

**CITY OF NORWALK**

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**June 30, 2006**

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# CITY OF NORWALK

## OFFICIALS

Name	Title	Term Expires
	Before January 2006	
Jerry Starkweather	Mayor	Dec. 2005
Curt Lankford	Council Member	Dec. 2007
Jim McClarnon	Council Member	Dec. 2005
Pat Wahl	Council Member	Dec. 2005
Scott Lorenzen	Mayor Pro Tem & Council Member	Dec. 2007
Dave Hixenbaugh	Council Member	Dec. 2007
Mark Miller	Administrator	Indefinite
Jennifer Sease	Clerk	Jan. 2006
James Dougherty	Attorney	Jan. 2006
	After January 2006	
Scott Lorenzen	Mayor	Dec. 2009
Curt Lankford	Council Member	Dec. 2007
Jim McClarnon	Mayor Pro Tem & Council Member	Dec. 2009
Pat Wahl	Council Member	Dec. 2009
Angela Baughman	Council Member	Dec. 2007
Dave Hixenbaugh	Council Member	Dec. 2007
Mark Miller	Administrator	Indefinite
Jennifer Sease	Clerk	Jan. 2007
James Dougherty	Attorney	Jan. 2007

## 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, 2006, 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 generally accepted auditing standards of the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 generally accepted accounting principles of the United States of America.

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, 2006, 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.

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2006, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions 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 four years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary 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.

August 31, 2006

## 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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

#### **2006 FINANCIAL HIGHLIGHTS**

Receipts of the City's governmental activities decreased 17%, or approximately \$1,343,000 from fiscal 2005 to fiscal 2006. Charges for service and property tax increased approximately \$399,000 and 157,000, respectively. Bond proceeds and other general receipts decreased approximately \$1,643,000 and 432,000, respectively.

Disbursements increased 51%, or approximately \$2,490,000, in fiscal 2006 from fiscal 2005. Capital projects, public safety and public works disbursements increased approximately \$1,541,000, 272,000 and 694,000, respectively. Debt service disbursements decreased approximately \$154,000.

The City's total cash basis net assets decreased 4%, or approximately \$357,000, from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities decreased approximately \$752,000 and the assets of the business type activities increased by approximately \$395,000.

#### **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.

#### **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, 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 and 4) the Capital Projects Funds. 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 three Enterprise Funds to provide separate information for the water, sewer, 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 decreased from a year ago, decreasing from \$5,724,887 to \$4,973,234. 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,	
	2006	2005
Receipts and transfers		
Program receipts		
Charges for service	\$ 909,705	511,238
Operating grants, contributions and restricted interest	929,984	993,813
Capital grants, contributions and restricted interest	19,825	-
General receipts		
Property tax	2,827,939	2,671,480
Utility tax replacement excise tax	149,352	91,718
Grants and contributions not restricted to specific purposes	59,830	26,389
Unrestricted interest on investments	172,071	64,467
Bond proceeds	1,360,900	3,004,083
Other general receipts	17,281	449,347
Transfers, net	20,892	(1,695)
Total receipts and transfers	<u>6,467,779</u>	<u>7,810,840</u>
Disbursements		
Public safety	1,540,593	1,268,424
Public works	1,329,041	635,294
Health and social services	3,150	3,150
Culture and recreation	734,071	648,403
Community and economic development	162,687	162,818
General government	454,465	461,738
Debt service	1,112,312	1,266,009
Capital projects	1,825,243	283,756
Total disbursements	<u>7,161,562</u>	<u>4,729,592</u>
Increase in cash basis net assets	(693,783)	3,081,248
Cash basis net assets beginning of year	<u>5,724,887</u>	<u>2,643,639</u>
Cash basis net assets end of year	<u>\$ 5,031,104</u>	<u>5,724,887</u>

The City's total receipts for governmental activities decreased by 17%, or \$1,343,061. The total cost of all programs and services increased by \$2,489,840, or 53%, with no new programs added this year. The decrease in receipts was primarily the result of decreases in bond proceeds and other general receipts of \$1,643,183 and 432,066. Receipts increased for charges for service and property tax \$398,467 and 156,459, respectively.

CITY OF NORWALK

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

The cost of all governmental activities this year was \$7,219,432 compared to \$4,729,592 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 \$5,359,918 because some of the cost was paid by those directly benefited from the programs (\$909,705) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$949,809). The City paid for the remaining “public benefit” portion of governmental activities with approximately \$5,360,000 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,	
	2006	2005
Receipts and transfers		
Program receipts		
Charges for service		
Water	\$ 967,568	833,142
Sewer	1,075,292	912,360
Other non major	81,326	392,034
Operating grants, contributions and restricted interest	108,371	85,718
General receipts		
Unrestricted interest on investment	63,940	38,724
Total receipts	<u>2,296,497</u>	<u>2,261,978</u>
Disbursements		
Water	856,489	854,776
Sewer	944,174	850,982
Other non major	68,472	384,412
Transfers	20,892	(1,695)
Total disbursements and transfers	<u>1,890,027</u>	<u>2,088,475</u>
Increase in cash balance	406,470	173,503
Cash basis net assets beginning of year	<u>1,745,345</u>	<u>1,571,842</u>
Cash basis net assets end of year	<u>\$ 2,151,815</u>	<u>1,745,345</u>

Total business type activities receipts for the fiscal year were \$2,296,497 compared to \$2,261,978 last year. This increase was due primarily to raising sewer rates and a dry year with excessive water usage. Total disbursements and transfers for the fiscal year decreased by 9% or a total of \$186,580.

