

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

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**June 30, 2019**



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

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# CITY OF NORWALK

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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
Lindsey Offenburger	Clerk	Indefinite
James Dougherty	Attorney	Indefinite



Shull, Schrum, McClaflin  
& 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, 2019, 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, 2019, 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.

### Other Matters

#### *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, 2018 (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 48 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 6, 2020 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 6, 2020

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, 2019. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

**2019 FINANCIAL HIGHLIGHTS**

Receipts of the City's governmental activities increased \$3,302,492 from fiscal 2018 to fiscal 2019 due to bond proceeds yet to be spent. Property tax receipts increased approximately 6% or \$330,482 due to property value growth. Capital grants, contributions and restricted interest increased \$529,739 mainly due to RISE grants.

Disbursements of the City's governmental activities increased \$423,455. Capital projects decreased \$364,484. Public safety and public works increased \$345,429 and \$255,515 respectively. This was due to an increase in public safety staff and street maintenance projects.

The City's total cash basis net position increased \$3,843,012. This includes all funds and is mainly due to bond proceeds for capital projects not yet spent. Of the total, the cash basis net position increased \$1,510,638 for governmental activities and \$2,332,374 for enterprise funds (water, sewer, and storm water).

**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 increased \$1,510,638 from a year ago primarily due to bond proceeds for capital projects received in 2019 but not yet spent. 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,	
	2019	2018
Receipts		
Program receipts		
Charges for service	\$ 1,984,913	1,721,793
Operating grants, contributions and restricted interest	1,903,141	2,223,385
Capital grants, contributions and restricted interest	558,562	28,823
General receipts		
Property tax	5,819,301	5,488,819
Tax increment financing	3,219,253	3,490,844
Commercial/industrial tax replacement	77,519	-
Utility tax replacement excise tax	295,897	305,991
Local option sales tax	934,891	936,429
Unrestricted interest on investments	198,546	54,287
Bond and loan proceeds	5,319,002	2,811,916
Other general receipts	114,794	61,040
Total receipts	<u>20,425,819</u>	<u>17,123,327</u>
Disbursements		
Public safety	4,166,658	3,821,229
Public works	2,125,674	1,870,159
Health and social services	10,000	9,674
Culture and recreation	1,334,923	1,358,601
Community and economic development	1,471,373	1,624,362
General government	1,036,540	870,645
Debt service	3,058,309	2,860,868
Capital projects	<u>5,340,004</u>	<u>5,704,488</u>
Total disbursements	<u>18,543,481</u>	<u>18,120,026</u>
Change in cash basis net position before transfers	1,882,338	(996,699)
Transfers, net	<u>(371,700)</u>	<u>50,400</u>
Change in cash basis net position	1,510,638	(946,299)
Cash basis net position beginning of year	<u>8,313,455</u>	<u>9,259,754</u>
Cash basis net position end of year	<u>\$ 9,824,093</u>	<u>8,313,455</u>

# CITY OF NORWALK

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The cost of all governmental activities this year was \$18,543,481 compared to \$18,120,026 last year. However, as shown in the Statement of Activities and Net Position on pages 14-17, the amount taxpayers ultimately financed for these activities was \$14,096,865 because some of the cost was paid by those directly benefited from the programs (\$1,984,913) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$2,461,703). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, tax increment financing, local option sales & service tax and miscellaneous receipts.

Changes in Cash Basis Net Position of Business Type Activities			
		Year ended June 30,	
		2019	2018
Receipts and transfers			
Program receipts			
Charges for service			
Water	\$	2,172,015	2,423,795
Sewer		2,602,355	2,567,962
Storm water		528,791	420,404
Operating grants, contributions and restricted interest		291,749	424,929
General receipts			
Unrestricted interest on investment		163,135	30,723
Bond proceeds		4,195,154	-
Total receipts		<u>9,953,199</u>	<u>5,867,813</u>
Disbursements			
Water		4,065,307	2,011,631
Sewer		3,411,862	1,984,650
Other non major		515,356	282,140
Total disbursements and transfers		<u>7,992,525</u>	<u>4,278,421</u>
Change in cash basis net position before transfers		1,960,674	1,589,392
Transfers, net		<u>371,700</u>	<u>(50,400)</u>
Change in cash basis net position		2,332,374	1,538,992
Cash basis net position beginning of year		<u>6,134,522</u>	<u>4,595,530</u>
Cash basis net position end of year	\$	<u>8,466,896</u>	<u>6,134,522</u>

Total business type activities receipts for the fiscal year 2019 were \$9,953,199 compared to \$5,867,813 last year. Total disbursements for the fiscal year increased by 87% or a total of \$3,714,104 due to capital projects in FY19.



## 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 \$9,824,093, an increase of more than \$1,510,000 from last year's total of \$8,313,455. 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 \$206,697 from the prior year to \$2,441,383.
- The Road Use Tax Fund cash balance decreased \$1,739 during the fiscal year to \$1,079,597.
- The Employee Benefits Levy Fund cash balance increased \$148,625 to \$847,802.
- The Urban Renewal Tax Increment Fund cash balance increased \$117,785 to \$942,419 of which \$345,918 will be transferred to a restricted fund to be utilized for LMI purposes in FY20.
- The Debt Service Fund cash balance decreased \$122,062 to \$487,814.
- The combined Capital Projects Funds increased \$882,429.

#### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance, including CIP funds, increased \$2,955,443 to \$5,702,503.
- The Sewer Fund cash balance, including CIP funds, decreased \$754,406 to \$1,754,730 due to paying off the WRA surcharge amount.

#### BUDGETARY HIGHLIGHTS

The City amended its budget on May 2, 2019. The revenues were amended \$1,898,000 mainly due to building permits issued, special assessments and charges for services. The expenses were amended \$2,403,300 due to public safety wages and equipment, street construction, IT equipment and services and capital projects.

#### DEBT ADMINISTRATION

At June 30, 2019, the City had \$29,875,000 in bonds and other long-term debt, compared to \$22,807,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2019	2018
General obligation bonds	\$ 25,595,000	22,650,000
Revenue bonds	4,280,000	157,000
Total	\$ 29,875,000	22,807,000

## CITY OF NORWALK

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

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 \$25,595,000 is 62% of its constitutional debt limit of approximately \$41.5 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 provide 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 continue to be reviewed 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, 2019

		<u>Program</u>
	<u>Disbursements</u>	<u>Charges for Service</u>
<b>Functions / Programs:</b>		
Governmental activities:		
Public safety	\$ 4,166,658	893,208
Public works	2,125,674	625,744
Health and social services	10,000	-
Culture and recreation	1,334,923	187,653
Community and economic development	1,471,373	114,016
General government	1,036,540	5,521
Debt service	3,058,309	158,771
Capital projects	<u>5,340,004</u>	<u>-</u>
Total governmental activities	<u>18,543,481</u>	<u>1,984,913</u>
Business type activities:		
Water	4,065,307	2,172,015
Sewer	3,411,862	2,602,355
Storm Water	<u>515,356</u>	<u>528,791</u>
Total business type activities	<u>7,992,525</u>	<u>5,303,161</u>
Total	<u><u>\$ 26,536,006</u></u>	<u><u>7,288,074</u></u>

### General Receipts and Transfers:

Property tax levied for:
General purposes
Debt service
Employee benefits
Insurance
Tax increment financing
Commercial/industrial tax replacement
Utility tax replacement excise tax
Local option sales tax
Unrestricted interest on investments
Bond proceeds, net of discount
Miscellaneous
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
202,819	-	(3,070,631)	-	(3,070,631)
1,282,124	-	(217,806)	-	(217,806)
-	-	(10,000)	-	(10,000)
175,797	25,649	(945,824)	-	(945,824)
1,574	-	(1,355,783)	-	(1,355,783)
240,827	-	(790,192)	-	(790,192)
-	-	(2,899,538)	-	(2,899,538)
-	532,913	(4,807,091)	-	(4,807,091)
1,903,141	558,562	(14,096,865)	-	(14,096,865)
221,552	-	-	(1,671,740)	(1,671,740)
70,197	-	-	(739,310)	(739,310)
-	-	-	13,435	13,435
291,749	-	-	(2,397,615)	(2,397,615)
2,194,890	558,562	(14,096,865)	(2,397,615)	(16,494,480)
		2,927,272	-	2,927,272
		1,154,361	-	1,154,361
		1,542,825	-	1,542,825
		194,843	-	194,843
		3,219,253	-	3,219,253
		77,519	-	77,519
		295,897	-	295,897
		934,891	-	934,891
		198,546	163,135	361,681
		5,319,002	4,195,154	9,514,156
		114,794	-	114,794
		(371,700)	371,700	-
		15,607,503	4,729,989	20,337,492

CITY OF NORWALK

Cash Basis Statement of Activities and Net Position  
As of and for the year ended June 30, 2019

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

**Cash Basis Net Position**

Restricted, expendable

Debt service

Urban renewal purposes

Streets

Other purposes

Unrestricted

**Total cash basis net position**

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
1,510,638	2,332,374	3,843,012
<u>8,313,455</u>	<u>6,134,522</u>	<u>14,447,977</u>
<u>\$ 9,824,093</u>	<u>8,466,896</u>	<u>18,290,989</u>
487,814	337,009	824,823
942,419	-	942,419
1,079,597	-	1,079,597
1,741,013	2,605,942	4,346,955
<u>5,573,250</u>	<u>5,523,945</u>	<u>11,097,195</u>
<u>\$ 9,824,093</u>	<u>8,466,896</u>	<u>18,290,989</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, 2019

		Special Revenue		
	General	Road Use Tax	Employee Benefits Levy	Urban Renewal Tax Increment
<b>Receipts</b>				
Property tax	\$ 3,122,114	-	1,542,825	-
Tax increment financing collections	-	-	-	3,219,253
Other city tax	192,456	-	85,077	-
Licenses and permits	538,991	-	-	-
Use of money and property	184,636	20,093	12,894	25,543
Intergovernmental	216,868	1,170,624	10,694	34,328
Charges for service	1,196,564	-	-	-
Special assessments	-	-	-	-
Miscellaneous	370,381	76,774	51,964	-
Total receipts	<u>5,822,010</u>	<u>1,267,491</u>	<u>1,703,454</u>	<u>3,279,124</u>
<b>Disbursements</b>				
Operating				
Public safety	3,193,399	-	925,776	-
Public works	681,114	1,269,230	175,330	-
Health and social services	10,000	-	-	-
Culture and recreation	1,141,188	-	176,703	-
Community and economic development	228,471	-	21,321	1,096,539
General government	805,841	-	230,699	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>6,060,013</u>	<u>1,269,230</u>	<u>1,529,829</u>	<u>1,096,539</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(238,003)</u>	<u>(1,739)</u>	<u>173,625</u>	<u>2,182,585</u>
<b>Other financing sources (uses)</b>				
Bond and note proceeds, net of discount	-	-	-	-
Operating transfers in (out)	444,700	-	(25,000)	(2,064,800)
Total other financing sources (uses)	<u>444,700</u>	<u>-</u>	<u>(25,000)</u>	<u>(2,064,800)</u>

