

NORWALK COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Norwalk Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Katherine Schmidt	President	2015
Rick Kaul	Vice President	2015
Tom Phillips	Board Member	2013
Deborah Hobbs	Board Member	2013
George Meinecke	Board Member	2015
(After September 2013 Election)		
Katherine Schmidt	President	2015
George Meinecke	Vice President	2015
Justin Fletcher	Board Member	2017
Maribeth Wright	Board Member	2017
Rick Kaul	Board Member	2015
School Officials		
Dr. Dennis Wulf	Superintendent	2014
Kate Baldwin	Business Manager and District Secretary	2014
Ahlers & Cooney	Attorney	2014

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, 2014, 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, 2014, 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.

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, 2013 (which are not presented herein) and expressed unmodified 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 13, 2015, 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 13, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

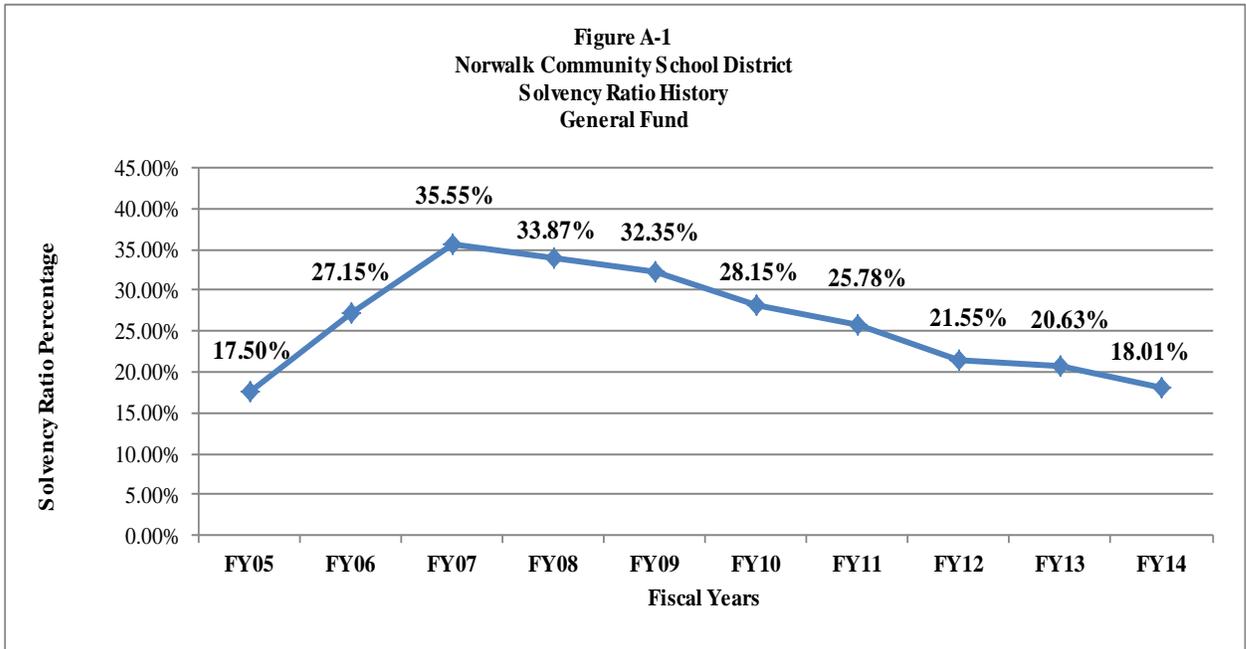
The Norwalk Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Fiscal 2014 General Fund revenues exceeded expenditures by \$19,775. The excess of revenues over expenditures resulted in an increase in General Fund balance from \$5,291,416 to \$5,311,191. Revenues were approximately \$23.21 million in fiscal 2014 compared to approximately \$22.11 million in fiscal 2013 and expenditures were approximately \$23.19 million in fiscal 2014 compared to approximately \$22.19 million in fiscal 2013.
- 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.

Figure A-1 is a recap of the District's solvency ratios for the past ten fiscal years:



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).

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-2 shows how the various parts of this annual report are arranged and relate to one another.

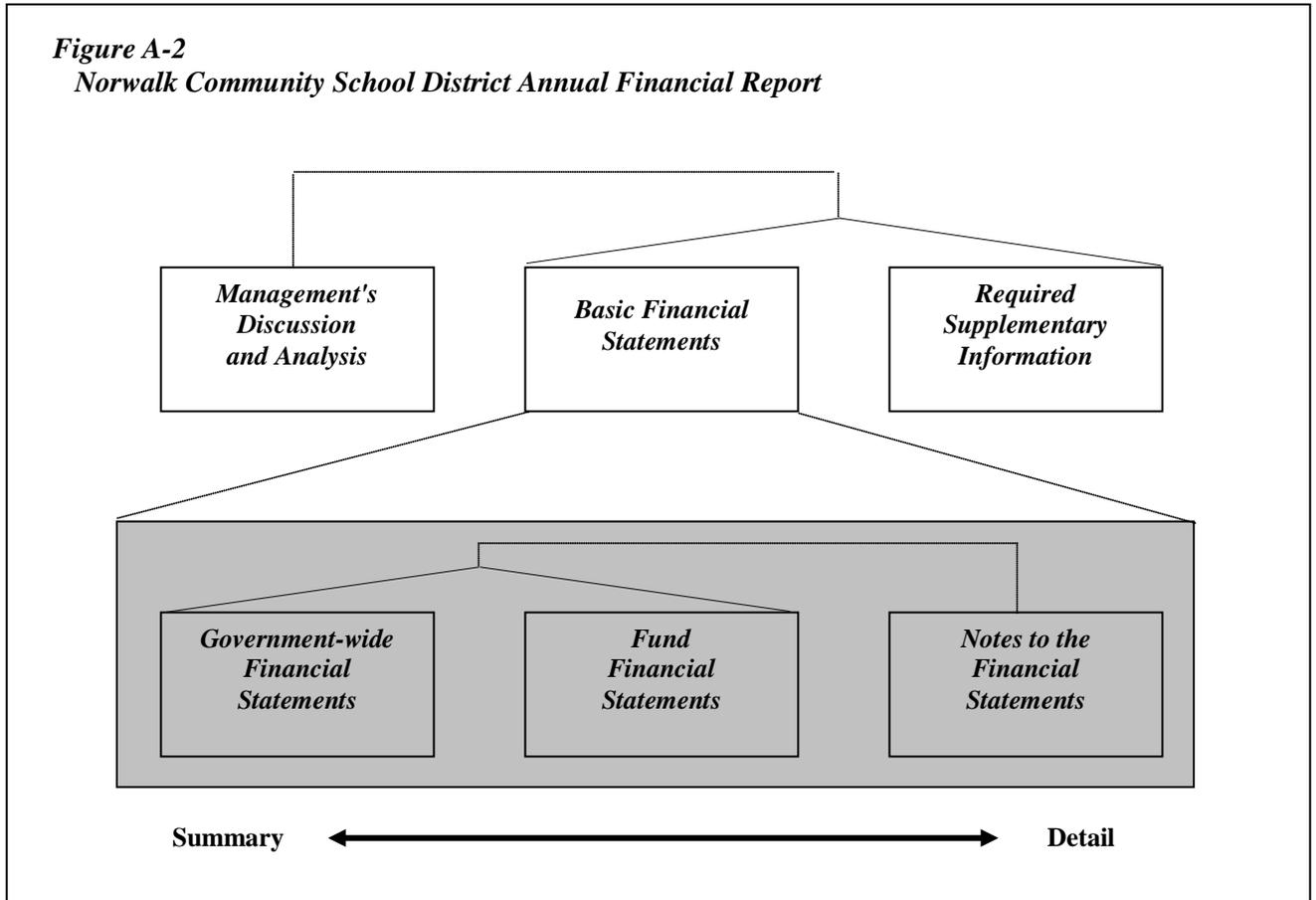


Figure A-3 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-3 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District’s net position and how they have changed. Net position 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-4 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-4
Condensed Statement of Net Position