## CITY OF NORWALK

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

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

As City of Norwalk, Iowa completed the year, its governmental funds reported a combined fund balance of \$4,668,847, a decrease of more than \$748,000 above last year's total of \$5,417,573. 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 increased \$117,564 from the prior year to \$872,307. The increase was due primarily to the receipt of bond proceeds of \$232,900.

The Road Use Tax Fund cash balance decreased by \$260,137 to \$179,921 during the fiscal year. This decrease was primarily attributable to expenditures used to pave Beardsley Street.

The Urban Renewal Tax Increment Fund cash balance was \$684,878, a decrease of \$35,957 from the previous year.

The Economic Development Fund cash balance was \$668,639, a decrease of \$1,148 from the previous year.

The Debt Service Fund cash balance was \$58,849, an increase of \$4,577 from the previous year.

The Fire Station capital project fund was established to account for construction of a fire station within the City's business district. At the end of the fiscal year, the cash balance was \$1,456,608, a decrease of \$1,034,081. The decrease was the result of expenditures for construction, \$1,761,090, less proceeds of \$663,000 received from the issuance of general obligation urban renewal fire station bonds.

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

The Water Fund cash balance increased by \$225,089 to \$965,441, due primarily to a water line project not being completed and a dry year with excessive water usage.

The Sewer Fund cash balance increased by \$161,862 to \$813,183, due primarily to an increase in sewer service rates.

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 25, 2006 and resulted in a net increase of \$2,120,806 in revenues. The increase was due primarily to an issuance of bonds. Budgeted expenditures increased \$2,989,017 due to the purchase of a new ambulance, capital projects for the construction of the fire station and paving of the sport complex parking lot and Beardsley Street.

**DEBT ADMINISTRATION**

At June 30, 2006, the City had approximately \$13,427,364 in bonds and other long-term debt, compared to \$12,981,281 last year, as show below.

	Outstanding Debt at Year-End	
	June 30,	
	2006	2005
General obligation bonds	\$ 7,515,000	6,590,000
General obligation capital loan notes	1,235,000	1,455,000
Revenue bonds	3,494,000	3,703,000
Sanitary district mortgage assumed	222,051	231,854
Colonial Meadows economic development payments	883,753	926,341
Equipment loans	77,560	75,086
Total	<u>\$ 13,427,364</u>	<u>12,981,281</u>

Debt increased as a result of issuing general obligation bonds to pay the cost of street improvements, park improvements, and the equipment purchases. In addition, the City issued general obligation urban renewal fire station bonds for the purpose of construction of a new fire station.

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 \$8,750,000 is significantly below its constitutional debt limit of \$17 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 2007 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, 2006

	<u>Disbursements</u>	<u>Program</u> Charges for Service
Functions / Programs		
Governmental activities		
Public safety	\$ 1,540,593	139,770
Public works	1,362,563	371,463
Health and social services	3,150	-
Culture and recreation	753,270	195,612
Community and economic development	162,687	6,341
General government	459,614	196,519
Debt service	1,112,312	-
Capital projects	1,825,243	-
Total governmental activities	<u>7,219,432</u>	<u>909,705</u>
Business type activities		
Water	862,423	967,568
Sewer	950,108	1,075,292
Solid waste	-	-
Other non major	68,472	81,326
Total business type activities	<u>1,881,003</u>	<u>2,124,186</u>
Total	<u>\$ 9,100,435</u>	<u>3,033,891</u>
General Receipts		
Property tax levied for		
General purposes		
Tax increment financing		
Debt service		
Employee benefits		
Emergency levy		
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		

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
199,835	975	(1,200,013)	-	(1,200,013)
603,401	-	(387,699)	-	(387,699)
-	-	(3,150)	-	(3,150)
29,022	1,000	(527,636)	-	(527,636)
27,686	-	(128,660)	-	(128,660)
68,618	-	(194,477)	-	(194,477)
-	-	(1,112,312)	-	(1,112,312)
<u>1,422</u>	<u>17,850</u>	<u>(1,805,971)</u>	<u>-</u>	<u>(1,805,971)</u>
<u>929,984</u>	<u>19,825</u>	<u>(5,359,918)</u>	<u>-</u>	<u>(5,359,918)</u>
94,489	-	-	199,634	199,634
10,718	-	-	135,902	135,902
-	-	-	-	-
<u>3,164</u>	<u>-</u>	<u>-</u>	<u>16,018</u>	<u>16,018</u>
<u>108,371</u>	<u>-</u>	<u>-</u>	<u>351,554</u>	<u>351,554</u>
<u>1,038,355</u>	<u>19,825</u>	<u>(5,359,918)</u>	<u>351,554</u>	<u>(5,008,364)</u>
		1,281,972	-	1,281,972
		820,782	-	820,782
		354,608	-	354,608
		345,551	-	345,551
		25,026	-	25,026
		149,352	-	149,352
		59,830	-	59,830
		172,071	63,940	236,011
		1,360,900	-	1,360,900
		3,330	-	3,330
		13,951	-	13,951
		<u>20,892</u>	<u>(20,892)</u>	<u>-</u>
		<u>4,608,265</u>	<u>43,048</u>	<u>4,651,313</u>