Debt Service	Capital Projects		Other Nonmajor Governmental Funds	Total
	Parks and Trails	Commercial Infrastructure		
1,154,361	-	-	-	5,819,300
-	-	-	-	3,219,253
49,916	-	-	934,891	1,262,340
-	-	-	-	538,991
23,627	-	-	1,358	268,151
36,635	-	532,913	-	2,002,062
-	-	-	-	1,196,564
158,771	-	-	-	158,771
47,937	32,842	-	109,424	689,322
<u>1,471,247</u>	<u>32,842</u>	<u>532,913</u>	<u>1,045,673</u>	<u>15,154,754</u>
-	-	-	47,483	4,166,658
-	-	-	-	2,125,674
-	-	-	-	10,000
-	-	-	17,032	1,334,923
-	-	-	125,042	1,471,373
-	-	-	-	1,036,540
3,058,309	-	-	-	3,058,309
-	868,145	1,775,888	2,695,971	5,340,004
<u>3,058,309</u>	<u>868,145</u>	<u>1,775,888</u>	<u>2,885,528</u>	<u>18,543,481</u>
<u>(1,587,062)</u>	<u>(835,303)</u>	<u>(1,242,975)</u>	<u>(1,839,855)</u>	<u>(3,388,727)</u>
-	1,685,000	1,843,065	1,743,000	5,271,065
<u>1,465,000</u>	<u>-</u>	<u>-</u>	<u>(191,600)</u>	<u>(371,700)</u>
<u>1,465,000</u>	<u>1,685,000</u>	<u>1,843,065</u>	<u>1,551,400</u>	<u>4,899,365</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, 2019

		Special Revenue		
	General	Road Use Tax	Employee Benefits Levy	Urban Renewal Tax Increment
Change in cash balances	206,697	(1,739)	148,625	117,785
Cash balances beginning of year	<u>2,234,686</u>	<u>1,081,336</u>	<u>699,177</u>	<u>824,634</u>
Cash balances end of year	<u>\$ 2,441,383</u>	<u>1,079,597</u>	<u>847,802</u>	<u>942,419</u>
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Debt service	\$ -	-	-	-
Urban renewal purposes	-	-	-	942,419
Streets	-	1,079,597	-	-
Other purposes	-	-	847,802	-
Assigned	-	-	-	-
Unassigned	<u>2,441,383</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 2,441,383</u>	<u>1,079,597</u>	<u>847,802</u>	<u>942,419</u>

See notes to financial statements.

Exhibit B  
(Continued)

Debt Service	Capital Projects		Other Nonmajor Governmental Funds	Total
	Parks and Trails	Commercial Infrastructure		
(122,062)	849,697	600,090	(288,455)	1,510,638
<u>609,876</u>	<u>-</u>	<u>632,131</u>	<u>2,231,615</u>	<u>8,313,455</u>
<u>487,814</u>	<u>849,697</u>	<u>1,232,221</u>	<u>1,943,160</u>	<u>9,824,093</u>
487,814	-	-	-	487,814
-	-	-	-	942,419
-	-	-	-	1,079,597
-	-	-	893,211	1,741,013
-	849,697	1,232,221	1,049,949	3,131,867
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,441,383</u>
<u>487,814</u>	<u>849,697</u>	<u>1,232,221</u>	<u>1,943,160</u>	<u>9,824,093</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, 2019

	<u>Enterprise</u>	
	<u>Water</u>	<u>Sewer</u>
Operating receipts		
Charges for service	\$ 2,172,015	2,602,355
Operating disbursements		
Business type activities	1,476,963	2,988,767
Excess of operating receipts over operating disbursements	695,052	(386,412)
Non-operating receipts (disbursements)		
Interest on investments	110,829	34,404
Miscellaneous	221,552	70,197
Bond proceeds	4,195,154	-
Debt service	(188,080)	-
Capital projects	(2,400,264)	(423,095)
Net non-operating receipts (disbursements)	1,939,191	(318,494)
Excess of receipts over disbursements	2,634,243	(704,906)
Transfers in (out)	321,200	(49,500)
Change in cash balances	2,955,443	(754,406)
Cash balances beginning of year	2,747,060	2,509,136
Cash balances end of year	\$ 5,702,503	1,754,730
<b>Cash Basis Fund Balances</b>		
Restricted for debt service	\$ 337,009	-
Restricted for capital projects	2,605,942	-
Unrestricted	2,759,552	1,754,730
Total cash basis fund balances	\$ 5,702,503	1,754,730

See notes to financial statements.

Funds	
Other Nonmajor Storm Water	Total
528,791	5,303,161
515,356	4,981,086
13,435	322,075
17,902	163,135
-	291,749
-	4,195,154
-	(188,080)
-	(2,823,359)
17,902	1,638,599
31,337	1,960,674
100,000	371,700
131,337	2,332,374
878,326	6,134,522
1,009,663	8,466,896
-	337,009
-	2,605,942
1,009,663	5,523,945
1,009,663	8,466,896

# CITY OF NORWALK

## Notes to Financial Statements June 30, 2019

### 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, 2019

### 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, 2019

### 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 Parks and Trails Capital Projects Fund is used to account for all resources used in the construction of park and trail improvements.