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 25,703,131	23,708,147	794,932	779,782	26,498,063	24,487,929	8.21%
Capital assets	45,836,086	46,483,004	443,943	515,486	46,280,029	46,998,490	-1.53%
Total assets	71,539,217	70,191,151	1,238,875	1,295,268	72,778,092	71,486,419	1.81%
Long-term obligations	33,228,502	34,226,601	17,121	14,643	33,245,623	34,241,244	-2.91%
Other liabilities	4,190,102	3,985,250	108,344	72,415	4,298,446	4,057,665	5.93%
Total liabilities	37,418,604	38,211,851	125,465	87,058	37,544,069	38,298,909	-1.97%
Deferred inflows of resources	9,227,381	8,903,051	-	-	9,227,381	8,903,051	3.64%
Net position:							
Net investment in capital assets	13,471,031	12,935,760	443,943	515,486	13,914,974	13,451,246	3.45%
Restricted	5,322,084	4,043,966	-	-	5,322,084	4,043,966	31.61%
Unrestricted	6,100,117	6,096,523	669,467	692,724	6,769,584	6,789,247	-0.29%
Total net position	\$ 24,893,232	23,076,249	1,113,410	1,208,210	26,006,642	24,284,459	7.09%

The District's combined net position increased by 7.09%, or \$1,722,183, 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), less the 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 increased \$1,278,118, or 31.61% under the prior year. The increase was primarily a result of an increase in the restricted fund balance in the Capital Projects Fund accounts.

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 - decreased \$19,663, or 0.29%. The increase in unrestricted net position is mainly attributable to the increase in fund balance of the General Fund.

In June 2014, the Board of Directors approved a committed fund balance of \$908,050 for curriculum department budget as provided under GASB Statement 54 for the purpose of securing funds for the purchase of curriculum and technology for the 2014-2015 school year.

Figure A-5 shows the changes in net position for the year ended June 30, 2014 compared to June 30, 2013.

Figure A-5
Changes in Net Position

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for services	\$ 1,801,081	1,918,291	693,868	641,752	2,494,949	2,560,043	-2.54%
Operating grants and contributions and restricted interest	2,244,767	1,796,550	399,063	337,071	2,643,830	2,133,621	23.91%
Capital grants and contributions and restricted interest	15,940	1,422	-	-	15,940	1,422	1020.96%
General revenues:							
Property tax	8,748,199	8,866,094	-	-	8,748,199	8,866,094	-1.33%
Statewide sales, services and use tax	2,131,923	2,013,412	-	-	2,131,923	2,013,412	5.89%
Unrestricted state grants	14,242,659	13,415,464	-	-	14,242,659	13,415,464	6.17%
Unrestricted investment earnings	27,823	16,133	41	45	27,864	16,178	72.23%
Other	61,367	59,691	10,027	1,544	71,394	61,235	16.59%
Total revenues	29,273,759	28,087,057	1,102,999	980,412	30,376,758	29,067,469	4.50%
Program expenses:							
Governmental activities:							
Instruction	16,027,414	15,425,915	-	-	16,027,414	15,425,915	3.90%
Support services	7,899,835	7,193,655	112,879	102,289	8,012,714	7,295,944	9.82%
Non-instructional programs	-	-	1,084,920	890,428	1,084,920	890,428	21.84%
Other expenses	3,529,527	3,500,855	-	-	3,529,527	3,500,855	0.82%
Total expenses	27,456,776	26,120,425	1,197,799	992,717	28,654,575	27,113,142	5.69%
Excess(Deficiency) of revenues over(under) expenditures	1,816,983	1,966,632	(94,800)	(12,305)	1,722,183	1,954,327	-11.88%
Transfers	-	10,219	-	(10,219)	-	-	0.00%
Change in net position	1,816,983	1,976,851	(94,800)	(22,524)	1,722,183	1,954,327	-11.88%
Net position beginning of year	23,076,249	21,099,398	1,208,210	1,230,734	24,284,459	22,330,132	8.75%
Net position end of year	\$ 24,893,232	23,076,249	1,113,410	1,208,210	26,006,642	24,284,459	7.09%

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. In December of 2012 the Board of Directors took action to renew the ISL for a third five-year period. The current ISL expires in 2019. 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.

	<u>Local Property Tax</u>	<u>State Aid</u>	<u>Total ISL 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
FY2014	\$841,645	\$ 0	\$841,645
<i>Est. FY2015</i>	<i>\$891,230</i>	<i>\$ 0</i>	<i>\$891,230</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 made a few additional budget reductions and decided to use fund balance reserves if necessary. In FY14 the state continued 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 anticipated a decline in the ending General Fund for June 30, 2014. However, District's ending fund balance increased by \$19,775, illustrating the conservative patterns of the District. The District continues to closely monitor expenses, looking for ways to reduce the budget due to the reduction in state school funding. 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 10% to 20%. The District may be forced to levy a Cash Reserve levy to offset these deficits and to maintain the solvency ratio between 15% and 20%.

Below is a recap of the District's June 30th 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	\$ 4,890,892
FY2014	\$ 4,809,500
<i>Est. FY2015</i>	<i>\$ 3,800,000</i>

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

In 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 Fund</u>	<u>Ending 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
FY2014	\$3,012,931	\$2,763,735	\$ 249,196	\$2,041,422
<i>Est. FY2015</i>	<i>\$3,087,520</i>	<i>\$2,830,139</i>	<i>\$ 257,381</i>	<i>\$2,298,803</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)
FY2014	\$831,803	\$ 618,528	\$187,279
<i>Est. FY2015</i>	<i>\$962,117</i>	<i>\$ 1,106,878</i>	<i>\$ 42,518</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
FY2014	\$2,131,927	\$1,751,455	\$ 408,775
<i>Est. FY2015</i>	<i>\$2,435,691</i>	<i>\$2,354,376</i>	<i>\$ 562,090</i>

Governmental Activities

Revenues for governmental activities were \$29,273,759 and expenses were \$27,456,776.

Figure A-6 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, 2014 compared to the year ended June 30, 2013.

Figure A-6
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
			Change			Change
	2014	2013	2013-14	2014	2013	2013-14
Instruction	\$ 16,027,414	15,425,915	3.90%	13,099,605	12,693,244	3.20%
Support services	7,899,835	7,193,655	9.82%	7,704,525	7,085,254	8.74%
Other expenses	3,529,527	3,500,855	0.82%	2,590,858	2,625,664	-1.33%
Totals	\$ 27,456,776	26,120,425	5.12%	23,394,988	22,404,162	4.42%

For the year ended June 30, 2014:

- The cost financed by users of the District’s programs was \$1,801,081.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,260,707.
- The net cost of governmental activities was financed with \$8,748,199 in property tax, \$2,131,923 in statewide sales, services and use tax, \$14,242,659 in unrestricted state grants, \$27,823 in unrestricted investment earnings and \$61,367 in other general revenues.

