

**CITY OF NORWALK**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

-----

**June 30, 2015**



**Shull, Schrum, McClafin  
& Co., Inc.**  
certified public accountants

## TABLE OF CONTENTS

		<u>Page</u>
Officials		2
Independent Auditors' Report		3-5
Management's Discussion and Analysis		6-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	15-18
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	19-22
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	23-24
Notes to Financial Statements		25-42
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		44-45
Notes to Other Information – Budgetary Reporting		46
Schedule of the City's Proportionate Share of the Net Pension Liability		47
Schedule of City Contributions		48-49
Notes to Other Information – Pension Liability		50-51
Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	53-56
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	2	57
Schedule of Indebtedness	3	58-59
Bond and Note Maturities	4	60-62
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5	63-64
Independent Auditor's Report and on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		65-66
Schedule of Findings		67-68

CITY OF NORWALK

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Before January 2015		
Tom Phillips	Mayor	Dec. 2017
Erika Isley	Mayor Pro Tem & Council Member	Dec. 2017
Eric Delker	Council Member	Dec. 2015
Jamie Sylvester To Sept. 2014	Council Member	Dec. 2015
Tom Geteman From Oct. 2014	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
After January 2015		
Tom Phillips	Mayor	Dec. 2017
Erika Isley	Mayor Pro Tem & Council Member	Dec. 2017
Eric Delker	Council Member	Dec. 2015
Tom Geteman	Council Member	Dec. 2015
Kyle Jackson	Council Member	Dec. 2015
Jaki Livingston	Council Member	Dec. 2017
Marketa Oliver	City Manager	Indefinite
Jeff Rosien To Feb. 2015	Clerk	Indefinite
Jodi Eddleman From May 2015	Clerk	Indefinite
James Dougherty	Attorney	Indefinite



Shull, Schrum, McClafin  
& Co., Inc.  
certified public accountants

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, 2015, 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 fraud or error.

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

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, 2015, 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 opinions are not modified with respect to this matter.

### Emphasis of a Matter

As disclosed in Note 8 to the financial statements, the City of Norwalk adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are 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, 2014 (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, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 6 through 13 and 44 through 51 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 November 5, 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.

*Stull, Schrum, McClellan & Co., Inc.*

November 5, 2015

## CITY OF NORWALK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Norwalk, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

#### **2015 FINANCIAL HIGHLIGHTS**

Receipts of the City's governmental activities increased 31%, or approximately \$3,631,000 from fiscal 2014 to fiscal 2015. Property tax and bond proceeds increased approximately \$240,000 and \$5,131,422, respectively. Charges for service, capital grants, contributions and restricted interest, and other general receipts decreased approximately \$116,000, \$964,000 and \$622,000, respectively.

Disbursements of the City's governmental activities decreased 1%, or approximately \$109,000, in fiscal 2015 from fiscal 2014. Debt service and capital projects increased approximately \$755,000 and \$474,000, respectively. Public works, public safety and community and economic development disbursements decreased approximately \$278,000, \$307,000 and \$668,000, respectively.

The City's total cash basis net position increased 203%, or approximately \$5,951,000, from June 30, 2014 to June 30, 2015. Of this amount, the assets of the governmental activities increased approximately \$5,410,000 and the assets of the business type activities increased by approximately \$204,000.

#### **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.

## CITY OF NORWALK

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

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

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.

## CITY OF NORWALK

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

#### *Fund Financial Statements*

The City has two kinds of funds:

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

The required financial 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.

#### **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 increased dramatically from a year ago primarily due to bond proceeds not yet spent, increasing from \$2,646,369 to \$8,070,360. The analysis that follows focuses on the changes in cash balances for governmental activities.

CITY OF NORWALK

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2015	2014
Receipts and transfers		
Program receipts		
Charges for service	\$ 1,335,294	1,451,423
Operating grants, contributions and restricted interest	1,294,294	1,313,522
Capital grants, contributions and restricted interest	87,975	1,051,834
General receipts		
Property tax	6,986,792	6,747,218
Utility tax replacement excise tax	301,237	293,253
Grants and contributions not restricted to specific purposes	22,782	50,761
Unrestricted interest on investments	4,198	2,568
Bond and loan proceeds	5,131,422	-
Other general receipts	78,954	701,284
Total receipts and transfers	<u>15,242,948</u>	<u>11,611,863</u>
Disbursements		
Public safety	2,601,392	2,879,292
Public works	1,427,091	1,734,437
Health and social services	7,000	9,464
Culture and recreation	1,062,658	1,063,487
Community and economic development	1,064,191	1,732,115
General government	596,861	678,482
Debt service	2,776,005	2,021,490
Capital projects	838,975	364,743
Total disbursements	<u>10,374,173</u>	<u>10,483,510</u>
Change in cash basis net position before transfers	4,868,775	1,128,353
Transfers, net	<u>540,781</u>	<u>46,800</u>
Change in cash basis net position	5,409,556	1,175,153
Cash basis net position beginning of year	<u>2,660,803</u>	<u>1,485,650</u>
Cash basis net position end of year	<u>\$ 8,070,359</u>	<u>2,660,803</u>

The City's total receipts for governmental activities increased by 31%, or \$3,631,085. The total cost of all programs and services decreased by \$109,338, or 1%, with no new programs added this year. The increase in receipts was primarily the result of increases in bond proceeds of \$5,131,422.

CITY OF NORWALK

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The cost of all governmental activities this year was \$10,374,173 compared to \$10,483,510 last year. However, as shown in the Statement of Activities and Net Position on pages 15-18, the amount taxpayers ultimately financed for these activities was only \$7,656,609 because some of the cost was paid by those directly benefited from the programs (\$1,335,294) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,382,269). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$6,987,000 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,	
	2015	2014
Receipts and transfers		
Program receipts		
Charges for service		
Water	\$ 1,388,767	1,276,466
Sewer	1,784,550	1,604,259
Other non major	354,392	345,569
Operating grants, contributions and restricted interest	161,527	132,411
General receipts		
Unrestricted interest on investment	4,562	5,335
Bond proceeds	425,000	-
Total receipts	<u>4,118,798</u>	<u>3,364,040</u>
Disbursements		
Water	1,179,914	1,382,563
Sewer	1,961,068	1,462,847
Other non major	233,472	163,937
Total disbursements and transfers	<u>3,374,454</u>	<u>3,009,347</u>
Change in cash basis net position before transfers	744,344	354,693
Transfers, net	<u>(540,781)</u>	<u>(46,800)</u>
Change in cash basis net position	203,563	307,893
Cash basis net position beginning of year	<u>3,290,133</u>	<u>2,982,240</u>
Cash basis net position end of year	<u>\$ 3,493,696</u>	<u>3,290,133</u>

Total business type activities receipts for the fiscal year were \$4,118,798 compared to \$3,364,040 last year. Total disbursements for the fiscal year increased by 12% or a total of \$365,107.

