CITY OF NORWALK

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

Shull
and Co. P.C.
certified public accountants

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CITY OF NORWALK

OFFICIALS

Name	Title	Term Expires
	Before January 2012	
Doug Pierce	Mayor	Dec. 2013
Frank Curtis	Mayor Pro Tem & Council Member	Dec. 2011
Eric Delker	Council Member	Dec. 2011
John Putbreese To March 2011	Council Member	Dec. 2011
James Thayer From April 2011	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 2012	
Doug Pierce	Mayor	Dec. 2013
Frank Curtis	Mayor Pro Tem & Council Member	Dec. 2015
Eric Delker	Council Member	Dec. 2015
Jamie Sylvester	Council Member	Dec. 2015
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
and Co. P.C.
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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, 2012, 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, 2012, 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.

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In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2013, 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.

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 eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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. Management's Discussion and Analysis and budgetary comparison information on pages 5 through 12 and 41 through 43 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Shull & Co., P.C.

January 31, 2013

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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 30%, or approximately $5,665,000 from fiscal 2011 to fiscal 2012. Operating grants, contributions and restricted interest and property tax increased approximately $292,000 and 1,008,000, respectively. Bond proceeds decreased approximately $6,930,000.

Disbursements of the City's governmental activities decreased 25%, or approximately $4,410,000, in fiscal 2012 from fiscal 2011. Public safety, public works, general government, debt service, and capital project disbursements increased approximately $393,000, $89,000, $71,000, $700,000, and $3,347,000, respectively.

The City's total cash basis net assets decreased 17%, or approximately $1,603,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities decreased approximately $269,000 and the assets of the business type activities decreased by approximately $1,335,000.

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.

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

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.

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, decreasing from $5,580,256 to $5,311,584. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,	
	2012	2011
Receipts and transfers		
Program receipts		
Charges for sevice	$ 1,087,980	1,018,668
Operating grants, contributions and restricted interest	1,309,755	1,017,775
Capital grants, contributions and restricted interest	167,725	332,280
General receipts		
Property tax	6,029,129	5,020,673
Utility tax replacement excise tax	306,967	267,470
Grants and contributions not restricted to specific purposes	25,111	24,533
Unrestricted interest on investments	11,544	35,251
Bond and loan proceeds	3,891,669	10,821,297
Other general receipts	57,133	4,273
Total receipts and transfers	12,887,013	18,542,220
Disbursements		
Public safety	2,837,904	3,230,988
Public works	1,531,617	1,620,683
Health and social sevices	7,655	9,150
Culture and recreation	1,022,186	942,527
Community and economic development	846,408	734,321
General government	617,892	689,038
Debt service	2,536,235	3,236,356
Capital projects	3,920,141	7,267,099
Total disbursements	13,320,038	17,730,162
Change in cash basis net assets before transfers	(433,025)	812,058
Transfers, net	164,353	1,309,667
Change in cash basis net assets	(268,672)	2,121,725
Cash basis net assets beginning of year	5,580,256	3,458,531
Cash basis net assets end of year	$ 5,311,584	5,580,256

The City's total receipts for governmental activities decreased by 30%, or $5,655,207. The total cost of all programs and services decreased by $4,410,124, or 25%, with no new programs added this year. The decrease in receipts was primarily the result of decreases in debt proceeds of $6,929,628. Receipts increased for operating grants, contributions and restricted interest and property tax by $291,980 and $1,008,456, respectively.

The cost of all governmental activities this year was $13,320,038 compared to $17,730,162 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 $10,754,578 because some of the cost was paid by those directly benefited from the programs ($1,088,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest ($1,478,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately $6,430,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements and $3,892,000 of bond and loan proceeds.

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30,	
	2012	2011
Receipts and transfers		
Program receipts		
Charges for sevice		
Water	$ 991,008	957,565
Sewer	1,279,068	1,269,614
Other non major	315,788	311,046
Operating grants, contributions and restricted interest	360,737	168,518
General receipts		
Unrestricted interest on investment	14,114	12,527
Bond proceeds	-	1,875,000
Other general receipts	-	2,923,629
Total receipts	2,960,715	7,517,899
Disbursements		
Water	1,117,921	1,136,766
Sewer	2,721,477	3,016,424
Other non major	291,671	149,234
Total disbursements and transfers	4,131,069	4,302,424
Change in cash basis net assets before transfers	(1,170,354)	3,215,475
Transfers, net	(164,353)	(1,309,667)
Change in cash basis net assets	(1,334,707)	1,905,808
Cash basis net assets beginning of year	4,070,156	2,164,348
Cash basis net assets end of year	$ 2,735,449	4,070,156

Total business type activities receipts for the fiscal year were $2,960,715 compared to $7,517,899 last year. Total disbursements for the fiscal year decreased by 4% or a total of $171,355.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Norwalk, Iowa completed the year, its governmental funds reported a combined fund balance of $5,326,018, a decrease of more than $268,000 from last year's total of $5,594,690. 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 $603,573 from the prior year to $1,714,950.