Business type Activities

Revenues of the District’s Business type activity were \$1,102,999 and expenses were \$1,197,799. 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 \$10,696,247, above last year’s ending fund balances of \$9,489,114. However, the primary reason for the increase was due to the increasing fund balances in the Capital Project Fund accounts.

Governmental Fund Highlights

- The District’s General Fund financial position is the product of many factors. An increase in state source revenues increased General Fund revenues. Increased salary and benefits costs were the main factor in the increase in fund expenditures. This resulted in an increase in General Fund balance from \$5,291,416 in 2013 to \$5,311,191 in 2014.
- The Management Fund balance increased from a balance of \$1,747,383 in 2013 to \$1,984,264 in 2014 representing an increase of \$236,881. This was despite revenues decreasing by \$420,699 compared to the prior year.
- The Capital Projects Fund balance increased from a balance of \$72,562 in 2013 to \$668,054 in 2014. The increase in fund balance is due to all construction projects being completed by year end.

-
- The Debt Service Fund balance was utilized for the payments of principal and interest on bonds and a copier lease. During the year, the Debt Service Fund balance increased from \$2,119,692 in 2013 to \$2,478,676 in 2014. The Board intends to maximize the annual debt service levy (\$4.05 per \$1000) to accelerate bond principal repayments over the next several years.

Proprietary Fund Highlights

The School Nutrition Fund's net position decreased 7.85%, from \$1,208,210 at June 30, 2013 to \$1,113,410 at June 30, 2014.

BUDGETARY HIGHLIGHTS

Over the course of the year, Norwalk Community School District amended its annual budget one time to reflect additional expenditures in the instruction, support services, non-instructional programs and other expenditures functional areas to account for additional expenditures for computer equipment purchases, personnel costs, grant expenses, non-instructional programs for additional food costs and other expenditures functions for roofing and other facilities maintenance.

The District's revenues were \$491,288 more than budgeted revenues, a variance of 1.64%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of expenditures at year end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$46.28 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (*See Figure A-7*) This amount represents a net decrease of 1.53% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,531,592.

The original cost of the District's capital assets was approximately \$62.11 million. Governmental funds account for approximately \$61.10 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, 2014, 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-7
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 440,380	256,352	-	-	440,380	256,352	71.79%
Construction in progress	-	639,851	-	-	-	639,851	-100.00%
Buildings	44,145,966	44,274,495	-	-	44,145,966	44,274,495	-0.29%
Land improvements	680,504	712,501	-	-	680,504	712,501	-4.49%
Machinery and equipment	569,236	599,805	443,943	515,486	1,013,179	1,115,291	-9.16%
Total	\$ 45,836,086	46,483,004	443,943	515,486	46,280,029	46,998,490	-1.53%

Long-Term Debt

At June 30, 2014, the District had \$33,245,623 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 2.91% from last year. (See *Figure A-8*) 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 \$16,645,000 at June 30, 2014.
- The District had outstanding Revenue Bonds payable from the Capital Projects: Statewide Sales Services and Use Tax Fund of \$15,660,000 at June 30, 2014.
- The District had an outstanding Copier Lease payable from the Capital Projects: Physical Plant and Equipment Levy Fund of \$60,055 at June 30, 2014.
- The District had outstanding compensated absences payable from the General Fund of \$69,145 at June 30, 2014.
- The District had outstanding net OPEB liability of \$811,423 at June 30, 2014, \$794,302 is attributable to the governmental activities and \$17,121 is attributable to business type activities.

Figure A-8
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	\$ 16,645,000	17,580,000	-	-	16,645,000	17,580,000	-5.32%
Revenue bonds	15,660,000	15,875,000	-	-	15,660,000	15,875,000	-1.35%
Copier lease	60,055	92,244	-	-	60,055	92,244	-34.90%
Compensated absences	69,145	-	-	-	69,145	-	100.00%
Net OPEB liability	794,302	679,357	17,121	14,643	811,423	694,000	16.92%
Totals	\$ 33,228,502	34,226,601	17,121	14,643	33,245,623	34,241,244	-2.91%

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 thirteen years:

<u>School Year</u>	<u>Certified Enrollment</u>	<u>Increase/Decrease</u>
2001-2002	2097.2	13.3
2002-2003	2160.3	63.1
2003-2004	2185.8	25.5
2004-2005	2185.5	- 0.3
2005-2006	2238.0	52.5
2006-2007	2269.6	31.6
2007-2008	2329.9	60.3
2008-2009	2303.6	-26.3
2009-2010	2329.8	26.2
2010-2011	2390.9	61.1
2011-2012	2385.8	-5.1
2012-2013	2434.0	47.2
2013-2014	2516.6	82.6
2014-2015	2558.8	42.3

- 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/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, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 14,256,843	725,580	14,982,423
Receivables:			
Property tax:			
Delinquent	199,118	-	199,118
Succeeding year	9,068,737	-	9,068,737
Accounts	401,178	1,097	402,275
Accrued interest	18,518	1	18,519
Due from other governments	1,758,737	3,102	1,761,839
Inventories	-	65,152	65,152
Capital assets, net of accumulated depreciation	45,836,086	443,943	46,280,029
TOTAL ASSETS	71,539,217	1,238,875	72,778,092
LIABILITIES			
Accounts payable	716,154	50,474	766,628
Salaries and benefits payable	3,021,927	27,304	3,049,231
Accrued interest payable	452,021	-	452,021
Deferred revenue:			
Unearned revenue	-	30,566	30,566
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	965,000	-	965,000
Revenue bonds payable	220,000	-	220,000
Copier lease payable	33,719	-	33,719
Compensated absences payable	69,145	-	69,145
Portion due after one year:			
General obligation bonds payable	15,680,000	-	15,680,000
Revenue bonds payable	15,440,000	-	15,440,000
Copier lease payable	26,336	-	26,336
Net OPEB liability	794,302	17,121	811,423
TOTAL LIABILITIES	37,418,604	125,465	37,544,069
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	9,068,737	-	9,068,737
Other	158,644	-	158,644
TOTAL DEFERRED INFLOWS OF RESOURCES	9,227,381	-	9,227,381
NET POSITION			
Net investment in capital assets	13,471,031	443,943	13,914,974
Restricted for:			
Categorical funding	389,049	-	389,049
School infrastructure	480,775	-	480,775
Physical plant and equipment	187,279	-	187,279
Debt service	2,026,655	-	2,026,655
Management levy purposes	1,984,264	-	1,984,264
Student activities	254,062	-	254,062
Unrestricted	6,100,117	669,467	6,769,584
TOTAL NET POSITION	\$ 24,893,232	1,113,410	26,006,642

