



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE May 19, 2003

Contact: Andy Nielsen  
515/281-5515

The Office of Auditor of State today released an audit report on the Norwalk Community School District in Norwalk, Iowa.

The District's revenues totaled \$17,252,593 for the year ended June 30, 2002. General Fund revenues included \$3,405,283 in local tax, \$9,146,630 from the state, \$294,581 from the federal government and \$30,494 in interest on investments.

General Fund expenditures for the year totaled \$14,248,109, and included \$9,130,689 for instruction, \$4,503,469 for support services and \$602,268 for other expenditures.

This report contained recommendations to District officials. For example, the District should strengthen internal controls over receipts and disbursements. The District has responded that corrective action will be taken.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office.

# # #



**NORWALK COMMUNITY SCHOOL DISTRICT**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2002**

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**Norwalk Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2001 Election)</b>		
Tom Phillips	President	2003
Diane Shivers	Vice President	2003
Debra R. Ostrem	Board Member	2001
Douglas Devine	Board Member	2002
John Mineart	Board Member	2002
<b>Board of Education</b>		
<b>(After September 2001 Election)</b>		
Diane Shivers	President	2003
Douglas Devine	Vice President	2002
John Mineart	Board Member	2002
Debra R. Ostrem	Board Member	2003
Tom Phillips	Board Member	2003
<b>School Officials</b>		
Thomas Fish	Superintendent	resigned June 2002
Ann Laing	Acting Superintendent	2003
James Langstraat	District Secretary/Treasurer and Business Manager	resigned Feb. 2002
Kate Baldwin	Finance Director	Indefinite
Ronald Peeler	Attorney	Indefinite

**Norwalk Community School District**



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Independent Auditor's Report

To the Board of Education of  
Norwalk Community School District:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Norwalk Community School District as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements present fairly, in all material respects, the financial position of Norwalk Community School District at June 30, 2002 and the results of its operations and cash flows of its proprietary fund type and non-expendable trust fund for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and proprietary fund type of Norwalk Community School District for the year ended June 30, 2002.

As discussed in Note 12 to the general purpose financial statements, Norwalk Community School District intends to implement Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement Number 38, Certain Financial Statement Note Disclosures, for the fiscal year ending June 30, 2003. The effects of these statements are expected to significantly impact the presentation of the governmental financial statements and related notes in the year of implementation. The revised requirements will include the use of the economic resources measurement focus and full accrual accounting, as well as an overview of the governmental financial activities in the Management's Discussion and Analysis introduction to the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our reports dated December 10, 2002 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 grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2001 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental 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, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

December 10, 2002

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State



## **Financial Statements**

Norwalk Community School District

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<b>Assets and Other Debits</b>			
Cash and pooled investments	\$ 223,773	497,402	45,564
Receivables:			
Property tax:			
Current year delinquent	81,296	10,297	21,879
Succeeding year	3,298,000	468,000	805,000
Accounts	2,901	520	-
Accrued interest	3,502	890	-
Interfund receivable (note 3)	163,121	-	-
Due from other governments	118,284	15,837	-
Inventories	-	-	-
Restricted ISCAP assets (note 4):			
Investments	3,797,928	-	-
Accrued interest receivable	14,840	-	-
Property and equipment (note 5):			
Land and land improvements	-	-	-
Buildings and building improvements	-	-	-
Machinery and equipment	-	-	-
Accumulated depreciation	-	-	-
Amount available in Debt Service Fund	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
<b>Total assets and other debits</b>	<b>\$ 7,703,645</b>	<b>992,946</b>	<b>872,443</b>

Capital Projects	Proprietary Fund Type Enterprise	Fiduciary Fund Type Trust and Agency	Account Groups		Total (Memorandum Only)
			General Fixed Assets	General Long-Term Debt	
-	68,705	35,517	-	-	870,961
-	-	-	-	-	113,472
-	-	-	-	-	4,571,000
-	2,090	-	-	-	5,511
-	-	105	-	-	4,497
-	-	-	-	-	163,121
-	-	-	-	-	134,121
-	23,611	-	-	-	23,611
-	-	-	-	-	3,797,928
-	-	-	-	-	14,840
-	-	-	942,790	-	942,790
-	-	-	13,115,885	-	13,115,885
-	247,207	-	4,646,336	-	4,893,543
-	(126,129)	-	-	-	(126,129)
-	-	-	-	55,893	55,893
-	-	-	-	9,303,809	9,303,809
-	215,484	35,622	18,705,011	9,359,702	37,884,853

Norwalk Community School District

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<b>Liabilities, Fund Equity and Other Credits</b>			
Liabilities:			
Accounts payable	\$ 120,925	58,112	-
Salaries and benefits payable	1,113,795	76,805	-
Interfund payable (note 3)	-	-	-
ISCAP warrants payable (note 4)	3,791,000	-	-
ISCAP accrued interest payable (note 4)	13,306	-	-
Deferred revenue:			
Succeeding year property tax	3,298,000	468,000	805,000
Other	43,077	4,637	11,550
Bonds payable (note 6)	-	-	-
Notes payable (note 6)	-	-	-
Lease purchase agreement (note 6)	-	-	-
Total liabilities	8,380,103	607,554	816,550
Fund equity and other credits:			
Investment in general fixed assets	-	-	-
Unreserved retained earnings	-	-	-
Fund balance:			
Reserved for debt service	-	-	55,893
Unreserved, undesignated	(676,458)	385,392	-
Total fund equity and other credits	(676,458)	385,392	55,893
<b>Total liabilities, fund equity and other credits</b>	<b>\$ 7,703,645</b>	<b>992,946</b>	<b>872,443</b>

See notes to financial statements.

Capital Projects	Proprietary Fund Type Enterprise	Fiduciary Fund Type Trust and Agency	Account Groups		Total (Memorandum Only)
			General Fixed Assets	General Long-Term Debt	
-	10,128	-	-	-	189,165
-	1,284	-	-	-	1,191,884
163,121	-	-	-	-	163,121
-	-	-	-	-	3,791,000
-	-	-	-	-	13,306
-	-	-	-	-	4,571,000
-	-	-	-	-	59,264
-	-	-	-	9,125,000	9,125,000
-	-	-	-	225,000	225,000
-	-	-	-	9,702	9,702
163,121	11,412	-	-	9,359,702	19,338,442
-	-	-	18,705,011	-	18,705,011
-	204,072	-	-	-	204,072
-	-	-	-	-	55,893
(163,121)	-	35,622	-	-	(418,565)
(163,121)	204,072	35,622	18,705,011	-	18,546,411
-	215,484	35,622	18,705,011	9,359,702	37,884,853

Norwalk Community School District

Combined Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

All Governmental Fund Types

Year ended June 30, 2002

	Governmental	
	General	Special Revenue
Revenues:		
Local sources	\$ 4,181,558	961,330
Intermediate sources	7,063	-
State sources	9,146,630	811
Federal sources	294,581	-
Total revenues	<u>13,629,832</u>	<u>962,141</u>
Expenditures:		
Instruction	9,130,689	492,562
Support services	4,503,469	190,737
Non-instructional programs	11,683	-
Other expenditures	602,268	198,065
Total expenditures	<u>14,248,109</u>	<u>881,364</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(618,277)</u>	<u>80,777</u>
Other financing sources (uses):		
Sale of equipment	4,273	-
Lease-purchase agreement	12,730	-
Operating transfers in	-	-
Operating transfers out	(176,577)	(47,100)
Total other financing sources (uses)	<u>(159,574)</u>	<u>(47,100)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(777,851)</u>	<u>33,677</u>
Fund balances beginning of year	<u>101,393</u>	<u>351,715</u>
Fund balances (deficits) end of year	<u>\$ (676,458)</u>	<u>385,392</u>

See notes to financial statements.

