

CITY OF NORWALK

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2011



Shull
and Co. P.C.
certified public accountants

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	14-17
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	18-21
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C	22
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	23-24
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E	25
Notes to Financial Statements		26-38
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		40-41
Notes to Required Supplementary Information – Budgetary Reporting		42
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	44-45
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	2	46
Schedule of Indebtedness	3	47-48
Bond and Note Maturities	4	49-51
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5	52-53
Independent Auditor's Report and on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		54-55
Schedule of Findings and Questioned Costs		56-57

CITY OF NORWALK

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
	Before January 2011	
Doug Pierce	Mayor	Dec. 2013
Frank Curtis	Mayor Pro Tem & Council Member	Dec. 2011
Eric Delker	Council Member	Dec. 2011
John Putbreese	Council Member	Dec. 2011
Mike Leto	Council Member	Dec. 2013
Dave Murillo	Council Member	Dec. 2013
Mark Miller	Administrator	Indefinite
Jeff Rosien	Clerk	Indefinite
James Dougherty	Attorney	Indefinite
	After January 2011	
Doug Pierce	Mayor	Dec. 2013
Frank Curtis	Mayor Pro Tem & Council Member	Dec. 2011
Eric Delker	Council Member	Dec. 2011
John Putbreese	Council Member	Dec. 2011
To March 2011		
James Thayer	Council Member	Dec. 2011
From April 2011		
Mike Leto	Council Member	Dec. 2013
Dave Murillo	Council Member	Dec. 2013
Mark Miller	Administrator	Indefinite
Jeff Rosien	Clerk	Indefinite
James Dougherty	Attorney	Indefinite



Shull

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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, 2011, 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 opinions 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 opinions.

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 accounting principles generally accepted in 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, 2011, 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 23, 2011, 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 on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 12 and 40 through 42 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 seven years ended June 30, 2010 (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.

Stull & Co., P.C.

August 23, 2011

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, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 115%, or approximately \$9,905,000 from fiscal 2010 to fiscal 2011. Capital grants, contributions and restricted interest, property tax, and bond proceeds increased approximately \$296,000, 481,000, and 9,560,000, respectively. Other general receipts decreased approximately \$427,000.

Disbursements of the City's governmental activities increased 94%, or approximately \$8,608,000, in fiscal 2011 from fiscal 2010. Public safety, public works, community and economic development, general government, debt service, and capital project disbursements increased approximately \$272,000, \$393,000, \$244,000, \$147,000, \$1,609,000, and \$5,956,000, respectively.

The City's total cash basis net assets increased 72%, or approximately \$4,028,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased approximately \$2,122,000 and the assets of the business type activities increased by approximately \$1,906,000.

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 and the City's indebtedness.

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 accounting principles generally accepted in the United States of America. 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 increased from a year ago, increasing from \$3,458,531 to \$5,580,256. 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,	
	2011	2010
Receipts and transfers		
Program receipts		
Charges for service	\$ 1,018,668	1,005,488
Operating grants, contributions and restricted interest	1,017,775	1,031,294
Capital grants, contributions and restricted interest	332,280	36,253
General receipts		
Property tax	5,020,673	4,539,884
Utility tax replacement excise tax	267,470	272,998
Grants and contributions not restricted to specific purposes	24,533	24,378
Unrestricted interest on investments	35,251	34,246
Bond and loan proceeds	10,821,297	1,261,328
Other general receipts	4,273	431,707
Total receipts and transfers	<u>18,542,220</u>	<u>8,637,576</u>
Disbursements		
Public safety	3,230,988	2,958,539
Public works	1,620,683	1,227,941
Health and social services	9,150	3,150
Culture and recreation	942,527	962,448
Community and economic development	734,321	489,903
General government	689,038	541,682
Debt service	3,236,356	1,627,389
Capital projects	7,267,099	1,311,028
Total disbursements	<u>17,730,162</u>	<u>9,122,080</u>
Change in cash basis net assets before transfers	812,058	(484,504)
Transfers, net	<u>1,309,667</u>	<u>212,055</u>
Change in cash basis net assets	2,121,725	(272,449)
Cash basis net assets beginning of year	<u>3,458,531</u>	<u>3,730,980</u>
Cash basis net assets end of year	<u>\$ 5,580,256</u>	<u>3,458,531</u>

The City's total receipts for governmental activities increased by 115%, or \$9,904,644. The total cost of all programs and services increased by \$8,608,082, or 95%, with no new programs added this year. The increase in receipts was primarily the result of increases in debt proceeds of \$9,559,969. Receipts also increased for capital grants, contributions and restricted interest and property tax by \$296,027 and \$480,789, respectively.

CITY OF NORWALK

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The cost of all governmental activities this year was \$17,730,162 compared to \$9,122,080 last year. However, as shown in the Statement of Activities and Net Assets on pages 14-17, the amount taxpayers ultimately financed for these activities was only \$15,361,439 because some of the cost was paid by those directly benefited from the programs (\$1,018,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,350,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$5,020,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements and \$10,821,000 of bond and loan proceeds.

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30,	
	2011	2010
Receipts and transfers		
Program receipts		
Charges for service		
Water	\$ 957,565	931,485
Sewer	1,269,614	1,196,311
Other non major	311,046	302,600
Operating grants, contributions and restricted interest	168,518	116,686
General receipts		
Unrestricted interest on investment	12,527	-
Bond proceeds	1,875,000	-
Other general receipts	2,923,629	22,352
Total receipts	<u>7,517,899</u>	<u>2,569,434</u>
Disbursements		
Water	1,136,766	998,636
Sewer	3,016,424	1,213,932
Other non major	149,234	185,524
Total disbursements and transfers	<u>4,302,424</u>	<u>2,398,092</u>
Change in cash basis net assets before transfers	3,215,475	171,342
Transfers, net	<u>(1,309,667)</u>	<u>(212,055)</u>
Change in cash basis net assets	1,905,808	(40,713)
Cash basis net assets beginning of year	<u>2,164,348</u>	<u>2,205,061</u>
Cash basis net assets end of year	<u>\$ 4,070,156</u>	<u>2,164,348</u>

Total business type activities receipts for the fiscal year were \$7,517,899 compared to \$2,569,434 last year. Total disbursements for the fiscal year increased by 79% or a total of \$1,904,332.