CITY OF NORWALK

Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2006

Change in cash basis net assets

Cash basis net assets beginning of year

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

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

Governmental Activities	Business Type Activities	Total
(751,653)	394,602	(357,051)
<u>5,724,887</u>	<u>1,745,345</u>	<u>7,470,232</u>
<u>4,973,234</u>	<u>2,139,947</u>	<u>7,113,181</u>
179,921	-	179,921
684,878	-	684,878
668,639	-	668,639
58,849	386,844	445,693
2,204,253	-	2,204,253
<u>1,176,694</u>	<u>1,753,103</u>	<u>2,929,797</u>
<u>4,973,234</u>	<u>2,139,947</u>	<u>7,113,181</u>

CITY OF NORWALK

Statement of Cash Receipts, Disbursements  
And Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2006

		Special	
	General	Road Use Tax	Urban Renewal Tax Increment
<b>Receipts</b>			
Property tax	\$ 1,281,972	-	-
Tax increment financing collections	-	-	820,782
Other city tax	97,303	-	-
Licenses and permits	196,664	-	-
Use of money and property	78,012	-	25,104
Intergovernmental	80,490	579,464	-
Charges for service	603,252	-	-
Miscellaneous	314,669	-	-
Total receipts	<u>2,652,362</u>	<u>579,464</u>	<u>845,886</u>
<b>Disbursements</b>			
Operating			
Public safety	1,295,795	-	-
Public works	453,777	829,590	-
Health and social services	3,150	-	-
Culture and recreation	605,244	-	-
Community and economic development	90,856	-	10,000
General government	413,024	-	-
Debt service	-	-	493,059
Capital projects	-	-	-
Total disbursements	<u>2,861,846</u>	<u>829,590</u>	<u>503,059</u>
Excess of receipts over disbursements	<u>(209,484)</u>	<u>(250,126)</u>	<u>342,827</u>
<b>Other financing sources (uses)</b>			
Bond proceeds	232,900	-	-
Sale of capital assets	13,952	-	-
Operating transfers in (out)	80,196	(10,011)	(378,784)
Total other financing sources (uses)	<u>327,048</u>	<u>(10,011)</u>	<u>(378,784)</u>

<u>Revenue</u>		<u>Capital Project</u>	Other	
<u>Economic Development</u>	<u>Debt Service</u>	<u>Fire Station</u>	Nonmajor Governmental Funds	<u>Total</u>
-	354,608	-	370,576	2,007,156
-	-	-	-	820,782
-	23,811	-	28,238	149,352
-	-	-	-	196,664
17,475	4,877	63,859	15,030	204,357
-	-	-	-	659,954
-	-	-	-	603,252
<u>22,738</u>	<u>-</u>	<u>150</u>	<u>38,018</u>	<u>375,575</u>
<u>40,213</u>	<u>383,296</u>	<u>64,009</u>	<u>451,862</u>	<u>5,017,092</u>
-	-	-	244,798	1,540,593
-	-	-	45,674	1,329,041
-	-	-	-	3,150
-	-	-	128,827	734,071
45,876	-	-	15,955	162,687
-	-	-	41,441	454,465
-	619,253	-	-	1,112,312
-	-	<u>1,761,090</u>	<u>64,153</u>	<u>1,825,243</u>
<u>45,876</u>	<u>619,253</u>	<u>1,761,090</u>	<u>540,848</u>	<u>7,161,562</u>
<u>(5,663)</u>	<u>(235,957)</u>	<u>(1,697,081)</u>	<u>(88,986)</u>	<u>(2,144,470)</u>
-	-	663,000	465,000	1,360,900
-	-	-	-	13,952
<u>4,515</u>	<u>240,534</u>	<u>-</u>	<u>84,442</u>	<u>20,892</u>
<u>4,515</u>	<u>240,534</u>	<u>663,000</u>	<u>549,442</u>	<u>1,395,744</u>

CITY OF NORWALK

Statement of Cash Receipts, Disbursements  
 And Changes in Cash Balances  
 Governmental Funds  
 As of and for the year ended June 30, 2006

	General	Road Use Tax	Special Urban Renewal Tax Increment
Net change in cash balances	117,564	(260,137)	(35,957)
Cash balances beginning of year	754,743	440,058	720,835
Cash balances end of year	\$ 872,307	179,921	684,878
Cash Basis Fund Balances			
Reserved			
Debt service	\$ -	-	-
Unreserved			
General fund	872,307	-	-
Special revenue funds	-	179,921	684,878
Capital projects fund	-	-	-
Total cash basis fund balances	\$ 872,307	179,921	684,878

See notes to financial statements.

Exhibit B  
(Continued)

<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>Fire Station</u>		
(1,148)	4,577	(1,034,081)	460,456	(748,726)
<u>669,787</u>	<u>54,272</u>	<u>2,490,689</u>	<u>287,189</u>	<u>5,417,573</u>
<u>668,639</u>	<u>58,849</u>	<u>1,456,608</u>	<u>747,645</u>	<u>4,668,847</u>
-	58,849	-	-	58,849
-	-	-	-	872,307
668,639	-	-	222,308	1,755,746
<u>-</u>	<u>-</u>	<u>1,456,608</u>	<u>525,337</u>	<u>1,981,945</u>
<u>668,639</u>	<u>58,849</u>	<u>1,456,608</u>	<u>747,645</u>	<u>4,668,847</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, 2006

Total government funds cash balances	\$ 4,668,847
--------------------------------------	--------------

*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.