Fund Types		Total
Debt Service	Capital Projects	(Memorandum Only)
921,452	18,021	6,082,361
-	-	7,063
1,467	998,400	10,147,308
-	-	294,581
922,919	1,016,421	16,531,313
-	-	9,623,251
-	-	4,694,206
-	-	11,683
1,082,128	2,312,688	4,195,149
1,082,128	2,312,688	18,524,289
(159,209)	(1,296,267)	(1,992,976)
-	-	4,273
-	-	12,730
174,192	49,485	223,677
-	-	(223,677)
174,192	49,485	17,003
14,983	(1,246,782)	(1,975,973)
40,910	1,083,661	1,577,679
55,893	(163,121)	(398,294)

**Norwalk Community School District**



Norwalk Community School District  
 Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balance  
 Proprietary Fund Type and Non-Expendable Trust Fund  
 Year ended June 30, 2002

	Proprietary Fund Type Enterprise	Fiduciary Fund Type Non-Expendable Trust
Operating revenues:		
Local sources:		
Other local sources	\$ 480,729	-
Donations	-	1,250
Total operating revenues	<u>480,729</u>	<u>1,250</u>
Operating expenses:		
Support services:		
Student support services:		
Other	-	3,300
Non-instructional programs:		
Food service operations:		
Depreciation	16,764	-
Other	579,829	-
Total operating expenses	<u>596,593</u>	<u>3,300</u>
Operating loss	<u>(115,864)</u>	<u>(2,050)</u>
Non-operating revenues (expenses):		
State sources	8,147	-
Federal sources	143,515	-
Interest on investments	888	1,396
Loss on disposal of asset	(183)	-
Total non-operating revenues (expenses)	<u>152,367</u>	<u>1,396</u>
Capital contributions from other funds	<u>68,352</u>	-
Net income (loss)	104,855	(654)
Retained earnings/fund balance beginning of year	<u>99,217</u>	<u>36,276</u>
Retained earnings/fund balance end of year	<u>\$ 204,072</u>	<u>35,622</u>

See notes to financial statements.

**Exhibit D**

Norwalk Community School District  
Combined Statement of Cash Flows  
Proprietary Fund Type and Non-Expendable Trust Fund  
Year ended June 30, 2002

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Non-Expendable Trust</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 471,912	-
Cash received from miscellaneous operating activities	6,911	-
Cash payments to employees for services	(170,690)	-
Cash payments to suppliers for goods or services	(383,947)	-
Cash received from donations	-	1,250
Cash payments for scholarships	-	(3,300)
Net cash used in operating activities	<u>(75,814)</u>	<u>(2,050)</u>
Cash flows from non-capital financing activities:		
State grants received	8,147	-
Federal grants received	103,686	-
Net cash provided by non-capital financing activities	<u>111,833</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	888	1,458
Net increase (decrease) in cash and cash equivalents	36,907	(592)
Cash and cash equivalents at beginning of year	<u>31,798</u>	<u>6,109</u>
Cash and cash equivalents at end of year	<u>\$ 68,705</u>	<u>5,517</u>

Norwalk Community School District  
 Combined Statement of Cash Flows  
 Proprietary Fund Type and Non-Expendable Trust Fund  
 Year ended June 30, 2002

	Proprietary Fund Type Enterprise	Fiduciary Fund Type Non-Expendable Trust
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (115,864)	(2,050)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities used	39,829	-
Depreciation	16,764	-
Increase in inventories	(12,660)	-
Increase in accounts receivable	(1,906)	-
(Decrease) in accounts payable	(116)	-
(Decrease) in salaries and benefits payable	(1,861)	-
	\$ (75,814)	(2,050)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>		
Current assets:		
Cash and pooled investments	\$ 68,705	35,517
Less items not meeting definition of cash equivalent:		
Certificates of deposit	-	(30,000)
	\$ 68,705	5,517

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2002, the District received and consumed federal commodities of \$39,829.

See notes to financial statements.

Norwalk Community School District

Comparison of Receipts, Disbursements and Changes in Balances -  
Actual to Budget (Cash Basis) - All Governmental Fund Types  
and Proprietary Fund Type

Year ended June 30, 2002

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Budget Adjust- ments
<b>Receipts:</b>			
Local sources	\$ 6,371,853	480,208	-
Intermediate sources	18,680	-	-
State sources	9,557,388	8,147	602,268
Federal sources	259,778	103,686	-
Total receipts	16,207,699	592,041	602,268
<b>Disbursements:</b>			
Instruction	9,483,785	-	-
Support services	4,596,453	-	-
Non-instructional programs	11,693	555,134	-
Other expenditures	3,917,019	-	602,268
Total disbursements	18,008,950	555,134	602,268
Excess (deficiency) of receipts over (under) disbursements	(1,801,251)	36,907	-
Other financing uses, net	(415,727)	-	-
Excess (deficiency) of receipts over (under) disbursements and other financing uses	(2,216,978)	36,907	-
Balance beginning of year	2,983,717	31,798	-
Balance end of year	\$ 766,739	68,705	-

See notes to financial statements.

Net	Amended Budget	Variance - Favorable (Unfavorable)	Net as % of Amended Budget
6,852,061	6,592,381	259,680	104%
18,680	12,000	6,680	156%
10,167,803	10,489,427	(321,624)	97%
363,464	336,000	27,464	108%
<u>17,402,008</u>	<u>17,429,808</u>	<u>(27,800)</u>	<u>100%</u>
9,483,785	9,686,941	203,156	98%
4,596,453	4,695,168	98,715	98%
566,827	703,500	136,673	81%
4,519,287	4,612,917	93,630	98%
<u>19,166,352</u>	<u>19,698,526</u>	<u>532,174</u>	<u>97%</u>
(1,764,344)	(2,268,718)		
<u>(415,727)</u>	<u>(200)</u>		
(2,180,071)	(2,268,918)		
<u>3,015,515</u>	<u>1,643,209</u>		
<u>835,444</u>	<u>(625,709)</u>		

Norwalk Community School District

Notes to Financial Statements

June 30, 2002

**(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 and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. 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.

A. Reporting Entity

For financial reporting purposes, Norwalk Community School District has included all funds, organizations, account groups, 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 does 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 Assessor's Conference Board.

B. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures or expenses. The various funds and account groups and their designated purposes are as follows:

Governmental Funds

General Fund – The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures and fixed charges that are not paid from other funds.

Special Revenue Funds – The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund – The Debt Service Fund is utilized to account for the payment of interest and principal on the District’s general long-term debt.

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

#### Proprietary Fund

Enterprise Fund – The Enterprise Fund is utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

#### Fiduciary Funds

Trust Fund – The Trust Fund is used to account for assets held by the District in a trustee capacity. The District’s trust fund is a non-expendable trust fund which is accounted for in essentially the same manner as a Proprietary Fund.

Agency Funds – The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

The District serves as Fiscal Agent for the Warren County – Winterset Vocational Education Consortium and the Western Iowa Principals Leadership Consortium pursuant to Chapters 28E and 280.15 of the Code of Iowa. The transactions of the Consortia are accounted for in the Agency Fund.

#### Account Groups

General Fixed Assets – This account group is established to account for property and equipment of the District not accounted for in Proprietary Funds.

General Long-Term Debt – This account group is established to account for the general long-term debt and certain other liabilities that are not specific liabilities of Proprietary Funds of the District.