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 \$5,594,690, an increase of more than \$2,154,000 from last year's total of \$3,440,364. 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 \$207,177 from the prior year to \$1,111,377.

The Road Use Tax Fund cash balance decreased by \$78,358 to \$155,485 during the fiscal year.

The Employee Benefits Levy Fund cash balance decreased \$112,341 to \$286,754.

The Urban Renewal Tax Increment Fund cash balance was \$1,723,262, an increase of \$172,219 from the previous year.

The Debt Service Fund cash balance was \$0, a decrease of \$68,248 from the previous year.

The combined Capital Projects Funds increased \$1,786,781 from the previous year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased by \$79,002 to \$1,023,360.

The Sewer Fund cash balance increased by \$1,626,983 to \$2,239,573.

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 26, 2011 and resulted in a net increase of \$8,576,645 in revenues. The increase was due primarily to an anticipated bond issue. Budgeted expenditures increased \$8,576,645 due to capital purchases.

Even with the budget amendments, the City exceeded the amounts budgeted in the public works, debt service and business type activities functions for the year ended June 30, 2011.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$19,762,511 in bonds and other long-term debt, compared to \$12,236,099 last year, as show below.

	Outstanding Debt at Year-End	
	June 30,	
	2011	2010
General obligation bonds	\$ 18,145,000	7,595,000
General obligation capital loan notes	-	385,000
Revenue bonds	790,000	2,577,000
Sanitary district mortgage assumed	163,969	175,944
Colonial Meadows economic development payments	663,542	716,827
Short term equipment loan	-	786,328
Total	<u>\$ 19,762,511</u>	<u>12,236,099</u>

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 \$18,145,000 is significantly below its constitutional debt limit of approximately \$27 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 2012 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 Mark Miller, City Administrator, 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, 2011

	<u>Disbursements</u>	<u>Program</u> Charges for Service
Functions / Programs		
Governmental activities		
Public safety	\$ 3,230,988	168,964
Public works	1,620,683	454,227
Health and social services	9,150	-
Culture and recreation	942,527	230,514
Community and economic development	734,321	6,213
General government	689,038	158,750
Debt service	3,236,356	-
Capital projects	<u>7,267,099</u>	<u>-</u>
Total governmental activities	<u>17,730,162</u>	<u>1,018,668</u>
Business type activities		
Water	1,136,766	957,565
Sewer	3,016,424	1,269,614
Other non major	<u>149,234</u>	<u>311,046</u>
Total business type activities	<u>4,302,424</u>	<u>2,538,225</u>
Total	<u>\$ 22,032,586</u>	<u>3,556,893</u>

General Receipts

- Property tax levied for
 - General purposes
 - Tax increment financing
 - Debt service
 - Employee benefits
 - Emergency levy
 - Insurance levy
- Utility tax replacement excise tax
- Grants and contributions not restricted to specific purpose
- Unrestricted interest on investments
- Bond and loan proceeds
- 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
107,804	-	(2,954,220)	-	(2,954,220)
791,478	-	(374,978)	-	(374,978)
-	-	(9,150)	-	(9,150)
66,723	-	(645,290)	-	(645,290)
39,431	-	(688,677)	-	(688,677)
12,339	-	(517,949)	-	(517,949)
-	-	(3,236,356)	-	(3,236,356)
-	332,280	(6,934,819)	-	(6,934,819)
<u>1,017,775</u>	<u>332,280</u>	<u>(15,361,439)</u>	<u>-</u>	<u>(15,361,439)</u>
90,649	-	-	(88,552)	(88,552)
16,541	-	-	(1,730,269)	(1,730,269)
61,328	-	-	223,140	223,140
<u>168,518</u>	<u>-</u>	<u>-</u>	<u>(1,595,681)</u>	<u>(1,595,681)</u>
<u>1,186,293</u>	<u>332,280</u>	<u>(15,361,439)</u>	<u>(1,595,681)</u>	<u>(16,957,120)</u>
		1,707,073	-	1,707,073
		1,820,225	-	1,820,225
		700,025	-	700,025
		611,934	-	611,934
		68,770	-	68,770
		112,646	-	112,646
		267,470	-	267,470
		24,533	-	24,533
		35,251	12,527	47,778
		10,821,297	1,875,000	12,696,297
		4,273	2,923,629	2,927,902
		<u>1,309,667</u>	<u>(1,309,667)</u>	<u>-</u>
		<u>17,483,164</u>	<u>3,501,489</u>	<u>20,984,653</u>

CITY OF NORWALK

Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2011

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, expendable

 Debt service

 Urban renewal purposes

 Streets

 Other purposes

 Unrestricted

Total cash basis net assets

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
2,121,725	1,905,808	4,027,533
<u>3,458,531</u>	<u>2,164,348</u>	<u>5,622,879</u>
<u>\$ 5,580,256</u>	<u>4,070,156</u>	<u>9,650,412</u>
-	131,503	131,503
1,723,262	-	1,723,262
155,485	-	155,485
381,315	-	381,315
<u>3,320,194</u>	<u>3,938,653</u>	<u>7,258,847</u>
<u>\$ 5,580,256</u>	<u>4,070,156</u>	<u>9,650,412</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, 2011

	General	Special Revenue		
		Road Use Tax	Employee Benefits Levy	Urban Renewal Tax Increment
Receipts				
Property tax	\$ 1,707,073	-	793,350	-
Tax increment financing collections	-	-	-	1,820,225
Other city tax	148,391	-	69,075	-
Licenses and permits	157,712	-	-	-
Use of money and property	83,811	-	1,577	2,910
Intergovernmental	59,247	770,329	-	-
Charges for service	760,324	-	-	-
Miscellaneous	167,392	6,592	-	-
Total receipts	3,083,950	776,921	864,002	1,823,135
Disbursements				
Operating				
Public safety	2,699,623	-	490,689	-
Public works	552,144	811,758	59,801	-
Health and social services	9,150	-	-	-
Culture and recreation	814,599	-	115,012	-
Community and economic development	199,121	-	42,076	312,542
General government	612,725	-	73,253	-
Debt service	-	-	-	88,765
Capital projects	-	-	-	-
Total disbursements	4,887,362	811,758	780,831	401,307
Excess of receipts over disbursements	(1,803,412)	(34,837)	83,171	1,421,828
Other financing sources (uses)				
Bond and loan proceeds	1,760,347	-	-	-
Sale of capital assets	4,273	-	-	-
Operating transfers in (out)	245,969	(43,521)	(195,512)	(1,249,609)
Total other financing sources (uses)	2,010,589	(43,521)	(195,512)	(1,249,609)

