

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

June 30, 2018



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

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CITY OF NORWALK

OFFICIALS

Name	Title	Term Expires
	Before January 2018	
Tom Phillips	Mayor	Dec. 2017
Erika Isley	Mayor Pro Tem & Council Member	Dec. 2017
Ed Kuhl	Council Member	Dec. 2019
David Lester	Council Member	Dec. 2019
Jaki Livingston	Council Member	Dec. 2017
Stephanie Riva	Council Member	Dec. 2019
Luke Nelson	City Manager	Indefinite
Jean Furler	Finance Director	Indefinite
Jodi Eddleman	Clerk	Indefinite
James Dougherty	Attorney	Indefinite
	After January 2018	
Tom Phillips	Mayor	Dec. 2021
Jaki Livingston	Mayor Pro Tem & Council Member	Dec. 2021
Brian Baker	Council Member	Dec. 2021
Ed Kuhl	Council Member	Dec. 2019
David Lester	Council Member	Dec. 2019
Stephanie Riva	Council Member	Dec. 2019
Luke Nelson	City Manager	Indefinite
Jean Furler	Finance Director	Indefinite
Vacant	Clerk	Indefinite
James Dougherty	Attorney	Indefinite



Shull, Schrum, McClaflin
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Norwalk, Iowa, as of and for the year ended June 30, 2018, 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, 2018, 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.

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, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 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 12 and 41 through 47 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards we have also issued our report dated January 2, 2019 on our consideration of the City of Norwalk's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Norwalk's internal control over financial reporting and compliance.

Shull, Schrum, McClellan & Co., Inc.

January 2, 2019

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, 2018. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased \$2,783,910 from fiscal 2017 to fiscal 2018 due to less bond proceeds received in fiscal 2018. Property tax receipts increased approximately 1.9% or \$104,726. TIF funds increased \$1,116,284 to be utilized for development infrastructure projects. Operating grants, contributions and restricted interest increased \$112,597.

Disbursements of the City's governmental activities increased \$207,811. Capital projects increased \$12,295. Public safety and public works increased \$498,485 and \$134,489 respectively. This was due to an increase in public safety staff and street maintenance projects. Community and economic development disbursements decreased \$1,098,661, mainly due to the \$1,500,000 FY17 payment for Marketplace economic development improvements.

The City's total cash basis net position of governmental activities decreased \$946,299 due to spending down bond proceeds for capital projects.

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, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and LOSST 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 (RUT), Local Option Sales and Service Tax (LOSST) and Urban Renewal Tax Increment (TIF), 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 which 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.

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 decreased \$946,299 from a year ago primarily due to spending bond proceeds received in the prior year. 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,	
	2018	2017
Receipts and transfers		
Program receipts		
Charges for service	\$ 1,721,793	1,747,043
Operating grants, contributions and restricted interest	2,223,385	2,110,788
Capital grants, contributions and restricted interest	28,823	26,829
General receipts		
Property tax	5,488,819	5,384,093
Tax increment financing	3,490,844	2,374,560
Utility tax replacement excise tax	305,991	292,632
Local option sales tax	936,429	883,821
Grants and contributions not restricted to specific purposes	-	1
Unrestricted interest on investments	54,287	5,777
Bond and loan proceeds	2,811,916	7,041,899
Other general receipts	61,040	39,794
Total receipts and transfers	<u>17,123,327</u>	<u>19,907,237</u>
Disbursements		
Public safety	3,821,229	3,322,744
Public works	1,870,159	1,735,670
Health and social services	9,674	9,926
Culture and recreation	1,358,601	1,138,315
Community and economic development	1,624,362	2,723,023
General government	870,645	683,900
Debt service	2,860,868	2,606,444
Capital projects	5,704,488	5,692,193
Total disbursements	<u>18,120,026</u>	<u>17,912,215</u>
Change in cash basis net position before transfers	(996,699)	1,995,022
Transfers, net	<u>50,400</u>	<u>51,000</u>
Change in cash basis net position	(946,299)	2,046,022
Cash basis net position beginning of year	<u>9,259,754</u>	<u>7,213,732</u>
Cash basis net position end of year	<u>\$ 8,313,455</u>	<u>9,259,754</u>

CITY OF NORWALK

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The cost of all governmental activities this year was \$18,120,026 compared to \$17,912,215 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 \$14,146,025 because some of the cost was paid by those directly benefited from the programs (\$1,721,793) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$2,252,208). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$13,149,326 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,	
	2018	2017
Receipts and transfers		
Program receipts		
Charges for service		
Water	\$ 2,423,795	1,855,046
Sewer	2,567,962	2,319,156
Other non major	420,404	406,885
Operating grants, contributions and restricted interest	424,929	177,865
General receipts		
Unrestricted interest on investment	30,723	3,065
Total receipts	<u>5,867,813</u>	<u>4,762,017</u>
Disbursements		
Water	2,011,631	1,329,424
Sewer	1,984,650	1,744,576
Other non major	282,140	245,201
Total disbursements and transfers	<u>4,278,421</u>	<u>3,319,201</u>
Change in cash basis net position before transfers	1,589,392	1,442,816
Transfers, net	<u>(50,400)</u>	<u>(51,000)</u>
Change in cash basis net position	1,538,992	1,391,816
Cash basis net position beginning of year	<u>4,595,530</u>	<u>3,203,714</u>
Cash basis net position end of year	<u>\$ 6,134,522</u>	<u>4,595,530</u>

Total business type activities receipts for the fiscal year 2018 were \$5,867,813 compared to \$4,762,017 last year. Total disbursements for the fiscal year increased by 29% or a total of \$959,220 due to capital projects in FY18.