### C. Measurement Focus

Governmental Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Proprietary Funds and Non-Expendable Trust Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is reported as retained earnings for Proprietary Funds and fund balance for Non-Expendable Trust Funds. Proprietary Fund type and Non-Expendable Trust Fund operating statements present increases (revenue) and decreases (expenses) in net total assets.

In reporting the financial activity of its Proprietary Fund, the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property tax, intergovernmental revenue (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

All Proprietary Funds and Non-Expendable Trust Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

The assets and liabilities of the Agency Fund are accounted for using the modified accrual basis of accounting.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries in the cash basis financial records.



E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

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.

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. Cash investments not meeting the definition of cash equivalents at June 30, 2002 included certificates of deposit of \$30,000 with maturity dates longer than three months.

Property Tax Receivable – Property tax in 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 to the County Board of Supervisors. Current year delinquent property tax receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 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, 2000 assessed property valuations; is for the tax accrual period July 1, 2001 through June 30, 2002 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2001.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa and 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 contributed value for government commodities.

Property and Equipment:

General Fixed Assets – General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost or estimated historical cost where historical cost is not available. With the exception of vehicles, the historical cost of general fixed assets acquired prior to March 1998 have been estimated by applying trending techniques which compare replacement cost with total economic life. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or “infrastructure” general fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Assets Account Group. Maintenance and repairs are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2002, no interest costs were capitalized since the District’s policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

Proprietary Fund – Proprietary Fund property and equipment is accounted for at original cost. Contributed fixed assets are recorded at estimated fair market value at the date received.

Accumulated depreciation is reported on the Proprietary Fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful life for machinery and equipment is 12 years.

During the year ended June 30, 2002, no interest costs were capitalized since there were no qualifying assets.

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, including the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. The cost of vacation payments expected to be liquidated currently are recorded as a liability of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2002. These amounts are included in accrued liabilities on the combined balance sheet.

F. Budgets, Budgetary Accounting and Budgetary Commitments

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 Non-Expendable 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 cash basis.

Encumbrances pertain to commitments related to unperformed contracts for goods or services. Used in budgeting, encumbrances are not expenditures or liabilities. Encumbrances represent the estimated amount of expenditures which may result if the unperformed contracts in process are completed. The District is not required to use encumbrance accounting and, accordingly, commitments related to unperformed contracts for goods or services have not been recorded by the District.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Exhibit E is a comparison of cash basis revenues, expenditures or expenses and changes in balance with the cash basis budget, which is legally controlled by functional area, not fund type. Operations and ending fund balances on the cash and modified accrual or accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 13,308,471	321,361	13,629,832	963,040	(899)	962,141
Expenditures	13,492,399	755,710	14,248,109	769,074	112,290	881,364
Net	(183,928)	(434,349)	(618,277)	193,966	(113,189)	80,777
Other financing sources (uses)	(579,991)	420,417	(159,574)	(59,413)	12,313	(47,100)
Beginning fund balances	1,150,813	(1,049,420)	101,393	362,849	(11,134)	351,715
Ending fund balances	\$ 386,894	(1,063,352)	(676,458)	497,402	(112,010)	385,392

	Governmental Fund Types					
	Debt Service			Capital Projects		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 919,767	3,152	922,919	1,016,421	-	1,016,421
Expenditures	1,082,128	-	1,082,128	2,665,349	(352,661)	2,312,688
Net	(162,361)	3,152	(159,209)	(1,648,928)	352,661	(1,296,267)
Other financing sources (uses)	174,192	-	174,192	49,485	-	49,485
Beginning fund balances	33,733	7,177	40,910	1,436,322	(352,661)	1,083,661
Ending fund balances	\$ 45,564	10,329	55,893	(163,121)	-	(163,121)

	Governmental Fund Types		
	Total		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 16,207,699	323,614	16,531,313
Expenditures	18,008,950	515,339	18,524,289
Net	(1,801,251)	(191,725)	(1,992,976)
Other financing sources (uses)	(415,727)	432,730	17,003
Beginning fund balances	2,983,717	(1,406,038)	1,577,679
Ending fund balances (deficit)	\$ 766,739	(1,165,033)	(398,294)

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 592,041	109,590	701,631
Expenses	555,134	41,642	596,776
Net	36,907	67,948	104,855
Beginning retained earnings	31,798	67,419	99,217
Ending retained earnings	\$ 68,705	135,367	204,072

G. Total (Memorandum Only)

The total columns of the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2002 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$164,064 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement Number 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

**(3) Interfund Receivable and Payable**

The District's interfund receivable and payable at June 30, 2002 is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	<u>\$ 163,121</u>

**(4) Iowa Schools Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards, administered by Wells Fargo, and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each participating entity is based on a projection of cash flow needs during the semiannual period. Wells Fargo maintains ISCAP accounts for each participating entity and provides monthly statements regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. A summary of the District's participation in ISCAP as of June 30, 2002 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2001-02A	6/21/01	6/19/02	\$ -	2,880	-	-
2001-02B	1/30/02	1/29/03	1,245,095	10,321	1,244,000	11,579
2002-03A	6/21/02	6/18/03	2,552,833	1,639	2,547,000	1,727
Total			<u>\$ 3,797,928</u>	<u>14,840</u>	<u>3,791,000</u>	<u>13,306</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2002 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2001-02A	\$ -	1,905,000	1,905,000	-
2001-02B	-	400,000	400,000	-
Total	\$ -	2,305,000	2,305,000	-

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2001-02A	3.750%	4.202%
2001-02B	2.250%	2.175%
2002-03A	2.750%	2.603%

#### (5) Property and Equipment

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2002 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and land improvements	\$ 631,203	311,587	-	942,790
Buildings and building improvements	9,011,078	4,104,807	-	13,115,885
Machinery and equipment	4,419,493	254,973	28,130	4,646,336
Construction in progress	2,162,845	1,941,962	4,104,807	-
Total	\$ 16,224,619	6,613,329	4,132,937	18,705,011

#### (6) Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2002 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year
General obligation bonds	\$ 9,560,000	-	435,000	9,125,000
Notes payable	380,000	-	155,000	225,000
Lease-purchase agreement	-	12,730	3,028	9,702
Total	\$ 9,940,000	12,730	593,028	9,359,702

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District, except for administrators who must have completed ten years. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are equal to a cash payment equal to the employee's accumulated sick leave plus 40% of the employee's annual salary. Early retirement expenditures for the year ended June 30, 2002 totaled \$76,696. At June 30, 2002, the District did not have a liability for early retirement.

### Bonds Payable

Details of the District's June 30, 2002 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 1997			Bond Issue of April 1, 1998 Series A		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2003	4.80%	\$ 10,000	201,210	4.20%	\$ 60,000	93,425
2004	4.90	15,000	200,730	4.25	305,000	90,905
2005	5.00	5,000	199,995	4.30	320,000	77,942
2006	5.10	5,000	199,745	4.35	335,000	64,183
2007	5.15	5,000	199,490	4.40	350,000	49,610
2008	5.20	5,000	199,232	4.45	370,000	34,210
2009	5.25	5,000	198,973	4.55	390,000	17,745
2010	5.25	380,000	198,710		-	-
2011	5.35	400,000	178,760		-	-
2012	5.40	420,000	157,360		-	-
2013	5.40	435,000	134,680		-	-
2014	5.40	460,000	111,190		-	-
2015	5.50	500,000	86,350		-	-
2016	5.50	520,000	58,850		-	-
2017	5.50	550,000	30,250		-	-
2018		-	-		-	-
2019		-	-		-	-
2020		-	-		-	-
2021		-	-		-	-
Total		<u>\$ 3,715,000</u>	<u>2,355,525</u>		<u>\$ 2,130,000</u>	<u>428,020</u>

