443,711	2,178,958	2,118,210	2,808,257	2,788,710
Other	2,255,371	2,572,635	2,127,151	2,266,768	1,925,521	2,071,577	1,857,749	1,524,948	1,329,236	1,282,384
<b>Support services:</b>										
Student	1,018,153	802,182	920,968	800,331	682,263	658,987	515,050	507,941	534,207	472,981
Instructional staff	886,409	782,465	783,068	754,884	739,245	631,841	642,518	629,511	722,545	585,660
Administration	2,425,364	2,547,407	2,288,178	2,201,790	2,037,781	1,861,659	1,832,423	1,687,680	1,798,041	1,593,549
Operation and maintenance of plant	1,993,813	2,069,376	2,020,645	1,866,129	1,898,854	1,835,468	1,481,173	1,462,716	1,344,243	1,293,616
Transportation	780,876	605,222	751,758	566,833	689,629	586,990	682,702	526,566	576,734	508,090
Non-instructional programs	-	-	-	-	-	-	-	-	11,371	511
Capital outlay	1,167,566	3,905,719	11,867,789	8,550,795	2,963,965	2,831,470	9,538,790	2,831,363	596,663	1,508,524
<b>Long-term debt:</b>										
Principal	2,495,730	1,629,336	1,497,741	1,240,000	1,210,000	855,000	4,150,000	430,000	375,000	460,000
Interest and fiscal charges	1,462,683	1,524,276	1,473,508	912,928	939,818	719,916	912,526	896,321	548,689	440,749
<b>Other expenditures:</b>										
AEA flow-through	875,191	855,274	905,307	872,252	801,976	739,462	685,792	627,295	612,482	600,251
<b>Total</b>	<b>\$ 28,645,432</b>	<b>30,098,728</b>	<b>37,124,108</b>	<b>32,142,275</b>	<b>26,003,855</b>	<b>23,940,731</b>	<b>31,607,431</b>	<b>19,720,318</b>	<b>16,711,669</b>	<b>17,007,543</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	\$ 21,135
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	299,849 *
			<u>320,984</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY13	<u>117,484</u>
SPECIAL EDUCATION CLUSTER (IDEA) PROGRAM:			
SPECIAL EDUCATION - GRANTS TO STATES (HIGH COST CLAIM)	84.027	FY13	<u>22,064 **</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 13	<u>15,326</u>
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 13	<u>157</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 13	<u>36,143</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 13	<u>16,112</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF EDUCATION:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS (AIDS EDUCATION)			
	93.938	FY 13	<u>425</u>
AREA EDUCATION AGENCY 11:			
SPECIAL EDUCATION CLUSTER (IDEA) PROGRAM:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 13	<u>118,958 **</u>
TOTAL			<u><u>\$ 647,653</u></u>

\* - Includes \$68,177 of non-cash awards

\*\* - The total for the Special Education Cluster is \$141,022

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Norwalk Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Norwalk Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Norwalk Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Norwalk Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings 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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. 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 described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Norwalk Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other

matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

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.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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 24, 2014  
Newton, Iowa

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**Independent Auditor's Report on Compliance for Each  
Major Federal Program, on Internal Control over Compliance  
and on the Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited Norwalk Community School District compliance 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, 2013. Norwalk Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Norwalk Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Norwalk Community School District's compliance with those requirements.

**Opinion on Each Major Federal Program**

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 to each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

The management of Norwalk Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements

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referred to above. In planning and performing our audit of compliance, we considered Norwalk Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part III of the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a significant deficiency.

Norwalk Community School District's responses to the 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2014  
Newton, Iowa

NORWALK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified 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) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified 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 did qualify 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-13 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. One individual has control over each of the following areas for the District:

1) Petty cash - custody of petty cash and handling receipts, approval of petty cash reimbursements and access to cash.

2) Receipts:

Nutrition Fund - responsibility for change fund, collecting money, filling out deposit slip and recording money into student accounts.

Student Activity - collecting money and filling out deposit slip.

Other Funds - opening mail, preparing a receipt listing, writing receipts, filling out deposit slips and reconciliation.