The Road Use Tax Fund cash balance increased by $113,442 to $268,927 during the fiscal year.

The Employee Benefits Levy Fund cash balance increased $36,418 to $323,172.

The Urban Renewal Tax Increment Fund cash balance was $961,397, a decrease of $761,865 from the previous year.

The Debt Service Fund cash balance was $2,725,774, a decrease of $2,725,774 from the previous year.

The combined Capital Projects Funds decreased $2,986,014 from the previous year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance decreased by $141,571 to $881,789.

The Sewer Fund cash balance decreased by $1,448,068 to $791,505.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 31, 2012 and resulted in a net increase of $1,700,975 in revenues. The increase was due primarily to an anticipated bond issue. Budgeted expenditures increased $1,270,000 due to capital purchases.

Even with the budget amendments, the City exceeded the amounts budgeted in the public works, culture and recreation, general government, debt service, capital projects and business type activities functions for the year ended June 30, 2012.

DEBT ADMINISTRATION

At June 30, 2012, the City had $21,747,245 in bonds and other long-term debt, compared to $19,762,511 last year, as show below.

Outstanding Debt at Year-End

	June 30,	
	2012	2011
General obligation bonds	$ 20,310,000	18,145,000
Revenue bonds	679,000	790,000
Sanitary district mortgage assumed	150,709	163,969
Colonial Meadows economic development payments	607,536	663,542
Total	$ 21,747,245	19,762,511

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 $20,310,000 is significantly below its constitutional debt limit of approximately $28 million.

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

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 2013 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 Marketa George Oliver, City Manager, 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, 2012

		Program
	Disbursements	Charges for Service
Functions / Programs		
Governmental activities		
Public safety	$ 2,837,904	189,793
Public works	1,531,617	460,439
Health and social services	7,655	-
Culture and recreation	1,022,186	259,402
Community and economic development	846,408	6,041
General government	617,892	172,305
Debt service	2,536,235	-
Capital projects	3,920,141	-
Total governmental activities	13,320,038	1,087,980
Business type activities		
Water	1,117,921	991,008
Sewer	2,721,477	1,279,068
Other non major	291,671	315,788
Total business type activities	4,131,069	2,585,864
Total	$ 17,451,107	3,673,844

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
243,155	30,000	(2,374,956)	-	(2,374,956)
961,538	-	(109,640)	-	(109,640)
-	-	(7,655)	-	(7,655)
66,278	-	(696,506)	-	(696,506)
27,118	-	(813,249)	-	(813,249)
11,666	-	(433,921)	-	(433,921)
-	-	(2,536,235)	-	(2,536,235)
-	137,725	(3,782,416)	-	(3,782,416)
1,309,755	167,725	(10,754,578)	-	(10,754,578)
88,315	-	-	(38,598)	(38,598)
10,767	-	-	(1,431,642)	(1,431,642)
261,655	-	-	285,772	285,772
360,737	-	-	(1,184,468)	(1,184,468)
1,670,492	167,725	(10,754,578)	(1,184,468)	(11,939,046)
		1,893,019	-	1,893,019
		2,140,586	-	2,140,586
		1,104,346	-	1,104,346
		732,270	-	732,270
		70,518	-	70,518
		88,390	-	88,390
		306,967	-	306,967
		25,111	-	25,111
		11,544	14,114	25,658
		3,891,669	-	3,891,669
		57,133	-	57,133
		164,353	(164,353)	-
		10,485,906	(150,239)	10,335,667

CITY OF NORWALK

Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2012

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
(268,672)	(1,334,707)	(1,603,379)
5,580,256	4,070,156	9,650,412
$ 5,311,584	2,735,449	8,047,033
2,725,774	131,503	2,857,277
961,397	-	961,397
268,927	-	268,927
438,491	-	438,491
916,995	2,603,946	3,520,941
$ 5,311,584	2,735,449	8,047,033

