

**CITY OF NORWALK**

**INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**June 30, 2004**

## TABLE OF CONTENTS

		<u>Page</u>
Officials		2
Independent Auditors' Report		3-4
Management's Discussion and Analysis		5-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	13-16
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	17-20
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C	21
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	22-23
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E	24
Notes to Financial Statements		25-37
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		38-39
Notes to Required Supplementary Information – Budgetary Reporting		40
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	41-42
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	2	43
Schedule of Indebtedness	3	44-45
Bond and Note Maturities	4	46-49
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5	50
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		51-52
Schedule of Findings and Questioned Costs		53-54

CITY OF NORWALK

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
	Before January 2004	
Jerry Starkweather	Mayor	Dec. 2005
Tom Greteman	Mayor Pro Tem & Council Member	Dec. 2003
Curt Lankford	Council Member	Dec. 2003
Jim McClarnon	Council Member	Dec. 2005
Dave Hixenbaugh	Council Member	Dec. 2003
Pat Wahl	Council Member	Dec. 2005
Mark Miller	Administrator	Indefinite
Joyce Cortum	Clerk	Jan. 2004
James Dougherty	Attorney	Jan. 2004
	After January 2004	
Jerry Starkweather	Mayor	Dec. 2005
Curt Lankford	Mayor Pro Tem & Council Member	Dec. 2007
Jim McClarnon	Council Member	Dec. 2005
Pat Wahl	Council Member	Dec. 2005
Scott Lorenzen	Council Member	Dec. 2007
Bruce Cheek	Council Member	Dec. 2007
Mark Miller	Administrator	Indefinite
Joyce Cortum	Clerk	Jan. 2005
James Dougherty	Attorney	Jan. 2005

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Norwalk, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Norwalk's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Norwalk as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 16 during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated July 21, 2004, on our consideration of the City of Norwalk's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is 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.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 12 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Norwalk's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

July 21, 2004

## CITY OF NORWALK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Norwalk, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

#### **2004 FINANCIAL HIGHLIGHTS**

Revenues of the City's governmental activities increased 9.5%, or approximately \$343,000 from fiscal 2003 to fiscal 2004. Tax increment financing collections increased approximately \$286,000.

Disbursements increased 41%, or approximately \$1,386,000, in fiscal 2004 from fiscal 2003. Debt service and capital projects disbursements increased approximately \$454,000, and \$726,000, respectively.

The City's total cash basis net assets increased 25%, or approximately \$832,000, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities increased approximately \$656,000 and the assets of the business type activities increased by approximately \$176,000.

#### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statement consists of a Statement of activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## CITY OF NORWALK

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various federal programs benefiting the City.

#### **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not have effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

#### **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

##### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks, the sanitary sewer system, solid waste disposal and the storm water drainage system. These activities are financed primarily by user charges.

## CITY OF NORWALK

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

#### *Fund Financial Statements*

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the special Revenue funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, solid waste, and storm water funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from \$1,987,990 to \$2,643,639. The analysis that follows focuses on the changes in cash balances for governmental activities.

CITY OF NORWALK

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30,
	2004
Receipts and transfers	
Program receipts	
Charges for service	486,556
Operating grants, contributions and restricted interest	853,881
Capital grants, contributions and restricted interest	-
General receipts	
Property tax	2,453,283
Utility tax replacement excise tax	95,051
Grants and contributions not restricted to specific purposes	38,230
Unrestricted interest on investments	59,981
Bond proceeds	1,360,004
Other general receipts	57,011
Transfers, net	14,317
Total receipts and transfers	<u>5,418,314</u>
Disbursements	
Public safety	1,123,028
Public works	563,582
Health and social services	3,150
Culture and recreation	612,893
Community and economic development	182,897
General government	412,190
Debt service	1,102,064
Capital projects	762,861
Total disbursements	<u>4,762,665</u>
Increase in cash basis net assets	655,649
Cash basis net assets beginning of year	<u>1,987,990</u>
Cash basis net assets end of year	<u>\$ 2,643,639</u>

The City's total receipts for governmental activities increased by 9.5%, or \$343,072. The total cost of all programs and services increased by approximately \$1,387,714, or 41%, with no new programs added this year. The increase in receipts was primarily the result of increases in tax increment financing collections of \$285,712.

CITY OF NORWALK

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

The cost of all governmental activities this year was \$4,762,665 compared to \$3,363,951 last year. However, as shown in the Statement of Activities and Net Assets on pages 13-16, the amount taxpayers ultimately financed for these activities was only \$3,422,228 because some of the cost was paid by those directly benefited from the programs (\$486,556) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$853,881). The City paid for the remaining “public benefit” portion of governmental activities with approximately \$3,422,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30, 2004
Receipts and transfers	
Program receipts	
Charges for service	
Water	\$ 840,600
Sewer	837,824
Solid waste	337,074
Other non major	63,331
Operating grants, contributions and restricted interest	57,980
General receipts	
Unrestricted interest on investment	35,858
Total receipts	<u>2,172,667</u>
Disbursements	
Water	788,802
Sewer	828,420
Solid waste	317,290
Other non major	47,655
Transfers	14,317
Total disbursements and transfers	<u>1,996,484</u>
Increase (decrease) in cash balance	176,183
Cash basis net assets beginning of year	<u>1,395,659</u>
Cash basis net assets end of year	<u>\$ 1,571,842</u>

Total business type activities receipts for the fiscal year were \$2,172,667 compared to \$2,304,172 last year. This decrease was due primarily to the receipt of 185,636 in sewer revenue bond proceeds in the prior year. Total disbursements and transfers for the fiscal year decreased by 17% to a total of \$1,996,484.

## CITY OF NORWALK

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

A comparative financial analysis will be provided in future years when prior year information is available.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As City of Norwalk, Iowa completed the year, its governmental funds reported a combined fund balance of \$2,352,275, an increase of more than \$618,000 above last year's total of \$1,734,051. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$99,792 from the prior year \$736,746 primarily due to the purchase of fire equipment and work completed at the business park.

The Road Use Tax Fund cash balance increased by \$112,864 to \$369,765 during the fiscal year. This increase was primarily attributable to a traffic light project paid from tax increment financing funds and delayed completion of a street overlay project. The City intends to use this money to upgrade the condition of all City roads.

The Urban Renewal Tax Increment Fund cash balance was \$406,428, an increase of \$290,659 from the previous year. Approximately \$286,000 of the increase was incremental property tax generated from the increased taxable valuation in the urban renewal district.

The Economic Development Fund cash balance was \$287,690, a decrease of \$12,418 from the previous year.

The Debt Service Fund cash balance was \$38,939, an increase of \$2,378 from the previous year.

