CITY OF NORWALK

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS

June 30, 2014

Shull
and Co. P.C.
certified public accountants

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CITY OF NORWALK

OFFICIALS

Name	Title	Term Expires
	Before January 2014	
Doug Pierce	Mayor	Dec. 2013
Frank Curtis To Sept. 2013	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
Kyle Jackson From Nov. 2013	Council Member	Dec. 2015
Marketa Oliver	City Manager	Indefinite
Jeff Rosien	Clerk	Indefinite
James Dougherty	Attorney	Indefinite
	After January 2014	
Tom Phillips	Mayor	Dec. 2017
Erika Isley	Mayor Pro Tem & Council Member	Dec. 2017
Eric Delker	Council Member	Dec. 2015
Jamie Sylvester	Council Member	Dec. 2015
Kyle Jackson	Council Member	Dec. 2015
Jaki Livingston	Council Member	Dec. 2017
Marketa Oliver	City Manager	Indefinite
Jeff Rosien	Clerk	Indefinite
James Dougherty	Attorney	Indefinite

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

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, 2014, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also

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includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2014, 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.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than the generally accepted accounting principles of the United States of America. Our opinion is not modified with respect to this matter.

Supplementary and Other Information

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards of 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.

The other information, Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 41 through 43 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards we have also issued our report dated January 21, 2015 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 in considering the City of Norwalk's internal control over financial reporting and compliance.

Shull & Co., P.C.

January 21, 2015

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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 37%, or approximately $3,122,000 from fiscal 2013 to fiscal 2014. Capital grants, contributions and restricted interest, property tax and other general receipts increased approximately $1,051,000, $1,088,000 and $662,000, respectively.

Disbursements of the City's governmental activities decreased 16%, or approximately $1,974,000, in fiscal 2014 from fiscal 2013. Public works and community and economic development increased approximately $371,000 and $987,000, respectively. Debt service and public safety disbursements decreased approximately $2,783,000 and $462,000, respectively.

The City's total cash basis net position increased 33%, or approximately $1,483,000, from June 30, 2013 to June 30, 2014. Of this amount, the assets of the governmental activities increased approximately $1,176,000 and the assets of the business type activities increased by approximately $308,000.

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 Cash Basis Statement of Activities and Net Position. 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 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. 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 Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position 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 statement for governmental funds is 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 statement for proprietary funds is 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 position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, increasing from $1,471,216 to $2,646,369. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

	Year ended June 30,	
	2014	2013
Receipts and transfers		
Program receipts		
Charges for sevice	$ 1,451,423	1,169,057
Operating grants, contributions and restricted interest	1,313,522	1,292,470
Capital grants, contributions and restricted interest	1,051,834	-
General receipts		
Property tax	6,747,218	5,659,280
Utility tax replacement excise tax	293,253	293,910
Grants and contributions not restricted to specific purposes	50,761	25,761
Unrestricted interest on investments	2,568	10,074
Bond and loan proceeds	-	-
Other general receipts	701,284	39,218
Total receipts and transfers	11,611,863	8,489,770
Disbursements		
Public safety	2,879,292	3,341,804
Public works	1,734,437	1,363,156
Health and social sevices	9,464	6,000
Culture and recreation	1,063,487	1,025,486
Community and economic development	1,732,115	744,800
General government	678,482	604,369
Debt service	2,021,490	4,804,575
Capital projects	364,743	567,448
Total disbursements	10,483,510	12,457,638
Change in cash basis net position before transfers	1,128,353	(3,967,868)
Transfers, net	46,800	127,500
Change in cash basis net position	1,175,153	(3,840,368)
Cash basis net position beginning of year	1,471,216	5,311,584
Cash basis net position end of year	$ 2,646,369	1,471,216

The City's total receipts for governmental activities increased by 37%, or $3,122,093. The total cost of all programs and services decreased by $1,974,128, or 16%, with no new programs added this year. The increase in receipts was primarily the result of increases in capital grants, contributions and restricted interest and property tax of $1,051,834 and $1,087,938, respectively.

The cost of all governmental activities this year was $10,483,510 compared to $12,457,638 last year. However, as shown in the Statement of Activities and Net Position on pages 14-17, the amount taxpayers ultimately financed for these activities was only $6,666,731 because some of the cost was paid by those directly benefited from the programs ($1,451,463) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest ($2,365,356). The City paid for the remaining "public benefit" portion of governmental activities with approximately $6,747,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general.