CITY OF NORWALK

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As City of Norwalk, Iowa completed the year, its governmental funds reported a combined fund balance of \$8,070,360, an increase of more than \$5,410,000 from last year's total of \$2,660,803. 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 \$577,441 from the prior year to \$1,584,886.

The Road Use Tax Fund cash balance increased by \$147,092 during the fiscal year to \$613,699.

The Employee Benefits Levy Fund cash balance increased \$160,925 to \$826,165.

The Urban Renewal Tax Increment Fund cash balance was \$2,415,530, an increase of \$823,422 from the previous year.

The Debt Service Fund cash balance was negative \$221,781, a decrease of \$116,906 from the previous year.

The combined Capital Projects Funds increased \$3,378,253 from the previous year.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Water Fund cash balance increased by \$313,213 to \$1,195,925.

The Sewer Fund cash balance increased by \$222,022 to \$1,193,109.

CITY OF NORWALK

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 21, 2015 and resulted in a net increase of \$4,708,255 in revenues. The increase was due primarily to a planned sale of land. Budgeted expenditures increased \$247,575 due to capital purchases.

Even with the budget amendments, the City exceeded the amounts budgeted in the debt service function for the year ended June 30, 2015.

**DEBT ADMINISTRATION**

At June 30, 2015, the City had \$18,662,272 in bonds and other long-term debt, compared to \$15,816,922 last year, as show below.

Outstanding Debt at Year-End		
	June 30,	
	2015	2014
General obligation bonds	\$ 17,185,000	14,640,000
General obligation capital loan notes	172,500	-
Revenue bonds	756,500	441,000
Sanitary district mortgage assumed	106,540	122,060
Water service agreement	412,357	565,336
Equipment loans	29,375	48,526
Total	<u>\$ 18,662,272</u>	<u>15,816,922</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$17,358,000 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.

## CITY OF NORWALK

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

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

City of Norwalk, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 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, 2015

	<u>Disbursements</u>	<u>Program</u> Charges for Service
<b>Functions / Programs:</b>		
Governmental activities:		
Public safety	\$ 2,601,392	591,960
Public works	1,427,091	477,866
Health and social services	7,000	-
Culture and recreation	1,062,658	207,170
Community and economic development	1,064,191	24,900
General government	596,861	33,398
Debt service	2,776,005	-
Capital projects	<u>838,975</u>	<u>-</u>
Total governmental activities	<u>10,374,173</u>	<u>1,335,294</u>
Business type activities:		
Water	1,179,914	1,388,767
Sewer	1,961,068	1,784,550
Other non major	<u>233,472</u>	<u>354,392</u>
Total business type activities	<u>3,374,454</u>	<u>3,527,709</u>
Total	<u>\$ 13,748,627</u>	<u>4,863,003</u>

**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	
Bond and loan proceeds	
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
60,103	70,233	(1,879,096)	-	(1,879,096)
1,099,239	-	150,014	-	150,014
-	-	(7,000)	-	(7,000)
108,379	16,236	(730,873)	-	(730,873)
4,918	1,506	(1,032,867)	-	(1,032,867)
21,655	-	(541,808)	-	(541,808)
-	-	(2,776,005)	-	(2,776,005)
-	-	(838,975)	-	(838,975)
<u>1,294,294</u>	<u>87,975</u>	<u>(7,656,610)</u>	<u>-</u>	<u>(7,656,610)</u>
145,258	-	-	354,111	354,111
13,988	-	-	(162,530)	(162,530)
<u>2,281</u>	<u>-</u>	<u>-</u>	<u>123,201</u>	<u>123,201</u>
<u>161,527</u>	<u>-</u>	<u>-</u>	<u>314,782</u>	<u>314,782</u>
<u>1,455,821</u>	<u>87,975</u>	<u>(7,656,610)</u>	<u>314,782</u>	<u>(7,341,828)</u>
		2,155,972	-	2,155,972
		2,610,463	-	2,610,463
		885,350	-	885,350
		1,096,419	-	1,096,419
		71,657	-	71,657
		166,931	-	166,931
		301,237	-	301,237
		22,782	-	22,782
		4,198	4,562	8,760
		5,131,422	425,000	5,556,422
		50,499	-	50,499
		28,455	-	28,455
		540,781	(540,781)	-
		<u>13,066,166</u>	<u>(111,219)</u>	<u>12,954,947</u>

CITY OF NORWALK

Cash Basis Statement of Activities and Net Position  
As of and for the year ended June 30, 2015

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
5,409,556	203,563	5,613,119
<u>2,660,803</u>	<u>3,290,133</u>	<u>5,950,936</u>
<u>\$ 8,070,359</u>	<u>3,493,696</u>	<u>11,564,055</u>
(221,781)	10,845	(210,936)
2,415,530	-	2,415,530
613,699	-	613,699
1,021,430	-	1,021,430
<u>4,241,481</u>	<u>3,482,851</u>	<u>7,724,332</u>
<u>\$ 8,070,359</u>	<u>3,493,696</u>	<u>11,564,055</u>

CITY OF NORWALK

Statement of Cash Receipts, Disbursements  
And Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2015

	General	Special Revenue		
		Road Use Tax	Employee Benefits Levy	Urban Renewal Tax Increment
<b>Receipts</b>				
Property tax	\$ 2,322,903	-	1,168,076	-
Tax increment financing collections	-	-	-	2,610,463
Other city tax	167,606	-	84,526	-
Licenses and permits	389,744	-	-	-
Use of money and property	108,354	-	220	620
Intergovernmental	76,190	930,123	-	-
Charges for service	917,080	-	-	-
Miscellaneous	128,673	148,493	215	-
<b>Total receipts</b>	<b>4,110,550</b>	<b>1,078,616</b>	<b>1,253,037</b>	<b>2,611,083</b>
<b>Disbursements</b>				
<b>Operating</b>				
Public safety	1,988,894	-	540,557	-
Public works	486,173	742,706	111,661	-
Health and social services	7,000	-	-	-
Culture and recreation	907,185	-	147,463	-
Community and economic development	144,908	-	31,733	763,083
General government	482,343	-	64,347	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
<b>Total disbursements</b>	<b>4,016,503</b>	<b>742,706</b>	<b>895,761</b>	<b>763,083</b>
<b>Excess of receipts over disbursements</b>	<b>94,047</b>	<b>335,910</b>	<b>357,276</b>	<b>1,848,000</b>
<b>Other financing sources (uses)</b>				
Bond and loan proceeds	12,950	-	-	-
Sale of capital assets	23,098	-	-	-
Operating transfers in (out)	271,271	(188,818)	(196,351)	(1,024,578)
<b>Total other financing sources (uses)</b>	<b>307,319</b>	<b>(188,818)</b>	<b>(196,351)</b>	<b>(1,024,578)</b>