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 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. 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, 2019

#### 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 City 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, 2019

#### 2. Cash and Pooled Investments

The City's deposits at June 30, 2019 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, 2019.

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, 2019

### 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		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 2,675,000	654,463	245,000	137,763	2,920,000	792,226
2021	2,460,000	591,930	170,000	131,412	2,630,000	723,342
2022	2,525,000	537,118	175,000	126,313	2,700,000	663,431
2023	2,300,000	479,307	180,000	121,062	2,480,000	600,369
2024	2,235,000	420,643	185,000	115,663	2,420,000	536,306
2025	2,010,000	362,812	195,000	110,112	2,205,000	472,924
2026	2,080,000	311,225	200,000	104,263	2,280,000	415,488
2027	2,140,000	257,825	205,000	98,262	2,345,000	356,087
2028	1,875,000	201,000	210,000	92,113	2,085,000	293,113
2029	1,680,000	150,550	215,000	85,812	1,895,000	236,362
2030	1,510,000	106,112	225,000	79,255	1,735,000	185,367
2031	785,000	66,363	230,000	72,168	1,015,000	138,531
2032	800,000	42,812	240,000	64,692	1,040,000	107,504
2033	255,000	18,200	245,000	56,653	500,000	74,853
2034	265,000	9,275	255,000	48,322	520,000	57,597
2035	-	-	265,000	39,525	265,000	39,525
2036	-	-	270,000	30,250	270,000	30,250
2037	-	-	280,000	20,665	280,000	20,665
2038	-	-	290,000	10,585	290,000	10,585
Total	<u>\$ 25,595,000</u>	<u>4,209,635</u>	<u>4,280,000</u>	<u>1,544,890</u>	<u>29,875,000</u>	<u>5,754,525</u>

### Revenue Bonds and Notes

Two issues of unmatured revenue notes, totaling \$4,280,000 are outstanding at June 30, 2019. These notes bear interest at rates from 3.00% to 3.65% per annum and mature in varying annual amounts ranging from \$170,000 to \$290,000, with the final maturity due in the year ending June 30, 2038.

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 5% of net receipts. The total principal and interest remaining to be paid on the notes is \$81,400. For the current year, principal and interest paid and total customer net receipts were \$79,747 and \$1,476,963, respectively.

## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2019

#### 3. Bonds and Notes Payable (Continued)

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$4,200,000 of water revenue bonds, issued in September 2018. Proceeds from the notes provided financing for constructing extensions and improvements to the water utility. The notes are payable solely from water customer net receipts and are payable through 2038. Annual principal and interest payments on the notes are expected to require less than 7% of net receipts. The total principal and interest remaining to be paid on the notes is \$5,743,490. For the current year, principal and interest paid and total customer net receipts were \$107,954 and \$1,476,963, respectively.

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) Sufficient monthly transfers shall then be made to a separate water revenue sinking fund within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) A reserve fund shall be established and maintained in the amount of \$305,112. This fund is restricted for the purpose of paying bond principal and interest payments when insufficient money is available in the sinking fund.
- (d) Water user rates shall be established at a level which produces net revenues at a level not less than 125% of the amount annual installments of principal and interest due on the bonds during the same year.

#### General Obligation Bonds

Ten issues of unmatured general obligation bonds totaling \$25,595,000 are outstanding at June 30, 2019. General obligation bonds bear interest at rates ranging from 0.60% to 3.50% per annum and mature in varying annual amounts, ranging from \$125,000 to \$555,000, with the final maturities due in the year ending June 30, 2034.

In August 2018 the City issued \$4,155,000 of General Obligation 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 September 2018 the City issued \$1,100,000 of Taxable General Obligation Urban Renewal Bonds. The proceeds from the bonds are to pay the costs, to the extent, of undertaking an urban renewal project consisting of providing an economic development grant to a private developer in connection with the development of certain commercial property, including the construction of public infrastructure and a new retail plaza.

## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2019

#### 4. 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.

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.

#### 5. 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 of 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.



## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2019

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

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, 2018, (the most recent year for which information is available) the Series 2015E bonds had a balance of \$29,665,000 and the City of Norwalk's estimated future allocation based on the WRA flows is currently \$872,326, or 2.94%. As of the June 30, 2018, the Series 2013B bonds had a balance of \$48,730,000 and the City of Norwalk's estimated future allocation based on the WRA flows is currently \$1,341,411, or 2.75%. 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, 2018, the WRA had \$279,527,264 in outstanding State Revolving Loans, of which \$7,511,434, or 2.68% 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, 2019, the City paid the WRA \$2,414,400 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](http://www.dmmwra.org).

#### 6. 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 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.

## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2019

#### 6. Pension Plan (Continued)

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.

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 and may retire any time after reaching age 50 with 22 or more years of covered employment.

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 on 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.

## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2019

#### 6. Pension Plan (Continued)

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 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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%.