Changes in Cash Basis Net Position of Business Type Activities

	Year ended June 30,	
	2014	2013
Receipts and transfers		
Program receipts		
Charges for sevice		
Water	$ 1,276,466	1,177,405
Sewer	1,604,259	1,468,009
Other non major	345,569	328,205
Operating grants, contributions and restricted interest	132,411	252,077
General receipts		
Unrestricted interest on investment	5,335	6,899
Bond proceeds	-	-
Other general receipts	-	-
Total receipts	3,364,040	3,232,595
Disbursements		
Water	1,382,563	1,250,545
Sewer	1,462,847	1,403,617
Other non major	163,937	189,708
Total disbursements and transfers	3,009,347	2,843,870
Change in cash basis net position before transfers	354,693	388,725
Transfers, net	(46,800)	(127,500)
Change in cash basis net position	307,893	261,225
Cash basis net position beginning of year	2,996,674	2,735,449
Cash basis net position end of year	$ 3,304,567	2,996,674

Total business type activities receipts for the fiscal year were $3,364,040 compared to $3,232,595 last year. Total disbursements for the fiscal year increased by 6% or a total of $165,477.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Norwalk, Iowa completed the year, its governmental funds reported a combined fund balance of $2,660,803, an increase of more than $1,175,000 from last year's total of $1,485,650. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased $57,102 from the prior year to $1,007,445.

The Road Use Tax Fund cash balance increased by $84,075 during the fiscal year to $466,607.

The Employee Benefits Levy Fund cash balance increased $228,242 to $665,240.

The Urban Renewal Tax Increment Fund cash balance was $1,592,108, an increase of $736,818 from the previous year.

The Debt Service Fund cash balance was negative $104,875, a decrease of $116,786 from the previous year.

The combined Capital Projects Funds increased $331,523 from the previous year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased by $11,358 to $882,712.

The Sewer Fund cash balance increased by $146,820 to $971,087.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 15, 2014 and resulted in a net increase of $1,383,747 in revenues. The increase was due primarily to a sale of land. Budgeted expenditures increased $1,246,855 due to capital purchases.

Even with the budget amendments, the City exceeded the amounts budgeted in the public safety and public works functions for the year ended June 30, 2014.

DEBT ADMINISTRATION

At June 30, 2014, the City had $15,738,385 in bonds and other long-term debt, compared to $17,455,804 last year, as show below.

Outstanding Debt at Year-End

	June 30,	
	2014	2013
General obligation bonds	$ 14,640,000	16,210,000
Revenue bonds	441,000	561,000
Sanitary district mortgage assumed	122,060	136,134
Colonial Meadows economic development payments	486,799	548,670
Equipment loans	48,526	-
Total	$ 15,738,385	17,455,804

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 $14,640,000 is significantly below its constitutional debt limit of approximately $30 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 2015 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

Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2014

		Program
	Disbursements	Charges for Service
Functions / Programs:		
Governmental activities:		
Public safety	$ 2,879,292	493,842
Public works	1,734,437	642,720
Health and social services	9,464	-
Culture and recreation	1,063,487	224,707
Community and economic development	1,732,115	31,587
General government	678,482	58,567
Debt service	2,021,490	-
Capital projects	364,743	-
Total governmental activities	10,483,510	1,451,423
Business type activities:		
Water	1,382,563	1,276,466
Sewer	1,462,847	1,604,259
Other non major	163,937	345,569
Total business type activities	3,009,347	3,226,294
Total	$ 13,492,857	4,677,717
General Receipts and Transfers:		
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		
Miscellaneous		
Sale of assets		
Transfers		
Total general receipts and transfers		

Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
134,675	-	(2,250,775)	-	(2,250,775)
1,057,162	-	(34,555)	-	(34,555)
-	-	(9,464)	-	(9,464)
101,052	4,934	(732,794)	-	(732,794)
9,459	130,400	(1,560,669)	-	(1,560,669)
11,174	-	(608,741)	-	(608,741)
-	-	(2,021,490)	-	(2,021,490)
-	916,500	551,757	-	551,757
1,313,522	1,051,834	(6,666,731)	-	(6,666,731)
121,344	-	-	15,247	15,247
8,914	-	-	150,326	150,326
2,153	-	-	183,785	183,785
132,411	-	-	349,358	349,358
1,445,933	1,051,834	(6,666,731)	349,358	(6,317,373)
		2,073,104	-	2,073,104
		2,491,735	-	2,491,735
		1,006,461	-	1,006,461
		971,127	-	971,127
		68,885	-	68,885
		135,906	-	135,906
		293,253	-	293,253
		50,761	-	50,761
		2,568	5,335	7,903
		1,479	-	1,479
		699,805	-	699,805
		46,800	(46,800)	-
		7,841,884	(41,465)	7,800,419