The Legacy/Tax Increment fund was established during fiscal year to account for a major urban renewal project within the City's business district. At the end of the fiscal year, the cash balance was \$176,233. The balance was the result of proceeds of \$896,325 received from the issuance of general obligation urban renewal tax corporate purpose bonds. These proceeds were used for various construction projects within the urban renewal district. The bonds and interest will be redeemed with incremental property tax generated from the increased taxable valuation in the district.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Water Fund cash balance increased by \$81,821 to \$685,393, due primarily to an increase in the sale of water.

The Sewer Fund cash balance increased by \$14,265 to \$571,231.

CITY OF NORWALK

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 20, 2004 and resulted in a net increase of \$324,118 in revenues. The increase was due primarily to a bond issue and refinancing of existing debt.

**DEBT ADMINISTRATION**

At June 30, 2004, the City had approximately \$11,129,390 in bonds and other long-term debt, compared to \$10,803,097 last year, as show below.

	Outstanding Debt at Year-End	
	June 30,	
	2004	2003
General obligation bonds	\$ 4,985,000	3,805,000
General obligation capital loan notes	1,035,000	1,680,000
Revenue bonds	3,903,000	4,096,000
Iowa community development loan	-	25,261
Sanitary district mortgage assumed	241,306	250,114
Colonial Meadows economic development payments	926,341	926,341
Equipment loans	38,743	20,381
Total	<u>\$ 11,129,390</u>	<u>10,803,097</u>

Debt increased as a result of issuing general obligation bonds to refund outstanding 1996 and 1997 general obligation notes. In addition, the City issued general obligation urban renewal corporate purpose bonds for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$6,020,000 is significantly below its constitutional debt limit of \$14 million.

More detailed information about the City's long-term debt is presented in Note 3 to the financial statements.

## CITY OF NORWALK

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

City of Norwalk, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's total assessed valuations have increased slightly. However, funding from the State has decreased due to budget constraints.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jennifer Sease, City Clerk, 705 North Avenue, Norwalk, Iowa.

## **BASIC FINANCIAL STATEMENTS**

CITY OF NORWALK

Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2004

	<u>Disbursements</u>	<u>Program</u> Charges for Service
Functions / Programs		
Governmental activities		
Public safety	\$ 1,123,028	135,754
Public works	563,582	38,286
Health and social services	3,150	-
Culture and recreation	612,893	179,367
Community and economic development	182,897	7,801
General government	412,190	125,348
Debt service	1,102,064	-
Capital projects	762,861	-
Total governmental activities	<u>4,762,665</u>	<u>486,556</u>
Business type activities		
Water	788,802	840,600
Sewer	828,420	837,824
Solid waste	317,290	337,074
Other non major	47,655	63,331
Total business type activities	<u>1,982,167</u>	<u>2,078,829</u>
Total	<u>\$ 6,744,832</u>	<u>2,565,385</u>
General Receipts		
Property tax levied for		
General purposes		
Tax increment financing		
Debt service		
Employee benefits		
Utility tax replacement excise tax		
Grants and contributions not restricted to specific purpose		
Unrestricted interest on investments		
Bond proceeds		
Miscellaneous		
Sale of assets		
Transfers		
Total general receipts and transfers		

Exhibit A

Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
56,914	-	(930,360)	-	(930,360)
578,501	-	53,205	-	53,205
-	-	(3,150)	-	(3,150)
105,491	-	(328,035)	-	(328,035)
20,326	-	(154,770)	-	(154,770)
52,754	-	(234,088)	-	(234,088)
-	-	(1,102,064)	-	(1,102,064)
39,895	-	(722,966)	-	(722,966)
<u>853,881</u>	<u>-</u>	<u>(3,422,228)</u>	<u>-</u>	<u>(3,422,228)</u>
47,058	-	-	98,856	98,856
7,967	-	-	17,371	17,371
-	-	-	19,784	19,784
2,955	-	-	18,631	18,631
<u>57,980</u>	<u>-</u>	<u>-</u>	<u>154,642</u>	<u>154,642</u>
<u>911,861</u>	<u>-</u>	<u>(3,422,228)</u>	<u>154,642</u>	<u>(3,267,586)</u>
		1,181,553	-	1,181,553
		602,507	-	602,507
		355,195	-	355,195
		314,028	-	314,028
		95,051	-	95,051
		38,230	-	38,230
		59,981	35,858	95,839
		1,360,004	-	1,360,004
		2,300	-	2,300
		54,711	-	54,711
		<u>14,317</u>	<u>(14,317)</u>	<u>-</u>
		<u>4,077,877</u>	<u>21,541</u>	<u>4,099,418</u>

CITY OF NORWALK

Statement of Activities and Net Assets – Cash Basis (Continued)  
As of and for the year ended June 30, 2004

Change in cash basis net assets

Cash basis net assets beginning of year, as restated

Cash basis net assets end of year

Cash Basis Net Assets

    Restricted

        Streets

        Urban renewal purposes

        Economic development

        Debt service

        Other purposes

    Unrestricted

Total cash basis net assets

Exhibit A  
(Continued)

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
655,649	176,183	831,832
1,987,990	1,395,659	3,383,649
2,643,639	1,571,842	4,215,481
369,765	-	369,765
406,428	-	406,428
287,690	-	287,690
38,939	384,594	423,533
512,707	-	512,707
1,028,110	1,187,248	2,215,358
2,643,639	1,571,842	4,215,481

CITY OF NORWALK

Statement of Cash Receipts, Disbursements  
And Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2004

		Special	
	General	Road Use Tax	Urban Renewal Tax Increment
<b>Receipts</b>			
Property tax	\$ 1,181,554	-	-
Tax increment financing collections	-	-	602,507
Other city tax	61,926	-	-
Licenses and permits	126,368	-	-
Use of money and property	63,151	-	7,442
Intergovernmental	46,608	576,433	-
Charges for service	238,900	-	-
Miscellaneous	154,887	2,068	-
Total receipts	<u>1,873,394</u>	<u>578,501</u>	<u>609,949</u>
<b>Disbursements</b>			
Operating			
Public safety	956,475	-	-
Public works	90,247	448,334	-
Health and social services	3,150	-	-
Culture and recreation	567,200	-	-
Community and economic development	96,974	-	34,987
General government	387,402	-	-
Debt service	-	-	260,955
Capital projects	-	-	-
Total disbursements	<u>2,101,448</u>	<u>448,334</u>	<u>295,942</u>
Excess of receipts over disbursements	<u>(228,054)</u>	<u>130,167</u>	<u>314,007</u>
<b>Other financing sources (uses)</b>			
Bond proceeds	-	-	-
Sale of capital assets	54,711	-	-
Operating transfers in (out)	73,551	(17,303)	(23,348)
Total other financing sources (uses)	<u>128,262</u>	<u>(17,303)</u>	<u>(23,348)</u>

