

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

JUNE 30, 2015

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Norwalk Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Katherine Schmidt	President	2015
Rick Kaul	Vice President	2015
Justin Fletcher	Board Member	2017
Maribeth Wright	Board Member	2017
George Meinecke	Board Member	2015
School Officials		
Dr. Dennis Wulf	Superintendent	2015
Kate Baldwin	Business Manager and District Secretary	2015
Ahlers & Cooney	Attorney	2015

NORWALK COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
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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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 16 to the financial statements, Norwalk Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District Contributions and Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 22 and 54 through 60 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, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 16, 2016, 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2016
Newton, Iowa

NORWALK COMMUNITY SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

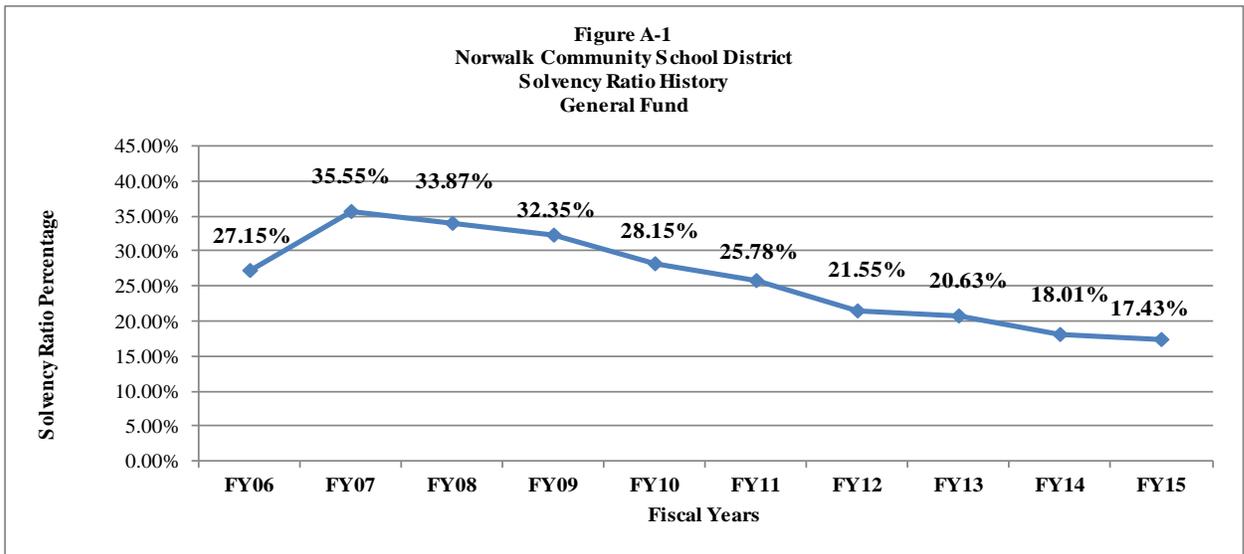
The Norwalk Community School District provides the Management’s Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District’s financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Fiscal 2015 General Fund revenues exceeded expenditures by \$558,280. The excess of revenues over expenditures resulted in an increase in General Fund balance from \$5,311,191 to \$5,869,471. Revenues were approximately \$25.72 million in fiscal 2015 compared to approximately \$23.21 million in fiscal 2014 and expenditures were approximately \$25.16 million in fiscal 2015 compared to approximately \$23.19 million in fiscal 2014.
- 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 and September of 2015. The District has maintained the financial goal regarding a 15% or higher solvency ratio but the reduction of state funding has impacted the status of the solvency ratio. To avoid further decline in the solvency ratio, the District implemented a Cash Reserve levy in FY14 to off-set the decline in state revenues. The infusion of local property tax revenues has sustained the District’s General Fund cash status.

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, the District’s proportionate share of the net pension liability and related contributions, 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 federal programs benefiting the District.

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

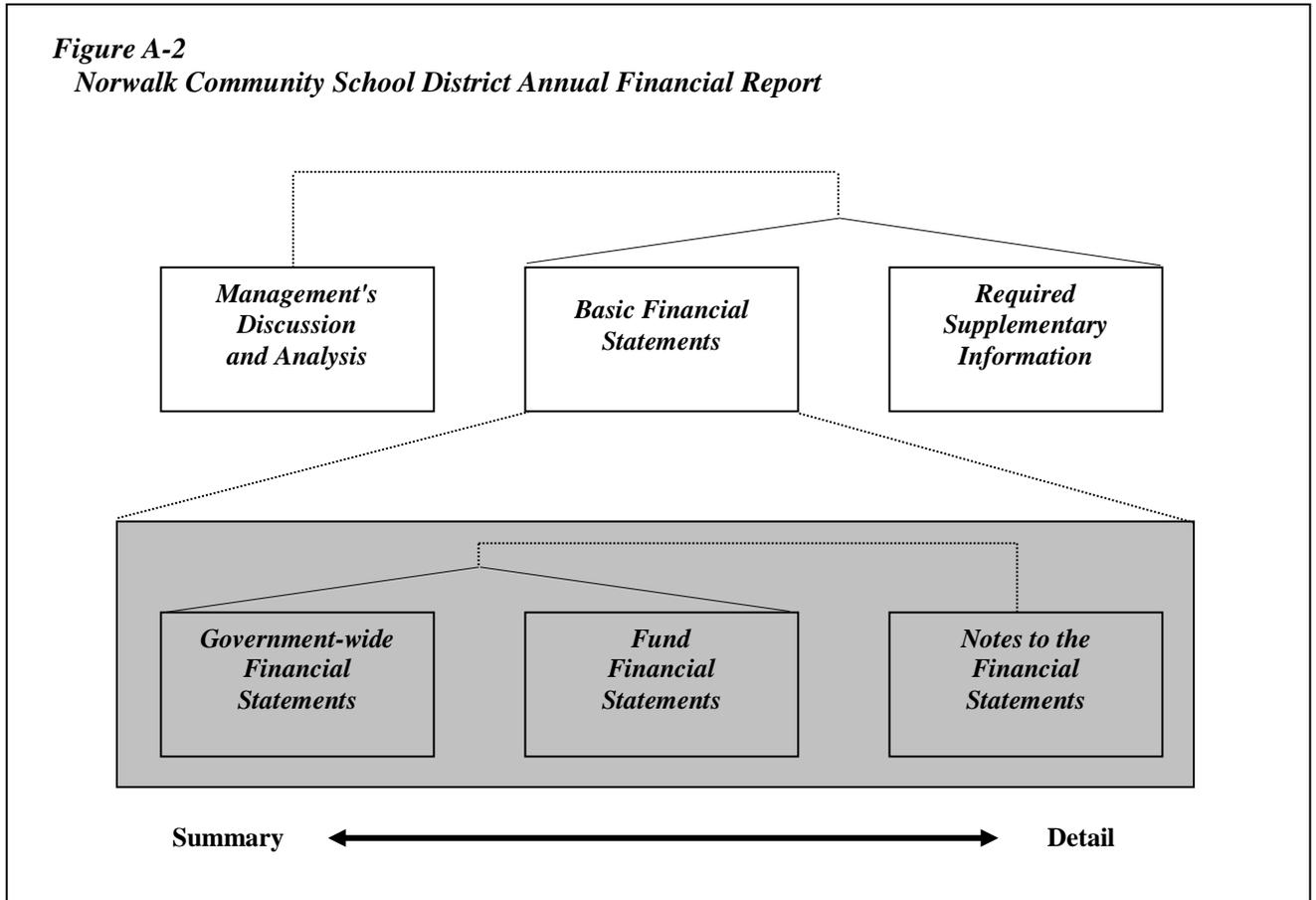


Figure A-3 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: 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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
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, 2015 compared to June 30, 2014.