CITY OF NORWALK

Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2014

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position
Restricted, expendable
Debt service
Urban renewal purposes
Streets
Other purposes
Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
1,175,153	307,893	1,483,046
1,471,216	2,996,674	4,467,890
$ 2,646,369	3,304,567	5,950,936
(104,875)	6,226	(98,649)
1,592,108	-	1,592,108
466,607	-	466,607
808,892	-	808,892
(116,363)	3,298,341	3,181,978
$ 2,646,369	3,304,567	5,950,936

CITY OF NORWALK

Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2014

		Special Revenue		
	General	Road Use Tax	Employee Benefits Levy	Urban Renewal Tax Increment
Receipts				
Property tax	$ 2,208,871	-	1,040,152	-
Tax increment financing collections	-	-	-	2,491,735
Other city tax	156,319	-	78,761	-
Licenses and permits	316,861	-	-	-
Use of money and property	95,329	-	-	-
Intergovernmental	94,919	893,192	-	-
Charges for service	871,376	-	-	-
Miscellaneous	191,087	124,872	1,479	130,400
Total receipts	3,934,762	1,018,064	1,120,392	2,622,135
Disbursements				
Operating				
Public safety	2,207,100	-	579,237	-
Public works	504,232	900,589	9,637	-
Health and social services	9,464	-	-	-
Culture and recreation	906,406	-	137,540	-
Community and economic development	81,503	-	12,869	1,547,644
General government	582,095	-	63,898	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	4,290,800	900,589	803,181	1,547,644
Excess of receipts over disbursements	(356,038)	117,475	317,211	1,074,491
Other financing sources (uses)				
Sale of capital assets	-	-	-	699,805
Operating transfers in (out)	298,936	(33,400)	(88,969)	(1,037,478)
Total other financing sources (uses)	298,936	(33,400)	(88,969)	(337,673)

Debt Service	Capital Projects Colonial Parkway Improvement	Other Nonmajor Governmental Funds	Total
1,006,461	-	-	4,255,484
-	-	-	2,491,735
58,173	-	-	293,253
-	-	-	316,861
-	-	342	95,671
-	-	-	988,111
-	-	-	871,376
-	916,500	235,229	1,599,567
1,064,634	916,500	235,571	10,912,058
-	-	92,955	2,879,292
-	-	319,979	1,734,437
-	-	-	9,464
-	-	19,541	1,063,487
-	-	90,099	1,732,115
-	-	32,489	678,482
2,021,490	-	-	2,021,490
-	-	364,743	364,743
2,021,490	-	919,806	10,483,510
(956,856)	916,500	(684,235)	428,548
-	-	-	699,805
840,070	-	67,641	46,800
840,070	-	67,641	746,605

CITY OF NORWALK

Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2014

		Special Revenue		
	General	Road Use Tax	Employee Benefits Levy	Urban Renewal Tax Increment
Net change in cash balances	(57,102)	84,075	228,242	736,818
Cash balances beginning of year	1,064,547	382,532	436,998	855,290
Cash balances end of year	$ 1,007,445	466,607	665,240	1,592,108
Cash Basis Fund Balances				
Restricted for:				
Debt service	$ -	-	-	-
Urban renewal purposes	-	-	-	1,592,108
Streets	-	466,607	-	-
Other purposes	-	-	665,240	-
Committed	29,465	-	-	-
Assigned	-	-	-	-
Unassigned	977,980	-	-	-
Total cash basis fund balances	$ 1,007,445	466,607	665,240	1,592,108

See notes to financial statements.

Debt Service	Capital Projects Colonial Parkway Improvement	Other Nonmajor Governmental Funds	Total
(116,786)	916,500	(616,594)	1,175,153
11,911	(1,071,755)	(193,873)	1,485,650
(104,875)	(155,255)	(810,467)	2,660,803
(104,875)	-	-	(104,875)
-	-	-	1,592,108
-	-	-	466,607
-	-	111,163	776,403
-	(155,255)	(739,042)	(864,832)
-	-	(182,588)	(182,588)
-	-	-	977,980
(104,875)	(155,255)	(810,467)	2,660,803

CITY OF NORWALK

Exhibit C

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash
Balances to the Cash Basis Statement of Activities and Net Position -
Governmental Funds
As of and for the year ended June 30, 2014