<u>Revenue</u>		<u>Capital Project</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Economic Development</u>	<u>Debt Service</u>	<u>Legacy/ TIF</u>		
-	355,195	-	314,028	1,850,777
-	-	-	-	602,507
-	16,665	-	16,460	95,051
-	-	-	-	126,368
6,614	4,710	2,874	6,057	90,848
-	-	-	-	623,041
-	-	-	-	238,900
<u>20,326</u>	<u>-</u>	<u>39,895</u>	<u>96,189</u>	<u>313,365</u>
<u>26,940</u>	<u>376,570</u>	<u>42,769</u>	<u>432,734</u>	<u>3,940,857</u>
-	-	-	166,553	1,123,028
-	-	-	14,001	552,582
-	-	-	-	3,150
-	-	-	45,693	612,893
43,873	-	-	7,063	182,897
-	-	-	24,788	412,190
-	841,109	-	-	1,102,064
-	-	<u>762,861</u>	-	<u>762,861</u>
<u>43,873</u>	<u>841,109</u>	<u>762,861</u>	<u>258,098</u>	<u>4,751,665</u>
<u>(16,933)</u>	<u>(464,539)</u>	<u>(720,092)</u>	<u>174,636</u>	<u>(810,808)</u>
-	463,679	896,325	-	1,360,004
-	-	-	-	54,711
<u>4,515</u>	<u>3,238</u>	<u>-</u>	<u>(26,336)</u>	<u>14,317</u>
<u>4,515</u>	<u>466,917</u>	<u>896,325</u>	<u>(26,336)</u>	<u>1,429,032</u>

CITY OF NORWALK

Statement of Cash Receipts, Disbursements  
 And Changes in Cash Balances  
 Governmental Funds (Continued)  
 As of and for the year ended June 30, 2004

	General	Road Use Tax	Special Urban Renewal Tax Increment
Net change in cash balances	(99,792)	112,864	290,659
Cash balances beginning of year	836,538	256,901	115,769
Cash balances end of year	\$ 736,746	369,765	406,428
Cash Basis Fund Balances			
Reserved			
Debt service	\$ -	-	-
Unreserved			
General fund	736,746	-	-
Special revenue funds	-	369,765	406,428
Capital projects fund	-	-	-
Total cash basis fund balances	\$ 736,746	369,765	406,428

See notes to financial statements.

Exhibit B  
(Continued)

<u>Revenue</u>		<u>Capital Project</u>	Other Nonmajor Governmental Funds	<u>Total</u>
Economic Development	Debt Service	Legacy/ TIF		
(12,418)	2,378	176,233	148,300	618,224
<u>300,108</u>	<u>36,561</u>	<u>-</u>	<u>188,174</u>	<u>1,734,051</u>
<u><u>287,690</u></u>	<u><u>38,939</u></u>	<u><u>176,233</u></u>	<u><u>336,474</u></u>	<u><u>2,352,275</u></u>
-	38,939	-	-	38,939
-	-	-	-	736,746
287,690	-	-	336,474	1,400,357
<u>-</u>	<u>-</u>	<u>176,233</u>	<u>-</u>	<u>176,233</u>
<u><u>287,690</u></u>	<u><u>38,939</u></u>	<u><u>176,233</u></u>	<u><u>336,474</u></u>	<u><u>2,352,275</u></u>

CITY OF NORWALK

Exhibit C

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash  
Balances to the Statement of Activities and Net Assets -  
Governmental Funds  
As of and for the year ended June 30, 2004

Total government funds cash balances	\$ 2,352,275
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*Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of major equipment replacement and self funding of a future additional payroll period to individual funds. The assets of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.

291,364

Cash basis net assets of governmental activities	\$ <u>2,643,639</u>
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Net change in cash balances	\$ 618,224
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*Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of major equipment replacement and future payroll costs to individual funds. The change in net assets of the Internal Service Funds are reported with governmental activities.

37,425

Change in cash balance of governmental activities	\$ <u>655,649</u>
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See notes to financial statements.

CITY OF NORWALK

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances -  
Proprietary Funds  
As of and for the year ended June 30, 2004

	<u>Enterprise</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>
Operating receipts			
Use of money and property	\$ 16,548	13,352	313
Charges for service	813,275	822,839	335,112
Miscellaneous	<u>47,058</u>	<u>7,967</u>	<u>-</u>
Total operating receipts	<u>876,881</u>	<u>844,158</u>	<u>335,425</u>
Operating disbursements			
Governmental activities			
Public works	-	-	-
Business type activities	<u>788,802</u>	<u>828,420</u>	<u>317,290</u>
Total operating disbursements	<u>788,802</u>	<u>828,420</u>	<u>317,290</u>
Excess (deficiency) of receipts over (under) disbursements	<u>88,079</u>	<u>15,738</u>	<u>18,135</u>
Operating transfers out	<u>(6,258)</u>	<u>(1,473)</u>	<u>(4,586)</u>
Net change in cash balances	81,821	14,265	13,549
Cash balances beginning of year	<u>603,572</u>	<u>556,966</u>	<u>9,777</u>
Cash balances end of year	<u>\$ 685,393</u>	<u>571,231</u>	<u>23,326</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ 90,219	294,375	-
Unreserved	<u>595,174</u>	<u>276,856</u>	<u>23,326</u>
Total cash basis fund balances	<u>\$ 685,393</u>	<u>571,231</u>	<u>23,326</u>

See notes to financial statements.

Funds		Internal Service Funds
Other Nonmajor Storm Water	Total	Other Nonmajor Internal Service Funds
2,650	32,863	9,297
62,831	2,034,057	86,895
2,955	57,980	-
<u>68,436</u>	<u>2,124,900</u>	<u>96,192</u>
-	-	11,000
<u>47,655</u>	<u>1,982,167</u>	<u>-</u>
<u>47,655</u>	<u>1,982,167</u>	<u>11,000</u>
<u>20,781</u>	<u>142,733</u>	<u>85,192</u>
<u>(2,000)</u>	<u>(14,317)</u>	<u>-</u>
18,781	128,416	85,192
<u>105,043</u>	<u>1,275,358</u>	<u>374,240</u>
<u>123,824</u>	<u>1,403,774</u>	<u>459,432</u>
-	384,594	-
<u>123,824</u>	<u>1,019,180</u>	<u>459,432</u>
<u>123,824</u>	<u>1,403,774</u>	<u>459,432</u>

CITY OF NORWALK

Exhibit E

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash  
Balances to the Statement of Activities and Net Assets -  
Proprietary Funds  
As of and for the year ended June 30, 2004

Total enterprise funds cash balances	\$	1,403,774
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*Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of major equipment replacement and self funding of a future additional payroll period to individual funds. The assets of the Internal Service Funds are included in business type activities in the Statement of Net Assets.

168,068

Cash basis net assets of business type activities	\$	<u>1,571,842</u>
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Net change in cash balances	\$	128,416
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*Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of major equipment replacement and future payroll costs to individual funds. The change in net assets of the Internal Service Funds are reported with business type activities.

47,767

Change in cash balance of business type activities	\$	<u>176,183</u>
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See notes to financial statements.

