

**City of Norwalk**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS**

**June 30, 2020**

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**City of Norwalk  
OFFICIALS**

**Before January 2020**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Tom Phillips	Mayor	December 2021
Jaki Livingston	Mayor Pro Tem & Council Member	December 2021
Brian Baker	Council Member	December 2021
Ed Kuhl	Council Member	December 2019
David Lester	Council Member	December 2019
Stephanie Riva	Council Member	December 2019
Luke Nelson	City Manager	Indefinite
Jean Furler	Finance Director	Indefinite
Lindsey Offenburger	Clerk	Indefinite
James Dougherty	Attorney	Indefinite

**After January 2020**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Tom Phillips	Mayor	December 2021
Jaki Livingston	Mayor Pro Tem & Council Member	December 2021
Brian Baker	Council Member	December 2021
Ed Kuhl	Council Member	December 2023
David Lester	Council Member	December 2023
Stephanie Riva	Council Member	December 2023
Luke Nelson	City Manager	Indefinite
Jean Furler	Finance Director	Indefinite
Lindsey Offenburger	Clerk	Indefinite
James Dougherty	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the City Council  
City of Norwalk  
Norwalk, Iowa

### 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 (the City), as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements as 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 that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 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, Iowa as of June 30, 2020, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

## **Basis of Accounting**

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in 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, Iowa's basic financial statements. The financial statements for the nine years ended June 30, 2019 (which are not presented herein) were audited by other auditors whose report dated January 6, 2020 stated that they 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, 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 23 through 28, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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's internal control over financial reporting and compliance.

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
November 11, 2020

## **BASIC FINANCIAL STATEMENTS**

**City of Norwalk**  
**STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS**  
**As of and for the year ended June 30, 2020**

		<b>Program receipts</b>	
<b>FUNCTIONS/PROGRAMS</b>	<b>Disbursements</b>	<b>Charges for service</b>	<b>Operating grants, contributions, and restricted interest</b>
			<b>Capital grants, contributions, and restricted interest</b>
Governmental activities			
Public safety	\$ 4,512,872	\$ 828,821	\$ 109,735
Public works	2,002,086	638,547	1,189,844
Health and social services	25,274	-	-
Culture and recreation	1,358,746	142,493	62,690
Community and economic development	1,922,668	151,754	-
General government	908,878	27,693	8,486
Debt service	3,497,917	-	-
Capital projects	<u>3,214,182</u>	<u>-</u>	<u>261,404</u>
Total governmental activities	<u>17,442,623</u>	<u>1,789,308</u>	<u>1,370,755</u>
Business type activities			
Water	2,642,947	2,591,404	-
Sewer	1,749,316	3,203,403	-
Storm water	<u>447,694</u>	<u>548,407</u>	<u>-</u>
Total business type activities	<u>4,839,957</u>	<u>6,343,214</u>	<u>-</u>
Total	<u>\$22,282,580</u>	<u>\$8,132,522</u>	<u>\$1,370,755</u>
<b>GENERAL RECEIPTS AND TRANSFERS</b>			
Property and other city tax levied for			
General purposes			
Debt service			
Tax increment financing			
Other tax			
Commercial/industrial tax replacement			
Unrestricted investment earnings			
Bond proceeds			
Miscellaneous			
Transfers			
Sale of capital assets			
Total general receipts and transfers			
Change in cash basis net position			
<b>CASH BASIS NET POSITION, beginning of year</b>			
<b>CASH BASIS NET POSITION, end of year</b>			
<b>CASH BASIS NET POSITION</b>			
Restricted			
Expendable			
Streets			
Urban renewal purposes			
Capital projects			
Debt service			
Other purposes			
Unrestricted			
Total cash basis net position			

See Notes to Financial Statements.

**Net (disbursements) receipts and  
changes in cash basis net position**

<u>Governmental activities</u>	<u>Business type activities</u>	<u>Total</u>
\$ (3,574,316)	\$ —	\$ (3,574,316)
(173,695)	—	(173,695)
(25,274)	—	(25,274)
(1,153,563)	—	(1,153,563)
(1,770,914)	—	(1,770,914)
(872,699)	—	(872,699)
(3,497,917)	—	(3,497,917)
<u>(2,952,778)</u>	<u>—</u>	<u>(2,952,778)</u>
<u>(14,021,156)</u>	<u>—</u>	<u>(14,021,156)</u>
—	(51,543)	(51,543)
—	1,454,087	1,454,087
—	<u>100,713</u>	<u>100,713</u>
—	<u>1,503,257</u>	<u>1,503,257</u>
<u>(14,021,156)</u>	<u>1,503,257</u>	<u>(12,517,899)</u>
4,857,218	—	4,857,218
1,589,508	—	1,589,508
4,188,011	—	4,188,011
1,394,950	—	1,394,950
155,071	—	155,071
169,664	159,859	329,523
7,193,028	1,664,726	8,857,754
544,100	—	544,100
68,500	(68,500)	—
<u>6,900</u>	<u>—</u>	<u>6,900</u>
<u>20,166,950</u>	<u>1,756,085</u>	<u>21,923,035</u>
6,145,794	3,259,342	9,405,136
<u>9,824,093</u>	<u>8,466,896</u>	<u>18,290,989</u>
<u>\$15,969,887</u>	<u>\$11,726,238</u>	<u>\$27,696,125</u>
\$ 1,111,297	\$ —	\$ 1,111,297
1,405,376	—	1,405,376
7,966,205	4,012,935	11,979,140
797,690	523,301	1,320,991
2,210,587	—	2,210,587
<u>2,478,732</u>	<u>7,190,002</u>	<u>9,668,734</u>
<u>\$15,969,887</u>	<u>\$11,726,238</u>	<u>\$27,696,125</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, 2020**