Total government funds cash balances	$	2,660,803
Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position 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 activities period to individual funds. A portion of the cash balance of the Internal Service Funds is included in governmental activities in the Cash Basis Statement of Net Position.		(14,434)
Cash basis net position of governmental activities	$	2,646,369
Change in cash balances	$	1,175,153
Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position 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 activities period to individual funds. A portion of the change in the cash balance of the Internal Service Funds is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.		-
Change in cash basis net position of governmental activities	$	1,175,153

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, 2014

	Enterprise	
	Water	Sewer
Operating receipts		
Use of money and property	$ 1,111	1,494
Charges for service	1,276,466	1,604,259
Miscellaneous	121,344	8,914
Total operating receipts	1,398,921	1,614,667
Operating disbursements		
Business type activities	1,382,563	1,462,847
Excess (deficiency) of receipts over (under) disbursements	16,358	151,820
Other financing sources (uses)		
Operating transfers out	(5,000)	(5,000)
Net change in cash balances	11,358	146,820
Cash balances beginning of year	871,354	824,267
Cash balances end of year	$ 882,712	971,087
Cash Basis Fund Balances		
Restricted for debt service	$ 6,226	-
Unrestricted	876,486	971,087
Total cash basis fund balances	$ 882,712	971,087

See notes to financial statements.

Funds		
Other Nonmajor		Total
2,730		5,335
345,569		3,226,294
2,153		132,411
350,452		3,364,040
163,937		3,009,347
186,515		354,693
(36,800)		(46,800)
149,715		307,893
1,286,619		2,982,240
1,436,334		3,290,133
-		6,226
1,436,334		3,283,907
1,436,334		3,290,133

CITY OF NORWALK

Exhibit E

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash
Balances to the Cash Basis Statement of Activities and Net Position -
Proprietary Funds
As of and for the year ended June 30, 2014

Total enterprise funds cash balances	$	3,290,133
Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position 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. A portion of the cash balance of the Internal Service Funds is included in business type activities in the Cash Basis Statement of Net Position.		14,434
Cash basis net position of business type activities	$	3,304,567
Change in cash balances	$	307,893
Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position 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. A portion of the change in the cash balance of the Internal Service Funds is reported with business type activities in the Cash Basis Statement of Activities and Net Posti		-
Change in cash basis net position of business type activities	$	307,893

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 Statement – The Cash Basis Statement of Activities and Net Position 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

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

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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 is both restricted and unrestricted cash basis net position 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 Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public safety and public works functions.

2. Cash and Pooled Investments

The City's deposits at June 30, 2014 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, 2014.

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
2015	$ 1,415,000	420,755	67,000	7,717	1,482,000	428,472
2016	1,350,000	394,695	70,000	6,545	1,420,000	401,240
2017	1,375,000	366,490	72,000	5,320	1,447,000	371,810
2018	1,300,000	336,457	75,000	4,060	1,375,000	340,517
2019	1,015,000	306,970	77,000	2,747	1,092,000	309,717
2020	1,050,000	282,080	80,000	1,400	1,130,000	283,480
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	$ 14,640,000	3,583,897	441,000	27,789	15,081,000	3,611,686

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 Fund.

(c) Sufficient transfers shall then be made to the Water Revenue Sinking fund for the purpose of making the bond principal and interest payments when due.

3. Bonds Payable (Continued)

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.

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.

3. Bonds Payable (Continued)

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 June 30,	Des Moines Water Works Water Revenue Bonds		
	Principal	Interest	Total
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	$ 677,598	55,966	733,564

During the year ended June 30, 2014, the City paid $166,574 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, 2006 and 2013B include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities. The 2004B bonds were refinanced as the 2013B bonds during the year ended June30, 2013.

The WRA Sewer Revenue Bonds Series 2004B and 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, 2013, the Series 2004B bonds had a balance of $1,310,000 and the City of Norwalk's estimated future allocation based on the WRA flows is currently $36,625, or 2.80%. As of the June 30, 2013, the Series 2006 bonds had a balance of $34,145,000 and the City of Norwalk's estimated future allocation based on the WRA flows is currently $1,023,446, or 3.00%. As of the June 30, 2013, the Series 2013B bonds had a balance of $56,420,000 and the City of Norwalk's estimated future allocation based on the WRA flows is currently $1,577,407, or 2.80%. 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, 2013, the WRA had $219,873,117 in outstanding State Revolving Loans, of which $6,309,702, or 2.87% of future principal debt service is a commitment of the City of Norwalk.