# CITY OF NORWALK

## Notes to Financial Statements June 30, 2004

### 1. Summary of Significant Accounting Policies

The City of Norwalk is a political subdivision of the State of Iowa located in Warren County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services. The City also provides water and sewer utilities for its citizens.

#### A. Reporting Entity

For financial reporting purposes, City of Norwalk has included all funds, organizations, agencies, boards, commissions and authorities. The City 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 City are such that exclusion would cause the City'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 City 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 City. The City of Norwalk has no component units which meet the Governmental Accounting Standards Board criteria.

#### Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the city but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Warren County Assessor's Conference Board, Warren County Emergency Management Commission, Marion/Warren County Drug Task Force, Metropolitan Area Solid Waste Agency and Des Moines Area Metropolitan Planning Organization.

#### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2004

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise fund are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts 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 disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2004

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Special Revenue (Continued)

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Economic Development Fund is used to account for contributions from businesses and citizens restricted for economic development activities.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste collection system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies.

C. Measurement Focus and Basis of Accounting

The City of Norwalk maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2004

#### 1. Summary of Significant Accounting Policies (Continued)

##### C. Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

##### D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the general government and business type activities functions.

#### 2. Cash and Pooled Investments

The City's deposits at June 30, 2004 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 City 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 City Council; 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.

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2004

3. Bonds Payable

Annual debt service requirements to maturity for general obligation and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds and Capital Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 490,000	275,279	200,000	155,096	690,000	430,375
2006	520,000	245,775	209,000	147,148	729,000	392,923
2007	560,000	225,903	216,000	138,799	776,000	364,702
2008	600,000	203,737	224,000	130,154	824,000	333,891
2009	630,000	178,603	235,000	121,082	865,000	299,685
2010	510,000	151,520	242,000	111,699	752,000	263,219
2011	545,000	128,245	255,000	101,889	800,000	230,134
2012	575,000	102,925	264,000	91,482	839,000	194,407
2013	320,000	75,550	278,000	80,672	598,000	156,222
2014	340,000	61,195	286,000	69,211	626,000	130,406
2015	290,000	45,632	238,000	57,405	528,000	103,037
2016	200,000	32,332	249,000	48,156	449,000	80,488
2017	215,000	22,333	258,000	38,481	473,000	60,814
2018	225,000	11,475	270,000	28,448	495,000	39,923
2019	-	-	278,000	17,951	278,000	17,951
2020	-	-	169,000	7,135	169,000	7,135
2021	-	-	16,000	960	16,000	960
2022	-	-	16,000	480	16,000	480
Total	<u>\$ 6,020,000</u>	<u>1,760,504</u>	<u>3,903,000</u>	<u>1,346,248</u>	<u>9,923,000</u>	<u>3,106,752</u>

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) The entire income and revenue of the water and sewer systems shall be deposited as collected in the Water Revenue and Sewer Revenue Funds respectively.
- (c) Sufficient transfers shall then be made to the Water Bond and Sewer Revenue Sinking funds for the purpose of making the bond principal and interest payments when due.

## CITY OF NORWALK

### Notes to Financial Statements - Continued

June 30, 2004

#### 3. Bonds Payable (Continued)

- (d) Sufficient monthly transfers equal to 25% of the transfers to the Water Bond Fund shall be made to the Water Reserve Fund until an amount equal to the maximum amount of principal and interest due on the bonds in any succeeding fiscal year is accumulated. \$60,000 from the proceeds of the sewer revenue bonds shall be deposited to and maintained in a Sewer Reserve fund. Money in the Water and Sewer Reserve Funds shall be used solely for the purpose of paying principal at maturity of or interest on the bonds when insufficient money is available in the Water Bond and Sewer Revenue Sinking Funds.
- (e) Money in the Water and Sewer Revenue Funds shall next be disbursed to maintain Water and Sewer Improvement Funds. The Water Revenue Fund shall make sufficient monthly transfers to bring the Water Improvement Fund to \$30,000. The Sewer Revenue Fund shall make minimum monthly transfers of \$1,600 until a minimum balance of \$60,000 has been accumulated. Money in the Improvement Funds shall be used solely for the purpose of paying principal of or interest on the bonds when there is insufficient money in the Bond or Reserve Funds; and to the extent not required for the foregoing, to pay the cost of extraordinary maintenance or repairs, renewals and replacements, payment of rentals on any part of the system and for capital improvements.

In February 2000, the City entered into a loan and disbursement agreement under the Iowa Sewage Treatment Works Financing Program to issue bonds in the amount of \$1,053,000 to finance additional wastewater treatment facilities improvements. Disbursements of the bond proceeds are made to the City as qualified expenditures are made and reimbursements are requested. As of June 30, 2003, the City had requested and received all of bond proceeds under the agreement.

In February 2000, the City also entered into a loan and disbursement agreement under the Iowa Drinking Water Facilities Financing Program to issue bonds in the amount of \$1,175,000 to finance construction of an elevated water storage facility. Disbursements of the bond proceeds are made to the City as qualified expenditures are made and reimbursements are requested. As of June 30, 2003, the City had requested and received all bond proceeds under the agreement.

In January 2002, the City entered into a loan and disbursement agreement under the Iowa Sewage Treatment Works Financing Program to issue bonds in the amount of \$250,000 to finance additional wastewater treatment facilities improvements. Disbursements of the bond proceeds are made to the City as qualified expenditures are made and reimbursements are requested. As of June 30, 2003, the City had requested and received all bond proceeds under the agreement.

## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2004

#### 4. Iowa Community Development Loan

Effective October 15, 1993, the City entered into an agreement with the Office for Planning and Programming for a \$250,000 interest-free loan under the Iowa Community Development Loan Program. Also, under a 28E Agreement between the City of Norwalk and City of Cumming, the City of Norwalk agreed to make additional Iowa Community Development Loan payments. The loan was paid in full during the year ended June 30, 2004.

#### 5. Sanitary District Mortgage

In conjunction with the merger in July 1997 of the Lakewood Benefited Water District (“Water District”) and the Lakewood Benefited Sanitary District (“Sanitary District”) with the City, the City assumed a mortgage payable which was incurred by the Sanitary District during the construction of utility appurtenances and fixtures. The mortgage is payable in annual installments of \$21,458 including interest at 5% per annum through February 2021.

#### 6. Economic Development Payments

In conjunction with a preannexation agreement with the owners of certain property subsequently annexed into the City, the City agreed to make economic development payments sufficient to amortize the \$756,500 cost of owner improvements plus interest for 60 months at 4.99% per annum over the remaining life of the applicable tax increment financing (“TIF”) area. The economic development payments are not general obligations of the City and are payable only from 80% of the incremental property taxes attributable to the nonresidential portions of the TIF area. Payments by the City are applied first to interest and then to principal. The City expects to make semiannual payments of \$44,383 including interest at 4.99% per annum from December 1, 2005 through June 1, 2020.