	<u>General</u>	<u>Special Revenue Urban Renewal Tax Increment</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>RECEIPTS</b>						
Property tax	\$3,365,072	\$ -	\$1,589,508	\$ -	\$1,492,146	\$ 6,446,726
Tax increment financing	-	4,188,011	-	-	-	4,188,011
Other city tax	188,077	-	58,638	-	957,998	1,204,713
Licenses and permits	466,137	-	-	-	-	466,137
Use of money and property	153,942	27,744	16,395	-	34,951	233,032
Intergovernmental	202,455	105,309	43,087	236,404	1,199,975	1,787,230
Charges for service	1,259,803	-	-	-	-	1,259,803
Special assessments	-	-	190,237	-	-	190,237
Miscellaneous	284,368	-	-	91,972	167,760	544,100
Total receipts	<u>5,919,854</u>	<u>4,321,064</u>	<u>1,897,865</u>	<u>328,376</u>	<u>3,852,830</u>	<u>16,319,989</u>
<b>DISBURSEMENTS</b>						
Operating						
Public safety	3,474,072	-	-	-	1,038,800	4,512,872
Public works	745,089	-	-	-	1,256,997	2,002,086
Health and social services	25,274	-	-	-	-	25,274
Culture and recreation	1,153,859	-	-	-	204,887	1,358,746
Community and economic development	264,448	1,498,807	-	-	159,413	1,922,668
General government	692,363	-	-	-	216,515	908,878
Debt service	-	-	3,497,917	-	-	3,497,917
Capital projects	-	-	-	3,214,182	-	3,214,182
Total disbursements	<u>6,355,105</u>	<u>1,498,807</u>	<u>3,497,917</u>	<u>3,214,182</u>	<u>2,876,612</u>	<u>17,442,623</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(435,251)</u>	<u>2,822,257</u>	<u>(1,600,052)</u>	<u>(2,885,806)</u>	<u>976,218</u>	<u>(1,122,634)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond proceeds	-	-	50,028	7,143,000	-	7,193,028
Sale of capital assets	6,900	-	-	-	-	6,900
Transfers in	465,700	-	1,859,900	662,900	160,000	3,148,500
Transfers out	-	(2,359,300)	-	-	(720,700)	(3,080,000)
Total other financing sources (uses)	<u>472,600</u>	<u>(2,359,300)</u>	<u>1,909,928</u>	<u>7,805,900</u>	<u>(560,700)</u>	<u>7,268,428</u>
Net change in cash balances	37,349	462,957	309,876	4,920,094	415,518	6,145,794
<b>CASH BALANCES, beginning of year</b>	<u>2,441,383</u>	<u>942,419</u>	<u>487,814</u>	<u>3,046,111</u>	<u>2,906,366</u>	<u>9,824,093</u>
<b>CASH BALANCES, end of year</b>	<u>\$2,478,732</u>	<u>\$1,405,376</u>	<u>\$ 797,690</u>	<u>\$7,966,205</u>	<u>\$3,321,884</u>	<u>\$15,969,887</u>
<b>CASH BASIS FUND BALANCES</b>						
Restricted for						
Urban renewal purposes	\$ -	\$1,405,376	\$ -	\$ -	\$ -	\$ 1,405,376
Debt service	-	-	797,690	-	-	797,690
Streets	-	-	-	-	1,111,297	1,111,297
Capital projects	-	-	-	7,966,205	-	7,966,205
Other purpose	-	-	-	-	2,210,587	2,210,587
Unassigned	<u>2,478,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,478,732</u>
Total cash basis fund balances	<u>\$2,478,732</u>	<u>\$1,405,376</u>	<u>\$ 797,690</u>	<u>\$7,966,205</u>	<u>\$3,321,884</u>	<u>\$15,969,887</u>

See Notes to Financial Statements.

**City of Norwalk**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND**  
**CHANGES IN CASH BALANCES**  
**PROPRIETARY FUNDS**  
**As of and for the year ended June 30, 2020**

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Water</b>	<b>Sewer</b>	<b>Nonmajor Storm Water</b>	
<b>OPERATING RECEIPTS</b>				
Charges for service	<u>\$2,591,404</u>	<u>\$3,203,403</u>	<u>\$ 548,407</u>	<u>\$ 6,343,214</u>
<b>OPERATING DISBURSEMENTS</b>				
Business type activities	<u>1,699,948</u>	<u>1,598,840</u>	<u>237,073</u>	<u>3,535,861</u>
Total operating disbursements	<u>1,699,948</u>	<u>1,598,840</u>	<u>237,073</u>	<u>3,535,861</u>
Excess of operating receipts over operating disbursements	<u>891,456</u>	<u>1,604,563</u>	<u>311,334</u>	<u>2,807,353</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS)</b>				
Interest on investments	103,516	38,393	17,950	159,859
Bond proceeds	1,664,726	-	-	1,664,726
Debt service	(416,178)	-	-	(416,178)
Capital projects	<u>(526,821)</u>	<u>(150,476)</u>	<u>(210,621)</u>	<u>(887,918)</u>
Total nonoperating receipts (disbursements)	<u>825,243</u>	<u>(112,083)</u>	<u>(192,671)</u>	<u>520,489</u>
Excess of receipts over disbursements	1,716,699	1,492,480	118,663	3,327,842
<b>TRANSFERS OUT</b>	<u>-</u>	<u>(48,500)</u>	<u>(20,000)</u>	<u>(68,500)</u>
<b>CHANGES IN CASH BALANCES</b>	1,716,699	1,443,980	98,663	3,259,342
<b>CASH BALANCES</b> , beginning of year	<u>5,702,503</u>	<u>1,754,730</u>	<u>1,009,663</u>	<u>8,466,896</u>
<b>CASH BALANCES</b> , end of year	<u>\$7,419,202</u>	<u>\$3,198,710</u>	<u>\$1,108,326</u>	<u>\$11,726,238</u>
<b>CASH BASIS FUND BALANCES</b>				
Restricted for debt service	\$ 523,301	\$ -	\$ -	\$ 523,301
Restricted for capital projects	4,012,935	-	-	4,012,935
Unrestricted	<u>2,882,966</u>	<u>3,198,710</u>	<u>1,108,326</u>	<u>7,190,002</u>
Total cash basis fund balances	<u>\$7,419,202</u>	<u>\$3,198,710</u>	<u>\$1,108,326</u>	<u>\$11,726,238</u>

**City of Norwalk**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Norwalk (the City) 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, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and storm water utilities for its citizens.