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern-mental Activities	Business-Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 10,778,700	984,820	336,591	-	(9,457,289)	(9,457,289)
Special	2,834,807	248,166	371,619	-	(2,215,022)	(2,215,022)
Other	2,413,907	486,554	500,059	-	(1,427,294)	(1,427,294)
	<u>16,027,414</u>	<u>1,719,540</u>	<u>1,208,269</u>	<u>-</u>	<u>(13,099,605)</u>	<u>(13,099,605)</u>
Support services:						
Student	1,165,754	-	-	-	(1,165,754)	(1,165,754)
Instructional staff	935,743	-	72,928	-	(862,815)	(862,815)
Administration	2,768,238	-	-	-	(2,768,238)	(2,768,238)
Operation and maintenance of plant	2,342,599	36,242	-	15,940	(2,290,417)	(2,290,417)
Transportation	687,501	45,299	24,901	-	(617,301)	(617,301)
	<u>7,899,835</u>	<u>81,541</u>	<u>97,829</u>	<u>15,940</u>	<u>(7,704,525)</u>	<u>(7,704,525)</u>
Long-term debt interest	1,373,897	-	-	-	(1,373,897)	(1,373,897)
Other expenses:						
AEA flowthrough	938,669	-	938,669	-	-	-
Depreciation(unallocated)*	1,216,961	-	-	-	(1,216,961)	(1,216,961)
	<u>2,155,630</u>	<u>-</u>	<u>938,669</u>	<u>-</u>	<u>(1,216,961)</u>	<u>(1,216,961)</u>
Total governmental activities	27,456,776	1,801,081	2,244,767	15,940	(23,394,988)	(23,394,988)
Business type activities:						
Support services:						
Administration	4,192	-	-	-	(4,192)	(4,192)
Operation and maintenance of plant	108,687	-	-	-	(108,687)	(108,687)
	<u>112,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(112,879)</u>	<u>(112,879)</u>
Non-instructional programs:						
Nutrition services	1,084,920	693,868	399,063	-	8,011	8,011
Total business type activities	1,197,799	693,868	399,063	-	(104,868)	(104,868)
Total	<u>\$ 28,654,575</u>	<u>2,494,949</u>	<u>2,643,830</u>	<u>15,940</u>	<u>(23,394,988)</u>	<u>(23,499,856)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 5,954,954	-	5,954,954
Capital outlay				815,557	-	815,557
Debt service				1,977,688	-	1,977,688
Statewide sales, services and use tax				2,131,923	-	2,131,923
Unrestricted state grants				14,242,659	-	14,242,659
Unrestricted investment earnings				27,823	41	27,864
Other general revenues				61,367	10,027	71,394
Total general revenues				<u>25,211,971</u>	<u>10,068</u>	<u>25,222,039</u>
Changes in net position				1,816,983	(94,800)	1,722,183
Net position beginning of year				23,076,249	1,208,210	24,284,459
Net position end of year				<u>\$ 24,893,232</u>	<u>1,113,410</u>	<u>26,006,642</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, 2014

	General	Management Levy	Capital Projects	Debt Service	Nonmajor Student Activity	Total
ASSETS						
Cash and pooled investments	\$ 8,139,257	1,595,934	283,723	2,467,150	292,758	12,778,822
Receivables:						
Property tax:						
Delinquent	131,222	10,648	15,045	42,203	-	199,118
Succeeding year	5,666,394	510,002	844,442	2,047,899	-	9,068,737
Accounts	18,229	-	-	-	8,736	26,965
Accrued interest	10,072	5,611	-	2,835	-	18,518
Due from other funds	-	379,849	-	-	-	379,849
Due from other governments	322,372	-	1,436,365	-	-	1,758,737
TOTAL ASSETS	\$ 14,287,546	2,502,044	2,579,575	4,560,087	301,494	24,230,746
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Due to other funds	\$ -	-	936,816	-	-	936,816
Accounts payable	550,340	-	118,802	-	47,012	716,154
Salaries and benefits payable	2,653,728	-	-	-	420	2,654,148
Total liabilities	3,204,068	-	1,055,618	-	47,432	4,307,118
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	5,666,394	510,002	844,442	2,047,899	-	9,068,737
Other	105,893	7,778	11,461	33,512	-	158,644
Total deferred inflows of resources	5,772,287	517,780	855,903	2,081,411	-	9,227,381
Fund balances:						
Restricted for:						
Categorical funding	389,049	-	-	-	-	389,049
School infrastructure	-	-	480,775	-	-	480,775
Physical plant and equipment	-	-	187,279	-	-	187,279
Debt service	-	-	-	2,478,676	-	2,478,676
Management levy purposes	-	1,984,264	-	-	-	1,984,264
Student activities	-	-	-	-	254,062	254,062
Assigned for special purposes	112,642	-	-	-	-	112,642
Committed for curriculum department	908,050	-	-	-	-	908,050
Unassigned	3,901,450	-	-	-	-	3,901,450
Total fund balances	5,311,191	1,984,264	668,054	2,478,676	254,062	10,696,247
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,287,546	2,502,044	2,579,575	4,560,087	301,494	24,230,746

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds(page 24)	\$ 10,696,247
 <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 reported as assets in the governmental funds.	45,836,086
Blending of the Internal Service Fund to be reflected at an entity-wide basis.	2,041,422
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.	(452,021)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, copier lease payable, compensated absences 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.	<u>(33,228,502)</u>
Net position of governmental activities(page 22)	<u><u>\$ 24,893,232</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Management Levy	Capital Projects	Debt Service	Nonmajor Student Activity	Total
REVENUES:						
Local sources:						
Local tax	\$ 5,356,105	598,849	815,557	1,977,688	-	8,748,199
Tuition	875,780	-	-	-	-	875,780
Other	552,829	27,863	15,947	5,414	498,180	1,100,233
Intermediate sources	3,703	-	-	-	-	3,703
State sources	15,860,713	253	2,132,225	733	-	17,993,924
Federal sources	551,920	-	-	-	-	551,920
Total revenues	23,201,050	626,965	2,963,729	1,983,835	498,180	29,273,759
EXPENDITURES:						
Current:						
Instruction:						
Regular	10,312,329	104,251	490,937	-	-	10,907,517
Special	2,855,558	-	-	-	-	2,855,558
Other	1,938,376	-	-	-	482,038	2,420,414
	15,106,263	104,251	490,937	-	482,038	16,183,489
Support services:						
Student	1,138,372	-	32,679	-	-	1,171,051
Instructional staff	930,702	-	7,683	-	50	938,435
Administration	2,626,172	28,249	27,231	-	308	2,681,960
Operation and maintenance of plant	1,869,176	221,289	82,150	-	-	2,172,615
Transportation	583,110	36,295	-	-	19,783	639,188
	7,147,532	285,833	149,743	-	20,141	7,603,249
Capital outlay	-	-	786,850	-	-	786,850
Long-term debt:						
Principal	-	-	-	1,182,189	-	1,182,189
Interest and fiscal charges	-	-	-	1,383,370	-	1,383,370
	-	-	-	2,565,559	-	2,565,559
Other expenditures:						
AEA flowthrough	938,669	-	-	-	-	938,669
Total expenditures	23,192,464	390,084	1,427,530	2,565,559	502,179	28,077,816
Excess(Deficiency) of revenues over(under) expenditures	8,586	236,881	1,536,199	(581,724)	(3,999)	1,195,943
Other financing sources(uses):						
Transfer in	-	-	1,745	940,708	-	942,453
Transfer out	-	-	(942,453)	-	-	(942,453)
Insurance proceeds	4,895	-	-	-	-	4,895
Sale of property	6,294	-	1	-	-	6,295
Total other financing sources(uses)	11,189	-	(940,707)	940,708	-	11,190
Change in fund balances	19,775	236,881	595,492	358,984	(3,999)	1,207,133
Fund balances beginning of year	5,291,416	1,747,383	72,562	2,119,692	258,061	9,489,114
Fund balances end of year	\$ 5,311,191	1,984,264	668,054	2,478,676	254,062	10,696,247