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 \$8,313,455, a decrease of more than \$946,000 from last year's total of \$9,259,754. 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 \$609,139 from the prior year to \$2,234,686.
- The Road Use Tax Fund cash balance increased \$218,661 during the fiscal year to \$1,081,336.
- The Employee Benefits Levy Fund cash balance increased \$72,545 to \$699,177.
- The Urban Renewal Tax Increment Fund cash balance increased \$763,357 to \$824,634.
- The Debt Service Fund cash balance increased \$296,620 to \$609,876.
- The combined Capital Projects Funds decreased \$2,312,303.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$811,899 to \$2,747,060.
- The Sewer Fund cash balance increased \$584,253 to \$2,509,136.

BUDGETARY HIGHLIGHTS

The City amended its budget on June 7, 2018. The revenues were amended \$5,786,300 mainly due to LOSST revenues, building permits issued, special assessments and charges for services. The expenses were amended \$8,060,000 mainly due to public safety training and overtime, street construction, community and economic development agreements, IT equipment and services, and capital projects.

DEBT ADMINISTRATION

At June 30, 2018, the City had \$22,807,000 in bonds and other long-term debt, compared to \$22,381,141 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2018	2017
General obligation bonds	\$ 22,650,000	22,055,000
Revenue bonds	157,000	232,000
Water service agreement	-	94,141
Total	\$ 22,807,000	22,381,141

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.

CITY OF NORWALK

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The City's outstanding general obligation debt of \$22,655,000 is 59.1% of its constitutional debt limit of approximately \$38.4 million.

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

FINANCIAL POLICIES

It is the expectation and the general understanding of the elected and appointed officials and the citizens of Norwalk that the City conducts its financial affairs in a thoughtful and prudent manner. Formal financial policies were adopted in November 2016 and were established to provide the direction and limits within which the City is to fulfill its fiscal responsibilities. The policies provided guidance as well as limitation regarding the following categories: revenues, operating expenditures, reserve and contingency strategies, capital improvement planning (CIP), debt management and financial reporting and accounting. The policies will be reviewed on an annual basis to ensure compliance or determine if revisions may be necessary.

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 Jean Furler, Finance Director, 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, 2018

		<u>Program</u>
	<u>Disbursements</u>	<u>Charges for Service</u>
Functions / Programs:		
Governmental activities:		
Public safety	\$ 3,821,229	729,062
Public works	1,870,159	534,798
Health and social services	9,674	-
Culture and recreation	1,358,601	189,749
Community and economic development	1,624,362	101,976
General government	870,645	34,552
Debt service	2,860,868	131,656
Capital projects	5,704,488	-
Total governmental activities	<u>18,120,026</u>	<u>1,721,793</u>
Business type activities:		
Water	2,011,631	2,423,795
Sewer	1,984,650	2,567,962
Storm Water	282,140	420,404
Total business type activities	<u>4,278,421</u>	<u>5,412,161</u>
Total	<u>\$ 22,398,447</u>	<u>7,133,954</u>

General Receipts and Transfers:

Property tax levied for:
General purposes
Debt service
Employee benefits
Insurance levy
Tax increment financing
Utility tax replacement excise tax
Local option sales tax
Unrestricted interest on investments
Bond and note proceeds, net of discount
Miscellaneous
Transfers
Total general receipts and transfers

Exhibit A

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
256,645	10,866	(2,824,656)	-	(2,824,656)
1,296,876	-	(38,485)	-	(38,485)
-	-	(9,674)	-	(9,674)
231,810	17,957	(919,085)	-	(919,085)
2,246	-	(1,520,140)	-	(1,520,140)
435,808	-	(400,285)	-	(400,285)
-	-	(2,729,212)	-	(2,729,212)
-	-	(5,704,488)	-	(5,704,488)
<u>2,223,385</u>	<u>28,823</u>	<u>(14,146,025)</u>	<u>-</u>	<u>(14,146,025)</u>
386,515	-	-	798,679	798,679
38,414	-	-	621,726	621,726
-	-	-	138,264	138,264
<u>424,929</u>	<u>-</u>	<u>-</u>	<u>1,558,669</u>	<u>1,558,669</u>
<u>2,648,314</u>	<u>28,823</u>	<u>(14,146,025)</u>	<u>1,558,669</u>	<u>(12,587,356)</u>
		2,720,686	-	2,720,686
		1,273,356	-	1,273,356
		1,309,372	-	1,309,372
		185,405	-	185,405
		3,490,844	-	3,490,844
		305,991	-	305,991
		936,429	-	936,429
		54,287	30,723	85,010
		2,811,916	-	2,811,916
		61,040	-	61,040
		50,400	(50,400)	-
		<u>13,199,726</u>	<u>(19,677)</u>	<u>13,180,049</u>

CITY OF NORWALK

Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2018

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(946,299)	1,538,992	592,693
<u>9,259,754</u>	<u>4,595,530</u>	<u>13,855,284</u>
<u>\$ 8,313,455</u>	<u>6,134,522</u>	<u>14,447,977</u>
609,876	6,646	616,522
824,634	-	824,634
1,081,336	-	1,081,336
1,339,346	-	1,339,346
<u>4,458,263</u>	<u>6,127,876</u>	<u>10,586,139</u>
<u>\$ 8,313,455</u>	<u>6,134,522</u>	<u>14,447,977</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, 2018