Debt Service	<u>Capital Projects</u> NCIS Infrastructure	Other Nonmajor Governmental Funds	Total
885,350	-	-	4,376,329
-	-	-	2,610,463
49,105	-	-	301,237
-	-	-	389,744
362	1,035	478	111,069
-	-	-	1,006,313
-	-	-	917,080
-	-	93,455	370,836
<u>934,817</u>	<u>1,035</u>	<u>93,933</u>	<u>10,083,071</u>
-	-	71,941	2,601,392
-	-	86,551	1,427,091
-	-	-	7,000
-	-	8,010	1,062,658
-	-	124,467	1,064,191
-	-	50,171	596,861
2,776,005	-	-	2,776,005
-	613,696	225,279	838,975
<u>2,776,005</u>	<u>613,696</u>	<u>566,419</u>	<u>10,374,173</u>
<u>(1,841,188)</u>	<u>(612,661)</u>	<u>(472,486)</u>	<u>(291,102)</u>
944,772	4,001,200	172,500	5,131,422
-	-	5,357	28,455
779,510	-	899,747	540,781
<u>1,724,282</u>	<u>4,001,200</u>	<u>1,077,604</u>	<u>5,700,658</u>

CITY OF NORWALK

Statement of Cash Receipts, Disbursements  
 And Changes in Cash Balances  
 Governmental Funds  
 As of and for the year ended June 30, 2015

	General	Special Revenue		
		Road Use Tax	Employee Benefits Levy	Urban Renewal Tax Increment
Net change in cash balances	401,366	147,092	160,925	823,422
Cash balances beginning of year	<u>1,007,445</u>	<u>466,607</u>	<u>665,240</u>	<u>1,592,108</u>
Cash balances end of year	<u>\$ 1,408,811</u>	<u>613,699</u>	<u>826,165</u>	<u>2,415,530</u>
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Debt service	\$ -	-	-	-
Urban renewal purposes	-	-	-	2,415,530
Streets	-	613,699	-	-
Other purposes	-	-	826,165	-
Committed	29,493	-	-	-
Assigned	-	-	-	-
Unassigned	<u>1,379,318</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 1,408,811</u>	<u>613,699</u>	<u>826,165</u>	<u>2,415,530</u>

See notes to financial statements.

<u>Debt Service</u>	<u>Capital Projects NCIS Infrastructure</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
(116,906)	3,388,539	605,118	5,409,556
<u>(104,875)</u>	<u>(464,318)</u>	<u>(501,404)</u>	<u>2,660,803</u>
<u>(221,781)</u>	<u>2,924,221</u>	<u>103,714</u>	<u>8,070,359</u>
(221,781)	-	-	(221,781)
-	-	-	2,415,530
-	-	-	613,699
-	-	195,265	1,021,430
-	2,924,221	(442,086)	2,511,628
-	-	350,535	350,535
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,379,318</u>
<u>(221,781)</u>	<u>2,924,221</u>	<u>103,714</u>	<u>8,070,359</u>

CITY OF NORWALK

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Proprietary Funds  
As of and for the year ended June 30, 2015

	Enterprise	
	Water	Sewer
Operating receipts		
Charges for service	\$ 1,388,767	1,784,550
Operating disbursements		
Business type activities	940,236	1,387,272
Excess (deficiency) of operating receipts over (under) operating disbursements	448,531	397,278
Non-operating receipts (disbursements)		
Interest on investments	1,102	1,552
Miscellaneous	145,258	13,988
Bond proceeds	-	425,000
Debt service	(239,678)	(70,566)
Capital projects	-	(503,230)
Net non-operating receipts (disbursements)	(93,318)	(133,256)
Excess of receipts over disbursements	355,213	264,022
Transfers in (out)	18,288	48,684
Change in cash balances	373,501	312,706
Cash balances beginning of year	882,712	971,087
Cash balances end of year	\$ 1,256,213	1,283,793
<b>Cash Basis Fund Balances</b>		
Restricted for debt service	\$ 6,379	4,466
Unrestricted	1,249,834	1,279,327
Total cash basis fund balances	\$ 1,256,213	1,283,793

See notes to financial statements.

Funds

Other Nonmajor	Total
<u>354,392</u>	<u>3,527,709</u>
<u>233,472</u>	<u>2,560,980</u>
<u>120,920</u>	<u>966,729</u>
1,908	4,562
2,281	161,527
-	425,000
-	(310,244)
-	(503,230)
<u>4,189</u>	<u>(222,385)</u>
125,109	744,344
<u>(607,753)</u>	<u>(540,781)</u>
(482,644)	203,563
<u>1,436,334</u>	<u>3,290,133</u>
<u>953,690</u>	<u>3,493,696</u>
-	10,845
<u>953,690</u>	<u>3,482,851</u>
<u>953,690</u>	<u>3,493,696</u>

# CITY OF NORWALK

## Notes to Financial Statements June 30, 2015

### 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.

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2015

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.

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2015

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.

C. Measurement Focus and Basis of Accounting

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

# CITY OF NORWALK

## Notes to Financial Statements - Continued June 30, 2015

### 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.

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2015

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, 2015, disbursements exceeded the amounts budgeted in the debt service function.