Figure A-4
Condensed Statement of Net Position

	Governmental Activities		Business type Activities		Total District	Total Change	
	June 30, 2015	June 30, 2014 (Not restated)	June 30, 2015	June 30, 2014 (Not restated)	June 30, 2015	June 30, 2014-15	
Current and other assets	\$ 29,305,697	25,703,131	800,307	794,932	30,106,004	26,498,063	13.62%
Capital assets	45,068,574	45,836,086	381,341	443,943	45,449,915	46,280,029	-1.79%
Total assets	74,374,271	71,539,217	1,181,648	1,238,875	75,555,919	72,778,092	3.82%
Deferred outflows of resources	1,864,115	-	44,203	-	1,908,318	-	100.00%
Long-term liabilities	40,606,804	33,228,502	238,250	17,121	40,845,054	33,245,623	22.86%
Other liabilities	4,269,949	4,190,102	80,962	108,344	4,350,911	4,298,446	1.22%
Total liabilities	44,876,753	37,418,604	319,212	125,465	45,195,965	37,544,069	20.38%
Deferred inflows of resources	13,638,008	9,227,381	78,376	-	13,716,384	9,227,381	48.65%
Net position:							
Net investment in capital assets	13,972,238	13,471,031	381,341	443,943	14,353,579	13,914,974	3.15%
Restricted	7,081,144	5,322,084	-	-	7,081,144	5,322,084	33.05%
Unrestricted	(3,329,757)	6,100,117	446,922	669,467	(2,882,835)	6,769,584	-142.59%
Total net position	\$ 17,723,625	24,893,232	828,263	1,113,410	18,551,888	26,006,642	-28.66%

The District's combined net position decreased by 28.66%, or \$7,454,754, from 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 \$1,759,060, or 33.05% from the prior year. The increase was primarily a result of an increase in the restricted fund balance in the Debt Service Fund.

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 \$9,652,419, or 142.59%. This reduction in unrestricted position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$10,593,776 and \$256,056, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

In June 2015, the Board of Directors approved a committed fund balance of \$912,866 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 2015-2016 school year.

Figure A-5 shows the changes in net position for the year ended June 30, 2015 compared to June 30, 2014.

Figure A-5
Changes in Net Position

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 1,911,808	1,801,081	761,022	693,868	2,672,830	2,494,949	7.13%
Operating grants and contributions and restricted interest	2,156,116	2,244,767	397,412	399,063	2,553,528	2,643,830	-3.42%
Capital grants and contributions and restricted interest	88,000	15,940	-	-	88,000	15,940	452.07%
General revenues:							
Property tax	9,070,592	8,748,199	-	-	9,070,592	8,748,199	3.69%
Statewide sales, services and use tax	2,333,192	2,131,923	-	-	2,333,192	2,131,923	9.44%
Unrestricted state grants	16,384,939	14,242,659	-	-	16,384,939	14,242,659	15.04%
Unrestricted investment earnings	40,642	27,823	280	41	40,922	27,864	46.86%
Other	65,509	61,367	2,113	10,027	67,622	71,394	-5.28%
Total revenues	32,050,798	29,273,759	1,160,827	1,102,999	33,211,625	30,376,758	9.33%
Program expenses:							
Instruction	16,511,638	16,027,414	-	-	16,511,638	16,027,414	3.02%
Support services	8,554,102	7,899,835	109,185	112,879	8,663,287	8,012,714	8.12%
Non-instructional programs	5,000	-	1,067,140	1,084,920	1,072,140	1,084,920	-1.18%
Other expenses	3,569,482	3,529,527	-	-	3,569,482	3,529,527	1.13%
Total expenses	28,640,222	27,456,776	1,176,325	1,197,799	29,816,547	28,654,575	4.06%
Excess(Deficiency) of revenues over(under) expenditures	3,410,576	1,816,983	(15,498)	(94,800)	3,395,078	1,722,183	97.14%
Transfers	13,593	-	(13,593)	-	-	-	0.00%
Change in net position	3,424,169	1,816,983	(29,091)	(94,800)	3,395,078	1,722,183	97.14%
Net position beginning of year, as restated	14,299,456	23,076,249	857,354	1,208,210	15,156,810	24,284,459	-37.59%
Net position end of year	\$ 17,723,625	24,893,232	828,263	1,113,410	18,551,888	26,006,642	-28.66%

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 nine 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
FY2015	\$896,374	\$ 0	\$896,374
<i>Est. FY2016</i>	<i>\$969,887</i>	<i>\$ 0</i>	<i>\$969,887</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 eight 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
FY2015	\$ 5,069,952
<i>Est. FY2016</i>	<i>\$ 4,216,638</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/ DeficitFund</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
FY2015	\$3,253,472	\$2,953,501	\$ 299,971	\$2,341,394
<i>Est. FY2016</i>	<i>\$3,481,215</i>	<i>\$3,160,246</i>	<i>\$ 320,969</i>	<i>\$2,662,363</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
FY2015	\$1,054,321	\$ 981,838	\$259,762
<i>Est. FY2016</i>	<i>\$904,341</i>	<i>\$1,065,247</i>	<i>\$ 98,856</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 and renamed the funding stream Sales Tax Infrastructure Local Option (SILO) tax for schools. 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.

The District is currently developing facility planning to construct a new elementary school to open in the fall of 2020 and renovations at the Middle School building. These capital projects will require the passage of a general obligation bond in FY2017 or FY2018. To prepare for the upcoming construction projects, the District has been levying the maximum amount provided under Iowa law to generate additional revenues for early bond redemption. The Iowa legislature is currently considering a 20-year renewal of the Sales Tax Infrastructure Local Option (SILO) tax for schools. This legislative action would extend the current Sales Tax revenue funding from beyond the scheduled sunset date of December 31, 2029 to December 31, 2049. The SILO funding has been an integral funding source for recent school construction all across Iowa.

	<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
FY2015	\$2,435,201	\$2,245,201	\$ 670,775
<i>Est. FY2016</i>	<i>\$2,440,896</i>	<i>\$1,892,470</i>	<i>\$1,219,201</i>

Governmental Activities

Revenues for governmental activities were \$32,050,798 and expenses were \$28,640,222 for the year ended June 30, 2015.

Figure A-6 represents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-6
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 16,511,638	16,027,414	3.02%	13,587,420	13,099,605	3.72%
Support services	8,554,102	7,899,835	8.28%	8,344,023	7,704,525	8.30%
Non-instructional	5,000	-	100.00%	5,000	-	100.00%
Other expenses	3,569,482	3,529,527	1.13%	2,547,855	2,590,858	-1.66%
Totals	<u>\$ 28,640,222</u>	<u>27,456,776</u>	<u>4.31%</u>	<u>24,484,298</u>	<u>23,394,988</u>	<u>4.66%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,911,808.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,244,116.
- The net cost of governmental activities was financed with \$9,070,592 in property tax, \$2,333,192 in statewide sales, services and use tax, \$16,384,939 in unrestricted state grants, \$40,642 in unrestricted investment earnings and \$65,509 in other general revenues.

Business type Activities

Revenues of the District's Business type activity were \$1,160,827 and expenses were \$1,176,325 for the year ended June 30, 2015. 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 \$12,713,974, above last year's ending fund balances of \$10,696,247. However, the primary reason for the increase was due to the increasing fund balance in the Debt Service Fund.

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 \$5,311,191 at June 30, 2014 to \$5,869,471 at June 30, 2015.

- 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 \$2,478,676 at June 30, 2014 to \$3,504,715 at June 30, 2015. 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 3.39%, from a restated balance of \$857,354 at July 1, 2014 to \$828,263 at June 30, 2015.

BUDGETARY HIGHLIGHTS

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

The District's revenues were \$591,834 more than budgeted revenues, a variance of 1.81%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$45.45 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 1.79% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,645,483.

The original cost of the District's capital assets was approximately \$62.78 million. Governmental funds account for approximately \$61.77 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 land category. The District's land totaled \$256,352 at June 30, 2015, compared to \$440,380 reported at June 30, 2014. This decrease resulted mainly from the District's selling property located at 906 School Ave, Norwalk, Iowa during the year.