		Special Revenue		
	General	Road Use Tax	Employee Benefits Levy	Urban Renewal Tax Increment
Receipts				
Property tax	\$ 2,906,092	-	1,309,372	-
Tax increment financing collections	-	-	-	3,490,844
Other city tax	171,687	-	77,651	-
Licenses and permits	486,061	-	-	-
Use of money and property	89,432	5,398	3,714	9,038
Intergovernmental	138,225	1,181,362	-	-
Charges for service	1,059,562	-	-	-
Special assessments	-	-	-	-
Miscellaneous	738,301	86,841	30,317	-
Total receipts	<u>5,589,360</u>	<u>1,273,601</u>	<u>1,421,054</u>	<u>3,499,882</u>
Disbursements				
Operating				
Public safety	2,971,571	-	828,887	-
Public works	666,273	1,054,940	148,946	-
Health and social services	9,674	-	-	-
Culture and recreation	1,193,717	-	154,520	-
Community and economic development	201,150	-	18,186	1,277,025
General government	712,675	-	157,970	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>5,755,060</u>	<u>1,054,940</u>	<u>1,308,509</u>	<u>1,277,025</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(165,700)</u>	<u>218,661</u>	<u>112,545</u>	<u>2,222,857</u>
Other financing sources (uses)				
Bond and note proceeds, net of discount	-	-	-	-
Operating transfers in (out)	<u>774,839</u>	<u>-</u>	<u>(40,000)</u>	<u>(1,459,500)</u>
Total other financing sources (uses)	<u>774,839</u>	<u>-</u>	<u>(40,000)</u>	<u>(1,459,500)</u>

Debt Service	Capital Projects		Other Nonmajor Governmental Funds	Total
	Commercial Infrastructure	NCIS Infrastructure		
1,273,356	-	-	-	5,488,820
-	-	-	-	3,490,844
56,652	-	-	936,429	1,242,419
-	-	-	-	486,061
6,565	-	-	708	114,855
25,000	-	-	-	1,344,587
-	-	-	-	1,059,562
131,656	-	-	-	131,656
-	-	-	97,148	952,607
<u>1,493,229</u>	<u>-</u>	<u>-</u>	<u>1,034,285</u>	<u>14,311,411</u>
-	-	-	20,771	3,821,229
-	-	-	-	1,870,159
-	-	-	-	9,674
-	-	-	10,364	1,358,601
-	-	-	128,001	1,624,362
-	-	-	-	870,645
2,860,868	-	-	-	2,860,868
-	2,813,183	2,264,677	626,628	5,704,488
<u>2,860,868</u>	<u>2,813,183</u>	<u>2,264,677</u>	<u>785,764</u>	<u>18,120,026</u>
<u>(1,367,639)</u>	<u>(2,813,183)</u>	<u>(2,264,677)</u>	<u>248,521</u>	<u>(3,808,615)</u>
54,608	2,757,308	-	-	2,811,916
1,609,651	-	8,249	(842,839)	50,400
<u>1,664,259</u>	<u>2,757,308</u>	<u>8,249</u>	<u>(842,839)</u>	<u>2,862,316</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, 2018

		Special Revenue		
	General	Road Use Tax	Employee Benefits Levy	Urban Renewal Tax Increment
Change in cash balances	609,139	218,661	72,545	763,357
Cash balances beginning of year	<u>1,625,547</u>	<u>862,675</u>	<u>626,632</u>	<u>61,277</u>
Cash balances end of year	<u>\$ 2,234,686</u>	<u>1,081,336</u>	<u>699,177</u>	<u>824,634</u>
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	-	-	-
Urban renewal purposes	-	-	-	824,634
Streets	-	1,081,336	-	-
Other purposes	-	-	699,177	-
Committed	-	-	-	-
Unassigned	<u>2,234,686</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 2,234,686</u>	<u>1,081,336</u>	<u>699,177</u>	<u>824,634</u>

See notes to financial statements.

Debt Service	Capital Projects		Other Nonmajor Governmental Funds	Total
	Commercial Infrastructure	NCIS Infrastructure		
296,620	(55,875)	(2,256,428)	(594,318)	(946,299)
<u>313,256</u>	<u>688,006</u>	<u>3,380,411</u>	<u>1,701,950</u>	<u>9,259,754</u>
<u>609,876</u>	<u>632,131</u>	<u>1,123,983</u>	<u>1,107,632</u>	<u>8,313,455</u>
609,876	-	-	-	609,876
-	-	-	-	824,634
-	-	-	-	1,081,336
-	-	-	640,169	1,339,346
-	632,131	1,123,983	467,463	2,223,577
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,234,686</u>
<u>609,876</u>	<u>632,131</u>	<u>1,123,983</u>	<u>1,107,632</u>	<u>8,313,455</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, 2018

	<u>Enterprise</u>	
	<u>Water</u>	<u>Sewer</u>
Operating receipts		
Charges for service	\$ 2,423,795	2,567,962
Operating disbursements		
Business type activities	1,491,702	1,914,056
Excess of operating receipts over operating disbursements	932,093	653,906
Non-operating receipts (disbursements)		
Interest on investments	13,220	12,927
Miscellaneous	386,515	38,414
Debt service	(79,176)	-
Capital projects	(440,753)	(70,594)
Net non-operating receipts (disbursements)	(120,194)	(19,253)
Excess of receipts over disbursements	811,899	634,653
Transfers in (out)	-	(50,400)
Change in cash balances	811,899	584,253
Cash balances beginning of year	1,935,161	1,924,883
Cash balances end of year	\$ 2,747,060	2,509,136
Cash Basis Fund Balances		
Restricted for debt service	\$ 6,646	-
Unrestricted	2,740,414	2,509,136
Total cash basis fund balances	\$ 2,747,060	2,509,136

See notes to financial statements.