Year Ending June 30,	Bond Issue of April 1, 1998			Bond Issue of May 1, 2001			Total		
	Series B			Interest					
	Interest Rates	Principal	Interest	Rates	Principal	Interest	Principal	Interest	Total
2003	4.20%	\$ 230,000	9,660	4.375%	\$ 140,000	149,124	440,000	453,419	893,419
2004		-	-	4.375	50,000	142,998	370,000	434,633	804,633
2005		-	-	4.375	50,000	140,812	375,000	418,749	793,749
2006		-	-	4.375	25,000	138,624	365,000	402,552	767,552
2007		-	-	4.50	25,000	137,530	380,000	386,630	766,630
2008		-	-	4.50	25,000	136,406	400,000	369,848	769,848
2009		-	-	4.50	25,000	135,280	420,000	351,998	771,998
2010		-	-	4.50	25,000	134,156	405,000	332,866	737,866
2011		-	-	4.50	25,000	133,030	425,000	311,790	736,790
2012		-	-	4.50	40,000	131,906	460,000	289,266	749,266
2013		-	-	4.55	55,000	130,106	490,000	264,786	754,786
2014		-	-	4.60	60,000	127,601	520,000	238,791	758,791
2015		-	-	4.70	50,000	124,841	550,000	211,191	761,191
2016		-	-	4.75	55,000	122,491	575,000	181,341	756,341
2017		-	-	4.80	60,000	119,880	610,000	150,130	760,130
2018		-	-	5.00	540,000	117,000	540,000	117,000	657,000
2019		-	-	5.00	570,000	90,000	570,000	90,000	660,000
2020		-	-	5.00	600,000	61,500	600,000	61,500	661,500
2021		-	-	5.00	630,000	31,500	630,000	31,500	661,500
Total		\$ 230,000	9,660		\$ 3,050,000	2,304,785	9,125,000	5,097,990	14,222,990

#### Notes Payable

During the years ended June 30, 1999 and 2000, the District issued school equipment notes to provide funds for the purchase of equipment. The notes bear interest at 5 to 5.75% per annum and are payable from the General Fund or the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the District's indebtedness under the notes outstanding at June 30, 2002 are as follows:

Year Ending June 30,	January 11, 1999		June 30, 2000		Total	
	Series 1999A		Interest			
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 50,000	1,250	85,000	10,063	135,000	11,313
2004	-	-	90,000	5,175	90,000	5,175
Total	\$ 50,000	1,250	175,000	15,238	225,000	16,488

During the year ended June 30, 2002, the District made principal and interest payments totaling \$174,192 under the agreements.



Lease-Purchase Agreement

The District entered into a lease purchase agreement for two lawn mowers. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2002:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Amount</u>
2003	\$ 3,028
2004	3,028
2005	3,028
2006	<u>3,029</u>
Total minimum lease payments	12,113
Less amount representing interest at 9.51% per annum	<u>(2,411)</u>
Present value of net minimum lease payments	<u>\$ 9,702</u>

Payments under the agreement for the year ended June 30, 2002 totaled \$3,028.

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$523,338, \$468,264, and \$453,627, respectively, equal to the required contributions for each year.

**(8) Risk Management**

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$602,268 for the year ended June 30, 2002 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2002, disbursements in the other expenditures functional area exceeded the amount budgeted prior to amendment.

**(11) Deficit Fund Balances**

The General Fund had an undesignated deficit balance of \$676,458 at June 30, 2002. The General Fund deficit will be eliminated by future tax revenues.

The Capital Projects Fund had an undesignated deficit balance of \$163,121 at June 30, 2002. The deficit will be eliminated by future collection and transfers from the Physical Plant and Equipment Levy Fund.

**(12) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement Number 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the fiscal year ending June 30, 2003. The effects are expected to significantly impact the presentation of the governmental financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management's Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the financial activities.

## **Supplemental Information**

**Norwalk Community School District**

Norwalk Community School District  
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)  
General Fund  
Year ended June 30, 2002

Revenues:	
Local sources:	
Local tax:	
Property tax	\$ 3,240,228
Utility tax replacement excise tax	161,547
Mobile home tax	3,508
	<u>3,405,283</u>
Other local sources:	
Interest on investments	30,494
Tuition from other districts	461,058
Transportation fees	16,454
Preschool tuition	13,453
Iowa Schools Cash Anticipation Program premium and interest	72,072
Contributions from private sources	11,065
Books, supplies and other fees	163,798
Miscellaneous	7,881
	<u>776,275</u>
	<u>4,181,558</u>
Intermediate sources:	
Area Education Agency data processing support	1,809
Other	5,254
	<u>7,063</u>
State sources:	
State foundation aid	7,902,999
School improvement technology funding	41,794
Educational Excellence program:	
Phase I	69,684
Phase II	167,066
Phase III	95,471
Vocational education aid	7,482
Revenue in lieu of taxes - military credit	2,495
Non-public transportation aid	10,862
AEA flow-through	602,268
Iowa Early Intervention Block Grant	99,338
Beginning teacher mentoring program	16,900
New teacher compensation program	130,021
Other	250
	<u>9,146,630</u>

**Schedule 1**

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## Norwalk Community School District

## Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)

## General Fund

Year ended June 30, 2002

## Revenues (continued):

## Federal sources:

Title I Grants to Local Educational Agencies	62,430
Safe and Drug-Free Schools and Communities - State Grants	7,012
Goals 2000- State and Local Education Systematic Improvement Grants	28,986
Medical Assistance Program	4,544
Innovative Education Program Strategies (Title VI program)	10,631
Vocational Education - Basic Grants to States	4,711
Star Schools	127,377
Class Size Reduction	24,451
Special Education Grants to States	23,003
Other	1,436
	<u>294,581</u>
Total revenues	<u>13,629,832</u>

## Expenditures:

## Instruction:

## Regular instruction:

Salaries	4,134,217
Benefits	1,032,716
Services	167,958
Supplies	168,071
Property	171,137
Other	5,654
	<u>5,679,753</u>

## Special education instruction:

Salaries	1,435,386
Benefits	297,127
Services	220,444
Supplies	75,272
Property	95,668
Other	7,779
	<u>2,131,676</u>

## Other special instruction:

Salaries	254,542
Benefits	74,469
Services	142,206
Supplies	37,448
Other	9,197
	<u>517,862</u>

Norwalk Community School District  
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)  
General Fund  
Year ended June 30, 2002

## Expenditures (continued):

## Instruction:

## Vocational instruction:

Salaries	344,765
Benefits	80,842
Services	724
Supplies	18,916
Property	7,286
	<u>452,533</u>

## Co-curricular instruction:

Salaries	290,771
Benefits	47,061
Services	2,556
Supplies	5,734
Property	2,643
Other	100
	<u>348,865</u>

## Total instruction

9,130,689

## Support services:

## Student support services:

Salaries	419,124
Benefits	97,095
Services	11,882
Supplies	1,507
	<u>529,608</u>

## Instructional staff support services:

Salaries	305,818
Benefits	76,264
Services	11,311
Supplies	90,544
Property	2,006
Other	10,089
	<u>496,032</u>

**Schedule 1**

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## Norwalk Community School District

## Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)

## General Fund

Year ended June 30, 2002

## Expenditures (continued):

## Support services:

## General administration:

Salaries	293,250
Benefits	56,688
Services	66,437
Supplies	22,874
Property	9,947
	<u>449,196</u>

## School administration:

Salaries	609,549
Benefits	157,043
Services	14,614
Supplies	7,933
Other	1,556
	<u>790,695</u>