#### 7. Economic Development Payments

In conjunction with a preannexation agreement with the owners of certain property subsequently annexed into the City, the City agreed to make economic development payments sufficient to amortize the \$756,500 cost of owner improvements plus interest for 60 months at 4.99% per annum over the remaining life of the applicable tax increment financing (“TIF”) area. The economic development payments are not general obligations of the City and are payable only from 80% of the incremental property taxes attributable to the nonresidential portions of the TIF area. Payments by the City are applied first to interest and then to principal. The City expects to make semiannual payments of \$44,383 including interest at 4.99% per annum from December 1, 2005 through June 1, 2020.

CITY OF NORWALK  
Notes to Financial Statements - Continued  
June 30, 2004

7. Commitments/Long-Term Obligations (Continued)

The Metropolitan Wastewater Reclamation Authority (MWRA), (formerly the Integrated Community Area (ICA)), as an autonomous entity, was developed as the result of a joint venture agreement between the City of Des Moines and surrounding municipalities established for the primary purpose of planning, constructing, operating and managing sewer related facilities in order to solve the adjoining municipalities waste water problems. The City of Des Moines was designated as the operating agency for the ICA and, as such, is responsible for accounting for all disbursements relating to these projects. The City of Norwalk became a part of MWRA as a successor to the Sanitary District in July 1997 as a result of the merger of the Sanitary District and the Water District with the City.

To date \$97,897,000 of long-term debt has been issued by the MWRA. The City of Norwalk will annually pay a portion of the bonds and interest due financed by the City on a pay-as-you-go basis. The City is responsible for a portion of the debt issued by the MWRA. A schedule of the City's portion of future principal and interest payments for that debt is as follows:

Year ending June 30,	Metropolitan Wastewater Reclamation Authority Revenue Bonds and Notes		
	Principal	Interest	Total
2005	\$ 43,037	20,152	63,189
2006	45,035	18,092	63,127
2007	47,057	15,936	62,993
2008	49,400	13,683	63,083
2009	51,590	11,319	62,909
Thereafter	187,923	24,235	212,158
Total	\$ 424,042	103,417	527,459

During the year ended June 30, 2004, the City paid \$86,210 for principal and interest pursuant to this agreement. The MWRA plans to issue more bonds in the future.

The Board of Water Works Trustees of the City of Des Moines, Iowa ("Water Board") manages the water works system serving the City of Des Moines and other cities, utility boards and water districts ("Participants") in the surrounding area. The Water Board determined it was necessary to construct a second treatment plant in order to commit to sell capacities desired by the Participants. In connection with construction of the treatment plant, each Participant, including the City of Norwalk, executed a purchased capacity master agreement agreeing to pay a specified price per gallon of daily capacity. Payment of the purchase price may be made by participation in a bonding program whereby water revenue bonds of the City of Des Moines were issued to finance the purchased capacity payments of the Participants. Such Participants pay a monthly bond charge proportionate to their share of the total purchased capacity sufficient to fund payments into a sinking fund for interest and principal next due and any required payments into a reserve fund.

CITY OF NORWALK  
Notes to Financial Statements - Continued  
June 30, 2004

7. Commitments/Long-Term Obligations (Continued)

A schedule of the City's portion of future principal and interest payments for the revenue bonds is as follows:

Year ending June 30,	Des Moines Water Works Water Revenue Bonds		
	Principal	Interest	Total
2005	\$ 90,000	94,322	184,322
2006	95,000	89,443	184,443
2007	100,000	84,275	184,275
2008	105,000	78,842	183,842
2009	110,000	73,145	183,145
Thereafter	1,305,000	341,171	1,646,171
Total	\$ 1,805,000	761,198	2,566,198

During the year ended June 30, 2004, the City paid \$183,766 for principal and interest pursuant to this agreement.

8. Joint Venture

Warren County is a member of the Metropolitan Wastewater Reclamation Authority (MWRA), a joint venture established in accordance with the provisions of Chapter 28E of the Code of Iowa for the purpose of planning, constructing, operating, and managing sewer-related facilities in order to solve members' waste water problems. Through a separate Chapter 28E agreement the City of Norwalk has assumed a portion of Warren County's rights and obligations related to MWRA. Pursuant to the joint venture agreement, the City of Des Moines is the operating agency, and as such, provides the management and each member participates in governing the joint venture. Each MWRA member participates at varying percentages in each project phase based on the members' respective benefit. More than 60 percent of the total program cost of \$225,000,000 was funded by State and Federal grants. The City's share of the project has been funded through several financing agreements with the MWRA based on specific construction phases of the project.

The City retains an ownership interest in the project based on existing contributions of capital during phases of the project. The City's interest at June 30, 2004, is approximately 0.7 percent.

The MWRA system is operated on a cost reimbursement basis whereby participating communities share in the costs of operations as set forth in the MWRA Agreements. Contract payments made to the MWRA for operations and maintenance, capital improvements and renewals and replacements of equipment by the City for the year ended June 30, 2004, totaled \$123,647.

CITY OF NORWALK  
Notes to Financial Statements - Continued  
June 30, 2004

8. Joint Venture (Continued)

Selected information of the MWRA as of the year ended June 30, 2003, the most recent information available, is as follows:

Results of operations:	
Operating revenues	\$ 9,729,765
Operating loss	(5,939,144)
Investment income	923,967
Contribution from constituent communities	4,705,781
Net income	511,778
Financial position:	
Total assets	\$ 276,483,768
Total liabilities	5,315,720
Net Assets	271,168,048

The financial statements for the Metropolitan Wastewater Reclamation Authority (MWRA) can be obtained from the operating agency, the City of Des Moines.

9. Pension and Retirement Benefits

The City 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 City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$101,339, \$95,779, and \$87,064 respectively, equal to the required contributions for each year.

CITY OF NORWALK  
Notes to Financial Statements - Continued  
June 30, 2004

10. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death. Sick leave hours are accumulated for subsequent use but not for payment. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2004, primarily relating to the General Fund, was \$76,904, computed based on rates of pay as of June 30, 2004.

11. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 14,065
	Park Trust	26,336
	Enterprise:	
	Water	14,258
	Sewer	12,306
	Solid Waste	4,586
	Storm Water	2,000
		<u>73,551</u>
Economic Development	Special Revenue:	
	Urban Renewal Tax Increment	<u>4,515</u>
Debt Service	Special Revenue:	
	Road Use Tax	<u>3,238</u>
Enterprise:		
Water	Special Revenue:	
	Urban Renewal Tax Increment	<u>8,000</u>
Sewer	Special Revenue:	
	Urban Renewal Tax Increment	<u>10,833</u>
		<u>\$ 100,137</u>

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

CITY OF NORWALK  
Notes to Financial Statements - Continued  
June 30, 2004

12. Jointly Governed Organizations

The City is a member of the Iowa Municipalities Workers' Compensation Association (the "Association"). The Association is governed by a board of directors elected by representatives of the governing bodies of each participating governmental jurisdiction. The City has executed a Worker's Compensation coverage Agreement with the Association, which extends through June 30, 2004 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2004, the City paid workers' compensation insurance premiums of \$50,638 to the Association.