2. Cash and Pooled Investments

The City's deposits at June 30, 2015 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, 2015.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2015

3. Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds and Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,662,500	522,923	112,500	17,638	1,775,000	540,561
2017	1,560,000	449,125	114,500	15,180	1,674,500	464,305
2018	1,485,000	418,322	117,500	12,687	1,602,500	431,009
2019	1,195,000	388,223	119,500	10,143	1,314,500	398,366
2020	1,235,000	362,432	122,500	7,562	1,357,500	369,994
2021	990,000	334,368	42,500	4,930	1,032,500	339,298
2022	1,030,000	308,855	42,500	3,698	1,072,500	312,553
2023	780,000	280,607	42,500	2,465	822,500	283,072
2024	810,000	257,265	42,500	1,232	852,500	258,497
2025	840,000	231,630	-	-	840,000	231,630
2026	880,000	204,020	-	-	880,000	204,020
2027	910,000	173,935	-	-	910,000	173,935
2028	950,000	142,415	-	-	950,000	142,415
2029	990,000	108,340	-	-	990,000	108,340
2030	1,035,000	72,193	-	-	1,035,000	72,193
2031	240,000	33,362	-	-	240,000	33,362
2032	245,000	26,163	-	-	245,000	26,163
2033	255,000	18,200	-	-	255,000	18,200
2034	265,000	9,275	-	-	265,000	9,275
Total	\$ 17,357,500	4,341,653	756,500	75,535	18,114,000	4,417,188

Revenue Bonds and Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,175,000 of water revenue bonds, issued in February 2000. Proceeds from the notes provided financing for certain drinking water treatment facilities. The notes are payable solely from water customer net receipts and are payable through 2020. Annual principal and interest payments on the notes are expected to require less than 17% of net receipts. The total principal and interest remaining to be paid on the notes is \$394,073. For the current year, principal and interest paid and total customer net receipts were \$74,713 and \$448,531, respectively.

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2015

3. Bonds and Notes Payable (Continued)

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$425,000 of sewer revenue notes, issued in November 2014. Proceeds from the notes provided financing for improvements and extensions to the municipal sewer system utility. The notes are payable solely from sewer customer net receipts and are payable through 2024. Annual principal and interest payments on the notes are expected to require less than 12% of net receipts.

The total principal and interest remaining to be paid on the notes is \$437,962. For the current year, principal and interest paid and total customer net receipts were \$49,108 and \$397,278, respectively.

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

- (a) The bonds and notes 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 separate Water and Sewer Revenue Funds.
- (c) Sufficient monthly transfers shall then be made to separate water and sewer revenue sinking accounts within the Enterprise Funds for the purpose of making the bond and note principal and interest payments when due.

General Obligation Bonds and Notes

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 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.

## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2015

#### 3. Bonds and Notes 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 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.

In January 2015 the City issued \$3,950,000 of General Obligation Bonds. The proceeds from the bonds are to pay the costs of constructing street, storm sewer, sanitary sewer, water system and sidewalk improvements.

In March 2015 the City issued \$945,000 of General Obligation Refunding Bonds for a current refunding of a portion of the General Obligation Bonds dated May 2007.

The City refunded the bonds to reduce its total debt service payments by approximately \$63,961 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$60,921.

In June 2015 the City issued \$172,500 a General Obligation Ambulance Acquisition Note. The proceeds from the note are to pay the costs of acquiring an ambulance.

#### 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.

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2015

6. Water Service Agreement

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
2016	\$ 155,921	10,032	165,953
2017	162,295	5,259	167,554
2018	94,141	1,412	95,553
Total	<u>\$ 412,357</u>	<u>16,703</u>	<u>429,060</u>

During the year ended June 30, 2015, the City paid \$164,741 for principal and interest pursuant to this agreement.

## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2015

#### 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, 2014, the Series 2006 bonds had a balance of \$33,275,000 and the City of Norwalk's estimated future allocation based on the WRA flows is currently \$961,375, or 2.89%. As of the June 30, 2014, the Series 2013B bonds had a balance of \$55,880,000 and the City of Norwalk's estimated future allocation based on the WRA flows is currently \$1,510,649, or 2.70%. 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, 2014, the WRA had \$249,325,074 in outstanding State Revolving Loans, of which \$6,462,067, or 2.59% of future principal debt service is a commitment of the City of Norwalk.

## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2015

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

As of June 30, 2014, the WRA had \$3,506,000 in outstanding pre 2004 State Revolving Loans, of which \$21,486, 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, 2015, the City paid the WRA \$908,054 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 [www.dnmwra.org](http://www.dnmwra.org).

#### 8. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2015

8. Pension Plan (Continued)

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2015

8. Pension Plan (Continued)

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protective occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.80 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$284,375.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$715,680. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0180458 percent, which was a decrease of 0.0088317 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$102,539, \$55,547 and \$701,537 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2015

8. Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2015

8. Pension Plan (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$2,218,495	\$715,680	\$(551,965)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

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, 2015, primarily relating to the General Fund, was \$218,752, computed based on rates of pay as of June 30, 2015.

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2015

10. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 42,000
	Employee benefits levy	118,351
	HIDTA Forfeiture	45,824
	Enterprise:	
	Water	42,000
	Sewer	42,000
	Storm Water	42,000
		<u>332,175</u>
Special Revenue:		
Road Use Tax	Enterprise:	
	Storm Water	<u>12,500</u>
Economic Development	General	2,000
	Special Revenue:	
	Road Use Tax	1,000
	Urban Renewal Tax Increment	115,218
	Enterprise:	
	Storm Water	<u>2,000</u>
		<u>120,218</u>
Self Fund Deductible	Special Revenue:	
	Employee benefits levy	<u>78,000</u>
Debt Service:	Special Revenue:	
	Urban Renewal Tax Increment	<u>779,510</u>
Capital Project:		
Hakes Wright Road	Special Revenue:	
	Road Use Tax	<u>4,043</u>
City Hall	General	<u>654</u>
Windflower Storm Water	Enterprise:	
	Storm Water	<u>80,302</u>
Storm Water Retention	Special Revenue:	
	Urban Renewal Tax Increment	<u>129,850</u>
Equipment Replacement	General	58,250
	Special Revenue:	
	Road Use Tax	154,275
	Enterprise:	
	Equipment Replacement	<u>319,979</u>
		<u>532,504</u>
Enterprise:		
Water	Enterprise:	
	Equipment Replacement	<u>60,288</u>
Sewer	Enterprise:	
	Equipment Replacement	<u>90,684</u>
Storm Water	Enterprise:	
	Equipment Replacement	<u>15,000</u>
		<u>\$ 2,235,728</u>

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

## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2015

#### 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, 2015 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2015, the City paid workers' compensation insurance premiums of \$105,807 to the Association.

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

In addition, the City is a member of the Des Moines Area Metropolitan Planning Organization (the "Organization"). The Organization is governed by a board of directors consisting of representatives of the governing bodies of each participating governmental jurisdiction. The City's transactions during the year with the Organization were limited to payment of per capita fees of \$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 \$3,960,744 for infrastructure. At June 30, 2015, \$1,294,048 of the contracts was completed. The remaining amount of the contracts will be paid as work on the projects progress.