Debt Service	Capital Projects				Other Nonmajor Governmental Funds	Total
	Public Works Facility	Colonial Parkway Improvement	City Hall	Industrial Park		
700,025	-	-	-	-	-	3,200,448
-	-	-	-	-	-	1,820,225
50,004	-	-	-	-	-	267,470
-	-	-	-	-	-	157,712
126	-	-	-	-	2,360	90,784
-	-	-	-	-	327,646	1,157,222
-	-	-	-	-	-	760,324
-	-	-	4,634	-	83,771	262,389
<u>750,155</u>	<u>-</u>	<u>-</u>	<u>4,634</u>	<u>-</u>	<u>413,777</u>	<u>7,716,574</u>
-	-	-	-	-	20,464	3,210,776
-	-	-	-	-	194,894	1,618,597
-	-	-	-	-	-	9,150
-	-	-	-	-	7,754	937,365
-	-	-	-	-	178,425	732,164
-	-	-	-	-	-	685,978
3,147,591	-	-	-	-	-	3,236,356
-	<u>4,405,388</u>	<u>77,960</u>	<u>1,214,473</u>	<u>955,158</u>	<u>614,120</u>	<u>7,267,099</u>
<u>3,147,591</u>	<u>4,405,388</u>	<u>77,960</u>	<u>1,214,473</u>	<u>955,158</u>	<u>1,015,657</u>	<u>17,697,485</u>
<u>(2,397,436)</u>	<u>(4,405,388)</u>	<u>(77,960)</u>	<u>(1,209,839)</u>	<u>(955,158)</u>	<u>(601,880)</u>	<u>(9,980,911)</u>
1,391,454	4,613,451	1,266,607	1,400,000	-	389,438	10,821,297
-	-	-	-	-	-	4,273
937,734	-	-	200,000	955,158	459,448	1,309,667
<u>2,329,188</u>	<u>4,613,451</u>	<u>1,266,607</u>	<u>1,600,000</u>	<u>955,158</u>	<u>848,886</u>	<u>12,135,237</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, 2011

	<u>General</u>	<u>Special Revenue</u>		
		<u>Road Use Tax</u>	<u>Employee Benefits Levy</u>	<u>Urban Renewal Tax Increment</u>
Net change in cash balances	207,177	(78,358)	(112,341)	172,219
Cash balances beginning of year	<u>904,200</u>	<u>233,843</u>	<u>399,095</u>	<u>1,551,043</u>
Cash balances end of year	<u>\$ 1,111,377</u>	<u>155,485</u>	<u>286,754</u>	<u>1,723,262</u>
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	-	-	-
Urban renewal purposes	-	-	-	1,723,262
Streets	-	155,485	-	-
Other purposes	-	-	286,754	-
Committed	23,171	-	-	-
Assigned	-	-	-	-
Unassigned	<u>1,088,206</u>	-	-	-
Total cash basis fund balances	<u>\$ 1,111,377</u>	<u>155,485</u>	<u>286,754</u>	<u>1,723,262</u>

See notes to financial statements.

Debt Service	Capital Projects				Other Nonmajor Governmental Funds	Total
	Public Works Facility	Colonial Parkway Improvement	City Hall	Industrial Park		
(68,248)	208,063	1,188,647	390,161	-	247,006	2,154,326
<u>68,248</u>	<u>(100,581)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>384,516</u>	<u>3,440,364</u>
<u>-</u>	<u>107,482</u>	<u>1,188,647</u>	<u>390,161</u>	<u>-</u>	<u>631,522</u>	<u>5,594,690</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	1,723,262
-	-	-	-	-	-	155,485
-	-	-	-	-	94,561	381,315
-	107,482	1,188,647	390,161	-	424,594	2,134,055
-	-	-	-	-	112,367	112,367
-	-	-	-	-	-	1,088,206
<u>-</u>	<u>107,482</u>	<u>1,188,647</u>	<u>390,161</u>	<u>-</u>	<u>631,522</u>	<u>5,594,690</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, 2011

Total government funds cash balances	\$ 5,594,690
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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.

(14,434)

Cash basis net assets of governmental activities	\$ <u>5,580,256</u>
--------------------------------------------------	---------------------

Net change in cash balances	\$ 2,154,326
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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.

(32,601)

Change in cash balance of governmental activities	\$ <u>2,121,725</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, 2011

Enterprise

	<u>Water</u>	<u>Sewer</u>
Operating receipts		
Use of money and property	\$ 4,057	5,284
Charges for service	957,565	1,269,614
Miscellaneous	90,649	16,541
Total operating receipts	<u>1,052,271</u>	<u>1,291,439</u>
 Operating disbursements		
Governmental activities		
Public safety	-	-
Public works	-	-
Culture and recreation	-	-
Community and economic development	-	-
General government	-	-
Business type activities	<u>1,136,766</u>	<u>3,016,424</u>
Total operating disbursements	<u>1,136,766</u>	<u>3,016,424</u>
 Excess (deficiency) of receipts over (under) disbursements	 <u>(84,495)</u>	 <u>(1,724,985)</u>
 Other financing sources (uses)		
Bond proceeds	300,000	1,500,000
Sale of capital assets	-	2,923,629
Operating transfers out	<u>(136,503)</u>	<u>(1,071,661)</u>
Total other financing sources (uses)	<u>163,497</u>	<u>3,351,968</u>
 Net change in cash balances	 79,002	 1,626,983
Cash balances beginning of year	<u>944,358</u>	<u>612,590</u>
 Cash balances end of year	 <u>\$ 1,023,360</u>	 <u>2,239,573</u>
 Cash Basis Fund Balances		
Restricted for debt service	\$ 6,658	124,845
Unrestricted	<u>1,016,702</u>	<u>2,114,728</u>
Total cash basis fund balances	<u>\$ 1,023,360</u>	<u>2,239,573</u>

See notes to financial statements.