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 - The District will continue to investigate areas to improve segregation of duties with the limited staff available, implementing new procedures where it is practical to achieve more internal controls, especially involving handling cash.

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs For Federal Awards:**

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2013  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

III-A-13 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. One individual has control over the following areas for the District:

Receipts:

Nutrition Fund - responsibility for change fund, collecting money, filling out deposit slips and recording money into student accounts.

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 - The District will continue to investigate areas to improve segregation of duties with the limited staff available, implementing new procedures where it is practical to achieve more internal controls, especially involving the handling of cash.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-13 Certified Budget - District disbursements for the year ended June 30, 2013, did not exceed the amount budgeted.

IV-B-13 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-13 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-13 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 provides supplies for the District	Printed T-Shirts	\$ 2,091
Nick Menke, Teacher Spouse performs services for the District	Taught Color Guard Camp	\$ 500
Kate Baldwin, Business Manager Spouse owns Baldwin Construction	Services	\$ 15,332
Darin Schreck, Teacher/AD Daughter, Officiating	Services	\$ 645

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

IV-E-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-13 Supplementary Weighting - No variances in basic enrollment data certified to the Iowa Department of Education were noted.

IV-I-13 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-13 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-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-13 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 540,908
Revenues/transfer in:		
Sales tax revenues	\$ 2,013,412	
Other local revenues	501	
Transfer in	<u>287,500</u>	<u>2,301,413</u>
		2,842,321
Expenditures/transfers out:		
School infrastructure construction	\$ 44,993	
Equipment	340,377	
Buildings purchased	574,661	
Other	25,010	
Transfers to other funds:		
Debt service fund	<u>1,756,977</u>	<u>2,742,018</u>
Ending balance		<u>\$ 100,303</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

IV-M-13 Financial Condition - At June 30, 2013, the Capital Projects: Physical Plant & Equipment Levy account had a deficit unassigned fund balance of \$25,996 and the Capital Projects: Auditorium and Stadiums Projects account had a deficit unassigned fund balance of \$1,745.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits balances.

Response - The District incurred a \$25,996 deficit in the PPEL fund because the District made a decision to pay off the capital loan note 6 months in advance. This early debt retirement saved the District \$5,823.13 in interest expense. In November of 2012, the District decided to move forward with the advance PPEL debt payment, clearly understanding that the District might incur a small negative fund balance in PPEL. The decision was based on the premise that the interest savings outweighed the potential audit implications. The negative balance in the Capital Projects: Auditorium and Stadium Projects account was due to a timing issue at the end of fiscal 2013 and will be remedied in fiscal 2014.

Conclusion - Response accepted.

IV-N-13 Interfund Loans - We noted during our audit that the District had an interfund loan that was on the Districts balance sheet at June 30, 2013. As of June 30, 2013, the District had a loan to the Capital Projects: Statewide Sales, Services and Use Tax account from the Management Levy Fund of \$379,849 that was not repaid prior to October 1<sup>st</sup>.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1<sup>st</sup> of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek external borrowing options to repay the interfund loans.

Recommendation - The District should seek and obtain external borrowings to comply with the declaratory ruling in order to repay the interfund loan.

Response - The District incurred a \$25,996 deficit in the PPEL fund because the District made a decision to pay off the capital loan note 6 months in advance. This early debt retirement saved the District \$5,823.13 in interest expense. In November of 2012, the District decided to move forward with the advance PPEL debt payment, clearly understanding that the District might incur a small negative fund balance in PPEL. The decision was based on the premise that the interest savings outweighed the potential audit implications.

Conclusion - Response accepted.

IV-O-13 Payroll Authorization - We noted during our audit, the District does not maintain the written authorization to mail employees' payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should maintain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District will endeavor to obtain a written authorization from employees prior to sending any payroll checks via US mail.

Conclusion - Response accepted.

IV-P-13 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for non-certified staff coaches.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should review payroll procedures to ensure that supporting documentation is kept for all employees who received checks.

Response - The District is planning to implement time keeping procedures where by volunteer or at-will coaches will report their hours worked. The District plans to implement these new procedures July 1, 2014.

Conclusion - Response accepted.