304,387

Cash basis net assets of governmental activities	\$ <u>4,973,234</u>
--	---------------------

Net change in cash balances	\$ (748,726)
-----------------------------	--------------

*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.

(2,927)

Change in cash balance of governmental activities	\$ <u>(751,653)</u>
---	---------------------

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, 2006

	<u>Enterprise</u>	
	<u>Water</u>	<u>Sewer</u>
Operating receipts		
Use of money and property	\$ 28,284	25,217
Charges for service	957,243	1,064,735
Miscellaneous	<u>94,489</u>	<u>10,718</u>
Total operating receipts	<u>1,080,016</u>	<u>1,100,670</u>
Operating disbursements		
Governmental activities		
Public works	-	-
Culture and recreation	-	-
General government	-	-
Business type activities	<u>856,489</u>	<u>944,174</u>
Total operating disbursements	<u>856,489</u>	<u>944,174</u>
Excess (deficiency) of receipts over (under) disbursements	<u>223,527</u>	<u>156,496</u>
Operating transfers out	<u>1,562</u>	<u>5,366</u>
Net change in cash balances	225,089	161,862
Cash balances beginning of year	<u>740,352</u>	<u>651,321</u>
Cash balances end of year	<u>\$ 965,441</u>	<u>813,183</u>
Cash Basis Fund Balances		
Reserved for debt service	\$ 90,536	296,308
Unreserved	<u>874,905</u>	<u>516,875</u>
Total cash basis fund balances	<u>\$ 965,441</u>	<u>813,183</u>

See notes to financial statements.

Funds		Internal Service Funds
Other Nonmajor	Total	Other Nonmajor Internal Service Funds
4,387	57,888	15,282
81,326	2,103,304	-
<u>3,164</u>	<u>108,371</u>	<u>66,595</u>
<u>88,877</u>	<u>2,269,563</u>	<u>81,877</u>
-	-	33,522
-	-	19,199
-	-	5,149
<u>68,472</u>	<u>1,869,135</u>	<u>11,868</u>
<u>68,472</u>	<u>1,869,135</u>	<u>69,738</u>
<u>20,405</u>	<u>400,428</u>	<u>12,139</u>
<u>(27,820)</u>	<u>(20,892)</u>	<u>-</u>
(7,415)	379,536	12,139
<u>160,084</u>	<u>1,551,757</u>	<u>500,901</u>
<u>152,669</u>	<u>1,931,293</u>	<u>513,040</u>
-	386,844	-
<u>152,669</u>	<u>1,544,449</u>	<u>513,040</u>
<u>152,669</u>	<u>1,931,293</u>	<u>513,040</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, 2006

Total enterprise funds cash balances	\$ 1,931,293
--------------------------------------	--------------

*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.

208,654

Cash basis net assets of business type activities	<u>\$ 2,139,947</u>
---	---------------------

Net change in cash balances	\$ 379,536
-----------------------------	------------

*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.

15,066

Change in cash balance of business type activities	<u>\$ 394,602</u>
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See notes to financial statements.

# CITY OF NORWALK

## Notes to Financial Statements June 30, 2006

### 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 and recreation, community and economic development 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, 2006

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, 2006

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 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, 2006

### 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, 2006, disbursements exceeded the amounts budgeted in the community and economic development function.

### 2. Cash and Pooled Investments

The City's deposits at June 30, 2006 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.

The City had no investments subject to interest rate risk or credit risk at June 30, 2006.

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2006

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
2007	\$ 920,000	359,987	216,000	138,799	1,136,000	498,786
2008	880,000	325,058	224,000	130,154	1,104,000	455,212
2009	910,000	293,120	235,000	121,082	1,145,000	414,202
2010	795,000	259,198	242,000	111,699	1,037,000	370,897
2011	840,000	225,578	255,000	101,889	1,095,000	327,467
2012	885,000	189,497	264,000	91,482	1,149,000	280,979
2013	530,000	150,752	278,000	80,672	808,000	231,424
2014	555,000	128,748	286,000	69,211	841,000	197,959
2015	515,000	105,140	238,000	57,405	753,000	162,545
2016	435,000	83,277	249,000	48,156	684,000	131,433
2017	460,000	64,130	258,000	38,481	718,000	102,611
2018	480,000	43,617	270,000	28,448	750,000	72,065
2019	265,000	22,060	278,000	17,951	543,000	40,011
2020	280,000	11,350	169,000	7,135	449,000	18,485
2021	-	-	16,000	960	16,000	960
2022	-	-	16,000	480	16,000	480
Total	<u>\$ 8,750,000</u>	<u>2,261,512</u>	<u>3,494,000</u>	<u>1,044,004</u>	<u>12,244,000</u>	<u>3,305,516</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, 2006

#### 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 June 2005 the City issued \$2,500,000 of General Obligation Bonds. The proceeds from the bonds were used to pay costs of aiding in the planning, undertaking and carrying out of urban renewal project, consisting of constructing, equipping and furnishing a fire station, an essential corporate purpose.

In November 2005 the City issued \$670,000 of General Obligation Bonds. The proceeds from the bonds were used to pay costs of aiding in the planning, undertaking and carrying out of urban renewal project, consisting of constructing, equipping and furnishing a fire station, an essential corporate purpose.

In April 2006 the City issued \$700,000 of General Obligation Bonds. The proceeds from the bonds were used to pay costs of constructing street and park improvements, and to acquire equipment.

## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2006

#### 4. 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.

#### 5. 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.

#### 6. Commitments/Long-Term Obligations

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.

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

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2006

6. Commitments/Long-Term Obligations (Continued)

Year ending June 30,	Des Moines Water Works Water Revenue Bonds		
	Principal	Interest	Total
2007	\$ 100,000	84,275	184,275
2008	105,000	78,842	183,842
2009	110,000	73,145	183,145
2010	115,000	67,183	182,183
Thereafter	1,190,000	273,988	1,463,988
Total	\$ 1,620,000	577,433	2,197,433

During the year ended June 30, 2006, the City paid \$184,443 for principal and interest pursuant to this agreement.

7. Joint Venture and Commitments

Warren County is a member of the Des Moines Metropolitan Wastewater Reclamation Authority (WRA), a joint venture established in accordance with the provisions of Chapter 28E of the Code of Iowa for the purpose of providing primary and secondary treatment of sewer flows for the participating communities. Through a separate Chapter 28E agreement the City of Norwalk has assumed a portion of Warren County's rights and obligations related to the WRA. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board, creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and are adjusted prospectively for differences in budgeted flows and actual flows.

## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2006

#### 7. Joint Venture and Commitments (Continued)

The City the Norwalk retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from the WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A and 2004B include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

The WRA Agreement requires the debt service on Series 2004A bonds to be allocated using the annual flow allocation to the participating communities based on the existing allocations of debt service under the prior I.C.A. agreement. The series 2004A bonds had a balance of \$20,030,000 as of June 30, 2006. The City of Norwalk has a commitment for approximately \$212,318, or 1.06%, for future principal payment requirements on that debt. The WRA Sewer Revenue Bonds Series 2004B bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of the June 30, 2006, the Series 2004B bonds had a balance of \$66,830,000 and the City of Norwalk's estimated future allocation based on the WRA flows is currently \$2,165,292, or 3.24%. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2006, the WRA had \$12,824,000 in outstanding State Revolving Loans, of which \$78,940 of future principal debt service is a commitment of the City of Norwalk.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Since there is no specific and measurable equity interest in the WRA Agreement, an investment in the joint venture will not be reported by the City. The city retains a reversionary interest percentage in the net assets of the WRA redeemable only in the event the WRA is dissolved.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2006

#### 8. 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.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$112,262, \$109,673, and \$101,339 respectively, equal to the required contributions for each year.

#### 9. 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, 2006, primarily relating to the General Fund, was \$81,268, computed based on rates of pay as of June 30, 2006.

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2006

10. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 10,011
	Employee benefits levy	28,547
	Enterprise:	
	Water	12,529
	Sewer	11,558
	Solid Waste	25,820
	Storm Water	2,000
		<u>90,465</u>
Special Revenue:		
Economic Development	Special Revenue:	
	Urban Renewal Tax Increment	4,515
Park Trust	General	10,269
Employee benefits levy	Special Revenue:	
	Housing Rehabilitation	42,128
Capital Project:		
Sports Complex	Special Revenue:	
	Urban Renewal Tax Increment	102,720
	Capital Project:	
	Legacy/TIF	68,876
		<u>171,596</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	240,534
Enterprise:		
Water	Special Revenue:	
	Urban Renewal Tax Increment	14,091
Sewer	Special Revenue:	
	Urban Renewal Tax Increment	16,924
		<u>\$ 366,529</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, 2006

#### 11. 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, 2006 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2006, the City paid workers' compensation insurance premiums of \$69,164 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.

#### 12. 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, 2006. 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.

#### 13. 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.

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2006

14. Construction and Other Commitments

The City has entered into a contract totaling \$2,745,958 for construction of a fire station. At June 30, 2006, \$1,495,471 of the contract was completed. The remaining amount of the contract will be paid as work on the project progresses.

**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, 2006

	Governmental Funds Actual	Proprietary Funds Actual
	<u>                    </u>	<u>                    </u>
Receipts		
Property tax	\$ 2,007,156	-
Tax increment financing collections	820,782	-
Other city tax	149,352	-
Licenses and permits	196,664	-
Use of money and property	204,357	57,888
Intergovernmental	659,954	-
Charges for service	603,252	2,103,304
Miscellaneous	<u>375,575</u>	<u>108,371</u>
Total receipts	<u>5,017,092</u>	<u>2,269,563</u>
Disbursements		
Public safety	1,540,593	-
Public works	1,329,041	-
Health and social services	3,150	-
Culture and recreation	734,071	-
Community and economic development	162,687	-
General government	454,465	-
Debt service	1,112,312	-
Capital projects	1,825,243	-
Business type activities	<u>-</u>	<u>1,869,135</u>
Total disbursements	<u>7,161,562</u>	<u>1,869,135</u>
Excess of receipts over disbursements	(2,144,470)	400,428
Other financing sources, net	<u>1,395,744</u>	<u>(20,892)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(748,726)	379,536
Balances beginning of year	<u>5,417,573</u>	<u>1,551,757</u>
Balances end of year	<u>\$ 4,668,847</u>	<u>1,931,293</u>