Funds			Internal Service Funds
Other Nonmajor	Total	Other Nonmajor 27th Pay Period	
3,127	12,468	135	
311,046	2,538,225	-	
61,328	168,518	-	
<u>375,501</u>	<u>2,719,211</u>	<u>135</u>	
-	-	20,212	
-	-	2,086	
-	-	5,162	
-	-	2,157	
-	-	3,060	
<u>149,234</u>	<u>4,302,424</u>	<u>-</u>	
<u>149,234</u>	<u>4,302,424</u>	<u>32,677</u>	
<u>226,267</u>	<u>(1,583,213)</u>	<u>(32,542)</u>	
75,000	1,875,000	-	
-	2,923,629	-	
<u>(101,503)</u>	<u>(1,309,667)</u>	<u>-</u>	
<u>(26,503)</u>	<u>3,488,962</u>	<u>-</u>	
199,764	1,905,749	(32,542)	
<u>593,025</u>	<u>2,149,973</u>	<u>32,542</u>	
<u>792,789</u>	<u>4,055,722</u>	<u>-</u>	
-	131,503	-	
<u>792,789</u>	<u>3,924,219</u>	<u>-</u>	
<u>792,789</u>	<u>4,055,722</u>	<u>-</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, 2011

Total enterprise funds cash balances	\$	4,055,722
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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.

14,434

Cash basis net assets of business type activities	\$	<u>4,070,156</u>
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Net change in cash balances	\$	1,905,749
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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.

59

Change in cash balance of business type activities	\$	<u>1,905,808</u>
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See notes to financial statements.

CITY OF NORWALK

Notes to Financial Statements June 30, 2011

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 service.

CITY OF NORWALK

Notes to Financial Statements - Continued June 30, 2011

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 the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

Expendable 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 the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

CITY OF NORWALK

Notes to Financial Statements - Continued
June 30, 2011

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Special Revenue (Continued)

The Employee Benefits Levy Fund is used to account for the costs of employee benefits that are paid for by a special property tax levy.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

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

The Capital Projects Funds are used to account for all resources used in the acquisition and construction of capital facilities

The City reports the following major proprietary funds:

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

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater 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 accounting principles generally accepted in the United States of America.

CITY OF NORWALK

Notes to Financial Statements - Continued June 30, 2011

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

CITY OF NORWALK

Notes to Financial Statements - Continued June 30, 2011

1. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

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

2. Cash and Pooled Investments

The City's deposits at June 30, 2011 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 reporting at June 30, 2011.

CITY OF NORWALK

Notes to Financial Statements - Continued
June 30, 2011

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
2012	\$ 1,750,000	601,353	111,000	27,038	1,861,000	628,391
2013	1,370,000	556,457	118,000	22,707	1,488,000	579,164
2014	1,405,000	518,215	120,000	18,013	1,525,000	536,228
2015	1,265,000	477,885	67,000	13,230	1,332,000	491,115
2016	1,205,000	438,283	70,000	11,220	1,275,000	449,503
2017	1,250,000	396,730	72,000	9,120	1,322,000	405,850
2018	1,185,000	353,205	75,000	6,960	1,260,000	360,165
2019	895,000	310,490	77,000	4,710	972,000	315,200
2020	940,000	281,050	80,000	2,400	1,020,000	283,450
2021	680,000	249,555	-	-	680,000	249,555
2022	710,000	227,620	-	-	710,000	227,620
2023	585,000	203,520	-	-	585,000	203,520
2024	610,000	184,365	-	-	610,000	184,365
2025	635,000	163,230	-	-	635,000	163,230
2026	670,000	140,745	-	-	670,000	140,745
2027	695,000	115,910	-	-	695,000	115,910
2028	730,000	89,765	-	-	730,000	89,765
2029	765,000	61,740	-	-	765,000	61,740
2030	800,000	31,780	-	-	800,000	31,780
Total	<u>\$ 18,145,000</u>	<u>5,401,898</u>	<u>790,000</u>	<u>115,398</u>	<u>18,935,000</u>	<u>5,517,296</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 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, 2011

3. Bonds Payable (Continued)

- (d) \$60,000 from the proceeds of the sewer revenue bonds shall be deposited to and maintained in a Sewer Reserve fund. Money in the Sewer Reserve Fund 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 Sewer Revenue Sinking Fund.
- (e) Money in the Sewer Revenue Fund shall next be disbursed to maintain Sewer Improvement Fund. 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 Sinking 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 October 2009 the City issued \$475,000 of General Obligation Bonds. The proceeds from the bonds were used to pay costs of constructing improvements, and to acquire equipment for various city departments.

In March 2010, the City entered into a loan agreement with a bank, which provided a loan of \$786,328 for the purchase of a fire truck. The loan bears interest at 2.75%. The principal of the loan plus interest accrued is due August 2010

In August 2010 the City issued \$4,685,000 of General Obligation Urban Renewal Bonds. The proceeds from the bonds are to pay the costs of planning, undertaking, and carrying out the constructing a municipal works facility within the Norwalk Urban Renewal Area.

In August 2010 the City issued \$5,320,000 of General Obligation Bonds. The proceeds from the bonds are to pay the costs of constructing improvements, and to acquire equipment for various city departments.

In August 2010 the City issued \$1,260,000 of General Obligation Refunding Bonds. The proceeds from the bonds are to refund Series 1998 and Series 2004 General Obligation Bonds and Series 1999 and Series 2001 General Obligation Capital Loan Notes.

In October 2010 the City issued \$1,475,000 of General Obligation Urban Renewal Bonds. The proceeds from the bonds are to pay the costs of planning, undertaking, and carrying out constructing improvements to City Hall and a municipal public works facility with the Norwalk Urban Renewal Area.