CITY OF NORWALK

Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2012

		Special Revenue		
	General	Road Use Tax	Employee Benefits Levy	Urban Renewal Tax Increment
Receipts				
Property tax	$ 1,893,019	-	891,178	-
Tax increment financing collections	-	-	-	2,140,586
Other city tax	158,896	-	69,436	-
Licenses and permits	167,352	-	-	-
Use of money and property	65,694	-	-	-
Intergovernmental	88,378	848,443	-	-
Charges for service	808,450	-	-	-
Miscellaneous	305,787	100,096	-	-
Total receipts	3,487,576	948,539	960,614	2,140,586
Disbursements				
Operating				
Public safety	2,299,922	-	537,982	-
Public works	580,483	788,906	46,809	-
Health and social services	7,655	-	-	-
Culture and recreation	851,202	-	130,594	-
Community and economic development	242,921	-	49,177	388,346
General government	547,358	-	70,534	-
Debt service	-	-	-	147,853
Capital projects	-	-	-	-
Total disbursements	4,529,541	788,906	835,096	536,199
Excess of receipts over disbursements	(1,041,965)	159,633	125,518	1,604,387
Other financing sources (uses)				
Bond and loan proceeds	1,087,911	-	-	-
Sale of capital assets	-	-	-	-
Operating transfers in (out)	557,627	(46,191)	(89,100)	(2,366,252)
Total other financing sources (uses)	1,645,538	(46,191)	(89,100)	(2,366,252)

Debt Service	Capital Projects Colonial Parkway Improvement	Other Nonmajor Governmental Funds	Total
1,104,346	-	-	3,888,543
-	-	-	2,140,586
78,635	-	-	306,967
-	-	-	167,352
869	-	1,092	67,655
-	-	-	936,821
-	-	-	808,450
-	-	215,954	621,837
1,183,850	-	217,046	8,938,211
-	-	-	2,837,904
-	-	115,419	1,531,617
-	-	-	7,655
-	-	40,390	1,022,186
-	-	165,964	846,408
-	-	-	617,892
2,388,382	-	-	2,536,235
-	2,605,092	1,315,049	3,920,141
2,388,382	2,605,092	1,636,822	13,320,038
(1,204,532)	(2,605,092)	(1,419,776)	(4,381,827)
2,803,758	-	-	3,891,669
-	-	57,133	57,133
1,126,548	499,945	481,776	164,353
3,930,306	499,945	538,909	4,113,155

CITY OF NORWALK

Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2012

		Special Revenue		
	General	Road Use Tax	Employee Benefits Levy	Urban Renewal Tax Increment
Net change in cash balances	603,573	113,442	36,418	(761,865)
Cash balances beginning of year	1,111,377	155,485	286,754	1,723,262
Cash balances end of year	$ 1,714,950	268,927	323,172	961,397
Cash Basis Fund Balances				
Restricted for:				
Debt service	$ -	-	-	-
Urban renewal purposes	-	-	-	961,397
Streets	-	268,927	-	-
Other purposes	-	-	323,172	-
Committed	23,171	-	-	-
Assigned	-	-	-	-
Unassigned	1,691,779	-	-	-
Total cash basis fund balances	$ 1,714,950	268,927	323,172	961,397

See notes to financial statements.

Debt Service	Capital Projects Colonial Parkway Improvement	Other Nonmajor Governmental Funds	Total
2,725,774	(2,105,147)	(880,867)	(268,672)
-	1,188,647	1,129,165	5,594,690
2,725,774	(916,500)	248,298	5,326,018
2,725,774	-	-	2,725,774
-	-	-	961,397
-	-	-	268,927
-	-	115,319	438,491
-	(916,500)	103,558	(789,771)
-	-	29,421	29,421
-	-	-	1,691,779
2,725,774	(916,500)	248,298	5,326,018

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, 2012

Total government funds cash balances	$ 5,326,018
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	$ 5,311,584
Net change in cash balances	$ (268,672)
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.	-
Change in cash balance of governmental activities	$ (268,672)

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, 2012

	Enterprise	
	Water	Sewer
Operating receipts		
Use of money and property	$ 4,962	4,120
Charges for service	991,008	1,279,068
Miscellaneous	88,315	10,767
Total operating receipts	1,084,285	1,293,955
Operating disbursements		
Business type activities	1,117,921	2,721,477
Excess (deficiency) of receipts over (under) disbursements	(33,636)	(1,427,522)
Other financing sources (uses)		
Operating transfers out	(107,935)	(20,546)
Net change in cash balances	(141,571)	(1,448,068)
Cash balances beginning of year	1,023,360	2,239,573
Cash balances end of year	$ 881,789	791,505
Cash Basis Fund Balances		
Restricted for debt service	$ 6,672	125,053
Unrestricted	875,117	666,452
Total cash basis fund balances	$ 881,789	791,505

See notes to financial statements.

Funds

Other Nonmajor	Total
5,032	14,114
315,788	2,585,864
261,655	360,737
582,475	2,960,715
291,671	4,131,069
290,804	(1,170,354)
(35,872)	(164,353)
254,932	(1,334,707)
792,789	4,055,722
1,047,721	2,721,015
-	131,725
1,047,721	2,589,290
1,047,721	2,721,015

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, 2012

Total enterprise funds cash balances	$	2,721,015
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	$	2,735,449
Net change in cash balances	$	(1,334,707)
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.		-
Change in cash balance of business type activities	$	(1,334,707)

See notes to financial statements.