## Business administration:

Salaries	163,044
Benefits	64,972
Services	116,155
Supplies	2,405
Property	3,160

## Iowa Schools Cash Anticipation Program:

Interest	69,612
Issuance costs	31,022
Other	1,254
	<u>451,624</u>

## Plant operation and maintenance:

Salaries	598,170
Benefits	187,510
Services	177,216
Supplies	358,967
Property	31,969
Other	2,590
	<u>1,356,422</u>



## Norwalk Community School District

## Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)

## General Fund

Year ended June 30, 2002

Expenditures (continued):	
Support services:	
Student transportation:	
Salaries	292,641
Benefits	70,102
Services	13,133
Supplies	52,139
Other	1,877
	<u>429,892</u>
Total support services	<u>4,503,469</u>
Non-instructional programs:	
Community services:	
Salaries	8,380
Benefits	1,113
Supplies	2,190
Total non-instructional programs	<u>11,683</u>
Other expenditures:	
AEA flow-through	602,268
Total expenditures	<u>14,248,109</u>
Deficiency of revenues under expenditures	<u>(618,277)</u>
Other financing sources (uses):	
Sale of equipment	4,273
Lease-purchase agreement	12,730
Operating transfers out:	
Debt Service	(127,092)
Capital Projects	(49,485)
Total other financing sources (uses)	<u>(159,574)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	(777,851)
Fund balance beginning of year	<u>101,393</u>
Fund balance (deficit) end of year	<u>\$ (676,458)</u>

See accompanying independent auditor's report.

**Schedule 2**

## Norwalk Community School District

## Combining Balance Sheet

## Special Revenue Funds

June 30, 2002

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 104,652	304,271	88,479	497,402
Receivables:				
Property tax:				
Current year delinquent	4,813	-	5,484	10,297
Succeeding year	248,000	-	220,000	468,000
Accounts	-	520	-	520
Accrued interest	-	890	-	890
Due from other governments	-	-	15,837	15,837
<b>Total assets</b>	<b>\$ 357,465</b>	<b>305,681</b>	<b>329,800</b>	<b>992,946</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	11,251	46,861	58,112
Salaries and benefits payable	76,697	108	-	76,805
Deferred revenue:				
Succeeding year property tax	248,000	-	220,000	468,000
Other	1,742	-	2,895	4,637
Total liabilities	326,439	11,359	269,756	607,554
Fund equity:				
Unreserved, undesignated fund balance	31,026	294,322	60,044	385,392
<b>Total liabilities and fund equity</b>	<b>\$ 357,465</b>	<b>305,681</b>	<b>329,800</b>	<b>992,946</b>

See accompanying independent auditor's report.

## Norwalk Community School District

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

## Special Revenue Funds

Year ended June 30, 2002

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax:				
Property tax	\$ 260,298	-	218,958	479,256
Utility tax replacement excise tax	12,978	-	10,580	23,558
Mobile home tax	282	-	230	512
	<u>273,558</u>	<u>-</u>	<u>229,768</u>	<u>503,326</u>
Other local sources:				
Interest on investments	524	9,444	2,047	12,015
Student activities	-	437,949	-	437,949
Miscellaneous	8,040	-	-	8,040
	<u>8,564</u>	<u>447,393</u>	<u>2,047</u>	<u>458,004</u>
	<u>282,122</u>	<u>447,393</u>	<u>231,815</u>	<u>961,330</u>
State sources:				
Revenue in lieu of taxes - military credit	200	-	168	368
Miscellaneous	244	-	199	443
	<u>444</u>	<u>-</u>	<u>367</u>	<u>811</u>
Total revenues	<u>282,566</u>	<u>447,393</u>	<u>232,182</u>	<u>962,141</u>
Expenditures:				
Instruction:				
Regular instruction:				
Salaries	71,246	-	-	71,246
Benefits	8,775	-	-	8,775
	<u>80,021</u>	<u>-</u>	<u>-</u>	<u>80,021</u>
Co-curricular instruction:				
Salaries	-	1,780	-	1,780
Benefits	-	216	-	216
Services	-	78,947	-	78,947

**Schedule 3**

## Norwalk Community School District

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

## Special Revenue Funds

Year ended June 30, 2002

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Expenditures (continued):				
Instruction (continued):				
Co-curricular instruction:				
Supplies	-	289,847	-	289,847
Property	-	24,787	-	24,787
Other	-	16,964	-	16,964
	-	412,541	-	412,541
Total instruction	80,021	412,541	-	492,562
Support services:				
Business administration:				
Benefits	40,040	-	-	40,040
Services	140,103	-	-	140,103
Other	1,256	-	20	1,276
	181,399	-	20	181,419
General administration				
Services	2,420	-	-	2,420
Plant operation and maintenance:				
Property	-	-	6,898	6,898
Total support services	183,819	-	6,918	190,737
Other expenditures:				
Facilities acquisition and construction:				
Services	-	-	66,190	66,190
Supplies	-	-	30,453	30,453
Property	-	-	101,422	101,422
Total other expenditures	-	-	198,065	198,065
Total expenditures	263,840	412,541	204,983	881,364

Norwalk Community School District  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Special Revenue Funds  
Year ended June 30, 2002

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Excess of revenues over expenditures	18,726	34,852	27,199	80,777
Other financing uses:				
Operating transfers out:				
Debt Service	-	-	(47,100)	(47,100)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	18,726	34,852	(19,901)	33,677
Fund balances beginning of year	12,300	259,470	79,945	351,715
Fund balances end of year	\$ 31,026	294,322	60,044	385,392

See accompanying independent auditor's report.

**Schedule 4**

## Norwalk Community School District

## Statement of Revenues, Expenditures and Changes in Fund Balance

## Debt Service Fund

Year ended June 30, 2002

## Revenues:

## Local sources:

## Local tax:

Property tax	\$ 873,473
Utility tax replacement excise tax	42,205
Mobile home tax	916
	<u>916,594</u>

## Other local sources:

Interest on investments	4,858
	<u>921,452</u>

## State sources:

Revenue in lieu of taxes - military credit	672
Miscellaneous	795
	<u>1,467</u>

Total revenues	<u>922,919</u>
----------------	----------------

## Expenditures:

## Other expenditures:

## Debt service:

Principal	590,000
Interest	490,918
Services	1,210
	<u>1,082,128</u>

Total expenditures	<u>1,082,128</u>
--------------------	------------------

Deficiency of revenues under expenditures	<u>(159,209)</u>
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## Other financing sources:

## Operating transfers in:

General	127,092
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## Special Revenue:

Physical Plant and Equipment Levy	47,100
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Total other financing sources	<u>174,192</u>
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Excess of revenues and other financing sources over expenditures	14,983
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Fund balance beginning of year	<u>40,910</u>
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Fund balance end of year	<u>\$ 55,893</u>
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See accompanying independent auditor's report.

## Norwalk Community School District

## Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)

## Capital Projects Fund

Year ended June 30, 2002

Revenues:	
Local sources:	
Other local sources:	
Interest on investments	\$ 18,021
State sources:	
Vision Iowa grant	998,400
Total revenues	<u>1,016,421</u>
Expenditures:	
Other expenditures:	
Facilities acquisition and construction:	
Services	51,692
Building construction	2,259,704
Other	1,292
Total expenditures	<u>2,312,688</u>
Deficiency of revenues under expenditures	(1,296,267)
Other financing sources:	
Operating transfers in:	
General	<u>49,485</u>
Deficiency of revenues and other financing sources under expenditures	(1,246,782)
Fund balance beginning of year	<u>1,083,661</u>
Fund balance (deficit) end of year	<u><u>\$ (163,121)</u></u>

See accompanying independent auditor's report.

