

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

CITY

OF

NORFOLK

NEBRASKA



for the year ended

September 30, 2005

CITY OF NORFOLK, NEBRASKA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

*for the
fiscal year
ended
September 30, 2005*

Prepared by:
The Finance Division

CITY OF NORFOLK, NEBRASKA

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CITY OF NORFOLK, NEBRASKA

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INTRODUCTORY SECTION

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City of Norfolk

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127 North 1st Street
Norfolk, Nebraska 68701

March 9, 2006

**Honorable Mayor, City Council,
and Citizens of Norfolk
City of Norfolk, Nebraska**

The comprehensive annual financial report of the City of Norfolk for the fiscal year ended September 30, 2005 is hereby submitted. State law requires cities to issue within six months of fiscal year end a set of audited financial statements. This report fulfills this requirement for the fiscal year ended September 30, 2005.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes management's discussion and analysis, the basic financial statements, supplementary information, as well as the auditors' report on the financial statements. The statistical section includes selected financial and demographic information, which is unaudited and generally presented on a multi-year basis.

The City's financial statements have been audited by Williams & Company, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2005, are fairly presented in conformity with generally accepted

accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Norfolk was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP requires management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

CITY PROFILE

The City of Norfolk is located in Madison County, a prime agricultural region in northeast Nebraska, approximately 112 miles northwest of Omaha and 121 miles north of the state capital of Lincoln.

The City was incorporated September 12, 1881, and utilizes the mayor and council form of government. The Council is elected on a nonpartisan basis. Council members serve four year staggered terms with four council members elected every two years. The mayor serves a four-year term. The City is divided into four wards and each ward is represented by two council members with staggered terms.

The City provides a full range of services. These services include police and fire protection; the construction and maintenance of streets and infrastructure; recreational activities; a public library; a system of parks; planning, zoning, health, and housing; water and sewer utilities; off-street parking facilities; and a solid waste transfer station. In addition to general government activities, the governing body oversees the City's various employee retirement systems and these activities are included in the reporting entity. The Community Development Agency created by the Mayor and Council to provide for redevelopment of blighted areas throughout the City is included because of the significance of its operational and financial relationships with the City. However, the Norfolk Housing Agency does not meet the established criteria for inclusion in the reporting entity, and is excluded from the report. The Agency issues its own financial statements which are available upon request from its office at 110 North Fourth Street.

The Council is required to adopt a final budget by no later than September 20 of the prior fiscal year. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, and department. The budget includes all funds of the City except fiduciary funds (Retirement Funds) and component units (Community Development Agency).

The budget modification process depends on the type of modification being sought. If a department or division head wishes to purchase unbudgeted machinery, tools or equipment, he can

choose to do so by exchanging it for another item within the same account. If an exchange is not possible and the item is not deferrable, the City Administrator must review and approve the request, or at his discretion, the Mayor and City Council. Exchanges of budgetary authority between accounts is generally not allowed. If any piece of equipment fails and was unforeseen at budget time, purchasing normally approves replacement up to \$1,000. Amounts over \$1,000 are approved by the City Administrator or the Mayor and City Council.

ECONOMIC CONDITION AND OUTLOOK

Each year City departments and divisions submit their budget requests in four service levels. The first level assumes a 4% reduction in expenditures from the prior year. The second level assumes the same amount of funding authorized in the prior year. Both of these levels are reduced service levels since budgets must absorb inflation and growth to maintain service. The third level is a 4% increase over prior year and is the maintenance level. This increase should approximately match growth and inflation over the long-term. The fourth level contains no expenditure constraints and is the budget the department or division head feels is ideal.

If expenditures grow at 4% to maintain service levels, revenues must also grow at 4%. However, the City's largest General Fund revenue source, sales tax, has not kept pace. Sales tax alone makes up almost half of General Fund revenues. Actual sales tax receipts for the City's original 1% sales tax have been up three out of the last five years and down the other two.

City sales tax collections have remained relatively flat since the fiscal year ended September 30, 2000. Actual receipts from the City's 1% sales tax were \$4,022,480 in the fiscal year ended September 30, 2000 and \$4,386,586 in the fiscal year ended September 30, 2005, only a 9% increase over the last five years. Sales tax for the fiscal year ended September 30, 2006 is budgeted at \$4,359,537. However, this may be overly optimistic since sales tax receipts for the first five months of the fiscal year are down 1.54% from the prior fiscal year. Based on these numbers, the 1% City sales tax is \$2,569,083 below what would have occurred had sales tax increased 4% annually from the fiscal year ended September 30, 2000.

An additional half-cent City sales tax authorized by voters in fiscal year 2002-2003 provided \$1 million of property tax relief with the balance for public safety expenditures. Original projections for this half-cent sales tax were prepared in May 2002. These projections also need to absorb inflation and growth at an assumed 4% rate. From May 2002 through fiscal year 2005-2006, the half-cent sales tax is expected to lag the 4% growth rate by a cumulative \$589,959. Total City sales tax is projected to lag behind the 4% annual growth rate by a cumulative \$3.2 million between 2001 and 2006.