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.

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.

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.

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 the preceding classifications.

1. Summary of Significant Accounting Policies (Continued)

   E. Budgets and Budgetary Accounting
   The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government, debt service, capital projects and business type activities functions.

2. Cash and Pooled Investments

The City's deposits at June 30, 2012 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, 2012.

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
2013	$ 1,370,000	611,559	118,000	22,707	1,488,000	634,266
2014	1,965,000	565,785	120,000	18,013	2,085,000	583,798
2015	1,830,000	522,095	67,000	13,230	1,897,000	535,325
2016	1,785,000	477,973	70,000	11,220	1,855,000	489,193
2017	1,835,000	430,620	72,000	9,120	1,907,000	439,740
2018	1,780,000	380,075	75,000	6,960	1,855,000	387,035
2019	1,280,000	329,030	77,000	4,710	1,357,000	333,740
2020	1,330,000	293,430	80,000	2,400	1,410,000	295,830
2021	805,000	254,915	-	-	805,000	254,915
2022	840,000	230,480	-	-	840,000	230,480
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	$ 20,310,000	5,087,017	679,000	88,360	20,989,000	5,175,377

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.

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.

3. Bonds Payable (Continued)

In April 2012 the City issued $1,095,000 of General Obligation Emergency Equipment Bonds. The proceeds from the bonds are to pay the costs of acquiring emergency communications and dispatch equipment.

In April 2012 the City issued $2,820,000 of General Obligation Refunding Bonds for a crossover refunding of a portion of the General Obligation Bonds dated January 2001, April 2004 and November 2005. The City entered in to an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying $2,730,000 principal on the refunded general obligation bonds dated January 2001, April 2004, and November 2005 when they become callable on June 1, 2013 and the interest from June 1, 2012 to and including June 1, 2013 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions, balances and liabilities of the escrow account are recorded by the City since the refunded debt is not considered extinguished.

The City refunded the bonds to reduce its total debt service payments by approximately $216,480 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $203,667.

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:

Year ending	Des Moines Water Works Water Revenue Bonds		
June 30,	Principal	Interest	Total
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
2017	175,865	10,759	186,624
2018	181,038	3,621	184,659
Total	$ 967,259	121,443	1,088,702

During the year ended June 30, 2012, 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.

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.

7. Joint Venture and Commitments (Continued)

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 $2,735,000 as of June 30, 2011. The City of Norwalk has a commitment for approximately $29,653, 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, 2011, the Series 2004B bonds had a balance of $61,245,000 and the City of Norwalk's estimated future allocation based on the WRA flows is currently $1,738,152, or 2.84%. 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, 2011, the Series 2006 bonds had a balance of $35,795,000 and the City of Norwalk's estimated future allocation based on the WRA flows is currently $1,046,849, or 2.92%.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, 2011, the WRA had $114,978,147 in outstanding State Revolving Loans, of which $3,352,240, or 3.07% 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. Pursuant to the new agreement, the City's investment in the joint venture under the I.C.A. Agreement has been contributed to the new WRA organization. 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. During the year ended June 30, 2012, the City paid the WRA $851,371 for operations, maintenance, equipment replacements and debt service payments.

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

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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012, 2011 and 2010 were $238,478, $222,105, and $196,518 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, 2012, primarily relating to the General Fund, was $130,544, computed based on rates of pay as of June 30, 2012.

10. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	$ 40,000
	Urban Renewal Tax Increment	300,000
	Employee benefits levy	89,100
	Enterprise:	
	Water	98,273
	Sewer	7,500
	Storm Water	32,754
		567,627
Special Revenue:		
Emergency Fund	Special Revenue:	
	Road Use Tax	6,191
	Enterprise:	
	Water	9,662
	Sewer	13,046
	Storm Water	3,118
		32,017

10. Interfund Transfers (Continued)

Transfer to	Transfer from	Amount
Special Revenue:		
Park Trust		10,000
Capital Project:		
Colonial Parkway Improvement	Special Revenue: Urban Renewal Tax Increment	499,945
Public Works Facility	Special Revenue: Urban Renewal Tax Increment	170,213
Hakes Wright Road	Special Revenue: Urban Renewal Tax Increment	48,193
City Hall	Special Revenue: Urban Renewal Tax Increment	211,205
Norwalk Fiber Optic	Special Revenue: Urban Renewal Tax Increment	10,148
Debt Service	Special Revenue: Urban Renewal Tax Increment	1,126,548
		$ 2,675,896

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, 2012 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2012, the City paid workers' compensation insurance premiums of $113,015 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.

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 $10,108.

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 $744,278 for a infrastructure study, comprehensive plan and other miscellaneous projects. At June 30, 2012, $629,409 of the contracts was completed. The remaining amount of the contracts will be paid as work on the projects progress.