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,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 256,352	440,380	-	-	256,352	440,380	-41.79%
Buildings	43,243,308	44,145,966	-	-	43,243,308	44,145,966	-2.04%
Land improvements	724,439	680,504	-	-	724,439	680,504	6.46%
Machinery and equipment	844,475	569,236	381,341	443,943	1,225,816	1,013,179	20.99%
Total	\$ 45,068,574	45,836,086	381,341	443,943	45,449,915	46,280,029	-1.79%

Long-Term Debt

At June 30, 2015, the District had \$40,845,054 in general obligation, revenue and other long-term debt outstanding. This represents an increase of 22.86% from last year. (See *Figure A-8*) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had outstanding General Obligation Bonds payable of \$15,630,000 at June 30, 2015.
- The District had outstanding Revenue Bonds payable from the Capital Projects: Statewide Sales Services and Use Tax Fund of \$15,440,000 at June 30, 2015.
- The District had an outstanding Copier Lease payable from the Capital Projects: Physical Plant and Equipment Levy Fund of \$26,336 at June 30, 2015.
- The District had outstanding compensated absences payable from the General Fund of \$71,654 at June 30, 2015, \$70,503 is attributable to the governmental activities and \$1,151 is attributable to business type activities.
- The District had outstanding net pension liability of \$8,708,064 at June 30, 2015, \$8,502,554 is attributable to the governmental activities and \$205,510 is attributable to the business type activities.
- The District had outstanding net OPEB liability of \$969,000 at June 30, 2015, \$937,411 is attributable to the governmental activities and \$31,589 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,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
General obligation bonds	\$ 15,630,000	16,645,000	-	-	15,630,000	16,645,000	-6.10%
Revenue bonds	15,440,000	15,660,000	-	-	15,440,000	15,660,000	-1.40%
Copier lease	26,336	60,055	-	-	26,336	60,055	-56.15%
Compensated absences	70,503	69,145	1,151	-	71,654	69,145	3.63%
Net pension liability	8,502,554	-	205,510	-	8,708,064	-	100.00%
Net OPEB liability	937,411	794,302	31,589	17,121	969,000	811,423	19.42%
Totals	\$ 40,606,804	33,228,502	238,250	17,121	40,845,054	33,245,623	22.86%

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:

- District's enrollment continues to increase at a steady pace. In 2014 the District contracted with a demographer to conduct an enrollment analysis and project future enrollment growth. The report indicated that District's enrollment growth will average 100 students per year over the next five years. This annual growth will be a combination of local residential growth and tuition students from other districts due to Iowa Open Enrollment law. Below is a recap of the District's enrollment growth for the past fifteen 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
2015-2016	2646.7	87.9

- 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, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 17,690,289	782,365	18,472,654
Receivables:			
Property tax:			
Delinquent	193,008	-	193,008
Succeeding year	10,234,353	-	10,234,353
Accounts	421,989	2,821	424,810
Accrued interest	14,466	39	14,505
Due from other governments	751,592	84	751,676
Inventories	-	14,998	14,998
Capital assets, net of accumulated depreciation	45,068,574	381,341	45,449,915
TOTAL ASSETS	74,374,271	1,181,648	75,555,919
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	1,864,115	44,203	1,908,318
LIABILITIES			
Accounts payable	531,352	16,682	548,034
Salaries and benefits payable	3,323,598	28,572	3,352,170
Accrued interest payable	414,999	-	414,999
Unearned revenue	-	35,708	35,708
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	1,215,000	-	1,215,000
Revenue bonds payable	765,000	-	765,000
Copier lease payable	26,336	-	26,336
Compensated absences payable	70,503	1,151	71,654
Portion due after one year:			
General obligation bonds payable	14,415,000	-	14,415,000
Revenue bonds payable	14,675,000	-	14,675,000
Net pension liability	8,502,554	205,510	8,708,064
Net OPEB liability	937,411	31,589	969,000
TOTAL LIABILITIES	44,876,753	319,212	45,195,965
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	10,234,353	-	10,234,353
Pension related deferred inflows	3,242,629	78,376	3,321,005
Other	161,026	-	161,026
TOTAL DEFERRED INFLOWS OF RESOURCES	13,638,008	78,376	13,716,384
NET POSITION			
Net investment in capital assets	13,972,238	381,341	14,353,579
Restricted for:			
Categorical funding	651,640	-	651,640
School infrastructure	670,775	-	670,775
Physical plant and equipment	259,761	-	259,761
Debt service	3,089,716	-	3,089,716
Management levy purposes	2,112,043	-	2,112,043
Student activities	297,209	-	297,209
Unrestricted	(3,329,757)	446,922	(2,882,835)
TOTAL NET POSITION	\$ 17,723,625	828,263	18,551,888

SEE NOTES TO FINANCIAL STATEMENTS.

**NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities		
Expenses							
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 10,907,478	971,554	117,877	-	(9,818,047)	(9,818,047)	
Special	3,077,516	294,364	404,666	-	(2,378,486)	(2,378,486)	
Other	2,526,644	549,625	586,132	-	(1,390,887)	(1,390,887)	
	16,511,638	1,815,543	1,108,675	-	(13,587,420)	(13,587,420)	
Support services:							
Student	943,253	-	-	-	(943,253)	(943,253)	
Instructional staff	1,749,861	-	-	-	(1,749,861)	(1,749,861)	
Administration	2,837,753	-	-	-	(2,837,753)	(2,837,753)	
Operation and maintenance of plant	2,308,832	-	-	88,000	(2,220,832)	(2,220,832)	
Transportation	714,403	96,265	25,814	-	(592,324)	(592,324)	
	8,554,102	96,265	25,814	88,000	(8,344,023)	(8,344,023)	
Non-instructional programs:							
Food service operations	5,000	-	-	-	(5,000)	(5,000)	
Long-term debt interest	1,318,762	-	-	-	(1,318,762)	(1,318,762)	
Other expenses:							
AEA flowthrough	1,021,627	-	1,021,627	-	-	-	
Depreciation(unallocated)*	1,229,093	-	-	-	(1,229,093)	(1,229,093)	
	2,250,720	-	1,021,627	-	(1,229,093)	(1,229,093)	
Total governmental activities	28,640,222	1,911,808	2,156,116	88,000	(24,484,298)	(24,484,298)	
Business type activities:							
Support services:							
Administration	904	-	-	-	(904)	(904)	
Operation and maintenance of plant	108,281	-	-	-	(108,281)	(108,281)	
	109,185	-	-	-	(109,185)	(109,185)	
Non-instructional programs:							
Food service operations	1,067,140	761,022	397,412	-	91,294	91,294	
Total business type activities	1,176,325	761,022	397,412	-	(17,891)	(17,891)	
Total	\$ 29,816,547	2,672,830	2,553,528	88,000	(24,484,298)	(17,891)	(24,502,189)
General Revenues and Transfers:							
Property tax levied for:							
General purposes				\$ 6,181,458	-	6,181,458	
Capital outlay				843,506	-	843,506	
Debt service				2,045,628	-	2,045,628	
Statewide sales, services and use tax				2,333,192	-	2,333,192	
Unrestricted state grants				16,384,939	-	16,384,939	
Unrestricted investment earnings				40,642	280	40,922	
Other general revenues				65,509	2,113	67,622	
Transfers				13,593	(13,593)	-	
Total general revenues and transfers				27,908,467	(11,200)	27,897,267	
Change in net position				3,424,169	(29,091)	3,395,078	
Net position beginning of year, as restated				14,299,456	857,354	15,156,810	
Net position end of year				\$ 17,723,625	828,263	18,551,888	