The City's contributions to IPERS for the year ended June 30, 2019 totaled \$437,543.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$1,861,179 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the City's proportion was .0294107%, which was an increase of .000868% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2019 the City's pension expense, deferred outflows and deferred inflows totaled \$415,599, \$872,337 and \$578,294 respectively. Deferred outflows represent expenditures not yet recognized as expense and deferred inflows represent reductions in expense not yet received.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

# CITY OF NORWALK

## Notes to Financial Statements - Continued June 30, 2019

### 6. 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, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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	22.0%	6.01%
International Equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core Plus Fixed Income	27.0	1.97
Public Credit	3.5	3.93
Public Real Assets	7.0	2.91
Cash	1.0	(0.25)
Private Equity	11.0	10.81
Private Real Assets	7.5	4.14
Private Credit	3.0	3.11
Total	<u>100.0%</u>	

# CITY OF NORWALK

## Notes to Financial Statements - Continued June 30, 2019

### 6. Pension Plan (Continued)

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 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	\$4,240,373	\$1,861,179	\$(132,993)

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](http://www.ipers.org).

### 7. Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2019, the City contributed \$691,720 and plan members eligible for benefits contributed \$36,482 to the plan. At June 30, 2019, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the City of Norwalk and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

# CITY OF NORWALK

## Notes to Financial Statements - Continued June 30, 2019

### 7. Other Postemployment Benefits (OPEB) (Continued)

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payme	0
Active employees	52
Total	<u>52</u>

### 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, 2019, primarily relating to the General Fund, was \$316,490, computed based on rates of pay as of June 30, 2019.

### 9. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
General Fund	Special Revenue:	
	Local Option Sales and Service Tax	\$ 344,700
	Park Trust	43,000
	Capital Project:	
	Storm Water Detention	60,000
		<u>447,700</u>
Debt Service:	Special Revenue:	
	Urban Renewal Tax Increment	1,415,500
	Enterprise:	
	Sewer	49,500
		<u>1,465,000</u>
Special Revenue:		
Self Fund Deductible	Special Revenue:	
	Employee benefits levy	25,000
		<u>25,000</u>
Economic Development	Special Revenue:	
	Urban Renewal Tax Increment	153,100
		<u>153,100</u>

# CITY OF NORWALK

## Notes to Financial Statements - Continued June 30, 2019

### 9. Interfund Transfers (Continued)

Capital Project:		
Public Works CIP	Special Revenue:	
	Local Option Sales and Service Tax	<u>100,000</u>
Library CIP HVAC Project		
	Special Revenue:	
	Local Option Sales and Service Tax	<u>200,000</u>
Community Betterment		
	General	3,000
	Special Revenue:	
	Urban Renewal Tax Increment	75,000
	Economic Development	<u>3,490</u>
		<u>81,490</u>
Enterprise:		
Water	Special Revenue:	
	Urban Renewal Tax Increment	<u>321,200</u>
Storm Water		
	Special Revenue:	
	Urban Renewal Tax Increment	<u>100,000</u>
		<u>\$ 2,893,490</u>

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

### 10. 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, 2019 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2019, the City paid workers' compensation insurance premiums of \$148,352 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 \$10,590.



## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2019

#### 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 which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2019, the City abated \$1,061,921 of property tax under the urban renewal and economic development projects.

#### 13. Subsequent Events and Other Commitments

The City has entered into contracts totaling \$4,489,325 for various infrastructure projects. At June 30, 2019, \$3,123,244 of the contracts was completed. The remaining amount of the contracts will be paid as work on the projects progress.



## **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, 2019

	Governmental Funds Actual	Proprietary Funds Actual
Receipts		
Property tax	\$ 5,819,300	-
Tax increment financing collections	3,219,253	-
Other city tax	1,262,340	-
Licenses and permits	538,991	-
Use of money and property	268,151	163,135
Intergovernmental	2,002,062	-
Charges for service	1,196,564	5,303,161
Special assessments	158,771	-
Miscellaneous	<u>689,322</u>	<u>291,749</u>
Total receipts	<u>15,154,754</u>	<u>5,758,045</u>
Disbursements		
Public safety	4,166,658	-
Public works	2,125,674	-
Health and social services	10,000	-
Culture and recreation	1,334,923	-
Community and economic development	1,471,373	-
General government	1,036,540	-
Debt service	3,058,309	-
Capital projects	5,340,004	-
Business type activities	-	7,992,525
Total disbursements	<u>18,543,481</u>	<u>7,992,525</u>
Excess (deficiency) of receipts over (under) disbursements	(3,388,727)	(2,234,480)
Other financing sources (uses), net	<u>4,899,365</u>	<u>4,566,854</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,510,638	2,332,374
Balances beginning of year	<u>8,313,455</u>	<u>6,134,522</u>
Balances end of year	<u>\$ 9,824,093</u>	<u>8,466,896</u>

Total	Budgeted Amounts		Final to Net Variance
	Original	Final	
5,819,300	5,857,136	5,857,136	(37,836)
3,219,253	3,190,300	3,190,300	28,953
1,262,340	985,367	985,367	276,973
538,991	346,400	436,400	102,591
431,286	90,700	275,700	155,586
2,002,062	2,236,830	2,236,830	(234,768)
6,499,725	5,967,000	6,257,000	242,725
158,771	35,000	55,000	103,771
981,071	416,200	636,200	344,871
<u>20,912,799</u>	<u>19,124,933</u>	<u>19,929,933</u>	<u>982,866</u>
4,166,658	4,150,100	4,254,600	87,942
2,125,674	2,007,200	2,172,200	46,526
10,000	15,000	15,000	5,000
1,334,923	1,412,000	1,468,000	133,077
1,471,373	2,040,000	2,066,300	594,927
1,036,540	915,900	1,059,600	23,060
3,058,309	2,906,600	3,080,100	21,791
5,340,004	6,929,000	7,270,300	1,930,296
7,992,525	8,613,600	10,006,600	2,014,075
<u>26,536,006</u>	<u>28,989,400</u>	<u>31,392,700</u>	<u>4,856,694</u>
(5,623,207)	(9,864,467)	(11,462,767)	5,839,560
<u>9,466,219</u>	<u>8,278,000</u>	<u>9,371,000</u>	<u>95,219</u>
3,843,012	(1,586,467)	(2,091,767)	5,934,779
<u>14,447,977</u>	<u>11,647,276</u>	<u>11,647,276</u>	<u>2,800,701</u>
<u>18,290,989</u>	<u>10,060,809</u>	<u>9,555,509</u>	<u>8,735,480</u>