Funds	
Other Nonmajor Storm Water	Total
420,404	5,412,161
263,147	3,668,905
157,257	1,743,256
4,576	30,723
-	424,929
-	(79,176)
(18,993)	(530,340)
(14,417)	(153,864)
142,840	1,589,392
-	(50,400)
142,840	1,538,992
735,486	4,595,530
878,326	6,134,522
-	6,646
878,326	6,127,876
878,326	6,134,522

CITY OF NORWALK

Notes to Financial Statements June 30, 2018

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, 2018

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:

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, 2018

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 Commercial Infrastructure Capital Projects Fund is used to account for all resources used in the construction of Delaware Street pavement, water main and sewer improvements.

The NCIS Infrastructure Capital Projects Fund is used to account for all resources used in the construction of Lakewood Drive improvements.

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, accrued items and outstanding debt. Accordingly, the financial statements do not present financial position and results of operations of the entity as a whole and 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, 2018

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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

CITY OF NORWALK

Notes to Financial Statements - Continued June 30, 2018

2. Cash and Pooled Investments

The City's deposits at June 30, 2018 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, 2018.

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, 2018

3. Bonds and Notes Payable

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

Year	General Obligation Bonds		Revenue Bonds		Total	
Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 2,050,000	542,358	77,000	2,747	2,127,000	545,105
2020	2,105,000	503,460	80,000	1,400	2,185,000	504,860
2021	1,875,000	458,027	-	-	1,875,000	458,027
2022	1,925,000	420,765	-	-	1,925,000	420,765
2023	1,680,000	381,065	-	-	1,680,000	381,065
2024	1,590,000	341,338	-	-	1,590,000	341,338
2025	1,590,000	303,562	-	-	1,590,000	303,562
2026	1,645,000	264,575	-	-	1,645,000	264,575
2027	1,695,000	224,225	-	-	1,695,000	224,225
2028	1,420,000	180,750	-	-	1,420,000	180,750
2029	1,460,000	143,950	-	-	1,460,000	143,950
2030	1,510,000	106,112	-	-	1,510,000	106,112
2031	785,000	66,363	-	-	785,000	66,363
2032	800,000	42,812	-	-	800,000	42,812
2033	255,000	18,200	-	-	255,000	18,200
2034	265,000	9,275	-	-	265,000	9,275
Total	<u>\$ 22,650,000</u>	<u>4,006,837</u>	<u>157,000</u>	<u>4,147</u>	<u>22,807,000</u>	<u>4,010,984</u>

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 9% of net receipts. The total principal and interest remaining to be paid on the notes is \$161,147. For the current year, principal and interest paid and total customer net receipts were \$79,060 and \$932,093, respectively.

CITY OF NORWALK

Notes to Financial Statements - Continued June 30, 2018

3. Bonds and Notes Payable (Continued)

The resolution providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) The entire income and revenue of the water system shall be deposited as collected in a separate Water Revenue Fund.
- (c) Sufficient monthly transfers shall then be made to a separate water revenue sinking account within the Enterprise Funds for the purpose of making the bond and note principal and interest payments when due.

General Obligation Bonds

In July 2017 the City issued \$2,000,000 of General Obligation Corporate Purpose Bonds. The proceeds from the bonds are to pay the costs of constructing street, water system, sanitary sewer system and storm water drainage system improvements.

In July 2017 the City issued \$750,000 of General Obligation Urban Renewal Bonds. The proceeds from the bonds are to pay the costs of undertaking an urban renewal project consisting of funding economic development grants in connection with the development of new manufacturing facilities.

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 was paid off in 2017.

5. Economic Development Payments

In conjunction with a pre-annexation 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.

CITY OF NORWALK

Notes to Financial Statements - Continued June 30, 2018

5. Economic Development Payments (Continued)

The City expects to make semiannual payments of \$44,383 including interest at 4.99% per annum from December 1, 2005 through June 1, 2020.

6. 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, with the second amended and restated agreement becoming effective on June 11, 2014. 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 2013B and 2015E include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

The WRA Sewer Revenue Bonds Series 2013B and 2015E 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, 2017, (the most recent year for which information is available) the Series 2015E bonds had a balance of \$30,790,000 and the City of Norwalk's estimated future allocation based on the WRA flows is currently \$872,619, or 2.83%. As of the June 30, 2017, the Series 2013B bonds had a balance of \$50,590,000 and the City of

CITY OF NORWALK

Notes to Financial Statements - Continued June 30, 2018

6. Joint Venture and Commitments (Continued)

Norwalk's estimated future allocation based on the WRA flows is currently \$1,343,314, or 2.65%. 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, 2017, the WRA had \$270,426,479 in outstanding State Revolving Loans, of which \$7,001,881, or 2.59% of future principal debt service is a commitment of the City of Norwalk.