* 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, 2015

	Debt			
	General	Service	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 8,817,650	3,498,264	3,037,196	15,353,110
Receivables:				
Property tax:				
Delinquent	124,222	43,281	25,505	193,008
Succeeding year	6,730,484	2,161,951	1,341,918	10,234,353
Accounts	17,007	-	7,208	24,215
Accrued interest	10,807	1,237	2,422	14,466
Due from other governments	380,770	-	370,822	751,592
TOTAL ASSETS	\$ 16,080,940	5,704,733	4,785,071	26,570,744
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 448,371	1,331	81,650	531,352
Salaries and benefits payable	2,929,211	-	828	2,930,039
Total liabilities	3,377,582	1,331	82,478	3,461,391
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	6,730,484	2,161,951	1,341,918	10,234,353
Other	103,403	36,736	20,887	161,026
Total deferred inflows of resources	6,833,887	2,198,687	1,362,805	10,395,379
Fund balances:				
Restricted for:				
Categorical funding	651,640	-	-	651,640
School infrastructure	-	-	670,775	670,775
Physical plant and equipment	-	-	259,761	259,761
Debt service	-	3,504,715	-	3,504,715
Management levy purposes	-	-	2,112,043	2,112,043
Student activities	-	-	297,209	297,209
Assigned for special purposes	147,878	-	-	147,878
Committed for curriculum department	912,866	-	-	912,866
Unassigned	4,157,087	-	-	4,157,087
Total fund balances	5,869,471	3,504,715	3,339,788	12,713,974
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 16,080,940	5,704,733	4,785,071	26,570,744

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances of governmental funds (page 26)	\$	12,713,974
 <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.		45,068,574
Blending of the Internal Service Fund to be reflected at an entity-wide basis.		2,341,394
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,864,115	
Deferred inflows of resources	<u>(3,242,629)</u>	<u>(1,378,514)</u>
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.		(414,999)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, copier lease payable, compensated absences payable, net pension liability 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>(40,606,804)</u>
Net position of governmental activities (page 24)	\$	<u><u>17,723,625</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, 2015

	General	Debt Service	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 5,671,492	2,045,628	1,353,472	9,070,592
Tuition	948,475	-	-	948,475
Other	613,959	6,789	593,502	1,214,250
Intermediate sources	4,089	-	7,000	11,089
State sources	17,842,858	14,087	2,341,683	20,198,628
Federal sources	607,764	-	-	607,764
Total revenues	<u>25,688,637</u>	<u>2,066,504</u>	<u>4,295,657</u>	<u>32,050,798</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	10,827,711	-	850,249	11,677,960
Special	3,181,973	-	-	3,181,973
Other	2,153,497	-	407,238	2,560,735
	<u>16,163,181</u>	<u>-</u>	<u>1,257,487</u>	<u>17,420,668</u>
Support services:				
Student	981,366	-	42,969	1,024,335
Instructional staff	1,648,967	-	49,243	1,698,210
Administration	2,869,131	-	78,402	2,947,533
Operation and maintenance of plant	1,878,829	-	292,775	2,171,604
Transportation	596,395	-	263,374	859,769
	<u>7,974,688</u>	<u>-</u>	<u>726,763</u>	<u>8,701,451</u>
Non-instructional programs:				
Food service operations	-	-	5,000	5,000
Capital outlay	-	-	504,547	504,547
Long-term debt:				
Principal	-	7,383,719	-	7,383,719
Interest and fiscal charges	-	1,355,784	-	1,355,784
	<u>-</u>	<u>8,739,503</u>	<u>-</u>	<u>8,739,503</u>
Other expenditures:				
AEA flowthrough	1,021,627	-	-	1,021,627
Total expenditures	<u>25,159,496</u>	<u>8,739,503</u>	<u>2,493,797</u>	<u>36,392,796</u>
Excess(Deficiency) of revenues over(under) expenditures	529,141	(6,672,999)	1,801,860	(4,341,998)
Other financing sources(uses):				
Transfer in	13,593	1,478,452	102,000	1,594,045
Transfer out	-	-	(1,580,452)	(1,580,452)
Refunding general obligation bond issuances	-	6,115,000	-	6,115,000
Premiums on refunding bond issuances	-	134,489	-	134,489
Discounts on refunding bond issuances	-	(28,903)	-	(28,903)
Sale of equipment	15,546	-	-	15,546
Sale of real property	-	-	110,000	110,000
Total other financing sources(uses)	<u>29,139</u>	<u>7,699,038</u>	<u>(1,368,452)</u>	<u>6,359,725</u>
Change in fund balances	558,280	1,026,039	433,408	2,017,727
Fund balances beginning of year	<u>5,311,191</u>	<u>2,478,676</u>	<u>2,906,380</u>	<u>10,696,247</u>
Fund balances end of year	<u>\$ 5,869,471</u>	<u>3,504,715</u>	<u>3,339,788</u>	<u>12,713,974</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2015

Change in fund balances - total governmental funds (page 28) \$ 2,017,727

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

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

Capital outlay	\$ 984,695	
Depreciation expense	<u>(1,568,179)</u>	(583,484)

Although the sales of real property is revenue in the governmental funds, the disposal of real property reduces capital assets, net of accumulated depreciation in the Statement of Net Position. (Note 15) (184,028)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 299,972

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

Issued	\$ (6,115,000)	
Repaid	<u>7,383,719</u>	1,268,719

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. 37,022

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 1,358,074

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	\$ (1,358)	
Pension expense	(645,366)	
Other postemployment benefits	<u>(143,109)</u>	<u>(789,833)</u>

Change in net position of governmental activities (page 25) \$ 3,424,169

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 782,365	2,337,179
Receivables:		
Accounts	2,821	397,774
Accrued interest	39	-
Due from other governments	84	-
Inventories	14,998	-
Capital assets, net of accumulated depreciation	381,341	-
TOTAL ASSETS	1,181,648	2,734,953
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	44,203	-
LIABILITIES		
Current liabilities:		
Accounts payable	16,682	-
Salaries and benefits payable	28,572	393,559
Unearned revenue	35,708	-
Total current liabilities	80,962	393,559
Long-term liabilities:		
Compensated absences	1,151	-
Net OPEB liability	31,589	-
Net pension liability	205,510	-
Total long-term liabilities	238,250	-
TOTAL LIABILITIES	319,212	393,559
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	78,376	-
NET POSITION		
Net investment in capital assets	381,341	-
Unrestricted	446,922	2,341,394
TOTAL NET POSITION	\$ 828,263	2,341,394

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, 2015

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for service	\$ 761,022	3,250,459
Miscellaneous	2,113	3,013
TOTAL OPERATING REVENUES	763,135	3,253,472
OPERATING EXPENSES:		
Support services:		
Administration:		
Services	904	-
Operation and maintenance of plant:		
Salaries	55,942	-
Benefits	15,462	-
Services	16,818	-
Supplies	20,059	-
	108,281	-
Total support services	109,185	-
Non-instructional programs:		
Food service operations:		
Salaries	320,047	-
Benefits	124,533	-
Services	3,792	-
Supplies	529,859	-
Other	7,334	-
Depreciation	77,304	-
	1,062,869	-
Other enterprise operations:		
Benefits	-	2,929,075
Services	-	24,425
	-	2,953,500
Total non-instructional programs	1,062,869	2,953,500
TOTAL OPERATING EXPENSES	1,172,054	2,953,500
OPERATING INCOME(LOSS)	(408,919)	299,972
NON-OPERATING REVENUES(EXPENSES):		
State sources	8,595	-
Federal sources	388,817	-
Interest income	280	-
Loss on disposal of capital assets	(4,271)	-
TOTAL NON-OPERATING REVENUES(EXPENSES)	393,421	-
Net income(loss) before other financing uses	(15,498)	299,972
OTHER FINANCING USES:		
Transfer out	(13,593)	-
Change in net position	(29,091)	299,972
Net position beginning of year, as restated	857,354	2,041,422
Net position end of year	\$ 828,263	2,341,394

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 764,402	-
Cash received from miscellaneous operating activities	2,113	3,229,911
Cash payments to employees for services	(515,470)	(2,903,295)
Cash payments to suppliers for goods or services	(479,136)	(24,425)
Net cash provided by(used in) operating activities	<u>(228,091)</u>	<u>302,191</u>
Cash flows from non-capital financing activities:		
Transfer to General Fund	(13,593)	-
Repayment from Capital Projects: Statewide Sales, Services and Use Tax Fund	-	556,967
State grants received	8,595	-
Federal grants received	308,567	-
Net cash provided by non-capital financing activities	<u>303,569</u>	<u>556,967</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(18,973)	-
Cash flows from investing activities:		
Interest on investments	280	-
Net increase in cash and cash equivalents	56,785	859,158
Cash and cash equivalents beginning of year	<u>725,580</u>	<u>1,478,021</u>
Cash and cash equivalents end of year	<u>\$ 782,365</u>	<u>2,337,179</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (408,919)	299,972
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	83,268	-
Depreciation	77,304	-
Decrease in inventories	50,154	-
Decrease in accounts receivable	(1,762)	(23,561)
Decrease in accounts payable	(33,792)	-
Increase in salaries and benefits payable	1,268	25,780
Increase in unearned revenue	5,142	-
Decrease in net pension liability	(80,826)	-
Increase in deferred outflows of resources	(13,923)	-
Increase in deferred inflows of resources	78,376	-
Increase in compensated absences	1,151	-
Increase in other postemployment benefits	14,468	-
Net cash provided by(used in) operating activities	<u>\$ (228,091)</u>	<u>302,191</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$83,268.