Also, the City is a member of the Des Moines Metropolitan Solid Waste Agency (the "Agency"). The Agency is governed by a board of directors consisting of representatives of the governing bodies of each participating governmental jurisdiction. The City had no transactions during the year with the Agency.

In addition, the City is a member of the Des Moines Area Metropolitan Planning Organization (the "Organization"). The Organization is governed by a board of directors consisting of representatives of the governing bodies of each participating governmental jurisdiction. The City's transactions during the year with the Organization were limited to payment of per capita fees of \$4,130 and payment for services of \$426.

13. Revenue Bonds

The City has issued a total of \$10,000,000 of revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$10,000,000 is outstanding at June 30, 2004. The bonds and related interest are payable solely from the operations of the facilities constructed, and the bond principal and interest do not constitute liabilities of the City.

14. Risk Management

The City of Norwalk 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 City 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.

15. Construction and Other Commitments

The City has entered into contracts totaling \$929,764 for various construction projects. At June 30, 2004, \$700,219 of the contracts were completed. The remaining amounts of the contracts will be paid as work on the projects progresses.

CITY OF NORWALK  
Notes to Financial Statements - Continued  
June 30, 2004

16. Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City’s governmental and business type activities. Beginning net assets have been restated to include the allocation of the Internal Service Fund.

	Governmental Activities	Business Type Activities
Cash basis net assets June 30, 2003, as previously reported	\$ 1,734,051	1,275,358
Internal Service Funds	<u>253,939</u>	<u>120,301</u>
Cash basis net assets July 1, 2003, as restated	<u>\$ 1,987,990</u>	<u>1,395,659</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF NORWALK  
 Budgetary Comparison Schedule of Receipts, Disbursements  
 and Changes in Balances – Budget and Actual (Cash Basis) -  
 All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual
	<u>Actual</u>	<u>Actual</u>
Receipts		
Property tax	\$ 1,850,777	-
Tax increment financing collecitons	602,507	-
Other city tax	95,051	-
Licenses and permits	126,368	-
Use of money and property	90,848	32,863
Intergovernmental	623,041	-
Charges for service	238,900	2,034,057
Miscellanous	<u>313,365</u>	<u>57,980</u>
Total receipts	<u>3,940,857</u>	<u>2,124,900</u>
Disbursements		
Public safety	1,123,028	-
Public works	552,582	-
Health and social services	3,150	-
Culture and recreation	612,893	-
Community and economic development	182,897	-
General government	412,190	-
Debt service	1,102,064	-
Capital projects	762,861	-
Business type activities	<u>-</u>	<u>1,982,167</u>
Total disbursements	<u>4,751,665</u>	<u>1,982,167</u>
Excess of receipts over disbursements	(810,808)	142,733
Other financing sources, net	<u>1,429,032</u>	<u>(14,317)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	618,224	128,416
Balances beginning of year	<u>1,734,051</u>	<u>1,275,358</u>
Balances end of year	<u>\$ 2,352,275</u>	<u>1,403,774</u>

Less Funds not Required to to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	1,850,777	1,854,191	1,854,191	(3,414)
-	602,507	450,000	450,000	152,507
-	95,051	96,050	96,050	(999)
-	126,368	72,150	133,496	(7,128)
-	123,711	136,450	138,319	(14,608)
-	623,041	710,990	729,800	(106,759)
-	2,272,957	2,301,200	2,370,413	(97,456)
-	371,345	283,962	496,662	(125,317)
-	<u>6,065,757</u>	<u>5,904,993</u>	<u>6,268,931</u>	<u>(203,174)</u>
-	1,123,028	1,095,827	1,209,070	86,042
-	552,582	592,090	562,327	9,745
-	3,150	3,150	3,150	-
-	612,893	626,454	616,719	3,826
-	182,897	204,821	228,844	45,947
-	412,190	421,475	424,847	12,657
-	1,102,064	652,721	1,101,966	(98)
-	762,861	-	898,128	135,267
-	<u>1,982,167</u>	<u>2,110,754</u>	<u>2,065,364</u>	<u>83,197</u>
-	<u>6,733,832</u>	<u>5,707,292</u>	<u>7,110,415</u>	<u>376,583</u>
-	(668,075)	197,701	(841,484)	(579,757)
-	<u>1,414,715</u>	-	<u>1,363,303</u>	<u>(51,412)</u>
-	746,640	197,701	521,819	(631,169)
-	<u>3,009,409</u>	<u>3,029,810</u>	<u>3,383,649</u>	<u>374,240</u>
-	<u>3,756,049</u>	<u>3,227,511</u>	<u>3,905,468</u>	<u>(256,929)</u>

## CITY OF NORWALK

### Notes to Required Supplementary Information – Budgetary Reporting June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,403,123. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the debt service function.

**OTHER SUPPLEMENTARY INFORMATION**

CITY OF NORWALK

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2004

	Special	
	Employee Benefits Levy	Housing Rehabilitation
<b>Receipts</b>		
Property tax	\$ 314,028	-
Other city tax	16,460	-
Use of money and property	785	953
Miscellaneous	-	-
Total receipts	<u>331,273</u>	<u>953</u>
<b>Disbursements</b>		
Operating		
Public safety	166,553	-
Public works	14,001	-
Culture and recreation	35,820	-
Community and economic development	7,029	-
General government	24,788	-
Total disbursements	<u>248,191</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>83,082</u>	<u>953</u>
<b>Other financing uses</b>		
Operating transfers in (out)	<u>-</u>	<u>-</u>
Net change in cash balances	83,082	953
Cash balances beginning of year	<u>27,479</u>	<u>39,527</u>
Cash balances end of year	<u>\$ 110,561</u>	<u>40,480</u>
<b>Cash Basis Fund Balances</b>		
Unreserved		
Special revenue funds	\$ 110,561	40,480
Capital project fund	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 110,561</u>	<u>40,480</u>

See accompanying independent auditors' report.