**Reporting Entity**

For financial reporting purposes, the 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 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, Warren County Economic Development Corporation, Marion/Warren County Drug Task Force, Metro Waste Authority, Bravo Greater Des Moines, Westcom, and Des Moines Area Metropolitan Planning Organization.

**Basis of Presentation**

**Government-wide Financial Statement**

The Statement of Activities and Net Position – Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

*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.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

**City of Norwalk**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation (continued)**

**Government-wide Financial Statement (continued)**

The Statement of Activities and Net Position – Cash Basis 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 funds 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:

**General Fund**

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies 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 not paid from other funds.

**Special Revenue**

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

**Debt Service Fund**

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

**Capital Projects Fund**

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

**Water Fund**

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

**Sewer Fund**

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

**City of Norwalk**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus and 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.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net 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 nonoperating 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 nonoperating receipts and disbursements.

**Property Taxes**

Property tax receipts recognized in these financial statements become due and collectible in September and March of the current fiscal year with a 1.5 percent per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March 2019.

**Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

**Restricted**

Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

**Unassigned**

All amounts not included in the preceding classification.

**Budgets and Budgetary Accounting**

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

**City of Norwalk**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2020, 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.

At June 30, 2020, the City had investments in certificates of deposit valued at \$3,030,244.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**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.

**NOTE 3 BONDS AND NOTES PAYABLE**

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	<u>Balance June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>	<u>Interest rates</u>	<u>Due within one year</u>
Governmental activities						
General obligation bonds	\$25,595,000	\$5,995,000	\$2,675,000	\$28,915,000	1.25% - 5.00%	\$2,865,000
Capital loan notes	-	237,000	120,000	117,000	3.00%	117,000
Business type activities						
Revenue bonds	<u>4,280,000</u>	<u>1,530,000</u>	<u>245,000</u>	<u>5,565,000</u>	2.00% - 5.00%	<u>270,000</u>
	<u>\$29,875,000</u>	<u>\$7,762,000</u>	<u>\$3,040,000</u>	<u>\$34,597,000</u>		<u>\$3,252,000</u>

A summary of the bond/note principal and interest maturities by type of bond/note is as follows:

<u>Year ending June 30</u>	<u>General Obligation Bonds</u>		<u>Capital Loan Notes</u>		<u>Water Revenue Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 2,865,000	\$ 905,015	\$ 117,000	\$ 3,510	\$ 270,000	\$ 196,708	\$ 3,252,000	\$1,105,233
2022	3,000,000	777,868	-	-	275,000	176,363	3,275,000	954,231
2023	2,795,000	696,508	-	-	280,000	166,113	3,075,000	862,621
2024	2,755,000	612,893	-	-	285,000	155,713	3,040,000	768,606
2025	2,560,000	529,063	-	-	295,000	145,163	2,855,000	674,226
2026-2030	12,460,000	1,424,613	-	-	1,600,000	560,905	14,060,000	1,985,518
2031-2035	2,480,000	144,150	-	-	1,720,000	305,760	4,200,000	449,910
2036-2038	-	-	-	-	840,000	61,500	840,000	61,500
Total	<u>\$28,915,000</u>	<u>\$5,090,110</u>	<u>\$ 117,000</u>	<u>\$ 3,510</u>	<u>\$5,565,000</u>	<u>\$1,768,225</u>	<u>\$34,597,000</u>	<u>\$6,861,845</u>

**City of Norwalk**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 BONDS AND NOTES PAYABLE (continued)**

**Revenue Bonds**

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$5,565,000 of water revenue bonds, issued in September 2018 and March 2020. Proceeds from the bonds provided financing for construction extensions and improvements to the water utility. The bonds are payable solely from water customer net receipts and are payable through 2038. The total principal and interest remaining to be paid on the bonds is \$7,333,223. For the current year, principal and interest paid and total customer net receipts were \$301,363 and \$891,456, respectively.

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

- 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.
- Sufficient monthly transfers shall then be made to a separate water revenue sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- A reserve fund shall be established at an amount equal to the lesser of (a) 10 percent of the stated principal amount on the bonds and parity obligations or (b) the maximum annual debt service coming due on the bonds and other parity obligations, or (c) 125 percent of the average principal and interest coming due on the bonds. The fund is restricted for the purpose of paying bond principal and interest payments when insufficient money is available in the sinking fund. The City has established a reserve amount of \$466,708.
- Water user rates shall be established at a level which produces net revenues at a level not less than 125% of the amount of annual installments of principal and interest due on the bonds during the same year.

**NOTE 4 JOINT VENTURE AND COMMITMENTS**

The City is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of sewer flows for the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority was effective on July 1, 2004, with the second amended and restated agreement becoming effective on June 11, 2014. These agreements 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 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.

In May of 2013, the WRA issued Sewer Revenue Bonds Series 2013B for the purpose of refunding Series 2004B. In May of 2015, the WRA issued Sewer Revenue Bonds Series 2015E for the purpose of refunding Series 2006A. The WRA Agreement requires the debt service of 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 June 30, 2020, the Series 2013B and Series 2015E bonds had a combined balance of \$71,775,000 and the City of Norwalk's estimated future allocation based on the WRA flows is currently \$2,082,975.