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	<u>Private Purpose Trust</u>	<u>Scholarship Fund</u>
ASSETS		
Cash and pooled investments	\$ 31,011	
Accrued interest receivable		69
Total assets		<u>31,080</u>
LIABILITIES		
		<u>-</u>
NET POSITION		
Restricted for scholarships	\$ 31,080	

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust</u>	<u>Scholarship Fund</u>
Additions:		
Local sources:		
Contributions	\$	300
Interest income		311
Total additions		<u>611</u>
Deductions:		
Instruction:		
Regular:		
Scholarships awarded		<u>640</u>
Change in net position		(29)
Net position beginning of year		<u>31,109</u>
Net position end of year	\$	<u><u>31,080</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(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.

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 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 - committed, assigned 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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, 2015. 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 Equity - 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. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2015 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, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio and The Education Liquidity Fund. These investments are valued at an amortized cost of \$7,836,230 and \$2,264,691 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) Transfers

The detail of transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 1,442,653
Debt Service	Capital Projects: Physical Plant and Equipment Levy	35,799
Capital Projects: Statewide Sales, Services and Use Tax	Capital Projects: Physical Plant and Equipment Levy	102,000
General	Enterprise: School Nutrition	<u>13,593</u>
Total		<u>\$ 1,594,045</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: Physical Plant and Equipment Levy Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund was needed to move sale of land proceeds to offset demolition costs.

The transfer from the Enterprise: School Nutrition Fund to the General Fund was needed to move fiscal year 2015 indirect costs charged to the Nutrition Fund.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 440,380	-	184,028	256,352
Total capital assets not being depreciated	440,380	-	184,028	256,352
Capital assets being depreciated:				
Buildings	55,118,807	268,476	-	55,387,283
Land improvements	1,323,880	101,894	-	1,425,774
Machinery and equipment	4,216,262	614,325	121,578	4,709,009
Total capital assets being depreciated	60,658,949	984,695	121,578	61,522,066
Less accumulated depreciation for:				
Buildings	10,972,841	1,171,134	-	12,143,975
Land improvements	643,376	57,959	-	701,335
Machinery and equipment	3,647,026	339,086	121,578	3,864,534
Total accumulated depreciation	15,263,243	1,568,179	121,578	16,709,844
Total capital assets being depreciated, net	45,395,706	(583,484)	-	44,812,222
Governmental activities capital assets, net	\$ 45,836,086	(583,484)	184,028	45,068,574
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>Business type activities:</u>				
Machinery and equipment	\$ 1,006,241	18,973	19,543	1,005,671
Less accumulated depreciation	562,298	77,304	15,272	624,330
Business type activities capital assets, net	\$ 443,943	(58,331)	4,271	381,341

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:	
Regular	\$ 64,960
Special	2,488
Other	47,808
Support services:	
Administration	93,742
Operation and maintenance of plant	29,215
Transportation	100,873
	339,086
Unallocated depreciation	1,229,093
Total governmental activities depreciation expense	\$ 1,568,179

Business type activities:

Food service operations	\$ 77,304
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 16,645,000	6,115,000	7,130,000	15,630,000	1,215,000
Revenue bonds	15,660,000	-	220,000	15,440,000	765,000
Copier lease	60,055	-	33,719	26,336	26,336
Compensated absences	69,145	70,503	69,145	70,503	70,503
Net pension liability	11,846,552	-	3,343,998	8,502,554	-
Net OPEB liability	794,302	143,109	-	937,411	-
Total	\$ 45,075,054	6,328,612	10,796,862	40,606,804	2,076,839
Business type activities:					
Compensated absences	\$ -	1,151	-	1,151	1,151
Net pension liability	286,336	-	80,826	205,510	-
Net OPEB liability	17,121	14,468	-	31,589	-
Total	\$ 303,457	15,619	80,826	238,250	1,151

General Obligation Bonds Payable

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1, 2008			Bond Issue of August 1, 2010			Bond Issue of October 1, 2010			Bond Issue of April 30, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2016	5.00%	\$ 125,000	225,869	3.00%	\$ 50,000	73,665	1.60%	\$ 180,000	45,110	1.50%	\$ 345,000	94,530
2017	5.50	135,000	219,619	3.00	50,000	72,165	1.90	185,000	42,230	1.50	330,000	89,092
2018	5.50	140,000	212,193	3.00	50,000	70,665	2.10	670,000	38,715	1.65	400,000	84,142
2019	3.70	145,000	204,493	3.00	50,000	69,165	2.25	690,000	24,645	1.65	435,000	77,542
2020	3.75	150,000	199,129	3.00	50,000	67,665	2.40	380,000	9,120	1.85	770,000	70,366
2021-2025	3.80-4.00	850,000	903,758	3.65-4.00	310,000	312,210	-	-	-	2.00-2.10	2,785,000	97,660
2026-2030	4.00	4,005,000	324,800	4.00-4.25	1,300,000	215,250	-	-	-	-	-	-
Total		<u>\$5,550,000</u>	<u>2,289,861</u>		<u>\$1,860,000</u>	<u>880,785</u>		<u>\$2,105,000</u>	<u>159,820</u>		<u>\$5,065,000</u>	<u>513,332</u>

Year Ending June 30,	Bond Issue of July 24, 2014			Bond Issue of July 24, 2014			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2016	0.60%	\$ 515,000	3,090	0.90%	\$ -	4,815	\$ 1,215,000	447,079	1,662,079
2017	-	-	-	0.90	535,000	4,815	\$ 1,235,000	427,921	1,662,921
2018	-	-	-	-	-	-	\$ 1,260,000	405,715	1,665,715
2019	-	-	-	-	-	-	\$ 1,320,000	375,845	1,695,845
2020	-	-	-	-	-	-	\$ 1,350,000	346,280	1,696,280
2021-2025	-	-	-	-	-	-	\$ 3,945,000	1,313,628	5,258,628
2026-2030	-	-	-	-	-	-	\$ 5,305,000	540,050	5,845,050
Total		<u>\$ 515,000</u>	<u>3,090</u>		<u>\$ 535,000</u>	<u>9,630</u>	<u>\$15,630,000</u>	<u>3,856,518</u>	<u>19,486,518</u>

Surplus Debt Service Levy

During the fiscal years ended June 30, 2013, and June 30, 2014 the District approved an additional debt service levy of \$365,000 and \$434,850, respectively. This surplus levy amount will be used at the option of the District to redeem a portion of the outstanding general obligation bonds at a future date to be determined by the District. At June 30, 2015 the debt service surplus levy amount of \$799,850 was held in a certificate of deposit at City State Bank.

During the year ended June 30, 2015, the District approved an additional debt service levy of approximately \$495,000. This additional levy is currently in collection and will be used to advance refund a portion of outstanding general obligation bonds at a future date at the option of the District.

Revenue Bonds Payable

Details of the District's June 30, 2015 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
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	4.00	890,000	538,528	1,428,528
2021-2025	4.00-4.40	5,035,000	2,087,602	7,122,602
2026-2030	4.50-5.00	6,280,000	800,332	7,080,332
Total		\$ 15,440,000	5,912,274	21,352,274

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 61 percent of the statewide sales, services, and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$21,352,274. For the current year, principal of \$220,000 and interest of \$684,871 was paid on the bonds and total statewide sales, services and use tax revenues were \$2,333,192.