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2015

14. Deficit Balances

The City had deficit balances in the following funds at June 30, 2015.

Capital Project Funds:		
Debt Service	\$	221,781
Capital Project Funds:		
Parks and Trails		15,312
Pool		25,759
Communication Infrastructure		39,170
Colonial Parkway Improvement		196,269
Industrial Park		15,529
Norwalk Fiber Optic		375,227
Library Roof		8,266

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, 2015

	Governmental Funds Actual	Proprietary Funds Actual
<b>Receipts</b>		
Property tax	\$ 4,376,329	-
Tax increment financing collections	2,610,463	-
Other city tax	301,237	-
Licenses and permits	389,744	-
Use of money and property	111,069	4,562
Intergovernmental	1,006,313	-
Charges for service	917,080	3,527,709
Miscellaneous	370,836	161,527
Total receipts	<u>10,083,071</u>	<u>3,693,798</u>
<b>Disbursements</b>		
Public safety	2,601,392	-
Public works	1,427,091	-
Health and social services	7,000	-
Culture and recreation	1,062,658	-
Community and economic development	1,064,191	-
General government	596,861	-
Debt service	2,776,005	-
Capital projects	838,975	-
Business type activities	-	3,374,454
Total disbursements	<u>10,374,173</u>	<u>3,374,454</u>
Excess of receipts over disbursements	(291,102)	319,344
Other financing sources (uses), net	<u>5,700,658</u>	<u>(115,781)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	5,409,556	203,563
Balances beginning of year	<u>2,660,803</u>	<u>3,290,133</u>
Balances end of year	<u>\$ 8,070,359</u>	<u>3,493,696</u>

Less Funds not Required to to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	4,376,329	4,345,280	4,345,280	31,049
-	2,610,463	2,545,000	2,545,000	65,463
-	301,237	301,537	301,537	(300)
-	389,744	190,921	270,482	119,262
-	115,631	93,212	95,912	19,719
-	1,006,313	1,088,054	1,088,054	(81,741)
-	4,444,789	4,230,792	4,275,525	169,264
-	532,363	344,446	402,782	129,581
-	<u>13,776,869</u>	<u>13,139,242</u>	<u>13,324,572</u>	<u>452,297</u>
71,941	2,529,451	2,595,186	2,649,470	120,019
86,451	1,340,640	1,412,800	1,412,800	72,160
-	7,000	9,475	9,475	2,475
-	1,062,658	1,209,756	1,209,756	147,098
-	1,064,191	1,045,558	1,238,849	174,658
18,900	577,961	627,824	627,824	49,863
-	2,776,005	2,100,256	2,100,256	(675,749)
-	838,975	3,860,847	3,860,847	3,021,872
(177,292)	<u>3,551,746</u>	<u>4,111,595</u>	<u>4,111,595</u>	<u>559,849</u>
-	<u>13,748,627</u>	<u>16,973,297</u>	<u>17,220,872</u>	<u>3,472,245</u>
-	28,242	(3,834,055)	(3,896,300)	3,924,542
-	<u>5,584,877</u>	<u>3,500</u>	<u>4,448,246</u>	<u>1,136,631</u>
-	5,613,119	(3,830,555)	551,946	5,061,173
-	<u>5,950,936</u>	<u>8,283,909</u>	<u>5,950,936</u>	<u>-</u>
-	<u>11,564,055</u>	<u>4,453,354</u>	<u>6,502,882</u>	<u>5,061,173</u>

CITY OF NORWALK

Notes to Other Information –  
Budgetary Reporting  
June 30, 2015

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 \$247,575. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the debt service function.

CITY OF NORWALK

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
Last Fiscal Year\*

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.0180458%
City's proportionate share of the net pension liability	\$ 715,680
City's covered-employee payroll	\$ 2,981,121
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	24.01%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

CITY OF NORWALK

Schedule of City Contributions

Iowa Public Employees' Retirement System  
Last 10 Fiscal Years

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 284,375	270,098	261,631	238,478
Contributions in relation to the statutorily required contribution	<u>(284,375)</u>	<u>(270,098)</u>	<u>(261,631)</u>	<u>(238,478)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$2,981,121	2,840,700	2,800,930	2,688,121
Contributions as a percentage of covered-employee payroll	9.54%	9.51%	9.34%	8.87%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
222,105	196,518	174,463	138,889	124,217	112,262
<u>(222,105)</u>	<u>(196,518)</u>	<u>(174,463)</u>	<u>(138,889)</u>	<u>(124,217)</u>	<u>(112,262)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2,706,313	2,551,402	2,419,942	2,018,665	1,814,112	1,633,446
8.21%	7.70%	7.21%	6.88%	6.85%	6.87%

## CITY OF NORWALK

### Notes to Other Information – Pension Liability

Year ended June 30, 2015

#### Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

#### Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

CITY OF NORWALK

Notes to Other Information – Pension Liability (Continued)

Year ended June 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**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, 2015

Special

	Plumbers Bonds	Economic Development	Library Trust	Park Trust	Emergency Fund
<b>Receipts</b>					
Use of money and property	\$ 3	18	28	216	10
Miscellaneous	-	2,506	12,713	13,203	-
Total receipts	<u>3</u>	<u>2,524</u>	<u>12,741</u>	<u>13,419</u>	<u>10</u>
<b>Disbursements</b>					
<b>Operating</b>					
Public safety	-	-	-	-	-
Public works	100	-	-	-	-
Culture and recreation	-	-	717	7,293	-
Community and economic developmen	-	124,467	-	-	-
General government	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	<u>100</u>	<u>124,467</u>	<u>717</u>	<u>7,293</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(97)</u>	<u>(121,943)</u>	<u>12,024</u>	<u>6,126</u>	<u>10</u>
<b>Other financing uses</b>					
Bond and loan proceeds	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Operating transfers in (out)	-	120,218	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>120,218</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	(97)	(1,725)	12,024	6,126	10
Cash balances beginning of year	10,489	84,555	15,194	96,441	32,017
Cash balances end of year	<u>\$ 10,392</u>	<u>82,830</u>	<u>27,218</u>	<u>102,567</u>	<u>32,027</u>
<b>Cash Basis Fund Balances</b>					
<b>Restricted for:</b>					
Other purposes	\$ -	-	27,218	102,567	32,027
Committed	10,392	82,830	-	-	-
Assigned	-	-	-	-	-
Total cash basis fund balances	<u>\$ 10,392</u>	<u>82,830</u>	<u>27,218</u>	<u>102,567</u>	<u>32,027</u>