CITY OF NORWALK

Notes to Financial Statements - Continued June 30, 2011

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, 2011

6. Commitments/Long-Term Obligations (Continued)

Year ending June 30,	Des Moines Water Works Water Revenue Bonds		
	Principal	Interest	Total
2012	\$ 134,485	39,660	174,145
2013	139,658	35,373	175,031
2014	150,003	30,104	180,107
2015	155,175	24,000	179,175
2016	165,520	17,586	183,106
Thereafter	356,903	14,380	371,283
Total	\$ 1,101,744	161,103	1,262,847

During the year ended June 30, 2011, the City paid \$153,625 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, 2011

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, 2004B and 2006 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 \$5,965,000 as of June 30, 2010. The City of Norwalk has a commitment for approximately \$64,432, or 1.08%, 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, 2010, the Series 2004B bonds had a balance of \$62,430,000 and the City of Norwalk's estimated future allocation based on the WRA flows is currently \$1,722,238, or 2.76%. The WRA Sewer Revenue Bonds Series 2006 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, 2010, the Series 2006 bonds had a balance of \$36,575,000 and the City of Norwalk's estimated future allocation based on the WRA flows is currently \$1,037,223, or 2.84%. 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, 2010, the WRA had \$65,191,056 in outstanding State Revolving Loans, of which \$1,797,306 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, 2011

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 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$222,105, \$196,518, and \$174,463 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, 2011, primarily relating to the General Fund, was \$152,927, computed based on rates of pay as of June 30, 2011.

10. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee benefits levy	\$ 195,512
	Keep Norwalk beautiful	7,458
	Capital Projects:	
	Street Construction	-
	Enterprise:	
	Water	67,500
	Sewer	47,500
	Storm Water	32,500
		<u>350,470</u>
Special Revenue:		
Economic Development	General	<u>94,001</u>
Park Trust	General	<u>10,500</u>

CITY OF NORWALK

Notes to Financial Statements - Continued
June 30, 2011

10. Interfund Transfers (Continued)

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Project:		
Street Construction	Special Revenue: Road Use Tax	<u>43,521</u>
Signal Project	Special Revenue: Urban Renewal Tax Increment	<u>170,271</u>
Hakes Wright Road	Special Revenue: Urban Renewal Tax Increment	<u>124,000</u>
City Hall	Special Revenue: Urban Renewal Tax Increment	<u>200,000</u>
Safe Room	Special Revenue: Urban Renewal Tax Increment	<u>24,613</u>
Industrial Park	Enterprise: Sewer	<u>955,158</u>
Debt Service	Special Revenue: Urban Renewal Tax Increment	730,725
	Enterprise: Water	69,003
	Sewer	69,003
	Storm Water	<u>69,003</u>
		<u>\$ 589,744</u>

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

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, 2011 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2011, the City paid workers' compensation insurance premiums of \$105,529 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.

CITY OF NORWALK

Notes to Financial Statements - Continued
June 30, 2011

11. Jointly Governed Organizations (Continued)

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 \$4,937.

12. 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.

13. Construction and Other Commitments

The City has entered into contracts totaling \$6,853,911 for a public works building, city hall remodel and sewer project engineering and construction. At June 30, 2011, \$4,409,305 of the contracts was completed. The remaining amount of the contracts will be paid as work on the projects progress.

14. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Internal Service, Equipment Replacement</u>	<u>Capital Projects, Equipment Replacement</u>	<u>Enterprise non major, Equipment Replacement</u>
Balances June 30, 2010, as previously reported	\$ 613,700	-	-
Change in fund type classification per implementation of GASB Statement No. 54	<u>(613,700)</u>	<u>294,725</u>	<u>318,975</u>
Balances July 1, 2010, as restated	<u>\$ -</u>	<u>294,725</u>	<u>318,975</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, 2011

	Governmental Funds Actual	Proprietary Funds Actual
Receipts		
Property tax	\$ 3,200,448	-
Tax increment financing collections	1,820,225	-
Other city tax	267,470	-
Licenses and permits	157,712	-
Use of money and property	90,784	12,603
Intergovernmental	1,157,222	-
Charges for service	760,324	2,538,225
Miscellaneous	<u>262,389</u>	<u>168,518</u>
Total receipts	<u>7,716,574</u>	<u>2,719,346</u>
Disbursements		
Public safety	3,210,776	20,212
Public works	1,618,597	2,086
Health and social services	9,150	-
Culture and recreation	937,365	5,162
Community and economic development	732,164	2,157
General government	685,978	3,060
Debt service	3,236,356	-
Capital projects	7,267,099	-
Business type activities	-	4,302,424
Total disbursements	<u>17,697,485</u>	<u>4,335,101</u>
Excess of receipts over disbursements	(9,980,911)	(1,615,755)
Other financing sources, net	<u>12,135,237</u>	<u>3,488,962</u>
Excess of receipts and other financing sources over disbursements and other financing uses	2,154,326	1,873,207
Balances beginning of year	<u>3,440,364</u>	<u>2,182,515</u>
Balances end of year	<u>\$ 5,594,690</u>	<u>4,055,722</u>

Less Funds not Required to to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	3,200,448	3,207,068	3,207,068	(6,620)
-	1,820,225	1,571,249	1,571,249	248,976
-	267,470	269,974	269,974	(2,504)
-	157,712	149,230	149,230	8,482
2,425	100,962	85,100	85,100	15,862
-	1,157,222	787,500	787,500	369,722
-	3,298,549	3,375,050	3,375,050	(76,501)
<u>91,555</u>	<u>339,352</u>	<u>178,350</u>	<u>178,350</u>	<u>161,002</u>
<u>93,980</u>	<u>10,341,940</u>	<u>9,623,521</u>	<u>9,623,521</u>	<u>718,419</u>
40,676	3,190,312	2,042,319	3,296,889	106,577
196,980	1,423,703	1,163,973	1,306,848	(116,855)
-	9,150	3,150	9,150	-
5,162	937,365	940,165	960,165	22,800
2,157	732,164	641,648	764,648	32,484
3,060	685,978	520,412	690,612	4,634
-	3,236,356	1,488,897	1,488,897	(1,747,459)
-	7,267,099	230,607	6,790,607	(476,492)
-	4,302,424	2,592,350	2,892,350	(1,410,074)
<u>248,035</u>	<u>21,784,551</u>	<u>9,623,521</u>	<u>18,200,166</u>	<u>(3,584,385)</u>
(154,055)	(11,442,611)	-	(8,576,645)	(2,865,966)
-	<u>15,624,199</u>	-	<u>8,576,645</u>	<u>(7,047,554)</u>
(154,055)	4,181,588	-	-	4,181,588
<u>646,242</u>	<u>4,976,637</u>	<u>6,174,385</u>	<u>6,174,385</u>	<u>(1,197,748)</u>
<u>492,187</u>	<u>9,158,225</u>	<u>6,174,385</u>	<u>6,174,385</u>	<u>2,983,840</u>

CITY OF NORWALK

Notes to Required Supplementary Information – Budgetary Reporting June 30, 2011

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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine 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 and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise 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 \$8,576,645. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public works, debt service and business type activities functions.