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
2016	4.65 %	\$ 26,336	513	26,849

(6) Current Refundings

On July 24, 2014, the District issued a \$515,000 general obligation bond with an interest rate of 0.60 percent and a \$535,000 general obligation bond with an interest rate of 0.90 percent to refund \$1,050,000 of the outstanding general obligation bond dated July 1, 2004 with an interest rate from 4.10 to 4.13 percent. The new refunding general obligation bond issuances have been added to the appropriate financial statements and schedules. The economic savings for the District on this refunding is \$55,970.

On April 30, 2015, the District issued a \$5,065,000 general obligation bond with interest rates from 1.50 to 2.10 percent to refund \$5,115,000 of the outstanding general obligation bond dated May 1, 2005 with an interest rate from 4.40-4.50 percent. The new refunding general obligation bond has been added to the appropriate financial statements and schedules. The economic savings for the District on the refunding is \$1,045,867.

(7) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$1,390,045.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$8,708,064 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.215169 percent, which was an increase of 0.000883 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$660,964. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 94,640	\$ -
Changes of assumptions	384,307	-
Net difference between projected and actual earnings on pension plan investments	-	3,321,005
Changes in proportion and differences between District contributions and proportionate share of contributions	39,326	-
District contributions subsequent to the measurement date	1,390,045	-
Total	\$ 1,908,318	\$ 3,321,005

\$1,390,045 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (709,159)
2017	(709,159)
2018	(709,159)
2019	(709,159)
2020	33,906
	<u>\$ (2,802,730)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 16,453,643	\$ 8,708,064	\$ 2,169,993

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$299,349 for legally required employer contributions and \$199,454 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(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 322 active and 9 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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 213,000
Interest on net OPEB obligation	32,000
Adjustment to annual required contribution	<u>(29,423)</u>
Annual OPEB cost	215,577
Contributions made	<u>(58,000)</u>
Increase in net OPEB obligation	157,577
Net OPEB obligation beginning of year	811,423
Net OPEB obligation end of year	<u><u>\$ 969,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$58,000 to the medical plan. Plan members eligible for benefits contributed \$100,000, or 63.3% 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, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 187,186	23.0%	\$ 694,000
2014	187,423	37.3%	811,423
2015	215,577	26.9%	969,000

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1.623 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.623 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$12.466 million, and the ratio of the UAAL to covered payroll was 13.0%. As of June 30, 2015, 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 for the Retiree Health Plan, 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, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.00% discount rate based on the District's funding policy. The projected annual medical trend rate is 8.0% and the projected dental and vision trend rate is 4.5%. The medical, dental, and vision trend rates are reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP-2014 projected to 2030 using Scale MP-14, 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, 2014 and applying the termination factors used in the IPERS Actuarial Valuation as of June 30, 2014.

Projected claim costs of the medical plan are for the \$950 per month for retirees who have attained age 60 that are on the Classic Blue Plan and \$818 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 \$1,021,627 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) 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.

(12) Categorical Funding

The District's restricted balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Homeschool assistance program	\$ 3,568
Gifted and talented	18,147
Dropout and dropout prevention	114,301
Successful progressions for early readers	38,936
Four-year-old preschool state aid	287,245
Model core curriculum	36,007
Market factor	1,181
Teacher leadership grants	136,459
Market factor incentives	15,796
Total	<u>\$ 651,640</u>

(13) Deficit Net Position

At June 30, 2015, the District had a deficit unrestricted net position of \$3,329,757 in the governmental activities.

(14) Reconciliation of Governmental Fund Balances to Net Position

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

	<u>Net Investment in Capital Assets</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	3,504,715	4,157,087
Capital assets			
net of accumulated depreciation	45,068,574	-	-
General obligation bond capitalized indebtedness	(15,630,000)	-	-
Revenue bond capitalized indebtedness	(15,440,000)	-	-
Copier lease	(26,336)	-	-
Compensated absences payable	-	-	(70,503)
Internal service fund	-	-	2,341,394
Assigned fund balance	-	-	147,878
Committed fund balance	-	-	912,866
Accrued interest payable	-	(414,999)	-
Net OPEB liability	-	-	(937,411)
Net pension liability	-	-	(8,502,554)
Pension related deferred outflows of resources	-	-	1,864,115
Pension related deferred inflows of resources	-	-	(3,242,629)
Net position (Exhibit A)	<u>\$ 13,972,238</u>	<u>3,089,716</u>	<u>(3,329,757)</u>

(15) Sale of Real Property

During the year ended June 30, 2015, the District received payment from Wasker, Dorr, Wimmer and Marcouiller P.C. of \$110,000 for the purchase of 906 School Avenue, Norwalk, Iowa. This land was valued on the District's books at \$184,028, resulting in a loss of \$74,028 to the District.

(16) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 24,893,232	\$ 1,113,410
Net pension liability at June 30, 2014	(11,846,552)	(286,336)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	1,252,776	30,280
Net position July 1, 2014, as restated	<u>\$ 14,299,456</u>	<u>\$ 857,354</u>

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, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual			Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 11,233,317	763,415	11,996,732	11,646,148	11,646,148	350,584
Intermediate sources	11,089	-	11,089	-	-	11,089
State sources	20,198,628	8,595	20,207,223	20,161,991	20,161,991	45,232
Federal sources	607,764	388,817	996,581	811,652	811,652	184,929
Total revenues	32,050,798	1,160,827	33,211,625	32,619,791	32,619,791	591,834
Expenditures/Expenses:						
Instruction	17,420,668	-	17,420,668	19,171,407	19,171,407	1,750,739
Support services	8,701,451	109,185	8,810,636	8,139,964	10,000,000	1,189,364
Non-instructional programs	-	1,067,140	1,067,140	1,110,346	1,250,000	182,860
Other expenditures	10,270,677	-	10,270,677	4,203,380	10,596,627	325,950
Total expenditures/expenses	36,392,796	1,176,325	37,569,121	32,625,097	41,018,034	3,448,913
Excess(Deficiency) of revenues over(under) expenditures/expenses	(4,341,998)	(15,498)	(4,357,496)	(5,306)	(8,398,243)	4,040,747
Other financing sources(uses), net	6,359,725	(13,593)	6,346,132	399,999	399,999	5,946,133
Excess(Deficiency) of revenues and other financing sources(uses) over(under) expenditures/expenses	2,017,727	(29,091)	1,988,636	394,693	(7,998,244)	9,986,880
Balance beginning of year, as restated	10,696,247	857,354	11,553,601	10,304,811	10,304,811	1,248,790
Balance end of year	\$ 12,713,974	828,263	13,542,237	10,699,504	2,306,567	11,235,670

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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 \$8,392,937.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-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%
2015	July 1, 2014	-	1,623	1,623	0.0%	12,466	13.0%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.215169%
District's proportionate share of the net pension liability	\$ 8,708,064
District's covered-employee payroll	\$ 15,566,021
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	55.94%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 1,390,046	1,284,534	1,200,940	1,090,840	772,902	856,304	798,686	695,850	582,857	537,603
Contributions in relation to the statutorily required contribution	<u>(1,390,046)</u>	<u>(1,284,534)</u>	<u>(1,200,940)</u>	<u>(1,090,840)</u>	<u>(772,902)</u>	<u>(856,304)</u>	<u>(798,686)</u>	<u>(695,850)</u>	<u>(582,857)</u>	<u>(537,603)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 15,566,021	14,384,479	13,851,672	13,517,224	11,120,892	12,320,921	12,577,732	11,501,653	10,136,643	9,349,617
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