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, 2014

Change in fund balances - total governmental funds(page 26) \$ 1,207,133

Amounts reported for governmental activities in the Statement of Activities are different because:

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

Expenditures for capital assets	\$ 842,963	
Depreciation expense	(1,452,295)	
Loss on asset disposal	<u>(37,586)</u>	(646,918)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 249,196

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. 1,182,189

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. 9,473

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	\$ (69,145)	
Other postemployment benefits	<u>(114,945)</u>	<u>(184,090)</u>

Change in net position of governmental activities(page 23) \$ 1,816,983

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 725,580	1,478,021
Receivables:		
Accounts	1,097	374,213
Accrued interest	1	-
Due from other governments	3,102	-
Due from other funds	-	556,967
Inventories	65,152	-
Capital assets, net of accumulated depreciation	443,943	-
TOTAL ASSETS	1,238,875	2,409,201
LIABILITIES		
Current liabilities:		
Accounts payable	50,474	-
Salaries and benefits payable	27,304	367,779
Unearned revenue	30,566	-
Total current liabilities	108,344	367,779
Long-term liabilities:		
Net OPEB liability	17,121	-
TOTAL LIABILITIES	125,465	367,779
NET POSITION		
Net investment in capital assets	443,943	-
Unrestricted	669,467	2,041,422
TOTAL NET POSITION	\$ 1,113,410	2,041,422

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, 2014

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 693,868	3,009,606
Contributions	9,063	-
Miscellaneous	964	3,325
TOTAL OPERATING REVENUES	703,895	3,012,931
OPERATING EXPENSES:		
Support services:		
Administration:		
Salaries	887	-
Benefits	68	-
Services	3,237	-
	<u>4,192</u>	<u>-</u>
Operation and maintenance of plant:		
Salaries	57,352	-
Benefits	16,068	-
Services	19,179	-
Supplies	16,088	-
	<u>108,687</u>	<u>-</u>
Total support services	<u>112,879</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	302,459	-
Benefits	127,526	-
Services	19,922	-
Supplies	553,104	-
Depreciation	79,297	-
	<u>1,082,308</u>	<u>-</u>
Other enterprise operations:		
Benefits	-	2,740,450
Services	-	23,285
	<u>-</u>	<u>2,763,735</u>
Total non-instructional programs	<u>1,082,308</u>	<u>2,763,735</u>
TOTAL OPERATING EXPENSES	1,195,187	2,763,735
OPERATING INCOME(LOSS)	(491,292)	249,196
NON-OPERATING REVENUES(EXPENSES):		
State sources	8,290	-
Federal sources	390,773	-
Interest income	41	-
Loss on disposal of capital assets	(2,612)	-
TOTAL NON-OPERATING REVENUES(EXPENSES)	396,492	-
Change in net position	(94,800)	249,196
Net position beginning of year	<u>1,208,210</u>	<u>1,792,226</u>
Net position end of year	<u>\$ 1,113,410</u>	<u>2,041,422</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 703,933	-
Cash received from donations	9,063	-
Cash received from miscellaneous operating activities	964	2,992,013
Cash payments to employees for services	(494,772)	(2,676,613)
Cash payments to suppliers for goods or services	(508,188)	(23,285)
Net cash provided by(used in) operating activities	(289,000)	292,115
Cash flows from non-capital financing activities:		
Repayment from Capital Projects: Statewide Sales, Services and Use Tax Fund	-	23,753
State grants received	8,290	-
Federal grants received	287,486	-
Net cash provided by non-capital financing activities	295,776	23,753
Cash flows from capital and related financing activities:		
Acquisition of assets	(10,366)	-
Cash flows from investing activities:		
Interest on investments	41	-
Net increase(decrease) in cash and cash equivalents	(3,549)	315,868
Cash and cash equivalents at beginning of year	729,129	1,162,153
Cash and cash equivalents at end of year	\$ 725,580	1,478,021
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (491,292)	249,196
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	101,015	-
Depreciation	79,297	-
Increase in inventories	(18,451)	-
Increase(Decrease) in accounts receivable	2,024	(20,918)
Increase in accounts payable	20,778	-
Increase in salaries and benefits payable	7,110	63,837
Increase in unearned revenue	8,041	-
Increase in other postemployment benefits	2,478	-
Net cash provided by(used in) operating activities	\$ (289,000)	292,115

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$101,015.

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Private Purpose Trust</u>
	<u>Scholarship Fund</u>
ASSETS	
Cash and pooled investments	\$ 31,040
Accrued interest receivable	69
Total assets	<u>31,109</u>
LIABILITIES	
	<u>-</u>
NET POSITION	
Restricted for scholarships	<u>\$ 31,109</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust</u>	<u>Scholarship Fund</u>
Additions:		
Local sources:		
Contributions	\$	440
Interest income		313
Total additions		<u>753</u>
Deductions:		
Instruction:		
Regular:		
Scholarships awarded		<u>1,090</u>
Change in net position		(337)
Net position beginning of year		<u>31,446</u>
Net position end of year	\$	<u>31,109</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(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 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets 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. Enabling legislation did not result in any restricted net position.

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 nonmajor 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, Deferred Inflows of Resources 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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 Inflows of Resources - 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 inflows of resources 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 inflows of resources consist of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources 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, 2014. 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 Balances - In the governmental fund financial statements, fund balances are classified as follows:

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

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

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.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the support services function.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2014 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, 2014, 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 \$6,407,707 and \$558,884 respectively, pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services. The investments in the Education Liquidity Fund are registered and not subject to rating.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
Internal Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 556,967
Management Levy	Capital Projects: Statewide Sales, Services and Use Tax	379,849
Total		<u>\$ 936,816</u>

The Capital Projects: Statewide Sales, Services and Use Tax Fund is repaying the Internal Service Fund for money borrowed to cover costs related to the District's office project.

The Capital Projects: Statewide Sales, Services and Use Tax Fund is repaying the Management Fund for money borrowed to call the June 1, 2005 revenue bonds during fiscal year 2013.

(4) Transfers

The detail of transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 904,909
Debt Service	Capital Projects: Physical Plant and Equipment Levy	35,799
Capital Projects: Auditorium and Stadium Projects	Capital Projects: Statewide Sales, Services and Use Tax	1,745
Total		<u>\$ 942,453</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's revenue bond indebtedness.

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for principal and interest payments on the District's copier lease indebtedness.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Capital Projects: Auditorium and Stadium Projects Fund was needed to close the account.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 256,352	184,028	-	440,380
Construction in progress	639,851	421,082	1,060,933	-
Total capital assets not being depreciated	896,203	605,110	1,060,933	440,380
Capital assets being depreciated:				
Buildings	54,418,145	1,075,931	375,269	55,118,807
Land improvements	1,307,585	18,090	1,795	1,323,880
Machinery and equipment	4,157,575	204,765	146,078	4,216,262
Total capital assets being depreciated	59,883,305	1,298,786	523,142	60,658,949
Less accumulated depreciation for:				
Buildings	10,143,650	1,166,874	337,683	10,972,841
Land improvements	595,084	50,087	1,795	643,376
Machinery and equipment	3,557,770	235,334	146,078	3,647,026
Total accumulated depreciation	14,296,504	1,452,295	485,556	15,263,243
Total capital assets being depreciated, net	45,586,801	(153,509)	37,586	45,395,706
Governmental activities capital assets, net	\$ 46,483,004	451,601	1,098,519	45,836,086
<u>Business type activities:</u>				
Machinery and equipment	\$ 1,006,440	10,366	10,565	1,006,241
Less accumulated depreciation	490,954	79,297	7,953	562,298
Business type activities capital assets, net	\$ 515,486	(68,931)	2,612	443,943