## Revenue

<u>Plumbers Bonds</u>	<u>Library Trust</u>	<u>Park Trust</u>	<u>Keep Norwalk Beautiful</u>	<u>Total</u>
-	-	-	-	314,028
-	-	-	-	16,460
84	602	3,559	74	6,057
<u>500</u>	<u>7,399</u>	<u>88,290</u>	<u>-</u>	<u>96,189</u>
<u>584</u>	<u>8,001</u>	<u>91,849</u>	<u>74</u>	<u>432,734</u>
-	-	-	-	166,553
-	-	-	-	14,001
-	6,473	3,400	-	45,693
-	-	-	34	7,063
-	-	-	-	24,788
<u>-</u>	<u>6,473</u>	<u>3,400</u>	<u>34</u>	<u>258,098</u>
<u>584</u>	<u>1,528</u>	<u>88,449</u>	<u>40</u>	<u>174,636</u>
<u>-</u>	<u>-</u>	<u>(26,336)</u>	<u>-</u>	<u>(26,336)</u>
584	1,528	62,113	40	148,300
<u>4,701</u>	<u>27,461</u>	<u>85,615</u>	<u>3,391</u>	<u>188,174</u>
<u>5,285</u>	<u>28,989</u>	<u>147,728</u>	<u>3,431</u>	<u>336,474</u>
5,285	28,989	147,728	3,431	336,474
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>5,285</u>	<u>28,989</u>	<u>147,728</u>	<u>3,431</u>	<u>336,474</u>

## CITY OF NORWALK

Schedule 2

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds  
As of and for the year ended June 30, 2004

	Internal Service		Total
	Equipment Replacement	27th Pay Period	
Receipts			
Use of money and property	\$ 8,685	612	9,297
Charges for service	79,118	7,777	86,895
Miscellaneous	-	-	-
Total receipts	<u>87,803</u>	<u>8,389</u>	<u>96,192</u>
Disbursements			
Operating			-
Public works	11,000	-	11,000
Business type activities	-	-	-
Total disbursements	<u>11,000</u>	<u>-</u>	<u>11,000</u>
Excess (deficiency) of receipts over (under) disbursements	<u>76,803</u>	<u>8,389</u>	<u>85,192</u>
Other financing uses			
Operating transfers out	-	-	-
Net change in cash balances	76,803	8,389	85,192
Cash balances beginning of year	<u>350,656</u>	<u>23,584</u>	<u>374,240</u>
Cash balances end of year	<u>\$ 427,459</u>	<u>31,973</u>	<u>459,432</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved	<u>427,459</u>	<u>31,973</u>	<u>459,432</u>
Total cash basis fund balances	<u>\$ 427,459</u>	<u>31,973</u>	<u>459,432</u>

See accompanying independent auditors' report.

CITY OF NORWALK

Schedule of Indebtedness  
Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Essential corporate purpose	Jan 1, 1997	4.90-5.20	\$ 1,250,000
Essential corporate purpose	April 1, 1998	4.30-5.05	1,220,000
Corporate purpose	Jan 1, 2001	4.85-5.10	1,950,000
Urban renewal corporate purpose	Feb 1, 2004	1.40-3.80	900,000
Corporate purpose	Apr 1, 2004	1.40-2.50	465,000
Total			
General obligation capital loan notes	April 1, 1996	4.10-4.90	1,120,000
General obligation capital loan notes	June 1, 1997	4.45-5.40	765,000
General obligation street improvement capital loan notes	Dec 1, 1999	4.60-5.40	665,000
General obligation corporate purpose notes	Aug 1, 2001	3.80-4.90	595,000
Total			
Revenue bonds:			
Sewer	Feb 1, 1999	4.15-5.15	620,000
Sewer	June 18, 1999	4.23	660,463
Sewer	June 18, 1999	4.23	939,537
Water	Feb 7, 2000	3.53	1,175,000
Sewer	Feb 10, 2000	3.92	1,053,000
Sewer	Jan 17, 2002	3.00	250,000
Total			
Iowa community development loan	Oct 15, 1983	-	325,000
Sanitary district mortgage assumed	July 1, 1997	5.00	361,900
Colonial Meadows economic development payments	April 8, 1999	4.99	926,341
Equipment loan	Nov 16, 2001	4.75	27,027
Equipment loan	Aug 13, 2003	4.00	24,802

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 715,000	-	105,000	610,000	35,820
1,160,000	-	60,000	1,100,000	56,042
1,930,000	-	20,000	1,910,000	95,940
-	900,000	-	900,000	-
-	465,000	-	465,000	-
<u>3,805,000</u>	<u>1,365,000</u>	<u>185,000</u>	<u>4,985,000</u>	<u>187,802</u>
55,000	-	55,000	-	2,069
500,000	-	500,000	-	26,230
570,000	-	50,000	520,000	29,238
555,000	-	40,000	515,000	24,675
<u>1,680,000</u>	<u>-</u>	<u>645,000</u>	<u>1,035,000</u>	<u>82,212</u>
490,000	-	35,000	455,000	23,420
569,000	-	26,000	543,000	24,069
809,000	-	36,000	773,000	34,221
1,046,000	-	46,000	1,000,000	36,924
941,000	-	40,000	901,000	36,887
241,000	-	10,000	231,000	7,230
<u>4,096,000</u>	<u>-</u>	<u>193,000</u>	<u>3,903,000</u>	<u>162,751</u>
25,261	-	25,261	-	-
<u>250,114</u>	<u>-</u>	<u>8,808</u>	<u>241,306</u>	<u>12,650</u>
926,341	-	-	926,341	-
20,381	-	6,440	13,941	1,008
-	24,802	-	24,802	-
<u>\$ 10,803,097</u>	<u>1,389,802</u>	<u>1,063,509</u>	<u>11,129,390</u>	<u>446,423</u>

CITY OF NORWALK

Bond and Note Maturities  
June 30, 2004

GENERAL OBLIGATION CAPITAL LOAN NOTES

Year Ending June 30,	General Obligation Street Improvement Notes		General Obligation Corporate Purpose		Total
	Issued Dec 1, 1999		Issued Aug 1, 2001		
	Interest Rates	Amount	Interest Rates	Amount	
2005	5%	\$ 55,000	4%	\$ 40,000	\$ 95,000
2006	5%	55,000	4%	45,000	100,000
2007	5%	60,000	4%	45,000	105,000
2008	5%	65,000	4%	50,000	115,000
2009	5%	65,000	4%	50,000	115,000
2010	5%	70,000	5%	50,000	120,000
2011	5%	75,000	5%	55,000	130,000
2012	5%	75,000	5%	55,000	130,000
2013		-	5%	60,000	60,000
2014		-	5%	65,000	65,000
Total		<u>\$ 520,000</u>		<u>\$ 515,000</u>	<u>\$ 1,035,000</u>

GENERAL OBLIGATION

Year Ending June 30,	Essential Corporate Purpose		Essential Corporate Purpose		Corporate Purpose	
	Issued Jan 1, 1997		Issued April 1, 1998		Issued Jan 1, 2001	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2005	5%	\$ 110,000	5%	\$ 80,000	5%	\$ 20,000
2006	5%	115,000	5%	95,000	5%	55,000
2007	5%	120,000	5%	110,000	5%	60,000
2008	5%	130,000	5%	130,000	5%	65,000
2009	5%	135,000	5%	145,000	5%	70,000
2010		-	5%	160,000	5%	150,000
2011		-	5%	180,000	5%	150,000
2012		-	5%	200,000	5%	160,000
2013		-		-	5%	170,000
2014		-		-	5%	180,000
2015		-		-	5%	190,000
2016		-		-	5%	200,000
2017		-		-	5%	215,000
2018		-		-	5%	225,000
Total		<u>\$ 610,000</u>		<u>\$ 1,100,000</u>		<u>\$ 1,910,000</u>