14. Deficit Balances

The City had deficit balances in the following funds at June 30, 2012.

Capital Project Funds:		
Colonial Parkway Improvement	$	916,500
Pool		25,759
Public Works Facility		7,210
Industrial Park		4,958
Lakewood Infrastructure		63,044
Norwalk Fiber Optic		25,000

The deficits will be eliminated upon receipt of funds or transfers in the next fiscal year.

OTHER 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
Other Information
Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual
Receipts		
Property tax	$ 3,888,543	-
Tax increment financing collections	2,140,586	-
Other city tax	306,967	-
Licenses and permits	167,352	-
Use of money and property	67,655	14,114
Intergovernmental	936,821	-
Charges for service	808,450	2,585,864
Miscellanous	621,837	360,737
Total receipts	8,938,211	2,960,715
Disbursements		
Public safety	2,837,904	-
Public works	1,531,617	-
Health and social services	7,655	-
Culture and recreation	1,022,186	-
Community and economic development	846,408	-
General government	617,892	-
Debt service	2,536,235	-
Capital projects	3,920,141	-
Business type activities	-	4,131,069
Total disbursements	13,320,038	4,131,069
Excess of receipts over disbursements	(4,381,827)	(1,170,354)
Other financing sources (uses), net	4,113,155	(164,353)
Excess of receipts and other financing sources over disbursements and other financing uses	(268,672)	(1,334,707)
Balances beginning of year	5,594,690	4,055,722
Balances end of year	$ 5,326,018	2,721,015

Less Funds not Required to to be Budgeted	Net	Budgeted Amounts Original	Budgeted Amounts Final	Final to Net Variance
-	3,888,543	3,933,263	3,933,263	(44,720)
-	2,140,586	2,066,750	2,066,750	73,836
-	306,967	322,102	322,102	(15,135)
-	167,352	93,000	143,000	24,352
-	81,769	100,050	100,050	(18,281)
-	936,821	908,500	1,346,400	(409,579)
-	3,394,314	3,413,750	3,438,750	(44,436)
86,555	896,019	146,200	146,200	749,819
86,555	11,812,371	10,983,615	11,496,515	315,856
-	2,837,904	2,269,639	2,914,639	76,735
115,419	1,416,198	1,124,365	1,374,365	(41,833)
-	7,655	9,150	9,150	1,495
-	1,022,186	973,830	998,830	(23,356)
-	846,408	682,168	862,168	15,760
-	617,892	512,360	592,360	(25,532)
-	2,536,235	2,356,180	2,356,180	(180,055)
-	3,920,141	-	-	(3,920,141)
-	4,131,069	3,055,923	3,145,923	(985,146)
115,419	17,335,688	10,983,615	12,253,615	(5,082,073)
(28,864)	(5,523,317)	-	(757,100)	(4,766,217)
-	3,948,802	-	1,188,075	2,760,727
(28,864)	(1,574,515)	-	430,975	(2,005,490)
492,187	9,158,225	4,976,637	4,976,637	4,181,588
463,323	7,583,710	4,976,637	5,407,612	2,176,098

Notes to Other Information –
Budgetary Reporting
June 30, 2012

The budgetary comparison is presented 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. These nine 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 $1,270,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government, debt service, capital projects and business type activities functions.

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, 2012

	Special		
	Plumbers Bonds	Economic Development	Library Trust
Receipts			
Use of money and property	$ -	-	102
Miscellaneous	600	27,118	6,060
Total receipts	600	27,118	6,162
Disbursements			
Operating			
Public works	-	-	-
Culture and recreation	-	-	5,729
Community and economic development	-	165,964	-
Capital projects	-	-	-
Total disbursements	-	165,964	5,729
Excess (deficiency) of receipts over (under) disbursements	600	(138,846)	433
Other financing uses			
Sale of capital assets	-	57,133	-
Operating transfers in (out)	-	-	-
Total other financing sources (uses)	-	57,133	-
Net change in cash balances	600	(81,713)	433
Cash balances beginning of year	9,589	257,232	8,756
Cash balances end of year	$ 10,189	175,519	9,189
Cash Basis Fund Balances			
Restricted for:			
Other purposes	$ -	-	9,189
Committed	10,189	175,519	-
Assigned	-	-	-
Total cash basis fund balances	$ 10,189	175,519	9,189