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 44,390
Special	1,700
Other	32,669

Support services:

Administration	64,058
Operation and maintenance of plant	19,964
Transportation	72,553
	<u>235,334</u>

Unallocated depreciation 1,216,961

Total governmental activities depreciation expense \$ 1,452,295

Business type activities:

Food services \$ 79,297

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 17,580,000	-	935,000	16,645,000	965,000
Revenue bonds	15,875,000	-	215,000	15,660,000	220,000
Copier lease	92,244	-	32,189	60,055	33,719
Compensated absences	-	69,145	-	69,145	69,145
Net OPEB liability	679,357	114,945	-	794,302	-
Total	\$ 34,226,601	184,090	1,182,189	33,228,502	1,287,864
Business type activities:					
Net OPEB liability	\$ 14,643	2,478	-	17,121	-

General Obligation Bonds Payable

Details of the District's June 30, 2014 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
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		-	-	4.40	225,000	201,148	3.70	145,000	204,493
2020-2024		-	-	4.25-4.50	3,355,000	761,808	3.75-4.00	820,000	935,487
2025-2029		-	-	4.40	1,045,000	45,980	4.00	4,185,000	492,200
2030		-	-		-	-		-	-
Total		\$ 1,555,000	127,607		\$ 5,235,000	1,887,616		\$ 5,670,000	2,521,730

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
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	3.00	50,000	69,165	2.25	690,000	24,645	1,110,000	499,451	1,609,451
2020-2024	3.00-3.65	260,000	321,375	2.40	380,000	9,120	4,815,000	2,027,790	6,842,790
2025-2029	4.00-4.25	900,000	252,500		-	-	6,130,000	790,680	6,920,680
2030	4.25	500,000	21,250		-	-	500,000	21,250	521,250
Total		\$ 1,910,000	955,950		\$ 2,275,000	207,225	\$ 16,645,000	5,700,128	22,345,128

Revenue Bonds Payable

Details of the District's June 30, 2014 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
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	4.00		855,000	573,426	1,428,426
2020-2024	4.00-4.40		4,830,000	2,298,157	7,128,157
2025-2029	4.50-5.00		5,995,000	1,093,805	7,088,805
2030	5.00		1,380,000	34,500	1,414,500
Total			<u>\$ 15,660,000</u>	<u>6,597,145</u>	<u>22,257,145</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 42 percent of the statewide sales, services, and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$22,257,145. For the current year, principal of \$215,000 and interest of \$692,756 was paid on the bonds and total statewide sales, services and use tax revenues were \$2,131,923.

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.
- b) The District will make monthly transfers from the Capital Projects: Statewide Sales, Services and Use Tax Fund to a Revenue Account held by the bonding agent in the District's name.
- 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
2015	4.65	% \$ 33,719	2,080	35,799
2016	4.65	26,336	513	26,849
Total		\$ 60,055	2,593	62,648

(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 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll for the year ended June 30, 2014. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$1,284,534, \$1,200,940 and \$1,090,840 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, 2014, 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		31,230
Adjustment to annual required contribution		(26,807)
Annual OPEB cost		<u>187,423</u>
Contributions made		<u>(70,000)</u>
Increase in net OPEB obligation		117,423
Net OPEB obligation beginning of year		694,000
Net OPEB obligation end of year	\$	<u><u>811,423</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, 2014.

For the year ended June 30, 2014, the District contributed \$70,000 to the medical plan. Plan members eligible for benefits contributed \$123,000, or 65.6% 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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 203,814	31.9%	\$ 549,814
2013	187,186	23.0%	694,000
2014	187,423	37.3%	811,423

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, 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 \$14.249 million, and the ratio of the UAAL to covered payroll was 9.8%. As of June 30, 2014, 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 9.5% 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 Valuation as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Valuation as of June 30, 2012.

Projected claim costs of the medical plan are for the \$940 per month for retirees who have attained age 60 that are on the Classic Blue Plan and \$707 per month for retirees who have attained age 60 that are on the PPO 100 plan. 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 \$938,669 for the year ended June 30, 2014 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, 2014 is comprised of the following programs:

Program	Amount
Homeschool assistance program	\$ 3,495
Gifted and talented	9,619
Dropout and dropout prevention	83,200
Successful progressions for early readers	31,179
Four-year-old preschool state aid	218,685
Model core curriculum	20,512
Market factor	6,563
Market factor incentives	15,796
Total	<u><u>\$ 389,049</u></u>

(12) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

(13) Reconciliation of Governmental Fund Balances to Net Position

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

	Net Investment in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	2,478,676	3,901,450
Capital assets			
net of accumulated depreciation	45,836,086	-	-
General obligation bond capitalized indebtedness	(16,645,000)	-	-
Revenue bond capitalized indebtedness	(15,660,000)	-	-
Copier lease	(60,055)	-	-
Compensated absences payable	-	-	(69,145)
Internal service fund	-	-	2,041,422
Assigned fund balance	-	-	112,642
Committed fund balance	-	-	908,050
Accrued interest payable	-	(452,021)	-
Net OPEB liability	-	-	(794,302)
Net position (Exhibit A)	\$ 13,471,031	2,026,655	6,100,117

(14) 28E Sharing Arrangement

During the year ended June 30, 2011, the District entered into an agreement pursuant to Iowa Code Chapter 28E with the City of Norwalk for the use of a shared maintenance and fuel facility. The agreement covers a period of twenty years which will then renew for successive one-year periods without further action by either party. Under the terms of the agreement the District is to pay the City of Norwalk \$25,000 per year for ten years and a proportionate share of the expenses of operating and maintaining the facility.

(15) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional are level. During the year ended June 30, 2014, expenditures in the support services functional area exceeded the amounts budgeted.

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, 2014

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 10,724,212	703,936	11,428,148	12,509,663	12,509,663	(1,081,515)
Intermediate sources	3,703	-	3,703	-	-	3,703
State sources	17,993,924	8,290	18,002,214	16,592,590	16,592,590	1,409,624
Federal sources	551,920	390,773	942,693	783,217	783,217	159,476
Total revenues	29,273,759	1,102,999	30,376,758	29,885,470	29,885,470	491,288
Expenditures/Expenses:						
Instruction	16,183,489	-	16,183,489	17,274,977	17,500,000	1,316,511
Support services	7,603,249	112,879	7,716,128	7,386,169	7,500,000	(216,128)
Non-instructional programs	-	1,084,920	1,084,920	1,031,010	1,100,000	15,080
Other expenditures	4,291,078	-	4,291,078	4,751,755	4,800,000	508,922
Total expenditures/expenses	28,077,816	1,197,799	29,275,615	30,443,911	30,900,000	1,624,385
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,195,943	(94,800)	1,101,143	(558,441)	(1,014,530)	2,115,673
Other financing sources(uses), net	11,190	-	11,190	-	-	11,190
Excess(Deficiency) of revenues and other financing sources(uses) over(under) expenditures/expenses	1,207,133	(94,800)	1,112,333	(558,441)	(1,014,530)	2,126,863
Balance beginning of year	9,489,114	1,208,210	10,697,324	9,742,027	9,742,027	955,297
Balance end of year	\$ 10,696,247	1,113,410	11,809,657	9,183,586	8,727,497	3,082,160

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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 \$456,089.