Schedule 1

Revenue						Capital	
Legacy Pedestrian Path	Self Fund Deductible	HIDTA Forfeiture	Orchard Ridge Pedestrian Path	Hakes Wright Road	Parks and Trails	Water Tower Park	Pool
1	4	-	-	-	14	5	-
-	-	65,033	-	-	-	-	-
<u>1</u>	<u>4</u>	<u>65,033</u>	<u>-</u>	<u>-</u>	<u>14</u>	<u>5</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	31,271	-	-	-	-	-	-
-	-	-	-	-	15,814	-	-
-	<u>31,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,814</u>	<u>-</u>	<u>-</u>
<u>1</u>	<u>(31,267)</u>	<u>65,033</u>	<u>-</u>	<u>-</u>	<u>(15,800)</u>	<u>5</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	78,000	(45,824)	-	4,043	-	-	-
-	<u>78,000</u>	<u>(45,824)</u>	<u>-</u>	<u>4,043</u>	<u>-</u>	<u>-</u>	<u>-</u>
1	46,733	19,209	-	4,043	(15,800)	5	-
4,655	(32,489)	-	1,131	(4,043)	488	27,808	(25,759)
<u>4,656</u>	<u>14,244</u>	<u>19,209</u>	<u>1,131</u>	<u>-</u>	<u>(15,312)</u>	<u>27,813</u>	<u>(25,759)</u>
-	14,244	19,209	-	-	-	-	-
4,656	-	-	1,131	-	(15,312)	27,813	(25,759)
-	-	-	-	-	-	-	-
<u>4,656</u>	<u>14,244</u>	<u>19,209</u>	<u>1,131</u>	<u>-</u>	<u>(15,312)</u>	<u>27,813</u>	<u>(25,759)</u>

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, 2015

Projects							
Communication Infrastructure	Public Works Facility	Signal Project	Colonial Parkway Improvement	City Hall	Industrial Park	Norwalk Fiber Optic	Windflower Storm Water
34	3	2	7	-	-	-	-
-	-	-	-	-	-	-	-
<u>34</u>	<u>3</u>	<u>2</u>	<u>7</u>	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
39,750	4,790	4,393	41,021	-	-	72,148	-
<u>39,750</u>	<u>4,790</u>	<u>4,393</u>	<u>41,021</u>	-	-	<u>72,148</u>	-
<u>(39,716)</u>	<u>(4,787)</u>	<u>(4,391)</u>	<u>(41,014)</u>	-	-	<u>(72,148)</u>	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	654	-	-	80,302
-	-	-	-	<u>654</u>	-	-	<u>80,302</u>
(39,716)	(4,787)	(4,391)	(41,014)	654	-	(72,148)	80,302
546	15,777	9,193	(155,255)	(654)	(15,529)	(303,079)	(80,302)
<u>(39,170)</u>	<u>10,990</u>	<u>4,802</u>	<u>(196,269)</u>	-	<u>(15,529)</u>	<u>(375,227)</u>	-
-	-	-	-	-	-	-	-
(39,170)	10,990	4,802	(196,269)	-	(15,529)	(375,227)	-
-	-	-	-	-	-	-	-
<u>(39,170)</u>	<u>10,990</u>	<u>4,802</u>	<u>(196,269)</u>	-	<u>(15,529)</u>	<u>(375,227)</u>	-

<u>Storm Water Retention</u>	<u>Library Roof</u>	<u>Gateway Project</u>	<u>50th Street Bridge</u>	<u>Equipment Replacement</u>	<u>Total</u>
40	15	12	12	54	478
-	-	-	-	-	93,455
<u>40</u>	<u>15</u>	<u>12</u>	<u>12</u>	<u>54</u>	<u>93,933</u>
-	-	-	-	71,941	71,941
-	-	-	-	86,451	86,551
-	-	-	-	-	8,010
-	-	-	-	-	124,467
-	-	-	-	18,900	50,171
<u>39,082</u>	<u>8,281</u>	-	-	-	<u>225,279</u>
<u>39,082</u>	<u>8,281</u>	-	-	<u>177,292</u>	<u>566,419</u>
<u>(39,042)</u>	<u>(8,266)</u>	<u>12</u>	<u>12</u>	<u>(177,238)</u>	<u>(472,486)</u>
-	-	-	-	172,500	172,500
-	-	-	-	5,357	5,357
<u>129,850</u>	-	-	-	<u>532,504</u>	<u>899,747</u>
<u>129,850</u>	-	-	-	<u>710,361</u>	<u>1,077,604</u>
90,808	(8,266)	12	12	533,123	605,118
-	-	-	-	(182,588)	(501,404)
<u>90,808</u>	<u>(8,266)</u>	<u>12</u>	<u>12</u>	<u>350,535</u>	<u>103,714</u>
-	-	-	-	-	195,265
90,808	(8,266)	12	12	-	(442,086)
-	-	-	-	350,535	350,535
<u>90,808</u>	<u>(8,266)</u>	<u>12</u>	<u>12</u>	<u>350,535</u>	<u>103,714</u>

See accompanying independent auditors' report.

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, 2015

	Enterprise Non Major		
	Storm Water	Equipment Replacement	Total
Operating receipts			
Charges for service	\$ 354,392	-	354,392
Operating disbursements			
Business type activities	233,472	-	233,472
Total disbursements	233,472	-	233,472
Excess (deficiency) of operating receipts over (under) operating disbursements	120,920	-	120,920
Non-operating receipts (disbursements)			
Interest on investments	1,859	49	1,908
Miscellaneous	2,281	-	2,281
Excess of receipts over disbursements	4,140	49	4,189
Transfers out	(136,802)	(485,951)	(622,753)
Change in cash balances	(11,742)	(485,902)	(497,644)
Cash balances beginning of year	950,432	485,902	1,436,334
Cash balances end of year	\$ 938,690	-	938,690
Cash Basis Fund Balances			
Unrestricted	\$ 938,690	-	938,690

See accompanying independent auditors' report.