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, 2011

	Special		
	Plumbers Bonds	Economic Development	Library Trust
Receipts			
Use of money and property	\$ 40	986	43
Intergovernmental	-	-	-
Miscellaneous	300	39,430	5,834
Total receipts	<u>340</u>	<u>40,416</u>	<u>5,877</u>
Disbursements			
Operating			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	7,754
Community and economic development	-	178,425	-
Capital projects	-	-	-
Total disbursements	<u>-</u>	<u>178,425</u>	<u>7,754</u>
Excess (deficiency) of receipts over (under) disbursements	<u>340</u>	<u>(138,009)</u>	<u>(1,877)</u>
Other financing uses			
Bond proceeds	-	-	-
Operating transfers in (out)	-	94,001	-
Total other financing sources (uses)	<u>-</u>	<u>94,001</u>	<u>-</u>
Net change in cash balances	340	(44,008)	(1,877)
Cash balances beginning of year	<u>9,249</u>	<u>301,240</u>	<u>10,633</u>
Cash balances end of year	<u>\$ 9,589</u>	<u>257,232</u>	<u>8,756</u>
Cash Basis Fund Balances			
Restricted for:			
Other purposes	\$ -	-	8,756
Committed	9,589	257,232	-
Assigned	-	-	-
Total cash basis fund balances	<u>\$ 9,589</u>	<u>257,232</u>	<u>8,756</u>

See accompanying independent auditors' report.

Revenue				Capital	
Park Trust	Keep Norwalk Beautiful	Legacy Pedestrian Path	Orchard Ridge Pedestrian Path	Street Construction	Hakes Wright Road
295	31	19	4	-	-
-	-	-	-	-	-
5,734	-	-	-	-	-
<u>6,029</u>	<u>31</u>	<u>19</u>	<u>4</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	248,768
-	-	-	-	-	<u>248,768</u>
<u>6,029</u>	<u>31</u>	<u>19</u>	<u>4</u>	<u>-</u>	<u>(248,768)</u>
-	-	-	-	-	239,438
10,500	(7,458)	-	-	43,521	124,000
<u>10,500</u>	<u>(7,458)</u>	<u>-</u>	<u>-</u>	<u>43,521</u>	<u>363,438</u>
16,529	(7,427)	19	4	43,521	114,670
69,276	7,427	4,636	1,127	(43,521)	(88,905)
<u>85,805</u>	<u>-</u>	<u>4,655</u>	<u>1,131</u>	<u>-</u>	<u>25,765</u>
85,805	-	-	-	-	-
-	-	4,655	1,131	-	25,765
-	-	-	-	-	-
<u>85,805</u>	<u>-</u>	<u>4,655</u>	<u>1,131</u>	<u>-</u>	<u>25,765</u>

Projects

Legacy Park	Water Tower Park	Pool	Safe Room	I Jobs	Signal Project	Equipment Replacement	Total
2	115	-	-	298	-	527	2,360
-	-	-	-	43,929	283,717	-	327,646
-	-	-	-	-	-	32,473	83,771
<u>2</u>	<u>115</u>	<u>-</u>	<u>-</u>	<u>44,227</u>	<u>283,717</u>	<u>33,000</u>	<u>413,777</u>
-	-	-	-	-	-	20,464	20,464
-	-	-	-	-	-	194,894	194,894
-	-	-	-	-	-	-	7,754
-	-	-	-	-	-	-	178,425
-	-	132,620	10,838	-	221,894	-	614,120
-	-	<u>132,620</u>	<u>10,838</u>	<u>-</u>	<u>221,894</u>	<u>215,358</u>	<u>1,015,657</u>
<u>2</u>	<u>115</u>	<u>(132,620)</u>	<u>(10,838)</u>	<u>44,227</u>	<u>61,823</u>	<u>(182,358)</u>	<u>(601,880)</u>
-	-	150,000	-	-	-	-	389,438
-	-	-	24,613	-	170,271	-	459,448
-	-	<u>150,000</u>	<u>24,613</u>	<u>-</u>	<u>170,271</u>	<u>-</u>	<u>848,886</u>
2	115	17,380	13,775	44,227	232,094	(182,358)	247,006
486	27,693	-	(13,775)	36,319	(232,094)	294,725	384,516
<u>488</u>	<u>27,808</u>	<u>17,380</u>	<u>-</u>	<u>80,546</u>	<u>-</u>	<u>112,367</u>	<u>631,522</u>
-	-	-	-	-	-	-	94,561
488	27,808	17,380	-	80,546	-	-	424,594
-	-	-	-	-	-	112,367	112,367
<u>488</u>	<u>27,808</u>	<u>17,380</u>	<u>-</u>	<u>80,546</u>	<u>-</u>	<u>112,367</u>	<u>631,522</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, 2011

	Enterprise Non Major		
	Storm Water	Equipment Replacement	Total
Receipts			
Use of money and property	\$ 1,364	1,763	3,127
Charges for service	311,046	-	311,046
Miscellaneous	<u>2,246</u>	<u>59,082</u>	<u>61,328</u>
Total receipts	<u>314,656</u>	<u>60,845</u>	<u>375,501</u>
Disbursements			
Operating			
Business type activities	<u>149,234</u>	-	<u>149,234</u>
Total disbursements	<u>149,234</u>	<u>-</u>	<u>149,234</u>
Excess (deficiency) of receipts over (under) disbursements	<u>165,422</u>	<u>60,845</u>	<u>226,267</u>
Other financing sources			
Bond proceeds	75,000	-	75,000
Operating transfers out	<u>(101,503)</u>	-	<u>(101,503)</u>
Total other financing sources (uses)	<u>(26,503)</u>	<u>-</u>	<u>(26,503)</u>
Net change in cash balances	138,919	60,845	199,764
Cash balances beginning of year	<u>274,050</u>	<u>318,975</u>	<u>593,025</u>
Cash balances end of year	<u>\$ 412,969</u>	<u>379,820</u>	<u>792,789</u>
Cash Basis Fund Balances			
Unreserved	<u>\$ 412,969</u>	<u>379,820</u>	<u>792,789</u>

See accompanying independent auditors' report.