## CITY OF NORWALK

### Notes to Other Information – Budgetary Reporting June 30, 2019

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 \$2,403,300. 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 Five Years\*

#### Other Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.0294107%	0.0285428%	0.0265264%	0.0222150%	0.0180458%
City's proportionate share of the net pension liability	\$ 1,861,179	\$ 1,901,313	\$ 1,669,391	\$ 1,097,528	\$ 715,680
City's covered-employee payroll	\$ 4,465,485	\$ 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	41.68%	47.75%	46.22%	34.64%	24.01%
IPERS' net position as a percentage of the total pension liability	83.62%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 437,543	371,940	341,051	296,526
Contributions in relation to the statutorily required contribution	<u>(437,543)</u>	<u>(371,940)</u>	<u>(341,051)</u>	<u>(296,526)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$4,465,485	3,611,921	3,611,921	3,168,373
Contributions as a percentage of covered-employee payroll	9.80%	10.30%	9.44%	9.36%

See accompanying independent auditor's report.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
284,375	270,098	261,631	238,478	222,105	196,518
<u>(284,375)</u>	<u>(270,098)</u>	<u>(261,631)</u>	<u>(238,478)</u>	<u>(222,105)</u>	<u>(196,518)</u>
<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
2,981,121	2,840,700	2,800,930	2,688,121	2,706,313	2,551,402
9.54%	9.51%	9.34%	8.87%	8.21%	7.70%

## CITY OF NORWALK

### Notes to Other Information – Pension Liability

Year ended June 30, 2019

#### 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 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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.



## CITY OF NORWALK

### Notes to Other Information – Pension Liability - Continued

Year ended June 30, 2019

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, 2019

				Special	
	Police and Fire Trust	Self Fund Deductible	Local Option Sales and Service Tax	HIDTA Forfeiture	Economic Development
Receipts					
Other city tax	\$ -	-	934,891	-	-
Use of money and property	-	-	-	-	-
Miscellaneous	18,829	-	-	-	1,294
Total receipts	18,829	-	934,891	-	1,294
Disbursements					
Operating					
Public safety	47,483	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	-	-	-	125,042
Capital projects	-	-	-	-	-
Total disbursements	47,483	-	-	-	125,042
Excess (deficiency) of receipts over (under) disbursements	(28,654)	-	934,891	-	(123,748)
Other financing uses					
Bond and loan proceeds	-	-	-	-	-
Operating transfers in (out)	-	25,000	(644,700)	-	149,610
Total other financing sources (uses)	-	25,000	(644,700)	-	149,610
Change in cash balances	(28,654)	25,000	290,191	-	25,862
Cash balances beginning of year	38,595	43,697	449,950	20,289	49,497
Cash balances end of year	\$ 9,941	68,697	740,141	20,289	75,359
Cash Basis Fund Balances					
Restricted for:					
Other purposes	\$ 9,941	68,697	740,141	20,289	-
Committed	-	-	-	-	75,359
Total cash basis fund balances	\$ 9,941	68,697	740,141	20,289	75,359

## Schedule 1

Revenue			Capital				
Plumbers Bonds	Library Trust	Park Trust	Governmental Equipment Replacement	Pool	Public Works CIP	Signal Project	NCIS Infrastructure
-	-	-	-	-	-	-	-
-	343	1,015	-	-	-	-	-
-	5,073	20,106	-	-	-	-	-
-	5,416	21,121	-	-	-	-	-
-	-	-	-	-	-	-	-
-	11,034	5,998	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	383,330	-	1,191,850	3,190	913,613
-	11,034	5,998	383,330	-	1,191,850	3,190	913,613
-	(5,618)	15,123	(383,330)	-	(1,191,850)	(3,190)	(913,613)
-	-	-	293,000	-	1,450,000	-	-
-	-	(43,000)	-	-	100,000	-	-
-	-	(43,000)	293,000	-	1,550,000	-	-
-	(5,618)	(27,877)	(90,330)	-	358,150	(3,190)	(913,613)
10,397	17,512	70,126	30,223	18,528	4	3,190	1,123,983
10,397	11,894	42,249	(60,107)	18,528	358,154	-	210,370
-	11,894	42,249	-	-	-	-	-
10,397	-	-	(60,107)	18,528	358,154	-	210,370
10,397	11,894	42,249	(60,107)	18,528	358,154	-	210,370