NORWALK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

SUPPLEMENTARY INFORMATION

NORWALK COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 2,108,279	334,830	2,443,109	594,087	3,037,196
Receivables:					
Property tax:					
Delinquent	10,016	-	10,016	15,489	25,505
Succeeding year	450,000	-	450,000	891,918	1,341,918
Accounts	-	7,208	7,208	-	7,208
Accrued interest	2,422	-	2,422	-	2,422
Due from other governments	-	645	645	370,177	370,822
TOTAL ASSETS	\$ 2,570,717	342,683	2,913,400	1,871,671	4,785,071
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	45,223	45,223	36,427	81,650
Salaries and benefits payable	577	251	828	-	828
Total liabilities	<u>577</u>	<u>45,474</u>	<u>46,051</u>	<u>36,427</u>	<u>82,478</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	450,000	-	450,000	891,918	1,341,918
Other	8,097	-	8,097	12,790	20,887
Total deferred inflows of resources	<u>458,097</u>	<u>-</u>	<u>458,097</u>	<u>904,708</u>	<u>1,362,805</u>
Restricted for:					
Management levy purposes	2,112,043	-	2,112,043	-	2,112,043
Student activities	-	297,209	297,209	-	297,209
School infrastructure	-	-	-	670,775	670,775
Physical plant and equipment	-	-	-	259,761	259,761
Total fund balances	<u>2,112,043</u>	<u>297,209</u>	<u>2,409,252</u>	<u>930,536</u>	<u>3,339,788</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,570,717	342,683	2,913,400	1,871,671	4,785,071

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Local tax	\$ 509,966	-	509,966	843,506	1,353,472
Other	34,667	470,820	505,487	88,015	593,502
Intermediate sources	-	-	-	7,000	7,000
State sources	2,682	-	2,682	2,339,001	2,341,683
Total revenues	547,315	470,820	1,018,135	3,277,522	4,295,657
EXPENDITURES:					
Current:					
Instruction:					
Regular	120,108	-	120,108	730,141	850,249
Other	-	407,238	407,238	-	407,238
Support services:					
Student	-	-	-	42,969	42,969
Instructional staff	-	-	-	49,243	49,243
Administration	25,389	285	25,674	52,728	78,402
Operation and maintenance of plant	229,898	20,150	250,048	42,727	292,775
Transportation	39,141	-	39,141	224,233	263,374
Capital outlay	-	-	-	504,547	504,547
Non-instructional programs:					
Food service operations	5,000	-	5,000	-	5,000
Total expenditures	419,536	427,673	847,209	1,646,588	2,493,797
Excess of revenues over expenditures	127,779	43,147	170,926	1,630,934	1,801,860
Other financing sources(uses):					
Transfer in	-	-	-	102,000	102,000
Transfer out	-	-	-	(1,580,452)	(1,580,452)
Sale of real property	-	-	-	110,000	110,000
Total other financing sources(uses)	-	-	-	(1,368,452)	(1,368,452)
Change in fund balances	127,779	43,147	170,926	262,482	433,408
Fund balances beginning of year	1,984,264	254,062	2,238,326	668,054	2,906,380
Fund balances end of year	\$ 2,112,043	297,209	2,409,252	930,536	3,339,788

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 309,598	284,489	594,087
Receivables:			
Property tax:			
Delinquent	-	15,489	15,489
Succeeding year	-	891,918	891,918
Due from other governments	370,177	-	370,177
TOTAL ASSETS	\$ 679,775	1,191,896	1,871,671
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 9,000	27,427	36,427
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	891,918	891,918
Other	-	12,790	12,790
Total deferred inflows of resources	-	904,708	904,708
Fund balances:			
Restricted for:			
School infrastructure	670,775	-	670,775
Physical plant and equipment	-	259,761	259,761
Total fund balances	670,775	259,761	930,536
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 679,775	1,191,896	1,871,671

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	843,506	843,506
Other	9	88,006	88,015
Intermediate sources	-	7,000	7,000
State sources	2,333,192	5,809	2,339,001
Total revenues	2,333,201	944,321	3,277,522
EXPENDITURES:			
Current:			
Instruction:			
Regular	710,852	19,289	730,141
Support services:			
Student	-	42,969	42,969
Instructional staff	37,332	11,911	49,243
Administration	21,401	31,327	52,728
Operation and maintenance of plant	25,000	17,727	42,727
Transportation	-	224,233	224,233
Capital outlay	7,963	496,584	504,547
Total expenditures	802,548	844,040	1,646,588
Excess of revenues over expenditures	1,530,653	100,281	1,630,934
Other financing sources(uses):			
Transfer in	102,000	-	102,000
Transfer out	(1,442,653)	(137,799)	(1,580,452)
Sale of real property	-	110,000	110,000
Total other financing sources(uses)	(1,340,653)	(27,799)	(1,368,452)
Change in fund balances	190,000	72,482	262,482
Fund balances beginning of year	480,775	187,279	668,054
Fund balances end of year	\$ 670,775	259,761	930,536

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2015

	Debt Service		
	Debt Service	Debt Sinking	Total
ASSETS			
Cash and pooled investments	\$ 941,635	2,556,629	3,498,264
Receivables:			
Property tax:			
Delinquent	43,281	-	43,281
Succeeding year	2,161,951	-	2,161,951
Accrued interest	1,233	4	1,237
TOTAL ASSETS	\$ 3,148,100	2,556,633	5,704,733
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,331	-	1,331
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	2,161,951	-	2,161,951
Other	36,736	-	36,736
Total deferred inflows of resources	2,198,687	-	2,198,687
Fund balances:			
Restricted for debt service	948,082	2,556,633	3,504,715
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,148,100	2,556,633	5,704,733

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, 2015

	Debt Service		
	Debt Service	Debt Sinking	Total
REVENUES:			
Local sources:			
Local tax	\$ 2,045,628	-	2,045,628
Other	2,413	4,376	6,789
State sources	14,087	-	14,087
Total revenues	<u>2,062,128</u>	<u>4,376</u>	<u>2,066,504</u>
EXPENDITURES:			
Current:			
Long-term debt:			
Principal	7,163,719	220,000	7,383,719
Interest and fiscal charges	669,413	686,371	1,355,784
Total expenditures	<u>7,833,132</u>	<u>906,371</u>	<u>8,739,503</u>
Deficiency of revenues under expenditures	(5,771,004)	(901,995)	(6,672,999)
Other financing sources(uses):			
Transfer in	35,799	1,442,653	1,478,452
Refunding general obligation bond issuances	6,115,000	-	6,115,000
Premiums on refunding bond issuances	134,489	-	134,489
Discounts on refunding bond issuances	(28,903)	-	(28,903)
Total other financing sources(uses)	<u>6,256,385</u>	<u>1,442,653</u>	<u>7,699,038</u>
Change in fund balances	485,381	540,658	1,026,039
Fund balances beginning of year	<u>462,701</u>	<u>2,015,975</u>	<u>2,478,676</u>
Fund balances end of year	<u>\$ 948,082</u>	<u>2,556,633</u>	<u>3,504,715</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expend- itures	Intrafund Transfers	Balance End of Year
Middle School Accounts:					
General Athletics	\$ 4,766	2	1,411	(500)	2,857
Chorus	4,000	11,167	11,462	-	3,705
Cross Country	225	-	50	-	175
Cheerleaders	1,426	1,175	871	(1,000)	730
Boys Basketball	2,123	3,280	3,041	-	2,362
Football	1,743	3,079	3,635	1,000	2,187
Concessions	3,132	11,246	9,121	(2,500)	2,757
Baseball	555	-	1,580	2,510	1,485
Boys Track	1,189	1,088	594	(1,010)	673
Wrestling	770	1,438	1,107	1,000	2,101
Girls Basketball	1,033	1,793	2,268	1,500	2,058
Volleyball	1,698	2,921	1,180	(500)	2,939
Softball	815	-	1,315	2,000	1,500
Girls Track	547	3,260	719	(2,500)	588
Student Council	2,619	-	418	-	2,201
Art Club	1,051	207	-	-	1,258
FCCLA	94	-	-	-	94
Ace Club	106	-	-	-	106
Annual	1,709	2,140	1,557	-	2,292
SADD	999	-	124	-	875
High School Accounts:					
General Athletics	18,050	30,802	19,183	(14,623)	15,046
All School Play	3,314	1,243	1,008	-	3,549
Speech	-	-	1,198	1,198	-
Chorus	875	1,344	1,704	-	515
Dinner Show	2,109	14,824	15,652	-	1,281
Show Choir	5,021	28,581	22,061	-	11,541
Band	1,531	25,892	19,646	1,815	9,592
Tri-M Club	130	-	-	-	130
Athletic Ambassadors	1,165	-	-	-	1,165
Cross Country	44	2,470	3,718	1,222	18
Swimming	200	-	-	-	200
Bowling	239	-	-	-	239
Boys Basketball	33,150	20,146	16,694	-	36,602
Football	11,596	69,576	59,929	(1,360)	19,883
Boys Soccer	9,392	17,748	23,518	(480)	3,142
Baseball	15,111	33,292	41,187	(129)	7,087
Boys Track	3,584	8,159	8,697	(210)	2,836
Boys Tennis	395	-	1,747	1,532	180
Boys Golf	52	7,636	11,014	3,335	9
Concessions	26,928	24,903	22,538	-	29,293
Wrestling	7,237	13,294	12,708	-	7,823