See accompanying independent auditors' report

Revenue				Capital			
Park Trust	Emergency Fund	Legacy Pedestrian Path	Orchard Ridge Pedestrian Path	Hakes Wright Road	Legacy Park	Water Tower Park	Pool
990	-	-	-	-	-	-	-
11,979	-	-	-	-	-	-	-
12,969	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
34,661	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	73,958	-	-	43,139
34,661	-	-	-	73,958	-	-	43,139
(21,692)	-	-	-	(73,958)	-	-	(43,139)
-	-	-	-	-	-	-	-
10,000	32,017	-	-	48,193	-	-	-
10,000	32,017	-	-	48,193	-	-	-
(11,692)	32,017	-	-	(25,765)	-	-	(43,139)
85,805	-	4,655	1,131	25,765	488	27,808	17,380
74,113	32,017	4,655	1,131	-	488	27,808	(25,759)
74,113	32,017	-	-	-	-	-	-
-	-	4,655	1,131	-	488	27,808	(25,759)
-	-	-	-	-	-	-	-
74,113	32,017	4,655	1,131	-	488	27,808	(25,759)

Schedule 1

Projects								
I Jobs	Public Works Facility	Signal Project	City Hall	Industrial Park	Lakewood Infrastructure	Norwalk Fiber Optic	Equipment Replacement	Total
-	-	-	-	-	-	-	-	1,092
-	115,100	22,624	-	-	-	-	32,473	215,954
-	115,100	22,624	-	-	-	-	32,473	217,046
-	-	-	-	-	-	-	115,419	115,419
-	-	-	-	-	-	-	-	40,390
-	-	-	-	-	-	-	-	165,964
80,000	400,005	13,431	601,366	4,958	63,044	35,148	-	1,315,049
80,000	400,005	13,431	601,366	4,958	63,044	35,148	115,419	1,636,822
(80,000)	(284,905)	9,193	(601,366)	(4,958)	(63,044)	(35,148)	(82,946)	(1,419,776)
-	-	-	-	-	-	-	-	57,133
-	170,213	-	211,205	-	-	10,148	-	481,776
-	170,213	-	211,205	-	-	10,148	-	538,909
(80,000)	(114,692)	9,193	(390,161)	(4,958)	(63,044)	(25,000)	(82,946)	(880,867)
80,546	107,482	-	390,161	-	-	-	112,367	1,129,165
546	(7,210)	9,193	-	(4,958)	(63,044)	(25,000)	29,421	248,298
-	-	-	-	-	-	-	-	115,319
546	(7,210)	9,193	-	(4,958)	(63,044)	(25,000)	-	103,558
-	-	-	-	-	-	-	29,421	29,421
546	(7,210)	9,193	-	(4,958)	(63,044)	(25,000)	29,421	248,298

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, 2012

	Enterprise Non Major		
	Storm Water	Equipment Replacement	Total
Receipts			
Use of money and property	$ 5,032	-	5,032
Charges for service	315,788	-	315,788
Miscellaneous	207,573	54,082	261,655
Total receipts	528,393	54,082	582,475
Disbursements			
Operating			
Business type activities	291,671	-	291,671
Total disbursements	291,671	-	291,671
Excess (deficiency) of receipts over (under) disbursements	236,722	54,082	290,804
Other financing sources			
Bond proceeds	-	-	-
Operating transfers out	(35,872)	-	(35,872)
Total other financing sources (uses)	(35,872)	-	(35,872)
Net change in cash balances	200,850	54,082	254,932
Cash balances beginning of year	412,969	379,820	792,789
Cash balances end of year	$ 613,819	433,902	1,047,721
Cash Basis Fund Balances			
Unreserved	$ 613,819	433,902	1,047,721

See accompanying independent auditors' report.

CITY OF NORWALK

Schedule of Indebtedness
Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose	Jan 1, 2001	4.85-5.10	$ 1,950,000
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
Emergency Equipment	Apr 4, 2012	0.60-2.20	1,095,000
Refunding bonds	Apr 4, 2012	0.60-1.80	2,820,000
Total			
Revenue bonds:			
Sewer	Feb 1, 1999	4.15-5.15	620,000
Water	Feb 7, 2000	3.00	1,175,000
Total			
Sanitary district mortgage assumed	July 1, 1997	5.00	361,900
Colonial Meadows economic development payments	April 8, 1999	4.99	926,341

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
$ 1,340,000	-	160,000	1,180,000	67,078
1,675,000	-	155,000	1,520,000	63,945
455,000	-	45,000	410,000	18,392
110,000	-	110,000	-	4,235
1,415,000	-	150,000	1,265,000	55,298
630,000	-	80,000	550,000	22,327
370,000	-	120,000	250,000	10,005
4,550,000	-	175,000	4,375,000	134,870
5,320,000	-	275,000	5,045,000	172,863
840,000	-	425,000	415,000	9,220
1,440,000	-	55,000	1,385,000	43,120
-	1,095,000	-	1,095,000	-
-	2,820,000	-	2,820,000	-
18,145,000	3,915,000	1,750,000	20,310,000	601,353
160,000	-	50,000	110,000	8,137
630,000	-	61,000	569,000	18,900
790,000	-	111,000	679,000	27,037
163,969	-	13,260	150,709	8,198
663,542	-	56,006	607,536	32,760
$ 19,762,511	3,915,000	1,930,266	21,747,245	669,348