Less Funds not Required to to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	2,007,156	2,008,147	2,008,147	(991)
-	820,782	698,000	698,000	122,782
-	149,352	151,026	151,026	(1,674)
-	196,664	139,155	177,817	18,847
-	262,245	113,475	197,196	65,049
-	659,954	673,032	670,343	(10,389)
-	2,706,556	2,510,427	2,580,050	126,506
-	483,946	229,135	409,508	74,438
-	<u>7,286,655</u>	<u>6,522,397</u>	<u>6,892,087</u>	<u>394,568</u>
-	1,540,593	1,259,823	1,592,184	51,591
-	1,329,041	1,019,309	1,360,461	31,420
-	3,150	3,150	3,150	-
-	734,071	739,173	794,233	60,162
-	162,687	155,811	160,811	(1,876)
-	454,465	479,131	473,286	18,821
-	1,112,312	857,342	1,121,637	9,325
-	1,825,243	150,000	2,083,590	258,347
-	1,869,135	2,047,723	2,111,127	241,992
-	<u>9,030,697</u>	<u>6,711,462</u>	<u>9,700,479</u>	<u>669,782</u>
-	(1,744,042)	(189,065)	(2,808,392)	(275,214)
-	<u>1,374,852</u>	-	<u>1,374,441</u>	<u>(411)</u>
-	(369,190)	(189,065)	(1,433,951)	(275,625)
-	<u>6,969,330</u>	<u>4,285,759</u>	<u>7,470,233</u>	<u>500,903</u>
-	<u>6,600,140</u>	<u>4,096,694</u>	<u>6,036,282</u>	<u>225,278</u>

## CITY OF NORWALK

### Notes to Required Supplementary Information – Budgetary Reporting June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the 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 \$2,989,017. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the community and economic development 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, 2006

	Employee Benefits Levy	Special Housing Rehabilitation
<b>Receipts</b>		
Property tax	\$ 370,576	-
Other city tax	28,238	-
Use of money and property	1,850	665
Miscellaneous	<u>3,330</u>	<u>-</u>
Total receipts	<u>403,994</u>	<u>665</u>
<b>Disbursements</b>		
Operating		
Public safety	244,798	-
Public works	45,674	-
Culture and recreation	69,890	-
Community and economic development	12,240	-
General government	41,441	-
Capital projects	<u>-</u>	<u>-</u>
Total disbursements	<u>414,043</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(10,049)</u>	<u>665</u>
<b>Other financing uses</b>		
Bond proceeds	-	-
Operating transfers in (out)	<u>13,581</u>	<u>(42,128)</u>
Total other financing sources (uses)	<u>13,581</u>	<u>(42,128)</u>
Net change in cash balances	3,532	(41,463)
Cash balances beginning of year	<u>50,994</u>	<u>41,463</u>
Cash balances end of year	<u>\$ 54,526</u>	<u>-</u>
<b>Cash Basis Fund Balances</b>		
Unreserved		
Special revenue funds	\$ 54,526	-
Capital project fund	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 54,526</u>	<u>-</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>Legacy Pedestrian Path</u>	<u>Orchard Ridge Pedestrian Path</u>
-	-	-	-	-	-
-	-	-	-	-	-
201	922	4,507	115	120	22
<u>1,200</u>	<u>6,859</u>	<u>1,559</u>	<u>4,948</u>	<u>-</u>	<u>1,000</u>
<u>1,401</u>	<u>7,781</u>	<u>6,066</u>	<u>5,063</u>	<u>120</u>	<u>1,022</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	5,592	53,345	-	-	-
-	-	-	3,715	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>5,592</u>	<u>53,345</u>	<u>3,715</u>	<u>-</u>	<u>-</u>
<u>1,401</u>	<u>2,189</u>	<u>(47,279)</u>	<u>1,348</u>	<u>120</u>	<u>1,022</u>
-	-	-	-	-	-
-	-	10,269	-	-	-
-	-	10,269	-	-	-
<u>1,401</u>	<u>2,189</u>	<u>(37,010)</u>	<u>1,348</u>	<u>120</u>	<u>1,022</u>
<u>5,646</u>	<u>26,909</u>	<u>160,708</u>	<u>1,366</u>	<u>4,083</u>	<u>-</u>
<u>7,047</u>	<u>29,098</u>	<u>123,698</u>	<u>2,714</u>	<u>4,203</u>	<u>1,022</u>
7,047	29,098	123,698	2,714	4,203	1,022
-	-	-	-	-	-
<u>7,047</u>	<u>29,098</u>	<u>123,698</u>	<u>2,714</u>	<u>4,203</u>	<u>1,022</u>

Capital Projects					
Legacy/ TIF	Hakes Wright Road	Legacy Park	Water Tower Park	Sports Complex	Total
-	-	-	-	-	370,576
-	-	-	-	-	28,238
3,455	1,535	1,467	171	-	15,030
<u>350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,772</u>	<u>38,018</u>
<u>3,805</u>	<u>1,535</u>	<u>1,467</u>	<u>171</u>	<u>18,772</u>	<u>451,862</u>
-	-	-	-	-	244,798
-	-	-	-	-	45,674
-	-	-	-	-	128,827
-	-	-	-	-	15,955
-	-	-	-	-	41,441
<u>8,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,564</u>	<u>64,153</u>
<u>8,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,564</u>	<u>540,848</u>
<u>(4,784)</u>	<u>1,535</u>	<u>1,467</u>	<u>171</u>	<u>(36,792)</u>	<u>(88,986)</u>
-	225,000	215,000	25,000	-	465,000
<u>(68,876)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,596</u>	<u>84,442</u>
<u>(68,876)</u>	<u>225,000</u>	<u>215,000</u>	<u>25,000</u>	<u>171,596</u>	<u>549,442</u>
(73,660)	226,535	216,467	25,171	134,804	460,456
<u>74,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(78,110)</u>	<u>287,189</u>
<u>470</u>	<u>226,535</u>	<u>216,467</u>	<u>25,171</u>	<u>56,694</u>	<u>747,645</u>
-	-	-	-	-	222,308
<u>470</u>	<u>226,535</u>	<u>216,467</u>	<u>25,171</u>	<u>56,694</u>	<u>525,337</u>
<u>470</u>	<u>226,535</u>	<u>216,467</u>	<u>25,171</u>	<u>56,694</u>	<u>747,645</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, 2006