**City of Norwalk**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 JOINT VENTURE AND COMMITMENTS (continued)**

The WRA Agreement requires the debt service on all State Revolving Loans issued after July 1, 2004 to be allocated to the participating communities based on the WRA flow of the core communities and expansion communities each calendar year. As of June 30, 2020, the outstanding balance of State Revolving Loan issues totaled \$344,358,376 and the City of Norwalk's estimated future allocation is currently \$8,197,544.

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. The City retains a reversionary interest percentage in the net position of the WRA redeemable only in the event the WRA is dissolved. Since there is no specific and measurable equity interest in the WRA agreement, no investment in the joint venture has been reported by the City. During the year ended June 30, 2020 the City paid the WRA \$1,040,615 for operations, maintenance, equipment replacement and debt service payments.

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

**NOTE 5 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.

**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.



**City of Norwalk**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 PENSION PLAN (continued)**

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

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

**Disability and Death Benefits**

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

**Contributions**

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be 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 2020, 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 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$454,767.

**Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2020, the City reported a liability of \$1,699,805 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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. The following table summarizes the change in the City's proportionate share:

	<b>June 30</b>		
	<b>2019</b>	<b>2018</b>	<b>Change</b>
City's proportionate share	0.029354%	0.029411%	(0.000057)%

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$635,358, \$1,044,129 and 511,578, respectively.

There were no non-employer contributing entities to IPERS.

**City of Norwalk**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 PENSION PLAN (continued)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

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, 2019 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 2019 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%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	<u>3.0</u>	3.01
Total	<u>100.0%</u>	

**City of Norwalk  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 PENSION PLAN (continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
City's proportionate share of the net pension liability (asset)	<u>\$4,383,239</u>	<u>\$1,699,805</u>	<u>\$ (549,329)</u>

**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).

**NOTE 6 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, 2020, the City contributed \$684,946 and plan members eligible for benefits contributed \$38,689 to the plan. At June 30, 2020, 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.

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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>60</u>
<b>Total</b>	<u><u>60</u></u>

**City of Norwalk**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 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, paid time off, comp time, and personal time, termination payments payable to employees at June 30, 2020, primarily relating to the General Fund is as follows:

<u>Type of benefit</u>	
Vacation	\$ 188,638
Other	<u>151,232</u>
Total	<u>\$ 339,870</u>

This liability has been computed based on rates in effect at June 30, 2020.

**NOTE 8 INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Local Option Sales and Service Tax	\$ 445,700
	Nonmajor Enterprise Storm Water	<u>20,000</u>
		<u>465,700</u>
Capital Projects Fund	Urban Renewal Tax Increment	412,900
	Nonmajor Governmental Local Option Sales and Service Tax	<u>250,000</u>
		<u>662,900</u>
Debt Service	Urban Renewal Tax Increment	1,811,400
	Enterprise Sewer	<u>48,500</u>
		<u>1,859,900</u>
Nonmajor Governmental Self Fund Deductible Economic Development	Nonmajor Governmental Employee Benefit Levy Urban Renewal Tax Increment	<u>25,000</u>
		<u>135,000</u>
		<u>160,000</u>
Total		<u>\$3,148,500</u>

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

**NOTE 9 CONSTRUCTION CONTRACTS**

The City has entered into various contracts totaling \$4,218,229. The unpaid contract balance as of June 30, 2020 totaled \$1,125,267 which will be paid as work on the projects progress, primarily from bond proceeds received during the current year.

**City of Norwalk**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 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.

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, and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2020, the City paid workers' compensation insurance premiums of \$159,483 to the Association.

**NOTE 11 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 receipts 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, 2020, \$590,028 of property tax was diverted from the City under the urban renewal and economic development projects.

**NOTE 12 DEVELOPMENT AGREEMENTS**

The City has entered into development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for development of commercial and residential projects by the developer. During the year ended June 30, 2020, the City rebated \$1,140,308 of incremental property tax to developers.

The agreements are not a general obligation of the City. The agreements include an annual appropriation clause and, accordingly, only the amount payable in the succeeding year on the agreements is subject to the City's constitutional debt limit. The City has appropriated approximately \$1,400,000 for these agreements in its fiscal year 2021 budget.

The City has entered into other development agreements to defray the cost of public improvements incurred by developers.