CITY OF NORWALK

Schedule of Indebtedness
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
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
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
Corporate purpose	May 15, 2007	3.75-4.05	1,950,000
Corporate purpose	Oct 15, 2008	3.25-3.85	780,000
Corporate purpose	Oct 6, 2009	2.00-3.00	475,000
Corporate purpose	Aug 25, 2010	2.00-4.00	4,685,000
Corporate purpose	Aug 25, 2010	2.00-4.00	5,320,000
Refunding bonds	Aug 25, 2010	1.00-1.50	1,260,000
Urban renewal	Oct 21, 2010	2.20-3.80	1,475,000
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
Total			
Revenue bonds:			
Sewer	Feb 1, 1999	4.15-5.15	620,000
Sewer	June 18, 1999	3.00	660,463
Sewer	June 18, 1999	3.00	939,537
Water	Feb 7, 2000	3.00	1,175,000
Sewer	Feb 10, 2000	3.00	1,053,000
Sewer	May 14, 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
Short term equipment loan	Mar 23, 2010	2.75	786,328

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 380,000	-	380,000	-	5,093
1,490,000	-	150,000	1,340,000	74,428
455,000	-	455,000	-	4,137
1,825,000	-	150,000	1,675,000	69,195
495,000	-	40,000	455,000	19,912
215,000	-	105,000	110,000	8,225
1,555,000	-	140,000	1,415,000	60,547
705,000	-	75,000	630,000	24,765
475,000	-	105,000	370,000	20,209
-	4,685,000	135,000	4,550,000	105,470
-	5,320,000	-	5,320,000	132,528
-	1,260,000	420,000	840,000	10,289
-	1,475,000	35,000	1,440,000	26,822
<u>7,595,000</u>	<u>12,740,000</u>	<u>2,190,000</u>	<u>18,145,000</u>	<u>561,620</u>
150,000	-	150,000	-	2,140
<u>235,000</u>	-	<u>235,000</u>	-	<u>2,981</u>
<u>385,000</u>	-	<u>385,000</u>	-	<u>5,121</u>
210,000	-	50,000	160,000	10,588
365,000	-	365,000	-	4,076
520,000	-	520,000	-	5,807
688,000	-	58,000	630,000	20,640
626,000	-	626,000	-	16,990
<u>168,000</u>	-	<u>168,000</u>	-	<u>1,876</u>
<u>2,577,000</u>	-	<u>1,787,000</u>	<u>790,000</u>	<u>59,977</u>
<u>175,944</u>	-	<u>10,019</u>	<u>165,925</u>	<u>11,439</u>
<u>716,827</u>	-	<u>53,285</u>	<u>663,542</u>	<u>35,479</u>
<u>786,328</u>	-	<u>786,328</u>	-	<u>9,183</u>
<u>\$ 12,236,099</u>	<u>12,740,000</u>	<u>5,211,632</u>	<u>19,764,467</u>	<u>682,819</u>

CITY OF NORWALK

Bond and Note Maturities
June 30, 2011

Year Ending June 30,	GENERAL OBLIGATION							
	Corporate Purpose		Urban Renewal		Urban Renewal		Corporate Purpose	
	Issued Jan 1, 2001		Issued Jun 30, 2005		Issued Nov 3, 2005		Issued Apr 20, 2006	
	Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2012	5%	\$ 160,000	3.50%	\$ 155,000	3.80%	\$ 45,000	3.85%	\$ 110,000
2013	5%	170,000	3.60%	165,000	3.80%	45,000		-
2014	5%	180,000	3.70%	170,000	3.90%	45,000		-
2015	5%	190,000	3.75%	175,000	4.00%	50,000		-
2016	5%	200,000	3.85%	185,000	4.05%	50,000		-
2017	5%	215,000	3.90%	195,000	4.10%	50,000		-
2018	5%	225,000	3.90%	200,000	4.15%	55,000		-
2019		-	4.00%	210,000	4.20%	55,000		-
2020		-	4.00%	220,000	4.25%	60,000		-
2021		-		-		-		-
2022		-		-		-		-
2023		-		-		-		-
2024		-		-		-		-
2025		-		-		-		-
2026		-		-		-		-
2027		-		-		-		-
2028		-		-		-		-
2029		-		-		-		-
2030		-		-		-		-
Total		<u>\$ 1,340,000</u>		<u>\$ 1,675,000</u>		<u>\$ 455,000</u>		<u>\$ 110,000</u>

BONDS

<u>Corporate Purpose</u>		<u>Corporate Purpose</u>		<u>Corporate Purpose</u>		<u>Corporate Purpose</u>	
<u>Issued May 15, 2007</u>		<u>Issued Oct 15, 2008</u>		<u>Issued Oct 6, 2009</u>		<u>Issued Aug 25, 2010</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>
3.75%	\$ 150,000	3.30%	\$ 80,000	2.40%	\$ 120,000	2.00%	\$ 175,000
3.75%	105,000	3.30%	85,000	2.70%	125,000	2.00%	180,000
3.80%	110,000	3.30%	85,000	3.00%	125,000	2.00%	180,000
3.80%	115,000	3.50%	90,000	-	-	2.00%	185,000
3.85%	120,000	3.70%	95,000	-	-	2.00%	190,000
3.90%	120,000	3.75%	95,000	-	-	2.00%	200,000
3.95%	125,000	3.85%	100,000	-	-	2.20%	205,000
4.00%	135,000	-	-	-	-	2.40%	210,000
4.00%	140,000	-	-	-	-	2.60%	220,000
4.05%	145,000	-	-	-	-	2.75%	230,000
4.05%	150,000	-	-	-	-	3.00%	240,000
-	-	-	-	-	-	3.10%	250,000
-	-	-	-	-	-	3.25%	260,000
-	-	-	-	-	-	3.40%	270,000
-	-	-	-	-	-	3.50%	285,000
-	-	-	-	-	-	3.60%	295,000
-	-	-	-	-	-	3.75%	310,000
-	-	-	-	-	-	3.90%	325,000
-	-	-	-	-	-	4.00%	340,000
	<u>\$1,415,000</u>		<u>\$630,000</u>		<u>\$ 370,000</u>		<u>\$4,550,000</u>