	Enterprise			Internal Service		
	Solid Waste	Storm Water	Total	Equipment Replacement	27th Pay Period	Total
<b>Receipts</b>						
Use of money and property	\$ -	4,387	4,387	14,092	1,190	15,282
Charges for service	-	81,326	81,326	-	-	-
Miscellaneous	-	3,164	3,164	58,818	7,777	66,595
Total receipts	-	88,877	88,877	72,910	8,967	81,877
<b>Disbursements</b>						
Operating						
Public works	-	-	-	33,522	-	33,522
Culture and recreation	-	-	-	19,199	-	19,199
General government	-	-	-	5,149	-	5,149
Business type activities	-	68,472	68,472	11,868	-	11,868
Total disbursements	-	68,472	68,472	69,738	-	69,738
Excess (deficiency) of receipts over (under) disbursements	-	20,405	20,405	3,172	8,967	12,139
<b>Other financing uses</b>						
Operating transfers out	(25,820)	(2,000)	(27,820)	-	-	-
Net change in cash balances	(25,820)	18,405	(7,415)	3,172	8,967	12,139
Cash balances beginning of year	25,820	134,264	160,084	460,462	40,439	500,901
Cash balances end of year	\$ -	152,669	152,669	463,634	49,406	513,040
<b>Cash Basis Fund Balances</b>						
Reserved for debt service	\$ -	-	-	-	-	-
Unreserved	-	152,669	152,669	463,634	49,406	513,040
Total cash basis fund balances	\$ -	152,669	152,669	463,634	49,406	513,040

See accompanying independent auditors' report.

CITY OF NORWALK

Schedule of Indebtedness  
Year ended June 30, 2006

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
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
Urban renewal fire station	Jun 30, 2005	3.50-4.00	2,500,000
Urban renewal fire station	Nov 3, 2005	3.70-4.25	670,000
Corporate purpose	Apr 20, 2006	3.60-3.85	700,000
Total			
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
General obligation refunding notes	Mar 29, 2005	2.30-2.80	515,000
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			
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
Equipment loan	Feb 9, 2005	5.50	49,000
Equipment loan	Jul 15, 2005	5.75	25,575

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 1,020,000	-	95,000	925,000	49,663
1,890,000	-	55,000	1,835,000	94,000
830,000	-	70,000	760,000	23,852
350,000	-	85,000	265,000	7,317
2,500,000	-	120,000	2,380,000	85,343
-	670,000	20,000	650,000	15,269
-	700,000	-	700,000	-
<u>6,590,000</u>	<u>1,370,000</u>	<u>445,000</u>	<u>7,515,000</u>	<u>275,444</u>
465,000	-	55,000	410,000	24,142
475,000	-	45,000	430,000	21,515
515,000	-	120,000	395,000	15,523
<u>1,455,000</u>	<u>-</u>	<u>220,000</u>	<u>1,235,000</u>	<u>61,180</u>
420,000	-	40,000	380,000	20,322
516,000	-	28,000	488,000	21,827
735,000	-	39,000	696,000	31,091
952,000	-	49,000	903,000	33,606
859,000	-	43,000	816,000	33,673
221,000	-	10,000	211,000	6,630
<u>3,703,000</u>	<u>-</u>	<u>209,000</u>	<u>3,494,000</u>	<u>147,149</u>
231,854	-	9,803	222,051	11,655
926,341	-	42,588	883,753	46,177
7,130	-	7,130	-	319
18,956	-	6,088	12,868	745
49,000	-	9,883	39,117	1,277
-	25,575	-	25,575	-
<u>\$ 12,981,281</u>	<u>1,395,575</u>	<u>949,492</u>	<u>13,427,364</u>	<u>543,946</u>

CITY OF NORWALK

Bond and Note Maturities  
June 30, 2006

GENERAL OBLIGATION CAPITAL LOAN NOTES

Year Ending June 30,	General Obligation Street Improvement Notes		General Obligation Corporate Purpose		General Obligation Refunding Notes	
	Issued Dec 1, 1999		Issued Aug 1, 2001		Issued Mar 29, 2005	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2007	5%	\$ 60,000	4%	\$ 45,000	3%	\$ 125,000
2008	5%	65,000	4%	50,000	3%	135,000
2009	5%	65,000	4%	50,000	3%	135,000
2010	5%	70,000	5%	50,000		-
2011	5%	75,000	5%	55,000		-
2012	5%	75,000	5%	55,000		-
2013		-	5%	60,000		-
2014		-	5%	65,000		-
Total		<u>\$ 410,000</u>		<u>\$ 430,000</u>		<u>\$ 395,000</u>