**Schedule 6**

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Norwalk Community School District  
Statement of Revenues, Expenses and Changes in Retained Earnings  
Enterprise Fund  
Year ended June 30, 2002

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Other local sources:	
Sale of lunches and breakfasts:	
Students	\$ 310,731
Adults	10,209
Extra milk	2,305
A la carte	154,449
Special functions	199
Miscellaneous	2,836
Total operating revenues	<u>480,729</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	169,528
Benefits	55,486
Services	75,467
Supplies	279,105
Property	173
Other	70
Depreciation	16,764
Total operating expenses	<u>596,593</u>
Operating loss	<u>(115,864)</u>



Norwalk Community School District  
Statement of Revenues, Expenses and Changes in Retained Earnings  
Enterprise Fund  
Year ended June 30, 2002

	School Nutrition
Non-operating revenues (expenses):	
Interest income	888
State lunch and breakfast program claims	8,147
National School Breakfast Program	8,680
National School Lunch Program	91,809
Special Milk Program for Children	3,197
Food distribution	39,829
Loss on disposal of asset	(183)
Total non-operating revenues (expenses)	152,367
Capital contributions from other funds	68,352
Net income	104,855
Retained earnings beginning of year	99,217
Retained earnings end of year	\$ 204,072

See accompanying independent auditor's report.

**Schedule 7**

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Norwalk Community School District

Combining Balance Sheet

Trust and Agency Funds

June 30, 2002

	Non-Expendable Trust Fund	Agency Fund	Total
<b>Assets</b>			
Cash and pooled investments	\$ 35,517	-	35,517
Accrued interest receivable	105	-	105
<b>Total assets</b>	<b>\$ 35,622</b>	<b>-</b>	<b>35,622</b>
<b>Fund Equity</b>			
Fund equity:			
Unreserved, undesignated fund balance	\$ 35,622	-	35,622

See accompanying independent auditor's report.

Norwalk Community School District  
Statement of Changes in Assets and Liabilities  
Agency Fund  
Year ended June 30, 2002

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 44,343	95,276	139,619	-
Due from other governments	43,287	-	43,287	-
<b>Total assets</b>	<b>\$ 87,630</b>	<b>95,276</b>	<b>182,906</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	\$ 63	-	63	-
Due to other governments	87,542	-	87,542	-
Deposits held in custody for others	25	95,276	95,301	-
<b>Total liabilities</b>	<b>\$ 87,630</b>	<b>95,276</b>	<b>182,906</b>	<b>-</b>

See accompanying independent auditor's report.

**Schedule 9**

## Norwalk Community School District

## Schedule of Changes in Individual Student Activity Accounts

Year ended June 30, 2002

Account	Balance Beginning of Year	Revenues	Expend- itures	Intra- Fund Transfers	Balance End of Year
Undefined Project	\$ 8,295	6,053	12,009	-	2,339
Athletics	37,968	10,262	18,749	23,162	52,643
Activity Pass	-	20,700	25	(20,675)	-
All School Play	974	903	407	-	1,470
Debate	1,000	72	908	836	1,000
Mock Trial	1,000	29	572	543	1,000
Speech	1,000	5	566	561	1,000
Chorus-High School	2,000	-	1,853	1,853	2,000
Vocal Music-High School	3,635	12,026	11,631	-	4,030
Music-High School Trip	4,950	42,929	43,769	-	4,110
Vocal Music-Middle School	289	5,696	5,771	-	214
Piano Fund Raiser	150	330	239	-	241
Instrumental Music-High School	2,500	413	2,558	2,145	2,500
Band Fund Raiser-High School	4,420	1,674	2,128	-	3,966
Band Fund Raiser-Middle School	(623)	-	-	-	(623)
Cheerleaders-High School	5,259	12,339	12,996	-	4,602
Cheerleaders-Middle School	175	3,029	2,888	-	316
M S Activities	-	510	-	-	510
Volleyball	2,000	3,125	2,496	(629)	2,000
Volleyball Clinic	(176)	5,346	4,408	-	762
Soccer-Boys	1,250	3,922	4,428	756	1,500
Soccer-Girls	1,154	1,180	1,692	858	1,500
Cross Country	700	1,884	2,416	832	1,000
Tennis Club	405	100	110	-	395
Swimming	200	-	-	-	200
Basketball-Boys	2,500	8,826	3,994	(4,332)	3,000
Football	4,465	18,650	8,006	(9,789)	5,320
Football Club	22	11,494	7,842	-	3,674
Baseball	3,921	4,830	4,850	(9)	3,892
Baseball Project	2,861	17,561	17,108	-	3,314
Track-Boys	1,500	2,801	2,888	587	2,000
Tennis-Boys	490	1,009	1,131	132	500
Golf-Boys	1,500	2,869	3,969	1,600	2,000
Wrestling	2,000	3,104	1,638	(1,466)	2,000
Weight Room	1,000	-	-	1,000	2,000
Basketball-Girls	2,500	6,300	2,485	(3,315)	3,000
Softball	5,637	2,346	3,219	766	5,530
Softball Project	(886)	7,711	8,294	-	(1,469)
Track-Girls	1,500	2,542	3,806	1,764	2,000

## Norwalk Community School District

## Schedule of Changes in Individual Student Activity Accounts

Year ended June 30, 2002

Account	Balance Beginning of Year	Revenues	Expend- itures	Intra- Fund Transfers	Balance End of Year
Tennis-Girls	500	1,262	1,655	393	500
Golf-Girls	1,500	1,994	3,162	1,668	2,000
Student Pop-Middle School	205	6,916	5,813	-	1,308
Vending-District Office	291	682	879	-	94
Lakewood Pop	281	289	135	-	435
Oviatt Pop	-	62	-	-	62
Vending-Pop-Gym	3,058	9,170	10,727	-	1,501
Vending-Activity	5,532	4,807	4,830	-	5,509
Art Club	-	810	745	-	65
Drill Team	1,000	-	759	759	1,000
Jump for Heart	376	-	202	-	174
French Club	2,522	8,496	6,991	-	4,027
Drill Team Camp	2,800	13,406	13,307	-	2,899
Multi-Occupational Cooperative	86	-	-	-	86
National Honor Society	1,368	349	543	-	1,174
Physical Patch-Middle School	60	-	-	-	60
Students for Educational Services	82	-	30	-	52
Students Against Drunk Driving	751	2,415	816	-	2,350
Spanish Club	1,865	3,977	2,813	-	3,029
Student Store-Middle School	318	1,635	1,272	-	681
Student Council-High School	1,298	6,518	4,448	-	3,368
Student Council-Middle School	12,703	3,918	13,603	-	3,018
Class of 2001	(41)	-	(41)	-	-
Class of 2002	2,007	-	2,007	-	-
Class of 2003	-	14,542	13,181	-	1,361
Wrestling Club	4,570	4,200	6,158	-	2,612
Fellowship Christian Athletes	60	-	-	-	60
BB Lettermans Club	1,837	10,066	7,781	-	4,122
Girls Basketball Club	503	4,036	2,812	-	1,727
Letter Club	1,000	-	-	-	1,000
Biology Trip	7	-	-	-	7
Middle School Outdoor Center	533	-	-	-	533
Lab School Book Fair	50	1,359	1,380	-	29
Oviatt Book Fair	755	6,587	6,355	-	987
Lakewood Book Fair	836	6,560	6,529	-	867
Annual Reserve	2,305	-	-	-	2,305
Annual-High School	5,167	5,960	6,430	-	4,697
Annual-Middle School	1,691	477	2,022	-	146
Newspaper	(538)	2,053	1,515	-	-