As of June 30, 2017, the WRA had \$443,000 in outstanding pre-2004 State Revolving Loans, of which \$3,189, or 0.07% of future principal debt service is a commitment of the City of Norwalk.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Pursuant to the new agreement, the City's investment in the joint venture under the I.C.A. Agreement has been contributed to the new WRA organization. Since there is no specific and measurable equity interest in the WRA Agreement, an investment in the joint venture will not be reported by the City. The city retains a reversionary interest percentage in the net position of the WRA redeemable only in the event the WRA is dissolved. During the year ended June 30, 2018, the City paid the WRA \$1,174,885 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.dmmwra.org.

7. 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.

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, any time 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.

CITY OF NORWALK

Notes to Financial Statements - Continued June 30, 2018

7. Pension Plan (Continued)

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:

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

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-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% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting or after July 1, 2012, the reduction is 0.50% 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 - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State 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

CITY OF NORWALK

Notes to Financial Statements - Continued June 30, 2018

7. Pension Plan (Continued)

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.

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City’s contributions to IPERS for the year ended June 30, 2018 totaled \$371,940.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the City reported a liability of \$1,901,313 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the City’s proportion was .0285428%, which was an increase of .002016% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$405,424, \$1,170,459 and \$690,598 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

CITY OF NORWALK

Notes to Financial Statements - Continued June 30, 2018

7. Pension Plan (Continued)

Rate of inflation (effective June 30, 2017)	2.60% per annum
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation
Wage Growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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>
Domestic Equity	24.0%	6.25%
International Equity	16.0	6.71
Core Plus Fixed Income	27.0	2.25
Public Credit	3.5	3.46
Public Real Assets	7.0	3.27
Cash	1.0	(0.31)
Private Equity	11.0	11.15
Private Real Assets	7.5	4.18
Private Credit	3.0	4.25
Total	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed employee contributions will

CITY OF NORWALK

Notes to Financial Statements - Continued June 30, 2018

7. Pension Plan (Continued)

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, IPERS' 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 IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.0%, 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% lower (6.0%) or 1% higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability	\$4,015,041	\$1,901,313	\$ 126,313

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

8. 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, 2018, primarily relating to the General Fund, was \$287,539, computed based on rates of pay as of June 30, 2018.

Notes to Financial Statements - Continued
June 30, 2018

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

Transfer to	Transfer from	Amount
Debt Service:	Special Revenue:	
	Urban Renewal Tax Increment	1,317,500
	Local Option Sales and Service Tax	250,000
	Enterprise:	
	Sewer	50,400
		1,617,900
Special Revenue:		
Self Fund Deductible	Special Revenue:	
	Employee benefits levy	\$ 40,000
Economic Development	Special Revenue:	
	Urban Renewal Tax Increment	142,000
Capital Project:		
NCIS Infrastructure	Debt Service:	8,249
		\$ 2,582,988

10. Jointly Governed Organizations

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CITY OF NORWALK

Notes to Financial Statements - Continued June 30, 2018

10. Jointly Governed Organizations (Continued)

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.

11. 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.

12. Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers to rebate a portion of the property tax paid by the developers. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2018, the City abated \$1,237,100 of property tax under the urban renewal and economic development projects.

CITY OF NORWALK

Notes to Financial Statements - Continued June 30, 2018

13. Subsequent Events and Other Commitments

The City has entered into contracts totaling \$5,927,081 for various infrastructure projects. At June 30, 2018, \$3,251,431 of the contracts was completed. The remaining amount of the contracts will be paid as work on the projects progress.

In August 2018 the City issued \$4,155,000 of General Obligation Corporate Purpose Bonds. The proceeds from the bonds are to pay the costs of constructing street and sidewalk improvements, constructing improvements to and equipping municipal parks, acquiring vehicles for use by the municipal public works/street departments, and acquiring an ambulance and related equipment.

In August 2018 the City issued \$4,200,000 of Water Revenue Bonds. The proceeds from the bonds are to pay the costs of constructing extensions and improvements to the water utility.

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, 2018

	Governmental Funds Actual	Proprietary Funds Actual
Receipts		
Property tax	\$ 5,488,820	-
Tax increment financing collections	3,490,844	-
Other city tax	1,242,419	-
Licenses and permits	486,061	-
Use of money and property	114,855	30,723
Intergovernmental	1,344,587	-
Charges for service	1,059,562	5,412,161
Special assessments	131,656	-
Miscellaneous	952,607	424,929
Total receipts	<u>14,311,411</u>	<u>5,867,813</u>
Disbursements		
Public safety	3,821,229	-
Public works	1,870,159	-
Health and social services	9,674	-
Culture and recreation	1,358,601	-
Community and economic development	1,624,362	-
General government	870,645	-
Debt service	2,860,868	-
Capital projects	5,704,488	-
Business type activities	-	4,278,421
Total disbursements	<u>18,120,026</u>	<u>4,278,421</u>
Excess (deficiency) of receipts over (under) disbursements	(3,808,615)	1,589,392
Other financing sources (uses), net	<u>2,862,316</u>	<u>(50,400)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(946,299)	1,538,992
Balances beginning of year	<u>9,259,754</u>	<u>4,595,530</u>
Balances end of year	<u>\$ 8,313,455</u>	<u>6,134,522</u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
5,488,820	5,446,590	5,446,590	42,230
3,490,844	3,100,500	3,350,500	140,344
1,242,419	997,775	1,147,775	94,644
486,061	297,900	392,900	93,161
145,578	102,000	102,000	43,578
1,344,587	1,299,270	1,299,270	45,317
6,471,723	5,298,700	5,872,700	599,023
131,656	35,000	130,200	1,456
1,377,536	204,400	773,400	604,136
<u>20,179,224</u>	<u>16,782,135</u>	<u>18,515,335</u>	<u>1,663,889</u>
3,821,229	3,618,000	3,879,500	58,271
1,870,159	1,893,700	2,190,200	320,041
9,674	10,500	10,500	826
1,358,601	1,447,100	1,642,100	283,499
1,624,362	1,429,600	1,881,400	257,038
870,645	744,500	934,700	64,055
2,860,868	2,482,800	2,964,000	103,132
5,704,488	3,495,800	7,751,500	2,047,012
4,278,421	3,947,600	4,572,600	294,179
<u>22,398,447</u>	<u>19,069,600</u>	<u>25,826,500</u>	<u>3,428,053</u>
(2,219,223)	(2,287,465)	(7,311,165)	5,091,942
<u>2,811,916</u>	<u>-</u>	<u>2,750,000</u>	<u>61,916</u>
592,693	(2,287,465)	(4,561,165)	5,153,858
<u>13,855,284</u>	<u>6,584,319</u>	<u>6,584,319</u>	<u>7,270,965</u>
<u>14,447,977</u>	<u>4,296,854</u>	<u>2,023,154</u>	<u>12,424,823</u>