During the year ended June 30, 2014, expenditures in the support services function exceeded the amount budgeted.

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%
2014	July 1, 2012	-	1,398	1,398	0.0%	14,249	9.8%

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, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 5	283,718	283,723
Receivables:			
Property tax:			
Delinquent	-	15,045	15,045
Succeeding year	-	844,442	844,442
Due from other governments	1,436,365	-	1,436,365
TOTAL ASSETS	\$ 1,436,370	1,143,205	2,579,575
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 936,816	-	936,816
Accounts payable	18,779	100,023	118,802
Total liabilities	955,595	100,023	1,055,618
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	844,442	844,442
Other	-	11,461	11,461
Total deferred inflows of resources	-	855,903	855,903
Fund balances:			
Restricted for:			
School infrastructure	480,775	-	480,775
Physical plant and equipment	-	187,279	187,279
Total fund balances	480,775	187,279	668,054
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,436,370	1,143,205	2,579,575

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, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Auditorium and Stadium Projects	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	-	815,557	815,557
Other	4	-	15,943	15,947
State sources	2,131,923	-	302	2,132,225
Total revenues	2,131,927	-	831,802	2,963,729
EXPENDITURES:				
Current:				
Instruction:				
Regular	368,668	-	122,269	490,937
Support services:				
Student	-	-	32,679	32,679
Instructional staff	745	-	6,938	7,683
Administration	5,513	-	21,718	27,231
Operation and maintenance of plant	25,000	-	57,150	82,150
Capital outlay	444,875	-	341,975	786,850
Total expenditures	844,801	-	582,729	1,427,530
Excess of revenues over expenditures	1,287,126	-	249,073	1,536,199
Other financing sources(uses):				
Transfer in	-	1,745	-	1,745
Transfer out	(906,654)	-	(35,799)	(942,453)
Sale of property	-	-	1	1
Total other financing sources(uses)	(906,654)	1,745	(35,798)	(940,707)
Change in fund balances	380,472	1,745	213,275	595,492
Fund balances beginning of year	100,303	(1,745)	(25,996)	72,562
Fund balances end of year	\$ 480,775	-	187,279	668,054

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2014

	Debt Service		
	Debt Service	Debt Sinking	Total
ASSETS			
Cash and pooled investments	\$ 453,706	2,013,444	2,467,150
Receivables:			
Property tax:			
Delinquent	42,203	-	42,203
Succeeding year	2,047,899	-	2,047,899
Accrued interest	304	2,531	2,835
TOTAL ASSETS	\$ 2,544,112	2,015,975	4,560,087
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ 2,047,899	-	2,047,899
Other	33,512	-	33,512
Total deferred inflows of resources	2,081,411	-	2,081,411
Fund balances:			
Restricted for debt service	462,701	2,015,975	2,478,676
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,544,112	2,015,975	4,560,087

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, 2014

	Debt Service		
	Debt Service	Debt Sinking	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,977,688	-	1,977,688
Other	328	5,086	5,414
State sources	733	-	733
Total revenues	1,978,749	5,086	1,983,835
EXPENDITURES:			
Current:			
Long-term debt:			
Principal	967,189	215,000	1,182,189
Interest and fiscal charges	689,114	694,256	1,383,370
Total expenditures	1,656,303	909,256	2,565,559
Excess(Deficiency) of revenues over(under) expenditures	322,446	(904,170)	(581,724)
Other financing sources:			
Transfer in	35,799	904,909	940,708
Change in fund balances	358,245	739	358,984
Fund balances beginning of year	104,456	2,015,236	2,119,692
Fund balances end of year	\$ 462,701	2,015,975	2,478,676

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expend- itures	Interfund and Intrafund Transfers	Balance End of Year
Middle School Accounts:					
General Athletics	\$ 1,585	4,516	3,335	2,000	4,766
Chorus	2,326	7,935	6,261	-	4,000
Cross Country	100	-	375	500	225
Cheerleaders	1,595	970	639	(500)	1,426
Boys Basketball	890	2,640	1,407	-	2,123
Football	1,096	3,724	3,077	-	1,743
Concessions	2,132	8,289	3,289	(4,000)	3,132
Baseball	265	-	1,710	2,000	555
Boys Track	487	1,502	300	(500)	1,189
Wrestling	526	1,340	596	(500)	770
Girls Basketball	908	2,076	1,951	-	1,033
Volleyball	1,050	3,048	1,400	(1,000)	1,698
Softball	-	-	1,185	2,000	815
Girls Track	769	-	222	-	547
Student Council	4,163	2,001	3,545	-	2,619
Art Club	329	722	-	-	1,051
FCCLA	94	-	-	-	94
Ace Club	544	6,265	6,703	-	106
Annual	2,942	3,163	4,396	-	1,709
SADD	1,134	-	135	-	999
High School Accounts:					
General Athletics	10,462	33,877	13,094	(13,195)	18,050
All School Play	3,100	1,783	1,569	-	3,314
Speech	-	-	618	618	-
Chorus	17,032	62,452	78,609	-	875
Dinner Show	3,867	5,499	7,257	-	2,109
Show Choir	4,090	22,087	21,156	-	5,021
Band	1,853	8,215	10,726	2,189	1,531
Tri-M Club	130	-	-	-	130
Athletic Ambassadors	1,165	-	-	-	1,165
Cross Country	250	2,651	4,629	1,772	44
Swimming	200	-	-	-	200
Bowling	239	-	-	-	239
Boys Basketball	32,433	17,820	16,638	(465)	33,150
Football	20,290	63,902	71,741	(855)	11,596
Boys Soccer	6,938	24,286	21,232	(600)	9,392
Baseball	11,967	26,103	22,449	(510)	15,111
Boys Track	4,302	6,550	7,163	(105)	3,584
Boys Tennis	263	1,425	3,035	1,742	395
Boys Golf	52	1,424	2,453	1,029	52
Concessions	20,698	24,894	18,414	(250)	26,928
Wrestling	11,507	14,092	18,197	(165)	7,237

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expend- itures	Interfund and Intrafund Transfers	Balance End of Year
High School Accounts(Continued):					
Weight Room	-	1,507	1,505	-	2
Girls Basketball	23,114	11,376	8,506	(495)	25,489
Volleyball	14,892	17,318	24,531	(270)	7,409
Girls Soccer	2,734	8,828	6,915	(330)	4,317
Softball	1,102	14,561	12,377	(171)	3,115
Girls Track	869	4,257	4,527	1,177	1,776
Girls Tennis	94	3,395	3,500	712	701
Girls Golf	29	3,352	5,810	2,438	9
Cheerleaders	15,460	30,071	32,818	281	12,994
Drill Team	398	14,758	17,096	4,903	2,963
Class of 2011	3	-	-	-	3
Class of 2012	1	-	-	-	1
Class of 2014	5,096	-	5,096	-	-
Class of 2015	-	8,747	6,123	-	2,624
Student Council	6,712	9,215	9,969	-	5,958
Art Club	962	-	-	-	962
French Club	2,325	1,202	909	-	2,618
Spanish Club	4,113	-	-	-	4,113
Annual	3,538	3,292	1,254	-	5,576
Newspaper	229	-	-	-	229
National Honor Society	1,882	480	163	-	2,199
SADD	15	250	234	250	281
Debate	720	320	1,040	-	-
Mock Trial	-	-	300	300	-
Total	\$ 258,061	498,180	502,179	-	254,062