GENERAL OBLIGATION

Year Ending June 30,	Essential Corporate Purpose		Corporate Purpose		Corporate Purpose	
	Issued April 1, 1998		Issued Jan 1, 2001		Issued Feb 1, 2004	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2007	5%	\$ 110,000	5%	\$ 60,000	1.90%	\$ 75,000
2008	5%	130,000	5%	65,000	2.30%	75,000
2009	5%	145,000	5%	70,000	2.50%	75,000
2010	5%	160,000	5%	150,000	2.70%	80,000
2011	5%	180,000	5%	150,000	2.90%	85,000
2012	5%	200,000	5%	160,000	3.20%	85,000
2013		-	5%	170,000	3.40%	90,000
2014		-	5%	180,000	3.65%	95,000
2015		-	5%	190,000	3.80%	100,000
2016		-	5%	200,000		-
2017		-	5%	215,000		-
2018		-	5%	225,000		-
2019		-		-		-
2020		-		-		-
Total		<u>\$ 925,000</u>		<u>\$ 1,835,000</u>		<u>\$ 760,000</u>

<u>Total</u>	
\$	230,000
	250,000
	250,000
	120,000
	130,000
	130,000
	60,000
	65,000
<u>\$</u>	<u>1,235,000</u>

BONDS

<u>Corporate Purpose</u>		<u>Urban Renewal</u>		<u>Urban Renewal</u>		<u>Corporate Purpose</u>		
<u>Issued Apr 1, 2004</u>		<u>Issued Jun 30, 2005</u>		<u>Issued Nov 3, 2005</u>		<u>Issued Apr 20, 2006</u>		
Interest		Interest		Interest		Interest		
<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Total</u>
1.90%	\$ 90,000	3.50%	\$ 135,000	3.70%	\$ 35,000	3.60%	\$ 185,000	\$ 690,000
2.30%	85,000	3.50%	135,000	3.70%	40,000	3.65%	100,000	630,000
2.50%	90,000	3.50%	140,000	3.70%	40,000	3.70%	100,000	660,000
-	-	3.50%	145,000	3.80%	40,000	3.75%	100,000	675,000
-	-	3.50%	150,000	3.80%	40,000	3.80%	105,000	710,000
-	-	3.50%	155,000	3.80%	45,000	3.85%	110,000	755,000
-	-	3.60%	165,000	3.80%	45,000	-	-	470,000
-	-	3.70%	170,000	3.90%	45,000	-	-	490,000
-	-	3.75%	175,000	4.00%	50,000	-	-	515,000
-	-	3.85%	185,000	4.05%	50,000	-	-	435,000
-	-	3.90%	195,000	4.10%	50,000	-	-	460,000
-	-	3.90%	200,000	4.15%	55,000	-	-	480,000
-	-	4.00%	210,000	4.20%	55,000	-	-	265,000
-	-	4.00%	220,000	4.25%	60,000	-	-	280,000
	<u>\$ 265,000</u>		<u>\$ 2,380,000</u>		<u>\$ 650,000</u>		<u>\$ 700,000</u>	<u>\$ 7,515,000</u>

CITY OF NORWALK

Bond and Note Maturities  
June 30, 2006

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
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>\$ 380,000</u>		<u>\$ 488,000</u>		<u>\$ 696,000</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%	\$ 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>\$ 903,000</u>		<u>\$ 816,000</u>		<u>\$ 211,000</u>	<u>\$ 3,494,000</u>

CITY OF NORWALK

Schedule 5

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Receipts</b>				
Property tax	\$ 2,007,156	1,944,684	1,850,777	1,806,311
Tax increment financing collections	820,782	726,796	602,507	316,795
Other city tax	149,352	91,718	95,051	88,161
Licenses and permits	196,664	187,923	126,368	87,251
Use of money and property	204,357	90,802	90,848	92,767
Intergovernmental	659,954	670,976	623,041	699,807
Charges for service	603,252	224,611	238,900	236,183
Miscellaneous	<u>375,575</u>	<u>375,609</u>	<u>313,365</u>	<u>270,510</u>
Total	<u>\$ 5,017,092</u>	<u>4,313,119</u>	<u>3,940,857</u>	<u>3,597,785</u>
<b>Disbursements</b>				
<b>Operating</b>				
Public safety	1,540,593	1,268,424	1,123,028	1,027,629
Public works	1,329,041	602,794	552,582	510,987
Health and social services	3,150	3,150	3,150	3,045
Culture and recreation	734,071	648,403	612,893	601,121
Community and economic development	162,687	162,818	182,897	162,774
General government	454,465	461,738	412,190	373,608
Debt service	1,112,312	1,266,009	1,102,064	648,255
Capital projects	<u>1,825,243</u>	<u>283,756</u>	<u>762,861</u>	<u>36,532</u>
Total	<u>\$ 7,161,562</u>	<u>4,697,092</u>	<u>4,751,665</u>	<u>3,363,951</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the 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, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated August 31, 2006. 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 generally accepted auditing standards of the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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.

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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## 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 grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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, 2006 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

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.

August 31, 2006

CITY OF NORWALK

Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**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-06      Certified Budget - Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states in part that monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.20 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.

IV-B-06      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.

CITY OF NORWALK

Schedule of Findings and Questioned Costs - Continued  
Year ended June 30, 2006

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

IV-C-06      Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-06      Business Transactions - No business transactions between the City and City officials or employees were noted.

IV-E-06      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-F-06      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-G-06      Revenue Bonds - No violations of provisions of revenue bond resolution requirements were noted.

IV-H-06      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.