7. Joint Venture and Commitments (Continued)

As of June 30, 2013, the WRA had $4,850,000 in outstanding pre 2004 State Revolving Loans, of which $29,687, or 0.06% 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 position of the WRA redeemable only in the event the WRA is dissolved. During the year ended June 30, 2014, the City paid the WRA $910,161 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 or online at DMMWRA.org.

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 5.95% of their annual covered salary and the City is required to contribute 8.93% 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, 2014, 2013 and 2012 were $270,098, $261,631, and $238,478 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, 2014, primarily relating to the General Fund, was $180,257, computed based on rates of pay as of June 30, 2014.

10. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	$ 30,000
	Urban Renewal Tax Increment	150,353
	Employee benefits levy	88,969
	Enterprise:	
	Water	5,000
	Sewer	5,000
	Storm Water	35,000
		314,322
Special Revenue:		
Economic Development	General	15,386
	Special Revenue:	
	Road Use Tax	3,400
	Urban Renewal Tax Increment	47,055
	Enterprise:	
	Storm Water	1,800
		67,641
Debt Service:		
Colonial Parkway Improvement	Special Revenue:	
	Urban Renewal Tax Increment	840,070
		$ 1,169,778

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, 2014 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2014, the City paid workers' compensation insurance premiums of $95,114 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 $8,945.

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 $441,558 for infrastructure improvements and industrial park grading. At June 30, 2014, $119,398 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, 2014.

Debt Service	$	104,875
Special Revenue:		
Self Fund Deductible		32,489
Capital Project Funds:		
Colonial Parkway Improvement		155,255
Hakes Wright Road		4,043
Pool		25,759
City Hall		654
Industrial Park		15,529
NCIS Infrastructure		464,318
Norwalk Fiber Optic		303,079
Windflower Storm Water		80,302

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, 2014

	Governmental Funds Actual	Proprietary Funds Actual
Receipts		
Property tax	$ 4,255,484	-
Tax increment financing collections	2,491,735	-
Other city tax	293,253	-
Licenses and permits	316,861	-
Use of money and property	95,671	5,335
Intergovernmental	988,111	-
Charges for service	871,376	3,226,294
Miscellanous	1,599,567	132,411
Total receipts	10,912,058	3,364,040
Disbursements		
Public safety	2,879,292	-
Public works	1,734,437	-
Health and social services	9,464	-
Culture and recreation	1,063,487	-
Community and economic development	1,732,115	-
General government	678,482	-
Debt service	2,021,490	-
Capital projects	364,743	-
Business type activities	-	3,009,347
Total disbursements	10,483,510	3,009,347
Excess of receipts over disbursements	428,548	354,693
Other financing sources (uses), net	746,605	(46,800)
Excess of receipts and other financing sources over disbursements and other financing uses	1,175,153	307,893
Balances beginning of year	1,485,650	2,982,240
Balances end of year	$ 2,660,803	3,290,133

Less Funds not Required to to be Budgeted	Net	Budgeted Amounts Original	Budgeted Amounts Final	Final to Net Variance
-	4,255,484	4,224,230	4,212,230	43,254
-	2,491,735	2,400,000	2,400,000	91,735
-	293,253	305,807	310,478	(17,225)
-	316,861	158,500	261,999	54,862
-	101,006	75,750	98,243	2,763
-	988,111	1,021,500	1,074,253	(86,142)
-	4,097,670	4,082,200	4,206,542	(108,872)
209,000	1,522,978	257,222	1,296,211	226,767
209,000	14,067,098	12,525,209	13,859,956	207,142
92,955	2,786,337	2,512,831	2,694,690	(91,647)
319,979	1,414,458	1,377,080	1,377,080	(37,378)
-	9,464	10,150	10,150	686
16,300	1,047,187	1,137,403	1,137,403	90,216
-	1,732,115	960,466	1,750,052	17,937
-	678,482	591,247	698,217	19,735
-	2,021,490	2,021,991	2,143,491	122,001
-	364,743	457,452	504,392	139,649
-	3,009,347	3,517,490	3,517,490	508,143
429,234	13,063,623	12,586,110	13,832,965	769,342
(220,234)	1,003,475	(60,901)	26,991	976,484
-	699,805	-	90	699,715
(220,234)	1,703,280	(60,901)	27,081	1,676,199
523,548	3,944,342	7,583,710	7,583,710	(3,639,368)
303,314	5,647,622	7,522,809	7,610,791	(1,963,169)