CITY OF NORWALK

Bond and Note Maturities
June 30, 2012

GENERAL OBLIGATION

Year Ending June 30,	Corporate Purpose Issued Jan 1, 2001		Urban Renewal Issued Jun 30, 2005		Urban Renewal Issued Nov 3, 2005		Corporate Purpose Issued May 15, 2007	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	5%	$ 170,000	3.60%	$ 165,000	3.80%	$ 45,000	3.75%	$ 105,000
2014	5%	180,000	3.70%	170,000	3.90%	45,000	3.80%	110,000
2015	5%	190,000	3.75%	175,000	4.00%	50,000	3.80%	115,000
2016	5%	200,000	3.85%	185,000	4.05%	50,000	3.85%	120,000
2017	5%	215,000	3.90%	195,000	4.10%	50,000	3.90%	120,000
2018	5%	225,000	3.90%	200,000	4.15%	55,000	3.95%	125,000
2019		-	4.00%	210,000	4.20%	55,000	4.00%	135,000
2020		-	4.00%	220,000	4.25%	60,000	4.00%	140,000
2021		-		-		-	4.05%	145,000
2022		-		-		-	4.05%	150,000
2023		-		-		-		-
2024		-		-		-		-
2025		-		-		-		-
2026		-		-		-		-
2027		-		-		-		-
2028		-		-		-		-
2029		-		-		-		-
2030		-		-		-		-
Total		$ 1,180,000		$ 1,520,000		$ 410,000		$ 1,265,000

BONDS

Corporate Purpose		Corporate Purpose		Corporate Purpose		Corporate Purpose	
Issued Oct 15, 2008		Issued Oct 6, 2009		Issued Aug 25, 2010		Issued Aug 25, 2010	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
3.30%	$ 85,000	2.70%	$ 125,000	2.00%	$ 180,000	2.00%	$ 285,000
3.30%	85,000	3.00%	125,000	2.00%	180,000	2.00%	290,000
3.50%	90,000		-	2.00%	185,000	2.50%	300,000
3.70%	95,000		-	2.00%	190,000	3.00%	305,000
3.75%	95,000		-	2.00%	200,000	3.00%	315,000
3.85%	100,000		-	2.20%	205,000	3.00%	210,000
	-		-	2.40%	210,000	3.00%	220,000
	-		-	2.60%	220,000	3.00%	230,000
	-		-	2.75%	230,000	3.25%	235,000
	-		-	3.00%	240,000	3.50%	245,000
	-		-	3.10%	250,000	3.50%	255,000
	-		-	3.25%	260,000	3.75%	270,000
	-		-	3.40%	270,000	3.75%	280,000
	-		-	3.50%	285,000	4.00%	295,000
	-		-	3.60%	295,000	4.00%	305,000
	-		-	3.75%	310,000	4.00%	320,000
	-		-	3.90%	325,000	4.00%	335,000
	-		-	4.00%	340,000	4.00%	350,000
	$ 550,000		$ 250,000		$ 4,375,000		$ 5,045,000

Schedule 4

Refunding		Urban Renewal		Emergency Equipment		Refunding		
Issued Aug 25, 2010		Issued Oct 21, 2010		Issued Apr 4, 2012		Issued Apr 4, 2012		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
1.00%	$ 155,000	2.20%	$ 55,000		$ -		$ -	$ 1,370,000
1.20%	160,000	2.20%	60,000	0.60%	115,000	0.60%	445,000	1,965,000
1.50%	100,000	2.20%	60,000	0.80%	115,000	0.80%	450,000	1,830,000
	-	2.20%	60,000	1.00%	120,000	1.00%	460,000	1,785,000
	-	2.20%	60,000	1.20%	120,000	1.20%	465,000	1,835,000
	-	2.40%	65,000	1.40%	120,000	1.40%	475,000	1,780,000
	-	2.60%	65,000	1.60%	125,000	1.60%	260,000	1,280,000
	-	2.75%	70,000	1.80%	125,000	1.80%	265,000	1,330,000
	-	3.00%	70,000	2.00%	125,000		-	805,000
	-	3.00%	75,000	2.20%	130,000		-	840,000
	-	3.10%	80,000		-		-	585,000
	-	3.20%	80,000		-		-	610,000
	-	3.30%	85,000		-		-	635,000
	-	3.40%	90,000		-		-	670,000
	-	3.50%	95,000		-		-	695,000
	-	3.60%	100,000		-		-	730,000
	-	3.70%	105,000		-		-	765,000
	-	3.80%	110,000		-		-	800,000
	$ 415,000		$ 1,385,000		$ 1,095,000		$ 2,820,000	$ 20,310,000