The City's sales tax growth traditionally exceeded 4%, and slow growth in sales tax early this decade was assumed due to general declines in the economy. However, the City's sales tax growth continues sluggish, requiring a long-term solution. The City increased 2006 fiscal year property tax \$405,676 to partially offset the slow growth in sales tax. Unless sales tax starts consistently growing at a rate well above 4%, further revenue adjustments may be necessary next year. One possible revenue source is keno, which is estimated to provide \$400,000 per year of additional net revenue. Keno requires voter approval. Norfolk is the largest Nebraska city without keno.

The City's economic outlook is further clouded by the closing of Norfolk's largest employer Tyson Foods which operated a beef processing plant on the edge of Norfolk. Tyson announced the closure on February 15, 2006, effective February 17, 2006, putting 1,300 Norfolk employees out of work. At the same time, Tyson announced the closure of their West Point plant employing 365 people. West Point is located about 40 miles southeast of Norfolk.

The impact of the Tyson closure on the general economy in the Norfolk area is uncertain. This plant was formerly owned by Beef America which closed its facilities in 1998 putting 1,000 employees out of work. The plant remained closed for two years during which time the City's general economy remained strong with taxable retail sales increasing at double digit rates.

The Vishay electronics plant in Norfolk also closed in 2005. In February 2003, Vishay officials announced the Norfolk plant would close within the next three years with some of the manufacturing currently done in Norfolk moving to the Columbus, Nebraska facility and a portion to a plant in Juarez, Mexico. This announcement followed a recurring series of lay offs at the plant over the past ten years. The plant, originally constructed in 1967, employed about 1,400 people at its peak period in the 1980s. Vishay has continued to cut back on employment with the final plant closing in September 2005. After manufacturing operations ceased, the Greater Norfolk Area Economic Development Foundation purchased the building with a \$250,000 Community Development Block Grant, bank loans and U.S. Economic Development Administration loans and other funding from the Northeast Nebraska Economic Development District. In addition, the Greater Norfolk Area Economic Development Foundation put \$175,000 of equity into the purchase. The Vishay building is used as the temporary site of the new Nucor Detailing Center. The Nucor Detailing Center is expected to add 200 jobs and an \$11 million payroll. This detailing center will provide drafting services for all the Nucor divisions throughout the United States. A permanent location for the detailing center will be built during the next two or three years. On that occasion, the detailing center will relocate from the Vishay building that will be available to host other businesses.

Another Norfolk manufacturer experienced difficulties during the year. The Midwest Padding plant in Norfolk was destroyed by fire on March 2, 2005 resulting in a \$5 to 6 million loss. Midwest Padding employed about 70 people. The company maintained a limited staff and contracted with a company outside the U.S. to manufacture its product until production resumed in Norfolk in late 2005. A facility near the former site was obtained, and the company purchased and installed equipment resuming production at the Norfolk facility. The City loaned Midwest Padding \$500,000 from a Community Development Block Grant. Half of this is a forgivable loan, with the balance an interest-free loan repayable over seven years. Other financing for this project was from bank loans and equity.

Farther clouding Norfolk's economic outlook is the closure of the Arnold Engineering plant in 2005. Arnold Engineering employed about 60 people at the Norfolk plant in magnet injection molding. Arnold Engineering moved this manufacturing operation to China.

On a more positive note, Governor Dave Heineman and State Senator Mike Flood of Norfolk announced plans on March 2, 2006 to keep the Norfolk Regional Center open with 120 beds and about 206 staff members in order to primarily care for acute and long-term mentally ill patients. In January 2004, State Senator Jim Jensen, on behalf of Governor Johanns, introduced Legislative Bill 1083. This bill proposed closing the State Regional Centers (Psychiatric Hospitals) in Norfolk

and Hastings. These hospitals are large, local employers and also provide valuable mental health services. The cities of Hastings and Norfolk lobbied intensely against the Governor's proposal and reached a compromise. The compromise provided the Hastings and Norfolk Regional Centers would remain open until other adequate community-based services were available. During 2005, the possibility of converting the Regional Center to a state-wide methamphetamine treatment center was studied. However, the costs of renovating the Regional Center with the kind of security measures needed to house and treat meth addicted inmates showed the plan to be more expensive than originally thought. Legislative Bill 1199 is currently moving through the Legislature and will likely pass. This bill will result in more sex-offenders being confined for treatment and will place a strain on the capacity at the Lincoln Regional Center which is the State's primary facility for treating sex offenders. That, in turn, creates a need for more beds to remain in Norfolk to treat the acute and long-term mentally ill. These events resulted in the March 2, 2006 announcement that the State now plans to keep the Regional Center open.