**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, 2020**

	Governmental funds actual	Proprietary funds actual	Total	Budgeted amounts		Final to actual variance- positive (negative)
				Original	Final	
<b>RECEIPTS</b>						
Property tax	\$ 6,446,726	\$ -	\$ 6,446,726	\$ 6,534,597	\$ 6,534,597	\$ (87,871)
Tax increment financing collections	4,188,011	-	4,188,011	4,131,300	4,131,300	56,711
Other city tax	1,204,713	-	1,204,713	811,688	941,188	263,525
Licenses and permits	466,137	-	466,137	441,100	441,100	25,037
Use of money and property	233,032	159,859	392,891	281,500	323,900	68,991
Intergovernmental	1,787,230	-	1,787,230	1,566,888	1,566,888	220,342
Charges for service	1,259,803	6,343,214	7,603,017	6,739,900	7,074,900	528,117
Special assessments	190,237	-	190,237	35,000	167,000	23,237
Miscellaneous	544,100	-	544,100	537,800	698,300	(154,200)
Total receipts	<u>16,319,989</u>	<u>6,503,073</u>	<u>22,823,062</u>	<u>21,079,773</u>	<u>21,879,173</u>	<u>943,889</u>
<b>DISBURSEMENTS</b>						
Public safety	4,512,872	-	4,512,872	4,608,100	4,773,100	260,228
Public works	2,002,086	-	2,002,086	2,054,100	2,255,100	253,014
Health and social services	25,274	-	25,274	61,700	86,700	61,426
Culture and recreation	1,358,746	-	1,358,746	1,537,800	1,637,800	279,054
Community and economic development	1,922,668	-	1,922,668	1,750,500	2,000,500	77,832
General government	908,878	-	908,878	1,066,700	1,164,200	255,322
Debt service	3,497,917	-	3,497,917	3,471,900	3,608,900	110,983
Capital projects	3,214,182	-	3,214,182	11,100,200	11,100,200	7,886,018
Business type activities	-	4,839,957	4,839,957	6,354,900	7,906,300	3,066,343
Total disbursements	<u>17,442,623</u>	<u>4,839,957</u>	<u>22,282,580</u>	<u>32,005,900</u>	<u>34,532,800</u>	<u>12,250,220</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,122,634)</u>	<u>1,663,116</u>	<u>540,482</u>	<u>(10,926,127)</u>	<u>(12,653,627)</u>	<u>13,194,109</u>
<b>OTHER FINANCING SOURCES, net</b>	<u>7,268,428</u>	<u>1,596,226</u>	<u>8,864,654</u>	<u>7,437,600</u>	<u>8,857,700</u>	<u>6,954</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	6,145,794	3,259,342	9,405,136	(3,488,527)	(3,795,927)	13,201,063
<b>BALANCES, beginning of year</b>	<u>9,824,093</u>	<u>8,466,896</u>	<u>18,290,989</u>	<u>14,952,333</u>	<u>14,952,333</u>	<u>3,338,656</u>
<b>BALANCES, end of year</b>	<u>\$15,969,887</u>	<u>\$11,726,238</u>	<u>\$27,696,125</u>	<u>\$11,463,806</u>	<u>\$11,156,406</u>	<u>\$16,539,719</u>

See accompanying independent auditor's report.

**City of Norwalk**  
**NOTE TO OTHER INFORMATION - BUDGETARY REPORTING**  
**June 30, 2020**

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. 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 Fund, 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 \$2,526,900. The budget amendment is reflected in the final budgeted amounts.



**City of Norwalk, Iowa**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**For the Last Six Years\***  
**(In Thousands)**  
**Other Information**

	<b>Year ended June 30</b>					
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension liability	0.293543%	0.0294107%	0.0285428%	0.0265264%	0.0222150%	0.0180458%
City's proportionate share of the net pension liability	\$1,700	\$1,861	\$1,901	\$1,669	\$1,098	\$716
City's covered-employee payroll	\$4,710	\$4,465	\$3,982	\$3,612	\$3,168	\$2,981
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	36.09%	41.68%	47.75%	46.22%	34.64%	24.01%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

NOTE: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the City will present information for those years for which information is available.

\*In accordance with GASB Statement 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, Iowa**  
**SCHEDULE OF CITY CONTRIBUTIONS**  
**Iowa Public Employees' Retirement System for the Last Ten Years**  
**(In Thousands)**  
**Other Information**

	<b>Year ended June 30</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Statutorily required contribution	\$ 455	\$ 438	\$ 372	\$ 341
Contributions in relation to the statutorily required contribution	<u>455</u>	<u>438</u>	<u>372</u>	<u>341</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered-employee payroll	\$4,710	\$4,465	\$3,982	\$3,612
Contributions as a percentage of covered-employee payroll	9.66%	9.80%	9.34%	9.44%

See accompanying independent auditor's report.

Year ended June 30					
2016	2015	2014	2013	2012	2011
\$ 297	\$ 284	\$ 270	\$ 262	\$ 238	\$ 222
<u>297</u>	<u>284</u>	<u>270</u>	<u>262</u>	<u>238</u>	<u>222</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$3,168	\$2,981	\$2,841	\$2,801	\$2,688	\$2,706
9.36%	9.54%	9.51%	9.34%	8.87%	8.21%

**City of Norwalk, Iowa**  
**NOTES TO OTHER INFORMATION – PENSION LIABILITY**  
**Year ended June 30, 2020**

**Changes of benefit terms**

There are no significant changes in benefit terms.

**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.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

**SUPPLEMENTARY INFORMATION**

**City of Norwalk**  
**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES**  
**Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2020**

	<u>Special revenue</u>				<u>Local Option Sales and Service Tax</u>
	<u>Employee Benefit Levy</u>	<u>Road Use Tax</u>	<u>Police and Fire Trust</u>	<u>Self Fund Deductible</u>	
<b>RECEIPTS</b>					
Property tax	\$1,492,146	\$ -	\$ -	\$ -	\$ -
Other city tax	73,262	-	-	-	884,736
Use of money and property	14,272	19,603	-	-	-
Intergovernmental	10,131	1,189,844	-	-	-
Miscellaneous	29,485	71,541	17,667	-	-
Total receipts	<u>1,619,296</u>	<u>1,280,988</u>	<u>17,667</u>	<u>-</u>	<u>884,736</u>
<b>DISBURSEMENTS</b>					
Operating					
Public safety	1,018,674	-	20,126	-	-
Public works	7,709	1,249,288	-	-	-
Culture and recreation	190,273	-	-	-	-
Community and economic development	24,987	-	-	-	-
General government	216,515	-	-	-	-
Total disbursements	<u>1,458,158</u>	<u>1,249,288</u>	<u>20,126</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>161,138</u>	<u>31,700</u>	<u>(2,459)</u>	<u>-</u>	<u>884,736</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	25,000	-
Transfers out	(25,000)	-	-	-	(695,700)
Total other financing sources (uses)	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>(695,700)</u>
Net change in cash balances	136,138	31,700	(2,459)	25,000	189,036
<b>CASH BALANCES, beginning of year</b>	<u>847,802</u>	<u>1,079,597</u>	<u>9,941</u>	<u>68,697</u>	<u>740,141</u>
<b>CASH BALANCES, end of year</b>	<u>\$ 983,940</u>	<u>\$1,111,297</u>	<u>\$ 7,482</u>	<u>\$ 93,697</u>	<u>\$ 929,177</u>
<b>CASH BASIS FUND BALANCES</b>					
Restricted for					
Streets	\$ -	\$1,111,297	\$ -	\$ -	\$ -
Other purposes	983,940	-	7,482	93,697	929,177
Total cash basis fund balances	<u>\$ 983,940</u>	<u>\$1,111,297</u>	<u>\$ 7,482</u>	<u>\$ 93,697</u>	<u>\$ 929,177</u>