## 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, 2019

	Projects				
	Storm Water Detention	Library CIP HVAC Project	Community Betterment	50th Street Bridge	Total
Receipts					
Other city tax	-	-	-	-	\$ 934,891
Use of money and property	-	-	-	-	1,358
Miscellaneous	-	14,662	49,460	-	109,424
Total receipts	-	14,662	49,460	-	1,045,673
Disbursements					
Operating					
Public safety	-	-	-	-	47,483
Culture and recreation	-	-	-	-	17,032
Community and economic development	-	-	-	-	125,042
Capital projects	-	87,195	116,740	53	2,695,971
Total disbursements	-	87,195	116,740	53	2,885,528
Excess (deficiency) of receipts over (under) disbursements	-	(72,533)	(67,280)	(53)	(1,839,855)
Other financing uses					
Bond and loan proceeds	-	-	-	-	1,743,000
Operating transfers in (out)	(60,000)	200,000	81,490	-	(191,600)
Total other financing sources (uses)	(60,000)	200,000	81,490	-	1,551,400
Change in cash balances	(60,000)	127,467	14,210	(53)	(288,455)
Cash balances beginning of year	237,282	-	118,289	53	2,231,615
Cash balances end of year	177,282	127,467	132,499	-	1,943,160
Cash Basis Fund Balances					
Restricted for:					
Other purposes	-	-	-	-	893,211
Committed	177,282	127,467	132,499	-	1,049,949
Total cash basis fund balances	177,282	127,467	132,499	-	1,943,160

See accompanying independent auditors' report.

# CITY OF NORWALK

## Schedule of Indebtedness Year ended June 30, 2019

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
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
Corporate purpose	Aug 16, 2018	3	4,155,000
Urban renewal	Sept 25, 2018	3.00-3.30	1,100,000
Total			
Revenue bonds and notes:			
Water bonds	Feb 7, 2000	3.00	1,175,000
Water bonds	Aug 16, 2018	3.00-3.65	4,200,000

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 505,000	-	125,000	380,000	9,610
525,000	-	260,000	265,000	8,930
3,460,000	-	180,000	3,280,000	92,287
560,000	-	135,000	425,000	11,913
8,570,000	-	655,000	7,915,000	168,955
6,555,000	-	385,000	6,170,000	192,800
1,835,000	-	185,000	1,650,000	45,138
640,000	-	125,000	515,000	12,725
-	4,155,000	260,000	3,895,000	98,681
-	1,100,000	-	1,100,000	23,337
<u>22,650,000</u>	<u>5,255,000</u>	<u>2,310,000</u>	<u>25,595,000</u>	<u>664,376</u>
157,000	-	77,000	80,000	2,747
-	4,200,000	-	4,200,000	107,954
<u>157,000</u>	<u>4,200,000</u>	<u>77,000</u>	<u>4,280,000</u>	<u>110,701</u>
<u>\$ 22,807,000</u>	<u>9,455,000</u>	<u>2,387,000</u>	<u>29,875,000</u>	<u>775,077</u>

# CITY OF NORWALK

## Bond and Note Maturities June 30, 2019

### 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
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>\$ 380,000</u>		<u>\$ 265,000</u>		<u>\$ 3,280,000</u>

Year Ending June 30,	Corporate Purpose Bond		Urban Renewal		Corporate Purpose Bond	
	Issued Jul 6, 2017		Issued Jul 6, 2017		Issued Aug 16, 2018	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2020	2.25%	\$ 190,000	1.75%	\$ 125,000	3.00%	\$ 365,000
2021	2.25%	195,000	2.00%	125,000	3.00%	370,000
2022	2.25%	200,000	2.20%	130,000	3.00%	380,000
2023	2.50%	200,000	2.40%	135,000	3.00%	395,000
2024	2.50%	205,000	-	-	3.00%	410,000
2025	2.75%	215,000	-	-	3.00%	420,000
2026	2.75%	220,000	-	-	3.00%	435,000
2027	2.75%	225,000	-	-	3.00%	445,000
2028	-	-	-	-	3.00%	455,000
2029	-	-	-	-	3.00%	220,000
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
Total		<u>\$ 1,650,000</u>		<u>\$ 515,000</u>		<u>\$ 3,895,000</u>



## 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%	\$ 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
-	-	-	-	-	-
-	-	-	-	-	-
	<u>\$ 425,000</u>		<u>\$ 7,915,000</u>		<u>\$ 6,170,000</u>

Urban Renewal		
Issued Sept 25, 2018		
Interest Rates	Amount	Total
3.00%	\$ 205,000	2,675,000
3.00%	215,000	2,460,000
3.05%	220,000	2,525,000
3.15%	225,000	2,300,000
3.30%	235,000	2,235,000
-	-	2,010,000
-	-	2,080,000
-	-	2,140,000
-	-	1,875,000
-	-	1,680,000
-	-	1,510,000
-	-	785,000
-	-	800,000
-	-	255,000
-	-	265,000
	<u>\$ 1,100,000</u>	<u>\$ 25,595,000</u>