CITY OF NORWALK

Notes to Other Information – Budgetary Reporting June 30, 2018

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 \$7,590,700. The budget amendment is reflected in the final budgeted amounts.

CITY OF NORWALK

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

Iowa Public Employees' Retirement System For the Last Four Years*

Other Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.0285428%	0.0265264%	0.0222150%	0.0180458%
City's proportionate share of the net pension liability	\$ 1,901,313	\$ 1,669,391	\$ 1,097,528	\$ 715,680
City's covered-employee payroll	\$ 3,982,053	\$ 3,611,921	\$ 3,168,373	\$ 2,981,121
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	47.75%	46.22%	34.64%	24.01%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

CITY OF NORWALK

Schedule of City Contributions

Iowa Public Employees' Retirement System For the Last 10 Years

Other Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 371,940	341,051	296,526	284,375
Contributions in relation to the statutorily required contribution	<u>(371,940)</u>	<u>(341,051)</u>	<u>(296,526)</u>	<u>(284,375)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$3,982,053	3,611,921	3,168,373	2,981,121
Contributions as a percentage of covered-employee payroll	9.34%	9.44%	9.36%	9.54%

See accompanying independent auditor's report.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
270,098	261,631	238,478	222,105	196,518	174,463
<u>(270,098)</u>	<u>(261,631)</u>	<u>(238,478)</u>	<u>(222,105)</u>	<u>(196,518)</u>	<u>(174,463)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2,840,700	2,800,930	2,688,121	2,706,313	2,551,402	2,419,942
9.51%	9.34%	8.87%	8.21%	7.70%	7.21%

CITY OF NORWALK

Notes to Other Information – Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% 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, 2015. 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.

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, 2018

				Special
	Police and Fire Trust	Self Fund Deductible	Local Option Sales and Service Tax	HIDTA Forfeiture
Receipts				
Other city tax	\$ -	-	936,429	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Miscellaneous	19,466	-	-	-
Total receipts	<u>19,466</u>	<u>-</u>	<u>936,429</u>	<u>-</u>
Disbursements				
Operating				
Public safety	20,771	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>20,771</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,305)</u>	<u>-</u>	<u>936,429</u>	<u>-</u>
Other financing uses				
Operating transfers in (out)	-	40,000	(861,700)	-
Total other financing sources (uses)	<u>-</u>	<u>40,000</u>	<u>(861,700)</u>	<u>-</u>
Change in cash balances	(1,305)	40,000	74,729	-
Cash balances beginning of year	39,900	3,697	375,221	20,289
Cash balances end of year	<u>\$ 38,595</u>	<u>43,697</u>	<u>449,950</u>	<u>20,289</u>
Cash Basis Fund Balances				
Restricted for:				
Other purposes	\$ 38,595	43,697	449,950	20,289
Committed	-	-	-	-
Total cash basis fund balances	<u>\$ 38,595</u>	<u>43,697</u>	<u>449,950</u>	<u>20,289</u>

Revenue				Capital			
Economic Development	Plumbers Bonds	Library Trust	Park Trust	Governmental Equipment Replacement	Pool	Public Works Facility	Signal Project
-	-	-	-	-	-	-	-
3	1	93	611	-	-	-	-
-	-	-	-	-	-	-	-
741	-	6,739	12,744	45,491	-	-	-
744	1	6,832	13,355	45,491	-	-	-
-	-	-	-	-	-	-	-
-	-	4,864	5,500	-	-	-	-
128,001	-	-	-	-	-	-	-
-	-	-	-	65,601	31,831	-	271,546
128,001	-	4,864	5,500	65,601	31,831	-	271,546
(127,257)	1	1,968	7,855	(20,110)	(31,831)	-	(271,546)
142,000	-	-	(70,189)	-	(25,000)	-	-
142,000	-	-	(70,189)	-	(25,000)	-	-
14,743	1	1,968	(62,334)	(20,110)	(56,831)	-	(271,546)
34,754	10,396	15,544	132,460	50,333	75,359	4	274,736
49,497	10,397	17,512	70,126	30,223	18,528	4	3,190
-	-	17,512	70,126	-	-	-	-
49,497	10,397	-	-	30,223	18,528	4	3,190
49,497	10,397	17,512	70,126	30,223	18,528	4	3,190