**Special Revenue**

<b>HIDTA Forfeiture</b>	<b>Economic Development</b>	<b>Plumbers Bonds</b>	<b>Library Trust</b>	<b>Park Trust</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$1,492,146
-	-	-	-	-	957,998
-	-	-	154	922	34,951
-	-	-	-	-	1,199,975
-	20,169	-	3,345	25,553	167,760
-	20,169	-	3,499	26,475	3,852,830
-	-	-	-	-	1,038,800
-	-	-	-	-	1,256,997
-	-	-	7,195	7,419	204,887
-	134,426	-	-	-	159,413
-	-	-	-	-	216,515
-	134,426	-	7,195	7,419	2,876,612
-	(114,257)	-	(3,696)	19,056	976,218
-	135,000	-	-	-	160,000
-	-	-	-	-	(720,700)
-	135,000	-	-	-	(560,700)
-	20,743	-	(3,696)	19,056	415,518
20,289	75,359	10,397	11,894	42,249	2,906,366
<u>\$ 20,289</u>	<u>\$ 96,102</u>	<u>\$ 10,397</u>	<u>\$ 8,198</u>	<u>\$ 61,305</u>	<u>\$3,321,884</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$1,111,297
20,289	96,102	10,397	8,198	61,305	2,210,587
<u>\$ 20,289</u>	<u>\$ 96,102</u>	<u>\$ 10,397</u>	<u>\$ 8,198</u>	<u>\$ 61,305</u>	<u>\$3,321,884</u>

**City of Norwalk**  
**SCHEDULE OF INDEBTEDNESS**  
**For the year ended June 30, 2020**

<u>Obligation</u>	<u>Date of issue</u>	<u>Interest rates</u>	<u>Amount originally issued</u>
General Obligation Bonds and Notes			
Emergency Equipment, Series 2012A	April 4, 2012	2.00% - 2.20%	\$1,095,000
Refunding Bonds, Series 2012B	April 4, 2012	1.80%	2,820,000
Corporate Purpose, Series 2015A	January 21, 2015	2.00% - 3.50%	3,950,000
Refunding Bonds, Series 2015B	March 9, 2015	2.25%	945,000
Swimming Pool and Refunding Bonds, Series 2016	June 16, 2016	1.25% - 2.25%	9,385,000
Corporate Purpose, Series 2017A	January 3, 2017	3.00%	6,855,000
Corporate Purpose, Series 2017B	July 6, 2017	2.25% - 2.75%	2,000,000
Urban Renewal, Series 2017C	July 6, 2017	2.00% - 2.40%	750,000
Corporate Purpose, Series 2018A	August 16, 2018	3.00%	4,155,000
Urban Renewal, Series 2018B	September 25, 2018	3.00% - 3.30%	1,100,000
Public Safety, Series 2019	August 2, 2019	3.00%	237,000
Corporate Purpose, Series 2020A	March 24, 2020	2.00% - 5.00%	5,995,000
Total			
Revenue Bonds and Notes			
Water Bonds, Series 2000	February 7, 2000	3.00%	1,175,000
Water Bonds, Series 2018C	August 16, 2018	3.00% - 3.65%	4,200,000
Water Bonds, Series 2020B	March 24, 2020	2.00% - 5.00%	1,530,000
Total			
Totals			

See accompanying independent auditor's report.



Schedule 2

<u>Balance beginning of year</u>	<u>Issued during year</u>	<u>Redeemed during year</u>	<u>Balance end of year</u>	<u>Interest paid</u>
\$ 380,000	\$ —	\$ 125,000	\$ 255,000	\$ 7,610
265,000	—	265,000	—	4,770
3,280,000	—	185,000	3,095,000	88,688
425,000	—	140,000	285,000	9,213
7,915,000	—	680,000	7,235,000	155,855
6,170,000	—	395,000	5,775,000	185,100
1,650,000	—	190,000	1,460,000	41,437
515,000	—	125,000	390,000	10,787
3,895,000	—	365,000	3,530,000	116,850
1,100,000	—	205,000	895,000	34,153
—	237,000	120,000	117,000	5,905
—	<u>5,995,000</u>	—	<u>5,995,000</u>	—
<u>25,595,000</u>	<u>6,232,000</u>	<u>2,795,000</u>	<u>29,032,000</u>	<u>660,368</u>
80,000	—	80,000	—	1,400
4,200,000	—	165,000	4,035,000	136,363
—	<u>1,530,000</u>	—	<u>1,530,000</u>	—
<u>4,280,000</u>	<u>1,530,000</u>	<u>245,000</u>	<u>5,565,000</u>	<u>137,763</u>
<u>\$29,875,000</u>	<u>\$7,762,000</u>	<u>\$3,040,000</u>	<u>\$34,597,000</u>	<u>\$ 798,131</u>