**Schedule 9**

Norwalk Community School District  
Schedule of Changes in Individual Student Activity Accounts  
Year ended June 30, 2002

Account	Balance Beginning of Year	Revenues	Expend- itures	Intra- Fund Transfers	Balance End of Year
Library Fines-High School	2,941	718	721	-	2,938
Library-Middle School	42	3,907	3,452	-	497
3-5 Teachers Fund	6,189	6,717	6,646	-	6,260
Lakewood Resale	490	2,839	1,897	-	1,432
Kids Business Education	2,556	4,867	5,120	-	2,303
School Within School	6	-	-	-	6
Oviatt Teachers	3,637	1,719	5,356	-	-
Boxtops for Education	1,044	1,348	1,800	-	592
Boxtops for Education-Oviatt	593	1,813	106	-	2,300
Lakewood Fund Raiser	21,029	42,023	50,371	-	12,681
Oviatt Fund Raiser	8,728	19,350	137	-	27,941
MAC School Fund Raiser	-	4,040	2,664	-	1,376
Project Fund	157	3,492	3,549	-	100
Interest Income and Lab Activity	46,735	9,444	14	-	56,165
Change Fund	450	-	-	-	450
Total	\$ 259,470	447,393	412,541	-	294,322

See accompanying independent auditor's report.

Norwalk Community School District  
Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2002	2001	2000	1999
Local sources:				
Local tax:				
Property tax	\$ 4,592,957	3,849,886	3,821,311	3,680,691
Utility tax replacement excise tax	227,310	228,983	-	-
Mobile home tax	4,936	4,938	4,603	4,712
	<u>4,825,203</u>	<u>4,083,807</u>	<u>3,825,914</u>	<u>3,685,403</u>
State sources:				
State foundation aid	7,902,999	7,770,616	7,255,542	6,636,787
School improvement technology funding	41,794	118,958	116,687	114,272
Special education tuition	-	22,206	20,597	12,066
Education Excellence program:				
Phase I	69,684	69,684	69,684	69,684
Phase II	167,066	162,160	160,308	158,119
Phase III	95,471	90,348	88,662	86,761
Non-public transportation aid	10,862	10,393	8,781	8,707
Vocational education aid	7,482	7,709	4,472	7,632
Revenue in lieu of taxes - military credit	3,535	3,294	3,261	3,263
Iowa Early Intervention Block Grant	99,338	55,922	30,244	-
On Time Funding	-	-	56,362	-
Lunch and breakfast program claims	8,147	7,989	8,202	8,691
AEA flow-through	602,268	587,565	550,194	521,125
Beginning teacher mentoring program	16,900	-	-	-
New teacher compensation program	130,021	-	-	-
Vision Iowa grant	998,400	-	-	-
Other state aid	1,488	9,326	6,601	643
	<u>10,155,455</u>	<u>8,916,170</u>	<u>8,379,597</u>	<u>7,627,750</u>
Federal sources:				
Title I Grants to Local Educational Agencies	62,430	46,154	46,226	46,226
Innovative Education Program Strategies (Title VI Program)	10,631	10,344	8,757	8,951
Safe and Drug-Free Schools and Communities - State Grants	7,012	6,967	3,508	8,141
Goals 2000 - State and Local Education Systematic Improvement Grants	28,986	60,943	22,347	5,000
National School Lunch and Breakfast Programs	103,686	95,324	87,677	122,553
Food distribution	39,829	25,644	26,075	34,900
Vocational Education - Basic Grants to States	4,711	20,700	11,340	31,511

**Schedule 10**

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Norwalk Community School District  
Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2002	2001	2000	1999
Federal sources (continued):				
Class Size Reduction	24,451	18,459	16,983	-
Star Schools	127,377	24,071	-	-
Employment Services and Job Training - Pilot and Demonstration Programs	-	-	-	40,766
Iowa Demonstration Construction Grant Program	-	-	46,387	26,100
Special Education Grants to States	23,003	-	-	-
Other	5,980	5,990	2,511	9,573
	<u>438,096</u>	<u>314,596</u>	<u>271,811</u>	<u>333,721</u>
Total	<u>\$ 15,418,754</u>	<u>13,314,573</u>	<u>12,477,322</u>	<u>11,646,874</u>

See accompanying independent auditor's report.



Norwalk Community School District  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2002

Grantor/Program	CFDA Number	Grant Number	Expen- ditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY02	\$ 39,829
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY02	8,680
National School Lunch Program	10.555	FY02	91,809
Special Milk Program for Children	10.556	FY02	3,197
			<u>103,686</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	2995	62,430
Vocational Education - Basic Grants to States	84.048	FY02	8,028
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY02	6,593
Goals 2000 - State and Local Education Systematic Improvement Grants	84.276	SI 635	27,348
Goals 2000 - State and Local Education Systematic Improvement Grants	84.276	47101	34,752
			<u>62,100</u>
Class Size Reduction	84.340	FY02	24,451
Innovative Education Program Strategies (Title VI Program)	84.298	FY02	10,631
Iowa Public Television:			
Star Schools	84.203	FY02	127,377
Area Education Agency 11:			
Special Education Grants to States	84.027	FY02	23,003
Eisenhower Professional Development State Grants	84.281	FY02	1,241
			<u>24,244</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Medical Assistance Program	93.778	FY02	4,544
Total			<u>\$ 473,913</u>

**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 general-purpose financial statements.

See accompanying independent auditor's report.

**Norwalk Community School District**



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

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Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Board of Education of  
Norwalk Community School District:

We have audited the general purpose financial statements of Norwalk Community School District as of and for the year ended June 30, 2002, and have issued our report thereon dated December 10, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Norwalk Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in 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, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose 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. Prior year statutory comments have all been resolved except for items IV-B-02, IV-G-02, and IV-L-02.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Norwalk Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-02 is a material weakness. Prior year reportable conditions have all been resolved except for item II-A-02 and II-B-02.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Norwalk Community School District and other parties to whom the Norwalk Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Norwalk Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

December 10, 2002

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

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Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance

To the Board of Education of  
Norwalk Community School District:

Compliance

We have audited the compliance of Norwalk Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. Norwalk Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Norwalk Community School District's management. Our responsibility is to express an opinion on Norwalk Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, 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 provisions 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Norwalk Community School District's compliance with those requirements.

In our opinion, Norwalk Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Norwalk Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Norwalk Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Norwalk Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described as item III-A-02 in Part III of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirement program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item III-A-02 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Norwalk Community School District and other parties to whom the Norwalk Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

December 10, 2002

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

Norwalk Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2002

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.010 – Title I Grants to Local Education Agencies
  - CFDA Number 84.276 – Goals 2000 State and Local Education Systematic Improvement Grants
  - CFDA Number 10.550 – Food Distribution
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.556 – Special Milk Program for Children
- (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.

Norwalk Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2002

**Part II: Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-02 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – The District implemented new procedures effective July 1, 2002 separating employee duties for bank deposit preparation and cash receipt data entry. The District will continue to review the internal control procedures and implement additional controls where possible.

Conclusion – Response accepted.

II-B-02 Disbursement Approval – For four of seventy-three transactions tested, there was no evidence of Board approval.

Recommendation – The District should ensure that all expenditures are properly approved. The District should review the list of bills presented to the Board at regular meetings to ensure that all claims are included.

Response – The District has implemented internal auditing controls to assure that all disbursements are approved by the Board of Directors.

Conclusion – Response accepted.

II-C-02 Authorized Signatures – The former Business Manager resigned in February 2002. However, his signature remained on checks and bank signature cards for several months following his departure.