CITY OF NORWALK

Schedule 1
(Continued)Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2018

	Projects				
	Storm Water Detention	Library Roof	Gateway Project	50th Street Bridge	Total
Receipts					
Other city tax	-	-	-	-	\$ 936,429
Use of money and property	-	-	-	-	708
Intergovernmental	-	-	-	-	-
Miscellaneous	-	2,202	9,765	-	97,148
Total receipts	-	2,202	9,765	-	1,034,285
Disbursements					
Operating					
Public safety	-	-	-	-	20,771
Culture and recreation	-	-	-	-	10,364
Community and economic development	-	-	-	-	128,001
Capital projects	201,421	-	56,229	-	626,628
Total disbursements	201,421	-	56,229	-	785,764
Excess (deficiency) of receipts over (under) disbursements	(201,421)	2,202	(46,464)	-	248,521
Other financing uses					
Operating transfers in (out)	(30,000)	(37,950)	-	-	(842,839)
Total other financing sources (uses)	(30,000)	(37,950)	-	-	(842,839)
Change in cash balances	(231,421)	(35,748)	(46,464)	-	(594,318)
Cash balances beginning of year	468,703	35,748	164,753	53	1,701,950
Cash balances end of year	237,282	-	118,289	53	1,107,632
Cash Basis Fund Balances					
Restricted for:					
Other purposes	-	-	-	-	640,169
Committed	237,282	-	118,289	53	467,463
Total cash basis fund balances	237,282	-	118,289	53	1,107,632

See accompanying independent auditors' report.

CITY OF NORWALK

Schedule of Indebtedness Year ended June 30, 2018

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
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
Swimming pool and refunding bonds	Jun 16, 2016	1.25-2.25	9,385,000
Corporate purpose	Jan 3, 2017	2.00-3.00	6,855,000
Corporate purpose	Jul 6, 2017	2.00-2.75	2,000,000
Urban renewal	Jul 6, 2017	1.35-2.40	750,000
Total			
Revenue bonds and notes:			
Water bonds	Feb 7, 2000	3.00	1,175,000
Water service agreement	June 20, 1996	3	1,005,151

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 625,000	-	120,000	505,000	11,290
1,000,000	-	475,000	525,000	15,580
3,640,000	-	180,000	3,460,000	95,888
690,000	-	130,000	560,000	13,863
9,245,000	-	675,000	8,570,000	182,455
6,855,000	-	300,000	6,555,000	280,529
2,000,000	-	165,000	1,835,000	43,728
750,000	-	110,000	640,000	12,828
<u>24,805,000</u>	<u>-</u>	<u>2,155,000</u>	<u>22,650,000</u>	<u>656,161</u>
232,000	-	75,000	157,000	4,060
<u>94,141</u>	<u>-</u>	<u>94,141</u>	<u>-</u>	<u>1,412</u>
<u>\$ 25,131,141</u>	<u>-</u>	<u>2,324,141</u>	<u>22,807,000</u>	<u>661,633</u>

CITY OF NORWALK

Bond and Note Maturities June 30, 2018

GENERAL

Year Ending June 30,	Emergency Equipment Bond		Refunding Bond		Corporate Purpose Bond	
	Issued Apr 4, 2012		Issued Apr 4, 2012		Issued Jan 21, 2015	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2019	1.60%	\$ 125,000	1.60%	\$ 260,000	2.00%	\$ 180,000
2020	1.80%	125,000	1.80%	265,000	2.00%	185,000
2021	2.00%	125,000	-	-	2.00%	190,000
2022	2.20%	130,000	-	-	2.00%	195,000
2023	-	-	-	-	2.25%	195,000
2024	-	-	-	-	2.25%	200,000
2025	-	-	-	-	2.50%	205,000
2026	-	-	-	-	2.50%	210,000
2027	-	-	-	-	2.50%	215,000
2028	-	-	-	-	2.75%	220,000
2029	-	-	-	-	2.75%	225,000
2030	-	-	-	-	3.00%	235,000
2031	-	-	-	-	3.00%	240,000
2032	-	-	-	-	3.25%	245,000
2033	-	-	-	-	3.50%	255,000
2034	-	-	-	-	3.50%	265,000
Total		<u>\$ 505,000</u>		<u>\$ 525,000</u>		<u>\$ 3,460,000</u>

Year Ending June 30,	Corporate Purpose Bond		Urban Renewal		Total
	Issued Jul 6, 2017		Issued Jul 6, 2017		
	Interest Rates	Amount	Interest Rates	Amount	
2019	2.00%	\$ 185,000	1.55%	\$ 125,000	2,050,000
2020	2.25%	190,000	1.75%	125,000	2,105,000
2021	2.25%	195,000	2.00%	125,000	1,875,000
2022	2.25%	200,000	2.20%	130,000	1,925,000
2023	2.50%	200,000	2.40%	135,000	1,680,000
2024	2.50%	205,000		-	1,590,000
2025	2.75%	215,000		-	1,590,000
2026	2.75%	220,000		-	1,645,000
2027	2.75%	225,000		-	1,695,000
2028		-		-	1,420,000
2029		-		-	1,460,000
2030		-		-	1,510,000
2031		-		-	785,000
2032		-		-	800,000
2033		-		-	255,000
2034		-		-	265,000
Total		\$ 1,835,000		\$ 640,000	\$ 22,650,000