CITY OF NORWALK

Notes to Other Information –
Budgetary Reporting
June 30, 2014

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 $1,246,855. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in public safety and public works 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, 2014

	Special				
	Plumbers Bonds	Economic Development	Library Trust	Park Trust	Emergency Fund
Receipts					
Use of money and property	$ -	-	26	316	-
Miscellaneous	-	9,458	6,700	10,071	-
Total receipts	-	9,458	6,726	10,387	-
Disbursements					
Operating					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	1,541	1,700	-
Community and economic developmen	-	90,099	-	-	-
General government	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	-	90,099	1,541	1,700	-
Excess (deficiency) of receipts over (under) disbursements	-	(80,641)	5,185	8,687	-
Other financing uses					
Operating transfers in (out)	-	67,641	-	-	-
Total other financing sources (uses)	-	67,641	-	-	-
Net change in cash balances	-	(13,000)	5,185	8,687	-
Cash balances beginning of year	10,489	97,555	10,009	87,754	32,017
Cash balances end of year	$ 10,489	84,555	15,194	96,441	32,017
Cash Basis Fund Balances					
Restricted for:					
Other purposes	$ -	-	15,194	96,441	32,017
Committed	10,489	84,555	-	-	-
Assigned	-	-	-	-	-
Total cash basis fund balances	$ 10,489	84,555	15,194	96,441	32,017

See accompanying independent auditors' report.

Revenue					Capital			
Legacy Pedestrian Path	Self Fund Deductible	Orchard Ridge Pedestrian Path	Hakes Wright Road	Legacy Park	Water Tower Park	Pool	I Jobs	Public Works Facility
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	32,489	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	32,489	-	-	-	-	-	-	-
-	(32,489)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	(32,489)	-	-	-	-	-	-	-
4,655	-	1,131	(4,043)	488	27,808	(25,759)	546	15,777
4,655	(32,489)	1,131	(4,043)	488	27,808	(25,759)	546	15,777
-	(32,489)	-	-	-	-	-	-	-
4,655	-	1,131	(4,043)	488	27,808	(25,759)	546	15,777
-	-	-	-	-	-	-	-	-
4,655	(32,489)	1,131	(4,043)	488	27,808	(25,759)	546	15,777

Projects							
Signal Project	City Hall	Industrial Park	NCIS Infrastructure	Norwalk Fiber Optic	Windflower Storm Water	Equipment Replacement	Total
-	-	-	-	-	-	-	342
-	-	-	-	-	-	209,000	235,229
-	-	-	-	-	-	209,000	235,571
-	-	-	-	-	-	92,955	92,955
-	-	-	-	-	-	319,979	319,979
-	-	-	-	-	-	16,300	19,541
-	-	-	-	-	-	-	90,099
-	-	-	-	-	-	-	32,489
-	-	10,571	316,761	37,411	-	-	364,743
-	-	10,571	316,761	37,411	-	429,234	919,806
-	-	(10,571)	(316,761)	(37,411)	-	(220,234)	(684,235)
-	-	-	-	-	-	-	67,641
-	-	-	-	-	-	-	67,641
-	-	(10,571)	(316,761)	(37,411)	-	(220,234)	(616,594)
9,193	(654)	(4,958)	(147,557)	(265,668)	(80,302)	37,646	(193,873)
9,193	(654)	(15,529)	(464,318)	(303,079)	(80,302)	(182,588)	(810,467)
-	-	-	-	-	-	-	111,163
9,193	(654)	(15,529)	(464,318)	(303,079)	(80,302)	-	(739,042)
-	-	-	-	-	-	(182,588)	(182,588)
9,193	(654)	(15,529)	(464,318)	(303,079)	(80,302)	(182,588)	(810,467)

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, 2014

	Enterprise Non Major		
Receipts	Storm Water	Equipment Replacement	Total
Use of money and property	$ 2,730	-	2,730
Charges for service	345,569	-	345,569
Miscellaneous	2,153	-	2,153
Total receipts	350,452	-	350,452
Disbursements			
Operating			
Business type activities	163,937	-	163,937
Total disbursements	163,937	-	163,937
Excess (deficiency) of receipts over (under) disbursements	186,515	-	186,515
Other financing sources			
Bond proceeds	-	-	-
Operating transfers out	(36,800)	-	(36,800)
Total other financing sources (uses)	(36,800)	-	(36,800)
Net change in cash balances	149,715	-	149,715
Cash balances beginning of year	800,717	485,902	1,286,619
Cash balances end of year	$ 950,432	485,902	1,436,334
Cash Basis Fund Balances			
Unreserved	$ 950,432	485,902	1,436,334

See accompanying independent auditors' report.