## CITY OF NORWALK

Schedule 3  
(Continued)Bond and Note Maturities  
June 30, 2019

Year Ending June 30,	REVENUE BONDS				
	Water Bonds		Water Bonds		Total
	Issued Feb 7, 2000		Issued Aug 16, 2018		
	Interest Rates	Amount	Interest Rates	Amount	
2020	3.53%	\$ 80,000	3.00%	\$ 165,000	\$ 245,000
2021		-	3.00%	170,000	170,000
2022		-	3.00%	175,000	175,000
2023		-	3.00%	180,000	180,000
2024		-	3.00%	185,000	185,000
2025		-	3.00%	195,000	195,000
2026		-	3.00%	200,000	200,000
2027		-	3.00%	205,000	205,000
2028		-	3.00%	210,000	210,000
2029		-	3.05%	215,000	215,000
2030		-	3.15%	225,000	225,000
2031		-	3.25%	230,000	230,000
2032		-	3.35%	240,000	240,000
2033		-	3.40%	245,000	245,000
2034		-	3.45%	255,000	255,000
2035		-	3.50%	265,000	265,000
2036		-	3.55%	270,000	270,000
2037		-	3.60%	280,000	280,000
2038		-	3.65%	290,000	290,000
		<u>\$ 80,000</u>		<u>\$ 4,200,000</u>	<u>\$ 4,280,000</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

	2019	2018	2017	2016
<b>Receipts</b>				
Property tax	\$ 5,819,300	5,488,820	5,384,093	5,104,840
Tax increment financing collections	3,219,253	3,490,844	2,374,560	1,906,726
Other city tax	1,262,340	1,242,419	1,204,905	301,482
Licenses and permits	538,991	486,061	523,566	297,877
Use of money and property	268,151	114,855	113,993	122,073
Intergovernmental	2,002,062	1,344,587	1,430,414	1,194,723
Charges for service	1,196,564	1,059,562	1,074,472	913,836
Special assessments	158,771	131,656	79,345	-
Miscellaneous	689,322	952,607	679,990	351,217
Total	<u>\$ 15,154,754</u>	<u>14,311,411</u>	<u>12,865,338</u>	<u>10,192,774</u>
<b>Disbursements</b>				
Operating				
Public safety	4,166,658	3,821,229	3,322,744	2,942,380
Public works	2,125,674	1,870,159	1,735,670	1,468,991
Health and social services	10,000	9,674	9,926	10,438
Culture and recreation	1,334,923	1,358,601	1,138,315	1,060,426
Community and economic development	1,471,373	1,624,362	2,723,023	951,519
General government	1,036,540	870,645	683,900	720,737
Debt service	3,058,309	2,860,868	2,606,444	2,219,583
Capital projects	5,340,004	5,704,488	5,692,193	3,567,161
Total	<u>\$ 18,543,481</u>	<u>18,120,026</u>	<u>17,912,215</u>	<u>12,941,235</u>

See accompanying independent auditor's report.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
4,376,329	4,255,484	4,310,453	3,888,543	3,200,448	3,103,479
2,610,463	2,491,735	1,348,827	2,140,586	1,820,225	1,436,406
301,237	293,253	293,909	306,967	267,470	272,997
389,744	316,861	192,108	167,352	157,712	143,630
111,069	95,671	72,446	67,655	90,784	84,212
1,006,313	988,111	929,598	936,821	1,157,222	823,439
917,080	871,376	837,238	808,450	760,324	727,348
-	-	-	-	-	-
<u>370,836</u>	<u>1,599,567</u>	<u>476,162</u>	<u>621,837</u>	<u>262,389</u>	<u>263,611</u>
<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>	<u>6,855,122</u>
2,601,392	2,879,292	3,341,804	2,837,904	3,210,776	2,952,778
1,427,091	1,734,437	1,363,156	1,531,617	1,618,597	1,227,318
7,000	9,464	6,000	7,655	9,150	3,150
1,062,658	1,063,487	1,025,486	1,022,186	937,365	960,937
1,064,191	1,732,115	744,800	846,408	732,164	489,294
596,861	678,482	604,369	617,892	685,978	540,786
2,776,005	2,021,490	4,804,575	2,536,235	3,236,356	1,627,389
<u>838,975</u>	<u>364,743</u>	<u>567,448</u>	<u>3,920,141</u>	<u>7,267,099</u>	<u>1,311,028</u>
<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>	<u>9,112,680</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, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 6, 2020. 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. However, we noted certain immaterial instances of non-compliance or other matters which 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, 2019 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.

#### City of Norwalk Responses to the Findings

The City of Norwalk's responses to the 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, accordingly, 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.

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

January 6, 2020

CITY OF NORWALK

Schedule of Findings  
Year ended June 30, 2019

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

Not applicable

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

II-A-19 Certified Budget - Disbursements during the year ended June 30, 2019, did not exceed the amounts budgeted.

II-B-19 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-19 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-19 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Paul Swift, Public Works employee, Owner of Swift Welding	Metal Sculptures	\$ 630

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction with the Public Works employee do not appear to represent a conflict of interest since the total transaction with the individual was less than \$1,500 during the fiscal year.

II-E-19 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-19 City Council Minutes - No transactions were found that we believe should have been approved in the City Council minutes but were not.

II-G-19 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.



CITY OF NORWALK

Schedule of Findings  
Year ended June 30, 2019

II-H-19 Revenue Bonds – No violations of provisions of revenue bond resolution requirements were noted.

II-I-19 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.

II-J-19 Financial Condition – The City had the following deficit balance at June 30, 2019:

Capital Project Funds:

Equipment Replacement	\$	60,107
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Recommendation – The City should investigate alternatives to eliminate these deficits in order to return this fund to a sound financial position.

Response - The City Council approved utilizing reserves to purchase two police vehicles prior to July 1, 2019 to save \$8,000. They were included in the 2019 budget. A reimbursement resolution was written by legal counsel to ensure the city complied with Iowa state code regulations for this purchase and use of reserve funds. This was a cost saving measure.

Conclusion - Response accepted.