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expend- itures	Intrafund Transfers	Balance End of Year
High School Accounts(Continued):					
Weight Room	2	9,970	7,510	-	2,462
Girls Basketball	25,489	13,501	10,700	-	28,290
Volleyball	7,409	15,611	5,248	(135)	17,637
Girls Soccer	4,317	6,698	5,537	(465)	5,013
Softball	3,115	12,074	10,642	(72)	4,475
Girls Track	1,776	4,600	4,275	(195)	1,906
Girls Tennis	701	1,657	1,938	978	1,398
Girls Golf	9	3,665	6,107	2,544	111
Cheerleaders	12,994	22,295	19,427	490	16,352
Drill Team	2,963	15,519	12,931	4,094	9,645
Class of 2011	3	-	-	(3)	-
Class of 2012	1	-	-	(1)	-
Class of 2015	2,624	-	2,624	-	-
Class of 2016	-	7,966	2,738	4	5,232
Student Council	5,958	6,532	9,036	(319)	3,135
Art Club	962	463	-	-	1,425
French Club	2,618	532	439	-	2,711
Spanish Club	4,113	-	-	-	4,113
Annual	5,576	6,229	4,348	319	7,776
Newspaper	229	-	-	-	229
National Honor Society	2,199	300	487	-	2,012
SADD	281	236	304	-	213
Debate	-	266	545	279	-
Mock Trial	-	-	182	182	-
Total	\$ 254,062	470,820	427,673	-	297,209

NORWALK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund			
	J. Graham Scholarship	Frederick Scholarship	J.W. Winter Scholarship	Total
ASSETS				
Cash and pooled investments	\$ 5,001	6,002	20,008	31,011
Accrued interest receivable	11	13	45	69
TOTAL ASSETS	5,012	6,015	20,053	31,080
TOTAL LIABILITIES				
	-	-	-	-
NET POSITION				
Restricted for scholarships	\$ 5,012	6,015	20,053	31,080

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund				Total
	J. Graham Scholarship	Frederick Scholarship	J.W. Winter Scholarship	Student Council Scholarship	
Additions:					
Local sources:					
Contributions	\$ -	-	-	300	300
Interest income	50	60	201	-	311
Total additions	50	60	201	300	611
Deductions:					
Instruction:					
Regular:					
Scholarships awarded	70	70	200	300	640
Change in net position	(20)	(10)	1	-	(29)
Net position beginning of year	5,032	6,025	20,052	-	31,109
Net position end of year	\$ 5,012	6,015	20,053	-	31,080

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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 9,070,592	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
Tuition	948,475	875,780	947,651	948,685	992,860	773,194	896,431	867,627	968,314	839,600
Other	1,214,250	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
Intermediate sources	11,089	3,703	8,020	8,334	4,022	3,668	12,091	14,071	28,766	-
State sources	20,198,628	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
Federal sources	607,764	551,920	498,972	478,941	1,146,329	1,701,874	630,670	434,945	1,399,399	278,986
Total	\$ 32,050,798	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
Expenditures:										
Instruction:										
Regular	\$ 11,677,960	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
Special	3,181,973	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
Other	2,560,735	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
Support services:										
Student	1,024,335	1,171,051	1,018,153	802,182	920,968	800,331	682,263	658,987	515,050	507,941
Instructional staff	1,698,210	938,435	886,409	782,465	783,068	754,884	739,245	631,841	642,518	629,511
Administration	2,947,533	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
Operation and maintenance of plant	2,171,604	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
Transportation	859,769	639,188	780,876	605,222	751,758	566,833	689,629	586,990	682,702	526,566
Non-instructional programs	5,000	-	-	-	-	-	-	-	-	-
Capital outlay	504,547	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
Long-term debt:										
Principal	7,383,719	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
Interest and fiscal charges	1,355,784	1,383,370	1,462,683	1,524,276	1,473,508	912,928	939,818	719,916	912,526	896,321
Other expenditures:										
AEA flow-through	1,021,627	938,669	875,191	855,274	905,307	872,252	801,976	739,462	685,792	627,295
Total	\$ 36,392,796	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY15	\$ 26,631
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY15	361,686 *
			<u>388,317</u>
TEAM NUTRITION GRANTS	10.574	FY15	<u>500</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY15	<u>140,228</u>
SPECIAL EDUCATION CLUSTER (IDEA) PROGRAM:			
SPECIAL EDUCATION - GRANTS TO STATES (HIGH COST CLAIM)	84.027	FY15	<u>38,196 **</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY15	<u>15,747</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY15	<u>34,323</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY15	<u>12,800</u>
HEARTLAND AREA EDUCATION AGENCY 11:			
SPECIAL EDUCATION CLUSTER (IDEA) PROGRAM:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY15	<u>111,618 **</u>
TOTAL			<u><u>\$ 741,729</u></u>

* - Includes \$83,268 of non-cash awards

** - The total for the Special Education Cluster is \$149,814

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited 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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 16, 2016.

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 deficiencies in internal control over financial reporting we consider to be a material weakness and a significant deficiency.

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-15 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 consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-15 to be a significant deficiency.

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, 2015 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 16, 2016
Newton, Iowa

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**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, 2015. 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, 2015.

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-15 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 16, 2016
Newton, Iowa

NORWALK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and significant deficiency 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 not 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-15 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 one or more 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's practical to achieve more internal controls, especially involving the handling of cash.

Conclusion - Response accepted.

II-B-15 Purchase Orders - During our audit we noted that the District currently uses purchase orders in the purchasing process, however we noted instances of purchase orders being completed after the product has been ordered. We also noted instances of transactions processed without purchase orders.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will review purchase order procedures with administrators, stressing the advantages and importance of using a purchase order system.

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: 2015
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-15 Segregation of Duties - One important aspect of the internal control structure is the (2015-001) 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 and Corrective Action Planned - The District will continue to investigate areas to improve segregation of duties with the limited staff available, implementing new procedures where it's 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-15 Certified Budget – District disbursements for the year ended June 30, 2015 did not exceed the amounts budgeted in any of the functional areas.

IV-B-15 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-15 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-15 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	\$ 3,352
Nick Menke, Teacher Spouse performs services for the District	Taught Color Guard Camp	\$ 500
Kate Baldwin, Business Manager Spouse owns Baldwin Construction	Services	\$ 1,628

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

IV-E-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-15 Certified Enrollment - We noted enrollment data certified to the Department of Education was overstated by 1.0 student and understated by 1.0 student, for a net adjustment of 0.

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-15 Supplementary Weighting - No variances in basic enrollment date certified to the Iowa Department of Education were noted.

IV-I-15 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-15 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-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-15 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 480,775
Revenues/transfer in:		
Sales tax revenues	\$ 2,333,192	
Other local revenues	9	
Transfer in	<u>102,000</u>	<u>2,435,201</u>
		2,915,976
Expenditures/transfers out:		
School infrastructure construction	\$ 710,852	
Equipment	7,963	
Other	83,733	
Transfers to other funds:		
Debt service fund	<u>1,442,653</u>	<u>2,245,201</u>
Ending balance		<u>\$ 670,775</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

IV-M-15 Financial Condition - At June 30, 2015, the District had a deficit unrestricted net position of \$3,329,757 in the governmental activities.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position.

Conclusion - Response accepted.