**City of Norwalk**  
**BOND MATURITIES**  
**June 30, 2020**

<b>General Obligation Bonds and Notes</b>								
<b>Year ending June 30</b>	<b>Emergency Equipment Bond, Series 2012A</b>		<b>Corporate Purpose Bond, Series 2015A</b>		<b>Refunding Bond, Series 2015B</b>		<b>Swimming Pool and Refunding Bonds, Series 2016</b>	
	<b>Issued April 4, 2012</b>		<b>Issued January 21, 2015</b>		<b>Issued March 9, 2015</b>		<b>Issued June 16, 2016</b>	
	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>
2021	2.00%	\$ 125,000	2.00%	\$ 190,000	2.25%	\$ 140,000	1.25%	\$ 690,000
2022	2.20%	130,000	2.00%	195,000	2.25%	145,000	1.35%	705,000
2023		-	2.25%	195,000		-	2.00%	720,000
2024		-	2.25%	200,000		-	2.00%	740,000
2025		-	2.50%	205,000		-	2.00%	715,000
2026		-	2.50%	210,000		-	2.00%	740,000
2027		-	2.50%	215,000		-	2.25%	765,000
2028		-	2.75%	220,000		-	2.25%	700,000
2029		-	2.75%	225,000		-	2.25%	720,000
2030		-	3.00%	235,000		-	2.25%	740,000
2031		-	3.00%	240,000		-		-
2032		-	3.25%	245,000		-		-
2033		-	3.50%	255,000		-		-
2034		-	3.50%	265,000		-		-
Totals		<u>\$ 255,000</u>		<u>\$3,095,000</u>		<u>\$ 285,000</u>		<u>\$7,235,000</u>

<b>General Obligation Bonds and Notes</b>								
<b>Year ending June 30</b>	<b>Corporate Purpose Bond, Series 2017A</b>		<b>Corporate Purpose Bond, Series 2017B</b>		<b>Urban Renewal, Series 2017C</b>		<b>Corporate Purpose Bonds, Series 2018A</b>	
	<b>Issued January 3, 2017</b>		<b>Issued July 6, 2017</b>		<b>Issued July 6, 2017</b>		<b>Issued August 16, 2018</b>	
	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>
2021	3.00%	\$ 410,000	2.25%	\$ 195,000	2.00%	\$ 125,000	3.00%	\$ 370,000
2022	3.00%	420,000	2.25%	200,000	2.20%	130,000	3.00%	380,000
2023	3.00%	430,000	2.50%	200,000	2.40%	135,000	3.00%	395,000
2024	3.00%	445,000	2.50%	205,000		-	3.00%	410,000
2025	3.00%	455,000	2.75%	215,000		-	3.00%	420,000
2026	3.00%	475,000	2.75%	220,000		-	3.00%	435,000
2027	3.00%	490,000	2.75%	225,000		-	3.00%	445,000
2028	3.00%	500,000		-		-	3.00%	455,000
2029	3.00%	515,000		-		-	3.00%	220,000
2030	3.00%	535,000		-		-		-
2031	3.00%	545,000		-		-		-
2032	3.00%	555,000		-		-		-
2033		-		-		-		-
2034		-		-		-		-
Totals		<u>\$5,775,000</u>		<u>\$1,460,000</u>		<u>\$ 390,000</u>		<u>\$3,530,000</u>

See accompanying independent auditor's report.

**City of Norwalk**  
**BOND MATURITIES (continued)**  
**June 30, 2020**

<b>General Obligation Bonds and Notes</b>							
<b>Year ending June 30</b>	<b>Urban Renewal Bond, Series 2018B</b>		<b>Public Safety Note, Series 2019</b>		<b>Corporate Purpose Bond, Series 2020A</b>		<b>Total</b>
	<b>Issued September 25, 2018</b>		<b>Issued August 2, 2019</b>		<b>Issued March 24, 2020</b>		
	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>	
2021	3.00%	\$ 215,000	3.00%	\$ 117,000	5.00%	\$ 405,000	\$ 2,982,000
2022	3.05%	220,000		-	5.00%	475,000	3,000,000
2023	3.15%	225,000		-	5.00%	495,000	2,795,000
2024	3.30%	235,000		-	5.00%	520,000	2,755,000
2025		-		-	5.00%	550,000	2,560,000
2026		-		-	5.00%	575,000	2,655,000
2027		-		-	5.00%	605,000	2,745,000
2028		-		-	5.00%	635,000	2,510,000
2029		-		-	4.00%	665,000	2,345,000
2030		-		-	2.00%	695,000	2,205,000
2031		-		-	2.00%	375,000	1,160,000
2032		-		-		-	800,000
2033		-		-		-	255,000
2034		-		-		-	265,000
Totals		<u>\$ 895,000</u>		<u>\$ 117,000</u>		<u>\$5,995,000</u>	<u>\$29,032,000</u>

<b>Revenue Bonds and Notes</b>					
<b>Year ending June 30</b>	<b>Water Revenue Bonds, Series 2018C</b>		<b>Water Revenue Bonds, Series 2020B</b>		<b>Total</b>
	<b>Issued August 16, 2018</b>		<b>Issued March 24, 2020</b>		
	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>	
2021	3.00%	\$ 170,000	5.00%	\$ 100,000	\$ 270,000
2022	3.00%	175,000	5.00%	100,000	275,000
2023	3.00%	180,000	5.00%	100,000	280,000
2024	3.00%	185,000	5.00%	100,000	285,000
2025	3.00%	195,000	5.00%	100,000	295,000
2026	3.00%	200,000	5.00%	100,000	300,000
2027	3.00%	205,000	5.00%	105,000	310,000
2028	3.00%	210,000	5.00%	110,000	320,000
2029	3.05%	215,000	2.00%	115,000	330,000
2030	3.15%	225,000	2.00%	115,000	340,000
2031	3.25%	230,000	2.00%	120,000	350,000
2032	3.35%	240,000	2.00%	120,000	360,000
2033	3.40%	245,000	2.00%	120,000	365,000
2034	3.45%	255,000	2.00%	125,000	380,000
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>\$4,035,000</u>		<u>\$1,530,000</u>	<u>\$5,565,000</u>

See accompanying independent auditor's report.