OBLIGATION BONDS

Refunding Bond		Swimming Pool & Refunding Bonds		Corporate Purpose Bond	
Issued Mar 9, 2015		Issued Jun 16, 2016		Issued Jan 3, 2017	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2.00%	\$ 135,000	2.00%	\$ 655,000	2.00%	\$ 385,000
2.00%	140,000	2.00%	680,000	3.00%	395,000
2.25%	140,000	1.25%	690,000	3.00%	410,000
2.25%	145,000	1.35%	705,000	3.00%	420,000
-	-	2.00%	720,000	3.00%	430,000
-	-	2.00%	740,000	3.00%	445,000
-	-	2.00%	715,000	3.00%	455,000
-	-	2.00%	740,000	3.00%	475,000
-	-	2.25%	765,000	3.00%	490,000
-	-	2.25%	700,000	3.00%	500,000
-	-	2.25%	720,000	3.00%	515,000
-	-	2.25%	740,000	3.00%	535,000
-	-	-	-	3.00%	545,000
-	-	-	-	3.00%	555,000
-	-	-	-	-	-
-	-	-	-	-	-
	\$ 560,000		\$ 8,570,000		\$ 6,555,000

CITY OF NORWALK

Schedule 3
(Continued)

Bond and Note Maturities
June 30, 2018

Year Ending June 30,	REVENUE BONDS	
	Water Bonds	
	Issued Feb 7, 2000	
	Interest Rates	Amount
2019	4%	\$ 77,000
2020	4%	80,000
		<u>\$ 157,000</u>

See accompanying independent auditor's report.

CITY OF NORWALK

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Receipts				
Property tax	\$ 5,488,820	5,384,093	5,104,840	4,376,329
Tax increment financing collections	3,490,844	2,374,560	1,906,726	2,610,463
Other city tax	1,242,419	1,204,905	301,482	301,237
Licenses and permits	486,061	523,566	297,877	389,744
Use of money and property	114,855	113,993	122,073	111,069
Intergovernmental	1,344,587	1,430,414	1,194,723	1,006,313
Charges for service	1,059,562	1,074,472	913,836	917,080
Special assessments	131,656	79,345	-	-
Miscellaneous	952,607	679,990	351,217	370,836
Total	<u>\$ 14,311,411</u>	<u>12,865,338</u>	<u>10,192,774</u>	<u>10,083,071</u>
Disbursements				
Operating				
Public safety	3,821,229	3,322,744	2,942,380	2,601,392
Public works	1,870,159	1,735,670	1,468,991	1,427,091
Health and social services	9,674	9,926	10,438	7,000
Culture and recreation	1,358,601	1,138,315	1,060,426	1,062,658
Community and economic development	1,624,362	2,723,023	951,519	1,064,191
General government	870,645	683,900	720,737	596,861
Debt service	2,860,868	2,606,444	2,219,583	2,776,005
Capital projects	5,704,488	5,692,193	3,567,161	838,975
Total	<u>\$ 18,120,026</u>	<u>17,912,215</u>	<u>12,941,235</u>	<u>10,374,173</u>

See accompanying independent auditor's report.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
4,255,484	4,310,453	3,888,543	3,200,448	3,103,479	2,981,456
2,491,735	1,348,827	2,140,586	1,820,225	1,436,406	902,715
293,253	293,909	306,967	267,470	272,997	261,165
316,861	192,108	167,352	157,712	143,630	126,234
95,671	72,446	67,655	90,784	84,212	131,671
988,111	929,598	936,821	1,157,222	823,439	766,086
871,376	837,238	808,450	760,324	727,348	681,247
-	-	-	-	-	-
<u>1,599,567</u>	<u>476,162</u>	<u>621,837</u>	<u>262,389</u>	<u>263,611</u>	<u>187,943</u>
<u>10,912,058</u>	<u>8,460,741</u>	<u>8,938,211</u>	<u>7,716,574</u>	<u>6,855,122</u>	<u>6,038,517</u>
2,879,292	3,341,804	2,837,904	3,210,776	2,952,778	2,373,942
1,734,437	1,363,156	1,531,617	1,618,597	1,227,318	1,376,426
9,464	6,000	7,655	9,150	3,150	3,150
1,063,487	1,025,486	1,022,186	937,365	960,937	905,575
1,732,115	744,800	846,408	732,164	489,294	260,807
678,482	604,369	617,892	685,978	540,786	604,015
2,021,490	4,804,575	2,536,235	3,236,356	1,627,389	1,698,399
<u>364,743</u>	<u>567,448</u>	<u>3,920,141</u>	<u>7,267,099</u>	<u>1,311,028</u>	<u>1,281,073</u>
<u>10,483,510</u>	<u>12,457,638</u>	<u>13,320,038</u>	<u>17,697,485</u>	<u>9,112,680</u>	<u>8,503,387</u>



Shull, Schrum, McClaflin
& 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, 2018, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 2, 2019. 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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.

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.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2018 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.

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.

Shull, Schrum, McClellan & Co., Inc.

January 2, 2019

CITY OF NORWALK

Schedule of Findings
Year ended June 30, 2018

Part I: Findings Related to the Financial Statements:

Not applicable

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-18 Certified Budget - Disbursements during the year ended June 30, 2018, did not exceed the amounts budgeted.
- II-B-18 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-18 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-18 Business Transactions - No business transactions between the City and City officials or employees were noted.
- II-E-18 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-18 City Council Minutes - No transactions were found that we believe should have been approved in the City Council minutes but were not.
- II-G-18 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-18 Revenue Bonds - No violations of provisions of revenue bond resolution requirements were noted.
- II-I-18 Annual Urban Renewal Report - The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.