CITY OF NORWALK

Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
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
Equipment loan	Oct 22, 2013	4.73	64,006

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
$ 1,160,000	-	110,000	1,050,000	45,735
465,000	-	85,000	380,000	16,882
125,000	-	125,000	-	3,750
4,195,000	-	180,000	4,015,000	127,770
4,760,000	-	290,000	4,470,000	161,663
260,000	-	160,000	100,000	3,420
1,330,000	-	60,000	1,270,000	40,700
1,095,000	-	115,000	980,000	15,540
2,820,000	-	445,000	2,375,000	32,030
16,210,000	-	1,570,000	14,640,000	447,490
55,000	-	55,000	-	2,832
506,000	-	65,000	441,000	8,855
561,000	-	120,000	441,000	11,687
136,134	-	14,074	122,060	7,384
548,670	-	61,871	486,799	26,895
-	64,006	15,480	48,526	2,022
$ 17,455,804	64,006	1,781,425	15,738,385	495,478

CITY OF NORWALK

Bond and Note Maturities
June 30, 2014

GENERAL OBLIGATION

Year Ending June 30,	Corporate Purpose Issued May 15, 2007		Corporate Purpose Issued Oct 15, 2008		Corporate Purpose Issued Aug 25, 2010		Corporate Purpose Issued Aug 25, 2010	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2015	3.80%	$ 115,000	3.50%	$ 90,000	2.00%	$ 185,000	2.50%	$ 300,000
2016	3.85%	120,000	3.70%	95,000	2.00%	190,000	3.00%	305,000
2017	3.90%	120,000	3.75%	95,000	2.00%	200,000	3.00%	315,000
2018	3.95%	125,000	3.85%	100,000	2.20%	205,000	3.00%	210,000
2019	4.00%	135,000		-	2.40%	210,000	3.00%	220,000
2020	4.00%	140,000		-	2.60%	220,000	3.00%	230,000
2021	4.05%	145,000		-	2.75%	230,000	3.25%	235,000
2022	4.05%	150,000		-	3.00%	240,000	3.50%	245,000
2023		-		-	3.10%	250,000	3.50%	255,000
2024		-		-	3.25%	260,000	3.75%	270,000
2025		-		-	3.40%	270,000	3.75%	280,000
2026		-		-	3.50%	285,000	4.00%	295,000
2027		-		-	3.60%	295,000	4.00%	305,000
2028		-		-	3.75%	310,000	4.00%	320,000
2029		-		-	3.90%	325,000	4.00%	335,000
2030		-		-	4.00%	340,000	4.00%	350,000
Total		$ 1,050,000		$ 380,000		$ 4,015,000		$ 4,470,000

BONDS

Refunding Issued Aug 25, 2010		Urban Renewal Issued Oct 21, 2010		Emergency Equipment Issued Apr 4, 2012		Refunding Issued Apr 4, 2012		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
1.50%	$ 100,000	2.20%	$ 60,000	0.80%	$ 115,000	0.80%	$ 450,000	$ 1,415,000
	-	2.20%	60,000	1.00%	120,000	1.00%	460,000	1,350,000
	-	2.20%	60,000	1.20%	120,000	1.20%	465,000	1,375,000
	-	2.40%	65,000	1.40%	120,000	1.40%	475,000	1,300,000
	-	2.60%	65,000	1.60%	125,000	1.60%	260,000	1,015,000
	-	2.75%	70,000	1.80%	125,000	1.80%	265,000	1,050,000
	-	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
	$ 100,000		$ 1,270,000		$ 980,000		$ 2,375,000	$ 14,640,000

CITY OF NORWALK

Schedule 4
(Continued)

Bond and Note Maturities
June 30, 2014

Year Ending June 30,	REVENUE BONDS Water Issued Feb 7, 2000 Interest Rates	Amount
2015	4%	$ 67,000
2016	4%	70,000
2017	4%	72,000
2018	4%	75,000
2019	4%	77,000
2020	4%	80,000
		$ 441,000

See accompanying independent auditor's report.