NORWALK COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund			
	J. Graham Scholarship	Frederick Scholarship	J.W. Winter Scholarship	Total
ASSETS				
Cash and pooled investments	\$ 5,021	6,011	20,008	31,040
Accrued interest receivable	11	14	44	69
TOTAL ASSETS	5,032	6,025	20,052	31,109
TOTAL LIABILITIES	-	-	-	-
NET POSITION				
Restricted for scholarships	\$ 5,032	6,025	20,052	31,109

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund				Total
	J. Graham Scholarship	Frederick Scholarship	J.W. Winter Scholarship	Student Council Scholarship	
Additions:					
Local sources:					
Gifts and contributions	\$ -	-	-	440	440
Interest on investments	51	62	200	-	313
Total additions	51	62	200	440	753
Deductions:					
Instruction:					
Regular:					
Scholarships awarded	150	200	300	440	1,090
Change in net position	(99)	(138)	(100)	-	(337)
Net position beginning of year	5,131	6,163	20,152	-	31,446
Net position end of year	\$ 5,032	6,025	20,052	-	31,109

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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 8,748,199	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
Tuition	875,780	947,651	948,685	992,860	773,194	896,431	867,627	968,314	839,600	649,039
Other	1,100,233	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
Intermediate sources	3,703	8,020	8,334	4,022	3,668	12,091	14,071	28,766	-	-
State sources	17,993,924	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
Federal sources	551,920	498,972	478,941	1,146,329	1,701,874	630,670	434,945	1,399,399	278,986	292,444
Total	\$ 29,273,759	28,087,057	27,150,193	25,992,743	24,106,651	24,436,868	22,800,765	22,939,642	20,311,693	18,856,044
Expenditures:										
Instruction:										
Regular	\$ 10,907,517	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
Special	2,855,558	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
Other	2,420,414	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
Support services:										
Student	1,171,051	1,018,153	802,182	920,968	800,331	682,263	658,987	515,050	507,941	534,207
Instructional staff	938,435	886,409	782,465	783,068	754,884	739,245	631,841	642,518	629,511	722,545
Administration	2,681,960	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
Operation and maintenance of plant	2,172,615	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
Transportation	639,188	780,876	605,222	751,758	566,833	689,629	586,990	682,702	526,566	576,734
Non-instructional programs	-	-	-	-	-	-	-	-	-	11,371
Capital outlay	786,850	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
Long-term debt:										
Principal	1,182,189	2,495,730	1,629,336	1,497,741	1,240,000	1,210,000	855,000	4,150,000	430,000	375,000
Interest and fiscal charges	1,383,370	1,462,683	1,524,276	1,473,508	912,928	939,818	719,916	912,526	896,321	548,689
Other expenditures:										
AEA flow-through	938,669	875,191	855,274	905,307	872,252	801,976	739,462	685,792	627,295	612,482
Total	\$ 28,077,816	28,645,432	30,098,728	37,124,108	32,142,275	26,003,855	23,940,731	31,607,431	19,720,318	16,711,669

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY14	\$ 22,750
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY14	367,873 *
			<u>390,623</u>
TEAM NUTRITION GRANTS	10.574	FY14	<u>150</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY14	116,650
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, SINA	84.010	FY14	14,704
			<u>131,354</u>
SPECIAL EDUCATION CLUSTER (IDEA) PROGRAM:			
SPECIAL EDUCATION - GRANTS TO STATES (HIGH COST CLAIM)	84.027	FY14	44,743 **
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY14	<u>13,269</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY14	<u>33,642</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY14	<u>13,816</u>
AREA EDUCATION AGENCY 11:			
SPECIAL EDUCATION CLUSTER (IDEA) PROGRAM:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY14	<u>108,517 **</u>
TOTAL			<u><u>\$ 736,114</u></u>

* - Includes \$101,015 of non-cash awards

** - The total for the Special Education Cluster is \$153,260

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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 13, 2015.

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 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-14 to be a material weakness.

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 did not find any deficiencies that we would consider significant deficiencies.

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, 2014 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 13, 2015
Newton, Iowa

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

**Independent Auditor's Report on Compliance for Each
Major Federal Program and on Internal Control over Compliance
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, 2014. 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, 2014.

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 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. We consider the deficiencies described in Part III of the accompanying Schedule of Findings and Questioned Costs as item III-A-14 to be a material weakness.

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 13, 2015
Newton, Iowa

NORWALK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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 material weakness 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:
 - Child Nutrition Cluster:***
 - 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-14 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 the handling of 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: 2014
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-14 Segregation of Duties - One important aspect of the internal control structure is the (2014-001) 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-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the amended certified budget amounts in the support services functions.

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

Response - In the future the District will monitor the certified budget more closely and will amend the budget when necessary.

Conclusion - Response accepted.

IV-B-14 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-14 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-14 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	\$ 2,878
Nick Menke, Teacher Spouse performs services for the District	Taught Color Guard Camp	\$ 500
Kate Baldwin, Business Manager Spouse owns Baldwin Construction	Services	\$ 6,804
Darin Schreck, Teacher/AD Daughter, Officiating	Services	\$ 650

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-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. We did note the maximum limits for the District's bank depositories were not listed in the minutes as required by Iowa Code section 12C.2.

Recommendation - The District should review its procedures to ensure compliance with Iowa Code section 12C.2.

Response - In the future the District will list the maximum limits for the District's bank depositories in the board meeting minutes as required by Iowa Code section 12C.2

Conclusion - Response accepted

IV-G-14 Certified Enrollment - We noted enrollment data certified to the Department of Education was overstated by 0.63 students.

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

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

Conclusion - Response accepted.

IV-H-14 Supplementary Weighting - No variances in basic enrollment date certified to the Iowa Department of Education were noted.

IV-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 100,303
Revenues/transfer in:		
Sales tax revenues	\$ 2,131,923	
Other local revenues	4	2,131,927
		<u>2,232,230</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 400,965	
Equipment	12,681	
Other	431,155	
Transfers to other funds:		
Auditorium and stadium projects	1,745	
Debt service fund	904,909	1,751,455
		<u>1,751,455</u>
Ending balance		<u>\$ 480,775</u>

For the year ended June 30, 2014, 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-N-14 Interfund Loans - We noted during our audit that the District had an interfund loan that was on the Districts balance sheet at June 30, 2014. As of June 30, 2014, the District had a loan between the Capital Projects: Statewide Sales, Services and Use Tax Fund and the Management Levy Fund of \$379,849 that was outstanding from the prior year.

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 1st 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 evaluate its procedures to ensure compliance with the declaratory order dated April 11, 2008.

Response - In November 2012 the District took action to pay off the final principal and interest due on a FY2005 Sales Tax Revenue Bond 18 months in advance. The early debt retirement saved the District \$34,181.25 in interest expense. The Board of Directors authorized a short-term interfund loan from the Management Fund reserves to the Sales Tax Fund to provide the necessary cash to pay off the Sales Tax bond. The decision was based on the premise that the interest savings outweighed the potential audit implications.

Conclusion - Response accepted.

IV-P-14 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 - In July 2014 the District implemented time keeping procedures whereby volunteer or at-will coaches report their hours worked weekly. They will be paid on an hourly basis during the season with a final check that balances to the Supplemental B Salary Schedule stipend.

Conclusion - Response accepted.