CITY OF NORWALK

Schedule 4
(Continued)

Bond and Note Maturities
June 30, 2012

	REVENUE BONDS				
	Sewer		Water		
Year	Issued Feb 1, 1999		Issued Feb 7, 2000		
Ending	Interest		Interest		
June 30,	Rates	Amount	Rates	Amount	Total
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
		$ 110,000		$ 569,000	$ 679,000

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

	2012	2011	2010	2009	2008
Receipts					
Property tax	$ 3,888,543	3,200,448	3,103,479	2,981,456	2,662,695
Tax increment financing collections	2,140,586	1,820,225	1,436,406	902,715	1,164,617
Other city tax	306,967	267,470	272,997	261,165	276,628
Licenses and permits	167,352	157,712	143,630	126,234	198,997
Use of money and property	67,655	90,784	84,212	131,671	226,874
Intergovernmental	936,821	1,157,222	823,439	766,086	771,747
Charges for service	808,450	760,324	727,348	681,247	638,211
Miscellaneous	621,837	262,389	263,611	187,943	293,806
Total	$ 8,938,211	7,716,574	6,855,122	6,038,517	6,233,575
Disbursements					
Operating					
Public safety	2,837,904	3,210,776	2,952,778	2,373,942	1,665,905
Public works	1,531,617	1,618,597	1,227,318	1,376,426	1,200,933
Health and social services	7,655	9,150	3,150	3,150	3,150
Culture and recreation	1,022,186	937,365	960,937	905,575	802,799
Community and economic development	846,408	732,164	489,294	260,807	210,512
General government	617,892	685,978	540,786	604,015	456,252
Debt service	2,536,235	3,236,356	1,627,389	1,698,399	1,495,528
Capital projects	3,920,141	7,267,099	1,311,028	1,281,073	764,064
Total	$ 13,320,038	17,697,485	9,112,680	8,503,387	6,599,143

See accompanying independent auditor's report.

2007	2006	2005	2004
2,359,808	2,007,156	1,944,684	1,850,777
916,408	820,782	726,796	602,507
263,049	149,352	91,718	95,051
143,389	196,664	187,923	126,368
219,212	204,357	90,802	90,848
768,173	659,954	670,976	623,041
588,138	603,252	224,611	238,900
187,018	375,575	375,609	313,365
5,445,195	5,017,092	4,313,119	3,940,857
1,321,635	1,540,593	1,268,424	1,123,028
1,103,075	1,329,041	602,794	552,582
3,150	3,150	3,150	3,150
764,784	734,071	648,403	612,893
131,511	162,687	162,818	182,897
479,607	454,465	461,738	412,190
1,394,554	1,112,312	1,266,009	1,102,064
1,616,705	1,825,243	283,756	762,861
6,815,021	7,161,562	4,697,092	4,751,665

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, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 31, 2013. 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

The management of the City of Norwalk is responsible for establishing and maintaining effective 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 an 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

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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, 2012 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.

January 31, 2013

CITY OF NORWALK

Schedule of Findings and Questioned Costs
Year ended June 30, 2012

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) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.

(C) The audit did not disclose any noncompliance which is material to the financial statements.

(D) 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:

II-A-12 Reconciliaton of bank accounts and Financial Reporting – During the audit, we identified that the bank accounts were not reconciled during the year ended June 30, 2012 and a material amount of entries were not made. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure all entries are made and that the bank accounts are reconciled on a timely basis.

Response – We will reconcile the bank accounts in the future.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget - Disbursements during the year ended June 30, 2012, exceeded the amounts budgeted in the public works, culture and recreation, general government, debt service, capital projects 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-12 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-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-12 Business Transactions - No business transactions between the City and City officials or employees were noted.

IV-E-12 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-12 City Council Minutes - No transactions were found that we believe should have been approved in the City Council minutes but were not.

IV-G-12 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-12 Revenue Bonds - No violations of provisions of revenue bond resolution requirements were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-I-12 Financial Condition – The City had the following deficit balances at June 30, 2012:

Capital Project Funds:		
Colonial Parkway Improvement	$	916,500
Pool		25,759
Public Works Facility		7,210
Industrial Park		4,958
Lakewood Infrastructure		63,044
Norwalk Fiber Optic		25,000

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

Response – Colonial Parkway Improvements deficit will be covered by the proceeds from a RISE grant that will be received in fiscal year 2012- 2013.

The municipal pool deficit will be covered by general fund reserves.

The Public Works Facility and Industrial Park deficits will be covered by TIF fund reserves.

The NCIS (formerly Lakewood Infrastructure) and Norwalk Fiber Optic Project deficits will be covered in the next project bond issue.

Conclusion – Response accepted.