Recommendation – The District should promptly update checks and bank signature cards for removal of any employees that are not currently authorized signers.



Norwalk Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Response – The District will complete new bank signature cards and check signature stamps as these duties are transferred to new school official personnel.

Conclusion – Response accepted.

II-D-02 Athletic Admissions – The District does not have a written policy for athletic admission procedures. However, District employees represented that the District's procedures include a requirement to use prenumbered tickets at all athletic events where admission is charged. A form is to be used to facilitate the reconciliation of the number of tickets sold with the total amount collected. The number of ticket sellers varies depending on the event. Also, two individuals are generally involved in the reconciliation process and the cash collected is to be safeguarded in a vault prior to timely deposit.

Recommendation – District procedures appear to be adequate for the initial collection of cash at athletic events. However, the District should develop a written policy to document the required procedures and the Board should approve the policy. Also, the District should implement procedures to require periodic review and testing of the admissions process by the Administrative Office to ensure that the District's procedures at the High School and Middle School are working as prescribed.

Response – The District will develop a written Board policy governing the procedures for the collection, counting of cash, reconciliation and recording of gate admission for athletic and activity events. The Business Manager will periodically monitor these duties to ensure that policy procedures are being followed and verify the effectiveness of these internal controls.

Conclusion – Response accepted.

Norwalk Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2002

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITION:**

**CFDA Number 10.550: Food Distribution**  
**CFDA Number 10.553: School Breakfast Program**  
**CFDA Number 10.555: National School Lunch Program and**  
**CFDA Number 10.556: Special Milk Program for Children**  
**Federal Award Year: 2002**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

**CFDA Number 84.010: Title I Grants to Local Education Agencies**  
**Federal Award Year: 2002**  
**U.S. Department of Education**  
**Passed through the Iowa Department of Education**

**CFDA Number 84.276: Goals 2000 State and Local Education Systematic Improvement**  
**Grants**  
**Federal Award Year: 2002**  
**U.S. Department of Education**  
**Passed through the Iowa Department of Education**

III-A-02 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned – The District has implemented new procedures effective July 1, 2002 separating the employee duties of bank depositing and cash receipt data entry. We are continuing to examine our internal control procedures and will implement additional controls where possible.

Conclusion – Response accepted.

Norwalk Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2002

**Other Findings Related To Statutory Reporting:**

IV-A-02 Official Depositories – Official depositories were approved by the District. However, the District did not approve maximum deposit amounts allowed at the approved depositories.

Recommendation – The District should approve the financial institutions as official depositories and specify the maximum amount which may be kept on deposit in each depository in accordance with Chapter 12C.2 of the Code of Iowa.

Response – The District will review and amend the policy governing the official depositories and maximum deposit limit annually.

Conclusion – Response accepted.

IV-B-02 Certified Budget – Disbursements for the year ended June 30, 2002 exceeded the original certified budget amount in the other expenditures functional area prior to amendment.

Recommendation – The certified budget should have been amended as required by Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The District will amend the Certified Budget as required by Iowa Code.

Conclusion – Response accepted.

IV-C-02 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-02 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-E-02 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-F-02 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-G-02 Board Minutes – As previously noted, four transactions requiring Board approval had not been approved by the Board.

Recommendation – All expenditures should be approved by the Board, with sufficient documentation maintained to evidence proper approval.

Norwalk Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2002

Response – The District will implement procedures to insure the Board approves all expenditures and will maintain sufficient documentation.

Conclusion – Response accepted.

IV-H-02 Certified Enrollment – The following variance was noted on the certified enrollment reported to the Iowa Department of Education for the September 2001 count:

The number of open enrolled in nonresident students reported on line 8 was overstated by 5 students.

In addition, the supplementary weighting on line 12 was calculated incorrectly. As a result, the District reported 5.49 rather than 8.17 at line 12.

Recommendation – The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve these matters.

Response – The District has notified the Iowa Department of Education of these student enrollment calculation corrections. The District has established new procedures to verify open enrolled students with neighboring school districts. Regarding the supplementary weighting calculation on Line 12: The District discovered the student enrollment reporting error and requested the auditors to verify these findings. The District will accept this upward audit adjustment to our September 2001 Certificate Enrollment Line 7.

Conclusion – Response accepted.

IV-I-02 Deposits and Investments – 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 were noted.

IV-J-02 Certified Annual Report – The Certified Annual Report was not filed with the Iowa Department of Education timely. Subsequent to filing the CAR, the Iowa Department of Education and the District made changes to the CAR resulting in variances between the District's CAR and the June 30, 2002 audit report.

Recommendation – The District should complete and file the CAR in a timely manner.

Response – In the future, the District will strive to complete the financial audit prior to filing the Certified Annual Report, avoiding any variances between the Certified Annual Report and the audit report. The District will file the Certified Annual Report in a timely manner as required by Iowa Code.

Conclusion – Response accepted.

Norwalk Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

IV-K-02 Financial Condition – The General Fund and the Capital Projects Fund had deficit balances of \$676,458 and \$163,121, respectively, at June 30, 2002.

Recommendation – The District should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.

Response – The District has made the following corrective actions within the General Fund: levied a \$500,000 Cash Reserve Levy for FY03; Reduced FY03 General Fund Operating Expenditures by \$516,000; approved an Instructional Support Levy for FY04 at the full 10% maximum, generating approximately \$500,000 to relieve funds deficits; and implemented a variety of internal accounting controls to monitor funds with line item budget allocations.

The District had committed \$163,121 of PPEL Fund tax revenues to be transferred to the Capital Projects Fund, resolving this deficit during FY03.

Conclusion – Response acknowledged. The District should continue to monitor and evaluate financial condition to insure that the planned corrective action is effective in eliminating these deficits.

IV-L-02 Student Activity Accounts – The Special Revenue, Student Activity Fund includes accounts which should have been reclassified by a residual equity transfer in order for the fund to conform to U.S. generally accepted accounting principles. Also, two accounts had deficit balances at June 30, 2002.

Recommendation – The Student Activity Fund accounts should be reviewed. Accounts not meeting the criteria for co-curricular and extra-curricular activities in accordance with Chapter 298A.8 of the Code of Iowa should be closed to the most appropriate fund.

The District should continue to monitor these Student Activity Fund accounts and investigate alternatives to eliminate the deficits.

Response – The District will review all Activity Fund accounts and reclassify the Fund Balance account to the General Fund as required by Iowa Code.

Conclusion – Response accepted.

IV-M-02 Vision Iowa Grant – The District received a Vision Iowa grant of \$998,400 during the year ended June 30, 2002 for the Oviatt Elementary construction project. In the grant application, the District stated that the source of the required matching funds of \$350,790 would be the physical plant and equipment tax levy. The District provided documentation for approximately \$210,000 of the matching requirement. However, the District could not provide supporting documentation to demonstrate that the remaining matching requirements of approximately \$140,790 had been met.

Recommendation – The District should contact the Iowa Department of Education to resolve this matter.

Norwalk Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Response – The District will review the Vision Iowa Oviatt Construction Project records with the architect and construction manager to further clarify total project expenditures and to determine the actual matching funds. Following the verification of these project expenditures, the District will resolve the issue with the Department of Education.

Conclusion – Response accepted.

IV-N-02 Capital Project Change Orders – The District was unable to provide documentation for change orders and was unable to obtain change order documentation from the construction manager.

Recommendation – The District should maintain adequate documentation to support change orders approved by the Board for construction projects.

Response – The District will continue to pursue the obtainment of these records from the project construction manager.

Conclusion – Response acknowledged. In the future, the District should implement procedures to require documentation prior to payments on the project.

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Norwalk Community School District

Staff

This audit was performed by:

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