CITY OF NORWALK

Schedule of Indebtedness  
Year ended June 30, 2015

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
<b>General obligation bonds:</b>			
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	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
Corporate purpose	Jan 21, 2015	2.00-3.50	3,950,000
Refunding bonds	Mar 9, 2015	1.50-2.25	945,000
Total			
<b>General obligation notes:</b>			
Ambulance acquisition	Jun 1, 2015	2.75	172,500
<b>Revenue bonds and notes:</b>			
Water bonds	Feb 7, 2000	3.00	1,175,000
Sewer notes	Nov 1, 2014	2.90	425,000
Total			
Sanitary district mortgage assumed	July 1, 1997	5.00	361,900
Water service agreement	June 20, 1996	3	1,005,151
Equipment loan	Oct 22, 2013	4.73	64,006

See accompanying independent auditors' report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$ 1,050,000	-	1,050,000	-	41,555
380,000	-	90,000	290,000	14,077
4,015,000	-	185,000	3,830,000	124,170
4,470,000	-	300,000	4,170,000	155,863
100,000	-	100,000	-	1,500
1,270,000	-	60,000	1,210,000	39,380
980,000	-	115,000	865,000	14,850
2,375,000	-	450,000	1,925,000	29,360
-	3,950,000	-	3,950,000	-
-	945,000	-	945,000	-
<u>14,640,000</u>	<u>4,895,000</u>	<u>2,350,000</u>	<u>17,185,000</u>	<u>420,755</u>
<u>-</u>	<u>172,500</u>	<u>-</u>	<u>172,500</u>	<u>-</u>
441,000	-	67,000	374,000	7,717
-	425,000	42,500	382,500	6,608
<u>441,000</u>	<u>425,000</u>	<u>109,500</u>	<u>756,500</u>	<u>14,325</u>
<u>122,060</u>	<u>-</u>	<u>15,520</u>	<u>106,540</u>	<u>5,938</u>
<u>565,336</u>	<u>-</u>	<u>152,979</u>	<u>412,357</u>	<u>11,762</u>
<u>48,526</u>	<u>-</u>	<u>19,151</u>	<u>29,375</u>	<u>1,728</u>
<u>\$ 15,816,922</u>	<u>5,492,500</u>	<u>2,647,150</u>	<u>18,662,272</u>	<u>454,508</u>

CITY OF NORWALK

Bond and Note Maturities  
June 30, 2015

Year Ending June 30,	GENERAL OBLIGATION							
	Corporate Purpose		Corporate Purpose		Corporate Purpose		Urban Renewal	
	Issued Oct 15, 2008		Issued Aug 25, 2010		Issued Aug 25, 2010		Issued Oct 21, 2010	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	3.70%	\$ 95,000	2.00%	\$ 190,000	3.00%	\$ 305,000	2.20%	\$ 60,000
2017	3.75%	95,000	2.00%	200,000	3.00%	315,000	2.20%	60,000
2018	3.85%	100,000	2.20%	205,000	3.00%	210,000	2.40%	65,000
2019	-	-	2.40%	210,000	3.00%	220,000	2.60%	65,000
2020	-	-	2.60%	220,000	3.00%	230,000	2.75%	70,000
2021	-	-	2.75%	230,000	3.25%	235,000	3.00%	70,000
2022	-	-	3.00%	240,000	3.50%	245,000	3.00%	75,000
2023	-	-	3.10%	250,000	3.50%	255,000	3.10%	80,000
2024	-	-	3.25%	260,000	3.75%	270,000	3.20%	80,000
2025	-	-	3.40%	270,000	3.75%	280,000	3.30%	85,000
2026	-	-	3.50%	285,000	4.00%	295,000	3.40%	90,000
2027	-	-	3.60%	295,000	4.00%	305,000	3.50%	95,000
2028	-	-	3.75%	310,000	4.00%	320,000	3.60%	100,000
2029	-	-	3.90%	325,000	4.00%	335,000	3.70%	105,000
2030	-	-	4.00%	340,000	4.00%	350,000	3.80%	110,000
2031	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-
Total		<u>\$ 290,000</u>		<u>\$ 3,830,000</u>		<u>\$ 4,170,000</u>		<u>\$ 1,210,000</u>

## BONDS

Emergency Equipment		Refunding		Corporate Purpose		Refunding		Total
Issued Apr 4, 2012		Issued Apr 4, 2012		Issued Jan 21, 2015		Issued Mar 9, 2015		
Interest		Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
1.00%	\$ 120,000	1.00%	\$ 460,000	2.00%	\$ 135,000	1.50%	\$ 125,000	\$ 1,490,000
1.20%	120,000	1.20%	465,000	2.00%	175,000	1.50%	130,000	1,560,000
1.40%	120,000	1.40%	475,000	2.00%	180,000	1.50%	130,000	1,485,000
1.60%	125,000	1.60%	260,000	2.00%	180,000	2.00%	135,000	1,195,000
1.80%	125,000	1.80%	265,000	2.00%	185,000	2.00%	140,000	1,235,000
2.00%	125,000	-	-	2.00%	190,000	2.25%	140,000	990,000
2.20%	130,000	-	-	2.00%	195,000	2.25%	145,000	1,030,000
-	-	-	-	2.25%	195,000	-	-	780,000
-	-	-	-	2.25%	200,000	-	-	810,000
-	-	-	-	2.50%	205,000	-	-	840,000
-	-	-	-	2.50%	210,000	-	-	880,000
-	-	-	-	2.50%	215,000	-	-	910,000
-	-	-	-	2.75%	220,000	-	-	950,000
-	-	-	-	2.75%	225,000	-	-	990,000
-	-	-	-	3.00%	235,000	-	-	1,035,000
-	-	-	-	3.00%	240,000	-	-	240,000
-	-	-	-	3.25%	245,000	-	-	245,000
-	-	-	-	3.50%	255,000	-	-	255,000
-	-	-	-	3.50%	265,000	-	-	265,000
	<u>\$ 865,000</u>		<u>\$ 1,925,000</u>		<u>\$ 3,950,000</u>		<u>\$ 945,000</u>	<u>\$ 17,185,000</u>

CITY OF NORWALK

Schedule 4  
(Continued)

Bond and Note Maturities  
June 30, 2015

Year Ending June 30,	Water Bonds		Sewer Notes		Total
	Issued Feb 7, 2000		Issued Nov 1, 2014		
	Interest Rates	Amount	Interest Rates	Amount	
2016	4%	\$ 70,000	3%	\$ 42,500	\$ 112,500
2017	4%	72,000	3%	42,500	114,500
2018	4%	75,000	3%	42,500	117,500
2019	4%	77,000	3%	42,500	119,500
2020	4%	80,000	3%	42,500	122,500
2021		-	3%	42,500	42,500
2022		-	3%	42,500	42,500
2023		-	3%	42,500	42,500
2024		-	3%	42,500	42,500
		<u>\$ 374,000</u>		<u>\$ 382,500</u>	<u>\$ 756,500</u>

See accompanying independent auditor's report.