Schedule 4

Corporate Purpose		Refunding		Urban Renewal		Total
Issued Aug 25, 2010		Issued Aug 25, 2010		Issued Oct 21, 2010		
Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	
2.00%	\$ 275,000	1.00%	\$ 425,000	2.20%	\$ 55,000	\$ 1,750,000
2.00%	285,000	1.00%	155,000	2.20%	55,000	1,370,000
2.00%	290,000	1.20%	160,000	2.20%	60,000	1,405,000
2.50%	300,000	1.50%	100,000	2.20%	60,000	1,265,000
3.00%	305,000	-	-	2.20%	60,000	1,205,000
3.00%	315,000	-	-	2.20%	60,000	1,250,000
3.00%	210,000	-	-	2.40%	65,000	1,185,000
3.00%	220,000	-	-	2.60%	65,000	895,000
3.00%	230,000	-	-	2.75%	70,000	940,000
3.25%	235,000	-	-	3.00%	70,000	680,000
3.50%	245,000	-	-	3.00%	75,000	710,000
3.50%	255,000	-	-	3.10%	80,000	585,000
3.75%	270,000	-	-	3.20%	80,000	610,000
3.75%	280,000	-	-	3.30%	85,000	635,000
4.00%	295,000	-	-	3.40%	90,000	670,000
4.00%	305,000	-	-	3.50%	95,000	695,000
4.00%	320,000	-	-	3.60%	100,000	730,000
4.00%	335,000	-	-	3.70%	105,000	765,000
4.00%	350,000	-	-	3.80%	110,000	800,000
	<u>\$ 5,320,000</u>		<u>\$ 840,000</u>		<u>\$ 1,440,000</u>	<u>\$ 18,145,000</u>

CITY OF NORWALK

Schedule 4
(Continued)

Bond and Note Maturities
June 30, 2011

Year Ending June 30,	REVENUE				Total
	Sewer		Water		
	Issued Feb 1, 1999		Issued Feb 7, 2000		
	Interest Rates	Amount	Interest Rates	Amount	
2012	5%	\$ 50,000	4%	\$ 61,000	\$ 111,000
2013	5%	55,000	4%	63,000	118,000
2014	5%	55,000	4%	65,000	120,000
2015		-	4%	67,000	67,000
2016		-	4%	70,000	70,000
2017		-	4%	72,000	72,000
2018		-	4%	75,000	75,000
2019		-	4%	77,000	77,000
2020		-	4%	80,000	80,000
2021		-		-	-
2022		-		-	-
		<u>\$ 160,000</u>		<u>\$ 630,000</u>	<u>\$ 790,000</u>

See accompanying independent auditor's report.

CITY OF NORWALK

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Receipts					
Property tax	\$ 3,200,448	3,103,479	2,981,456	2,662,695	2,359,808
Tax increment financing collections	1,820,225	1,436,406	902,715	1,164,617	916,408
Other city tax	267,470	272,997	261,165	276,628	263,049
Licenses and permits	157,712	143,630	126,234	198,997	143,389
Use of money and property	90,784	84,212	131,671	226,874	219,212
Intergovernmental	1,157,222	823,439	766,086	771,747	768,173
Charges for service	760,324	727,348	681,247	638,211	588,138
Miscellaneous	<u>262,389</u>	<u>263,611</u>	<u>187,943</u>	<u>293,806</u>	<u>187,018</u>
Total	<u>\$ 7,716,574</u>	<u>6,855,122</u>	<u>6,038,517</u>	<u>6,233,575</u>	<u>5,445,195</u>
Disbursements					
Operating					
Public safety	3,210,776	2,952,778	2,373,942	1,665,905	1,321,635
Public works	1,618,597	1,227,318	1,376,426	1,200,933	1,103,075
Health and social services	9,150	3,150	3,150	3,150	3,150
Culture and recreation	937,365	960,937	905,575	802,799	764,784
Community and economic development	732,164	489,294	260,807	210,512	131,511
General government	685,978	540,786	604,015	456,252	479,607
Debt service	3,236,356	1,627,389	1,698,399	1,495,528	1,394,554
Capital projects	<u>7,267,099</u>	<u>1,311,028</u>	<u>1,281,073</u>	<u>764,064</u>	<u>1,616,705</u>
Total	<u>\$ 17,697,485</u>	<u>9,112,680</u>	<u>8,503,387</u>	<u>6,599,143</u>	<u>6,815,021</u>

See accompanying independent auditor's report.

<u>2006</u>	<u>2005</u>	<u>2004</u>
2,007,156	1,944,684	1,850,777
820,782	726,796	602,507
149,352	91,718	95,051
196,664	187,923	126,368
204,357	90,802	90,848
659,954	670,976	623,041
603,252	224,611	238,900
<u>375,575</u>	<u>375,609</u>	<u>313,365</u>
<u>5,017,092</u>	<u>4,313,119</u>	<u>3,940,857</u>
1,540,593	1,268,424	1,123,028
1,329,041	602,794	552,582
3,150	3,150	3,150
734,071	648,403	612,893
162,687	162,818	182,897
454,465	461,738	412,190
1,112,312	1,266,009	1,102,064
<u>1,825,243</u>	<u>283,756</u>	<u>762,861</u>
<u>7,161,562</u>	<u>4,697,092</u>	<u>4,751,665</u>



Shull

and Co. P.C.
certified public accountants

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

To the 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, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated August 23, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Norwalk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Norwalk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies in internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Norwalk's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of control deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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 or other matters 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, 2011 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.

The City of Norwalk's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Norwalk's responses and, accordingly, we express no opinion on them.

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.

Shull & Co., P.C.

August 23, 2011

CITY OF NORWALK

Schedule of Findings and Questioned Costs
Year ended June 30, 2011

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

- (A) Unqualified opinions were 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 the generally accepted accounting principles of the United States of America.
- (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:

Not applicable

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

CITY OF NORWALK

Schedule of Findings and Questioned Costs - Continued
Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget - Disbursements during the year ended June 30, 2011, exceeded the amounts budgeted in the public works, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public 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 384.18 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.
- IV-B-11 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-C-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-11 Business Transactions - No business transactions between the City and City officials or employees were noted.
- IV-E-11 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-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-11 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.
- IV-H-11 Revenue Bonds - No violations of provisions of revenue bond resolution requirements were noted.