**City of Norwalk**  
**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -**  
**ALL GOVERNMENTAL FUNDS**  
**For the last ten years**

	<b>Year ended June 30</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>RECEIPTS</b>				
Property tax	\$ 6,446,726	\$ 5,819,300	\$ 5,488,820	\$ 5,384,093
Tax increment financing collections	4,188,011	3,219,253	3,490,844	2,374,560
Other city tax	1,204,713	1,262,340	1,242,419	1,204,905
Licenses and permits	466,137	538,991	486,061	523,566
Use of money and property	233,032	268,151	114,855	113,993
Intergovernmental	1,787,230	2,002,062	1,344,587	1,430,414
Charges for service	1,259,803	1,196,564	1,059,562	1,074,472
Special assessments	190,237	158,771	131,656	79,345
Miscellaneous	<u>544,100</u>	<u>689,322</u>	<u>952,607</u>	<u>679,990</u>
Total receipts	<u>\$16,319,989</u>	<u>\$15,154,754</u>	<u>\$14,311,411</u>	<u>\$12,865,338</u>
<b>DISBURSEMENTS</b>				
Operating				
Public safety	\$ 4,512,872	\$ 4,166,658	\$ 3,821,229	\$ 3,322,744
Public works	2,002,086	2,125,674	1,870,159	1,735,670
Health and social services	25,274	10,000	9,674	9,926
Culture and recreation	1,358,746	1,334,923	1,358,601	1,138,315
Community and economic development	1,922,668	1,471,373	1,624,362	2,723,023
General government	908,878	1,036,540	870,645	683,900
Debt service	3,497,917	3,058,309	2,860,868	2,606,444
Capital projects	<u>3,214,182</u>	<u>5,340,004</u>	<u>5,704,488</u>	<u>5,692,193</u>
Total disbursements	<u>\$17,442,623</u>	<u>\$18,543,481</u>	<u>\$18,120,026</u>	<u>\$17,912,215</u>

See accompanying independent auditor's report.

Schedule 4

<b>Year ended June 30</b>					
<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
\$ 5,104,840	\$ 4,376,329	\$ 4,255,484	\$ 4,310,453	\$ 3,888,543	\$ 3,200,448
1,906,726	2,610,463	2,491,735	1,348,827	2,140,586	1,820,225
301,482	301,237	293,253	293,909	306,967	267,470
297,877	389,744	316,861	192,108	167,352	157,712
122,073	111,069	95,671	72,446	67,655	90,784
1,194,723	1,006,313	988,111	929,598	936,821	1,157,222
913,836	917,080	871,376	837,238	808,450	760,324
—	—	—	—	—	—
<u>351,217</u>	<u>370,836</u>	<u>1,599,567</u>	<u>476,162</u>	<u>621,837</u>	<u>262,389</u>
<u>\$10,192,774</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>
\$ 2,942,380	\$ 2,601,392	\$ 2,879,292	\$ 3,341,804	\$ 2,837,904	\$ 3,210,776
1,468,991	1,427,091	1,734,437	1,363,156	1,531,617	1,618,597
10,438	7,000	9,464	6,000	7,655	9,150
1,060,426	1,062,658	1,063,487	1,025,486	1,022,186	937,365
951,519	1,064,191	1,732,115	744,800	846,408	732,164
720,737	596,861	678,482	604,369	617,892	685,978
2,219,583	2,776,005	2,021,490	4,804,575	2,536,235	3,236,356
<u>3,567,161</u>	<u>838,975</u>	<u>364,743</u>	<u>567,448</u>	<u>3,920,141</u>	<u>7,267,099</u>
<u>\$12,941,235</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>

See accompanying independent auditor's report.



**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**

Honorable Mayor and  
Members of the City Council  
City of Norwalk  
Norwalk, Iowa

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 (the City), as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 11, 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 accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

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

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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matter which is 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, 2020 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 Response to the Finding**

City of Norwalk's response to the finding identified in our audit is described in the accompanying schedule of findings. The City of Norwalk's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 results 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.

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
November 11, 2020

**City of Norwalk  
SCHEDULE OF FINDINGS  
Year ended June 30, 2020**

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

**INTERNAL CONTROL DEFICIENCIES**

No matters were reported.

**INSTANCES OF NONCOMPLIANCE**

No matters were reported.



**City of Norwalk**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2020**

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

**II-A-20 CERTIFIED BUDGET**

Disbursements during the year ended June 30, 2020 did not exceed budgeted amounts, as amended.

**II-B-20 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-20 TRAVEL EXPENSE**

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**II-D-20 BUSINESS TRANSACTIONS**

No business transactions in excess of \$1,500 between the City and City officials or employees were noted.

**II-E-20 RESTRICTED DONOR ACTIVITY**

No transactions were noted between the City, City officials, City employees and related donors, in compliance with Chapter 68B of the Code of Iowa.

**II-F-20 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 the coverage is adequate for current operations.

**II-G-20 COUNCIL MINUTES**

We noted no transactions requiring Council approval which had not been approved in the Council minutes.

**II-H-20 DEPOSITS AND INVESTMENTS**

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**II-I-20 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.

**City of Norwalk**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2020**

**Part II—Other Findings Related to Required Statutory Reporting (continued)**

**II-J-20 URBAN RENEWAL TAX INCREMENT FUND INTEREST ALLOCATION**

The City is not reducing the certified tax increment for the Urban Renewal Tax Increment Fund for the fund's earned interest as required by Chapter 403.19 of the Code of Iowa.

**Recommendation**

The certified tax increment should be reduced by the fund's interest earned as required by the Code of Iowa.

**Response**

We will begin reducing the certified tax increment accordingly.

**Conclusion**

Response accepted.