CITY OF NORWALK

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Receipts</b>					
Property tax	\$ 4,376,329	4,255,484	4,310,453	3,888,543	3,200,448
Tax increment financing collections	2,610,463	2,491,735	1,348,827	2,140,586	1,820,225
Other city tax	301,237	293,253	293,909	306,967	267,470
Licenses and permits	389,744	316,861	192,108	167,352	157,712
Use of money and property	111,069	95,671	72,446	67,655	90,784
Intergovernmental	1,006,313	988,111	929,598	936,821	1,157,222
Charges for service	917,080	871,376	837,238	808,450	760,324
Miscellaneous	<u>370,836</u>	<u>1,599,567</u>	<u>476,162</u>	<u>621,837</u>	<u>262,389</u>
Total	<u>\$ 10,083,071</u>	<u>10,912,058</u>	<u>8,460,741</u>	<u>8,938,211</u>	<u>7,716,574</u>
<b>Disbursements</b>					
<b>Operating</b>					
Public safety	2,601,392	2,879,292	3,341,804	2,837,904	3,210,776
Public works	1,427,091	1,734,437	1,363,156	1,531,617	1,618,597
Health and social services	7,000	9,464	6,000	7,655	9,150
Culture and recreation	1,062,658	1,063,487	1,025,486	1,022,186	937,365
Community and economic development	1,064,191	1,732,115	744,800	846,408	732,164
General government	596,861	678,482	604,369	617,892	685,978
Debt service	2,776,005	2,021,490	4,804,575	2,536,235	3,236,356
Capital projects	<u>838,975</u>	<u>364,743</u>	<u>567,448</u>	<u>3,920,141</u>	<u>7,267,099</u>
Total	<u>\$ 10,374,173</u>	<u>10,483,510</u>	<u>12,457,638</u>	<u>13,320,038</u>	<u>17,697,485</u>

See accompanying independent auditor's report.

## Schedule 5

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
3,103,479	2,981,456	2,662,695	2,359,808	2,007,156
1,436,406	902,715	1,164,617	916,408	820,782
272,997	261,165	276,628	263,049	149,352
143,630	126,234	198,997	143,389	196,664
84,212	131,671	226,874	219,212	204,357
823,439	766,086	771,747	768,173	659,954
727,348	681,247	638,211	588,138	603,252
<u>263,611</u>	<u>187,943</u>	<u>293,806</u>	<u>187,018</u>	<u>375,575</u>
<u>6,855,122</u>	<u>6,038,517</u>	<u>6,233,575</u>	<u>5,445,195</u>	<u>5,017,092</u>
2,952,778	2,373,942	1,665,905	1,321,635	1,540,593
1,227,318	1,376,426	1,200,933	1,103,075	1,329,041
3,150	3,150	3,150	3,150	3,150
960,937	905,575	802,799	764,784	734,071
489,294	260,807	210,512	131,511	162,687
540,786	604,015	456,252	479,607	454,465
1,627,389	1,698,399	1,495,528	1,394,554	1,112,312
<u>1,311,028</u>	<u>1,281,073</u>	<u>764,064</u>	<u>1,616,705</u>	<u>1,825,243</u>
<u>9,112,680</u>	<u>8,503,387</u>	<u>6,599,143</u>	<u>6,815,021</u>	<u>7,161,562</u>



Shull, Schrum, McClafin  
& Co., Inc.  
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, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 5, 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 significant deficiency.

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.

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. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency.

### 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, 2015 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.

*Stull, Schrum, McClellan & Co., Inc.*

November 5, 2015

CITY OF NORWALK

Schedule of Findings  
Year ended June 30, 2015

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

**INTERNAL CONTROL DEFICIENCY:**

I-A-15 Financial Reporting – During the audit, we identified a number of mispostings between funds. 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 properly recorded in the City’s financial statements.

Response – It should be noted that these errors were made in posting irregular and non-routine items. Additionally, the City has taken action to address the posting errors by reorganizing staff duties and splitting the City Clerk and Finance functions into two positions. This segregation of duties allows for additional oversight instead of one person being responsible for both posting and reconciling, which increased the possibility for posting errors. This organizational change coupled with staff enhancements will assist in avoiding posting errors in the future.

Conclusion – Response accepted.

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

II-A-15 Certified Budget - Disbursements during the year ended June 30, 2015, exceeded the amounts budgeted in the debt service function. 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 – At the time the budget was amended for a bond refunding, the payment for refunded debt was considered a capital project expenditure, rather than a debt service expenditure. In the future, current staff will categorize bond refundings made for capital projects, in the debt service area as opposed to the capital projects category. Staff appreciates the direction from the auditor on this matter.

Conclusion – Response accepted.

II-B-15 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

CITY OF NORWALK

Schedule of Findings - Continued  
Year ended June 30, 2015

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

- II-C-15     Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-15     Business Transactions - No business transactions between the City and City officials or employees were noted.
- II-E-15     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.
- II-F-15     City Council Minutes - No transactions were found that we believe should have been approved in the City Council minutes but were not.
- II-G-15     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-15     Revenue Bonds – The City has complied with the provisions of revenue bond resolution requirements, except as follows.

The sewer revenue bond resolution requires the City to establish a sewer sinking account. The City had not established that account and did not make the required transfers or debt payments from that account as of June 30, 2015. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

Recommendation – The City should make the required transfers and debt payments according to the sewer bond resolution.

Response – In the future, the City will should make the required transfers and debt payments according to the sewer bond resolution.

Conclusion – Response accepted.

CITY OF NORWALK

Schedule of Findings - Continued  
Year ended June 30, 2015

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

II-I-15 Financial Condition – The City had the following deficit balances at June 30, 2015:

Capital Project Funds:		
Debt Service	\$	221,781
Capital Project Funds:		
Parks and Trails		15,312
Pool		25,759
Commercial Infrastructure		39,170
Colonial Parkway Improvement		196,269
Industrial Park		15,529
Norwalk Fiber Optic		375,227
Library Roof		8,266

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 FY 16 and FY 2017 to address the debt service deficit. Transfers have already been made which have eliminated the “Pool” deficit. The “Parks and Trails,” “Commercial Infrastructure,” and “Industrial Park,” deficits will be eliminated by year end FY 16. The Library Roof fund is no longer in a deficit balance as debt was issued to cover the costs of the capital improvements in the beginning of FY 16. The Colonial Parkway Improvement fund is projected to be in a positive balance by FY 2018. Finally, the Norwalk Fiber Optic fund will need to be researched by staff and recommendations made on how the balance should be eliminated.