CITY OF NORWALK

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

	2014	2013	2012	2011	2010
Receipts					
Property tax	$ 4,255,484	4,310,453	3,888,543	3,200,448	3,103,479
Tax increment financing collections	2,491,735	1,348,827	2,140,586	1,820,225	1,436,406
Other city tax	293,253	293,909	306,967	267,470	272,997
Licenses and permits	316,861	192,108	167,352	157,712	143,630
Use of money and property	95,671	72,446	67,655	90,784	84,212
Intergovernmental	988,111	929,598	936,821	1,157,222	823,439
Charges for service	871,376	837,238	808,450	760,324	727,348
Miscellaneous	1,599,567	476,162	621,837	262,389	263,611
Total	$ 10,912,058	8,460,741	8,938,211	7,716,574	6,855,122
Disbursements					
Operating					
Public safety	2,879,292	3,341,804	2,837,904	3,210,776	2,952,778
Public works	1,734,437	1,363,156	1,531,617	1,618,597	1,227,318
Health and social services	9,464	6,000	7,655	9,150	3,150
Culture and recreation	1,063,487	1,025,486	1,022,186	937,365	960,937
Community and economic development	1,732,115	744,800	846,408	732,164	489,294
General government	678,482	604,369	617,892	685,978	540,786
Debt service	2,021,490	4,804,575	2,536,235	3,236,356	1,627,389
Capital projects	364,743	567,448	3,920,141	7,267,099	1,311,028
Total	$ 10,483,510	12,457,638	13,320,038	17,697,485	9,112,680

See accompanying independent auditor's report.

2009	2008	2007	2006	2005
2,981,456	2,662,695	2,359,808	2,007,156	1,944,684
902,715	1,164,617	916,408	820,782	726,796
261,165	276,628	263,049	149,352	91,718
126,234	198,997	143,389	196,664	187,923
131,671	226,874	219,212	204,357	90,802
766,086	771,747	768,173	659,954	670,976
681,247	638,211	588,138	603,252	224,611
187,943	293,806	187,018	375,575	375,609
6,038,517	6,233,575	5,445,195	5,017,092	4,313,119
2,373,942	1,665,905	1,321,635	1,540,593	1,268,424
1,376,426	1,200,933	1,103,075	1,329,041	602,794
3,150	3,150	3,150	3,150	3,150
905,575	802,799	764,784	734,071	648,403
260,807	210,512	131,511	162,687	162,818
604,015	456,252	479,607	454,465	461,738
1,698,399	1,495,528	1,394,554	1,112,312	1,266,009
1,281,073	764,064	1,616,705	1,825,243	283,756
8,503,387	6,599,143	6,815,021	7,161,562	4,697,092

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 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, the 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, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 21, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Norwalk's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City of Norwalk's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, 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 the 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 a 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 I of the accompanying Schedule of Findings 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 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

The City of Norwalk's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Norwalk's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

Skoll & Co., P.C.

January 21, 2015

CITY OF NORWALK

Schedule of Findings
Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:
INTERNAL CONTROL DEFICIENCY:

I-A-14 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, 2014 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 – By the audit report date all bank accounts were reconciled and all appropriate journal entries had been made.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - Disbursements during the year ended June 30, 2014, exceeded the amounts budgeted in the public safety and public works 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.

II-B-14 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.

II-C-14 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-14 Business Transactions - No business transactions between the City and City officials or employees were noted.

II-E-14 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.

Part II: Other Findings Related to Required Statutory Reporting - Continued:

II-F-14 City Council Minutes - No transactions were found that we believe should have been approved in the City Council minutes but were not.

II-G-14 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.

II-H-14 Revenue Bonds - No violations of provisions of revenue bond resolution requirements were noted.

II-I-14 Financial Condition – The City had the following deficit balances at June 30, 2014:

Debt Service	$	104,875
Special Revenue:		
Self Fund Deductible		32,489
Capital Project Funds:		
Colonial Parkway Improvement		155,255
Hakes Wright Road		4,043
Pool		25,759
City Hall		654
Industrial Park		15,529
NCIS Infrastructure		464,318
Norwalk Fiber Optic		303,079
Windflower Storm Water		80,302

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

Response – Transfers are scheduled in FY2015 to address the deficits in the Hakes Wright Road, City Hall, and Windflower Storm Water funds.

The deficit in the Self Fund Deductible has been resolved in FY through a budgeted transfer. Revenues are in excess of expenditures in FY2015, sufficient to erase the deficit balance

Bonds were issued in FY2015 that will address the deficit in the NCIS Infrastructure Fund.

Transfers are scheduled in FY2016 and FY2017 to address the Debt Service deficit.

Staff will evaluate actions to correct the remaining deficits in FY2015.