## BONDS

Corporate Purpose Issued Feb 1, 2004		Corporate Purpose Issued Apr 1, 2004		Total
Interest Rates	Amount	Interest Rates	Amount	
1.40%	\$ 70,000	1.40%	\$ 115,000	\$ 395,000
1.65%	70,000	1.65%	85,000	420,000
1.90%	75,000	1.90%	90,000	455,000
2.30%	75,000	2.30%	85,000	485,000
2.50%	75,000	2.50%	90,000	515,000
2.70%	80,000		-	390,000
2.90%	85,000		-	415,000
3.20%	85,000		-	445,000
3.40%	90,000		-	260,000
3.65%	95,000		-	275,000
3.80%	100,000		-	290,000
	-		-	200,000
	-		-	215,000
	-		-	225,000
	<u>\$ 900,000</u>		<u>\$ 465,000</u>	<u>\$ 4,985,000</u>

CITY OF NORWALK

Bond and Note Maturities (Continued)  
June 30, 2004

Year Ending June 30,	REVENUE					
	Sewer		Sewer		Sewer	
	Issued Feb 1, 1999		Issued June 18, 1999		Issued June 18, 1999	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2005	4%	\$ 35,000	4%	\$ 27,000	4%	\$ 38,000
2006	5%	40,000	4%	28,000	4%	39,000
2007	5%	40,000	4%	29,000	4%	41,000
2008	5%	40,000	4%	30,000	4%	43,000
2009	5%	45,000	4%	31,000	4%	45,000
2010	5%	45,000	4%	33,000	4%	47,000
2011	5%	50,000	4%	34,000	4%	49,000
2012	5%	50,000	4%	36,000	4%	51,000
2013	5%	55,000	4%	37,000	4%	53,000
2014	5%	55,000	4%	39,000	4%	55,000
2015		-	4%	40,000	4%	57,000
2016		-	4%	42,000	4%	60,000
2017		-	4%	44,000	4%	62,000
2018		-	4%	46,000	4%	65,000
2019		-	4%	47,000	4%	68,000
2020		-		-		-
2021		-		-		-
2022		-		-		-
		<u>\$ 455,000</u>		<u>\$ 543,000</u>		<u>\$ 773,000</u>

See accompanying independent auditor's report.

Schedule 4  
(Continued)

BONDS

Water		Sewer		Sewer		Total
Issued Feb 7, 2000		Issued Feb 10, 2000		Issued Jan 17, 2002		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
4%	\$ 48,000	4%	\$ 42,000	3%	\$ 10,000	\$ 200,000
4%	49,000	4%	43,000	3%	10,000	209,000
4%	51,000	4%	45,000	3%	10,000	216,000
4%	53,000	4%	47,000	3%	11,000	224,000
4%	55,000	4%	48,000	3%	11,000	235,000
4%	56,000	4%	50,000	3%	11,000	242,000
4%	58,000	4%	52,000	3%	12,000	255,000
4%	61,000	4%	54,000	3%	12,000	264,000
4%	63,000	4%	57,000	3%	13,000	278,000
4%	65,000	4%	59,000	3%	13,000	286,000
4%	67,000	4%	61,000	3%	13,000	238,000
4%	70,000	4%	63,000	3%	14,000	249,000
4%	72,000	4%	66,000	3%	14,000	258,000
4%	75,000	4%	69,000	3%	15,000	270,000
4%	77,000	4%	71,000	3%	15,000	278,000
4%	80,000	4%	74,000	3%	15,000	169,000
	-		-	3%	16,000	16,000
	-		-	3%	16,000	16,000
	<u>\$ 1,000,000</u>		<u>\$ 901,000</u>		<u>\$ 231,000</u>	<u>\$ 3,903,000</u>

CITY OF NORWALK

Schedule 5

Statement of Receipts By Source  
and Disbursements By Function -  
All Governmental Funds  
For the Last Four Years

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Receipts</b>				
Property tax	\$ 1,850,777	1,806,311	1,713,492	1,538,085
Tax increment financing collections	602,507	316,795	178,954	107,778
Other city tax	95,051	88,161	88,637	92,054
Licenses and permits	126,368	87,251	41,664	29,642
Use of money and property	90,848	92,767	116,214	159,535
Intergovernmental	623,041	699,807	647,580	611,074
Charges for service	238,900	236,183	277,819	263,362
Miscellaneous	313,365	270,510	275,088	246,485
Total	<u>\$ 3,940,857</u>	<u>3,597,785</u>	<u>3,339,448</u>	<u>3,048,015</u>
<b>Disbursements</b>				
Operating				
Public safety	1,123,028	1,027,629	900,514	840,179
Public works	552,582	510,987	622,157	765,583
Health and social services	3,150	3,045	3,045	3,045
Culture and recreation	612,893	601,121	624,130	497,290
Community and economic development	182,897	162,774	651,217	201,392
General government	412,190	373,608	382,818	260,746
Debt service	1,102,064	648,255	797,011	593,915
Capital projects	762,861	36,532	1,590,936	433,783
Total	<u>\$ 4,751,665</u>	<u>3,363,951</u>	<u>5,571,828</u>	<u>3,595,933</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING

To the Honorable Mayor and  
Members of the City Council

We have audited the financial statements of the City of Norwalk, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated July 21, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 the City of Norwalk's 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. 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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Norwalk'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.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Norwalk and other parties to whom the City of Norwalk 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 the City of Norwalk 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.

July 21, 2004

CITY OF NORWALK

Schedule of Findings and Questioned Costs  
Year ended June 30, 2004

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

- (A) An unqualified opinion was issued on the financial statements, which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (B) The audit did not disclose any material weaknesses in internal control over financial reporting.
- (C) The audit did not disclose any noncompliance which is material to the financial statements.
- (D) There were no major federal programs.
- (E) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (F) The City of Norwalk did not qualify as a low-risk auditee.

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

None

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

Not applicable

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

IV-A-04      Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04      Certified Budget - Disbursements during the year ended June 30, 2004, exceeded the amounts budgeted in the Debt Service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

CITY OF NORWALK

Schedule of Findings and Questioned Costs - Continued  
Year ended June 30, 2004

**Part IV: Other Findings Related to Required Statutory Reporting (Continued):**

IV-C-04      Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-04      Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-04      Business Transactions - No business transactions between the City and City officials or employees were noted.

IV-F-04      Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-G-04      Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The city should comply with Chapter 21 of the Code of Iowa and should publish minutes.

Response – We will publish minutes as required.

Conclusion – Response accepted.

IV-H-04      Revenue Bonds - No violations of provisions of revenue bond resolution requirements were noted.

IV-I-04      Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.