On March 6, 2006, Louis Dreyfus, an international agricultural and energy firm, announced purchase of 99% of the membership interest in Elkhorn Valley Ethanol. Elkhorn Valley Ethanol built a pilot ethanol facility north of the City and qualified for state production incentives. Louis Dreyfus Corp. plans to break ground this month on construction of a \$60 million ethanol plant capable of producing 40 million gallons of ethanol annually. This plant is expected to employ about 35 people. The City and Madison County and developer will share equally a \$3 million drainage project for the area (Spring Branch Drainage Project). The City's one-third share, or \$1 million, will be financed with flood control bonds.

Other economic indicators also remain mixed. For example, while commercial construction activity in Norfolk was slower than normal last year with a value of about \$4.6 million, residential construction activity was very strong at 115 permits issued with a value in excess of \$18.7 million, one of the best years ever for residential construction activity in Norfolk. Norfolk's assessed valuation as of January 1, 2005 increased to over \$1 billion. This was an increase of over 9% of which almost 5% was due to growth, with the remainder due to inflation. Bank deposits within the community also increased significantly, going up over 9%. Population and school enrollment were relatively stable. Per capita income increased over 7% for the most recent year statistics are available. The employment rate increased going from 3.2% to 3.6%.

As can be seen from the above discussion, both recent trends and future outlook for Norfolk's economy is mixed. Local officials, however, are pursuing several economic development prospects expected to attract some large employers to Norfolk. In the meantime, most existing employers remain strong and are continuing to expand and add jobs. For instance, Faith Regional Health Services is one of the area's largest employers and have added 250 jobs in the last five years and expect to add another 75 to 100 jobs in the next several years. Another large employer, Tyco, added 10,000 square feet to their building and created 40 new jobs last year to accommodate two new product lines and steady growth. There were also numerous openings and expansions of smaller businesses in the community.

LONG-TERM FINANCIAL PLANNING

The City annually prepares a six-year capital improvement program. The most recent program was approved by the City Council on May 2, 2005. This program outlines the City's capital needs for the next six years and identifies potential funding sources. These projects are prioritized in the

categories of urgent, necessary, desirable or deferrable. The Water Fund has significant capital needs as the 2002 Water Master Plan is implemented. This Master Plan includes a ten-year prioritized capital improvement plan including about \$20 million of improvements to be financed over ten years with a combination of revenue bonds and use fees. The first of a planned series of 4% water rate increases went into effect October 1, 2002 with additional 4% increases through September 30, 2007. During the year, several large water projects were completed including a \$1.7 million addition at the West Water Treatment Plant along with several large water main extensions.

The community has just started a visioning process where citizens will examine what they desire Norfolk to look like in the next 20 years. Results of this process may affect the City's future capital improvement program.

SIGNIFICANT EVENTS

A special election occurred on September 13, 2005 for Norfolk citizens to vote on a \$10.7 million bond issue to construct a water park. The City's current pools were built 30 and 40 years ago and each of them has significant maintenance problems. In addition, they do not meet certain health and ADA codes. A Citizens Advisory Committee was formed and spent over two years looking at aquatic needs for Norfolk. They determined that renovating the existing pools will cost from \$4.5 to \$5 million, and instead, recommended construction of a new water park. The new water park was defeated at the September 13 election. The City will be considering other options to meet aquatic recreation needs in the future.

NPPD leases the city-owned electrical distribution system for 12% of system revenues. Historically, the City returned 2% as a credit on customers' electric bills. Beginning October 1, 2005, the City will no longer return 2% of NPPD lease revenue as a credit on customers' bills and will instead receive the full 12%. This additional lease revenue will be divided equally between the Norfolk Arts Center, Norfolk Community Theatre, Norfolk Family YMCA and Elkhorn Valley Museum and Research Center for the next four years. This group of non-profit organizations banded together to propose this increase in lease revenue and the distribution to these organizations. This effort is known as the Power of Partnership.

During the year, the City completed rebuilding of Benjamin Avenue from U.S. Highway 81 to 25th Street. This project is necessary due to increased residential development northwest of Norfolk increasing the amount of traffic using Benjamin Avenue. This project widened Benjamin Avenue to three lanes and includes the installation of a traffic signal and roundabout. This \$2.7 million project was financed with City Highway Allocation Fund revenue.

AWARDS AND ACKNOWLEDGEMENTS

CERTIFICATE OF ACHIEVEMENT. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Norfolk for its comprehensive annual financial report for the fiscal year ended September 30, 2004. This was the seventeenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized

comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

DISTINGUISHED BUDGET PRESENTATION AWARD. In addition, the City has also received the GFOA's Distinguished Budget Presentation Award for the last thirteen years, the most recent for the 2005-2006 budget. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

ACKNOWLEDGMENTS. The timely preparation of this comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance Division. Each member of the division has our sincere appreciation for the contributions made in the preparation of this report. We would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Sincerely,

CITY OF NORFOLK



Michael Nolan
City Administrator



Randy Gates, CPA
Finance Officer

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Norfolk,
Nebraska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emswiler

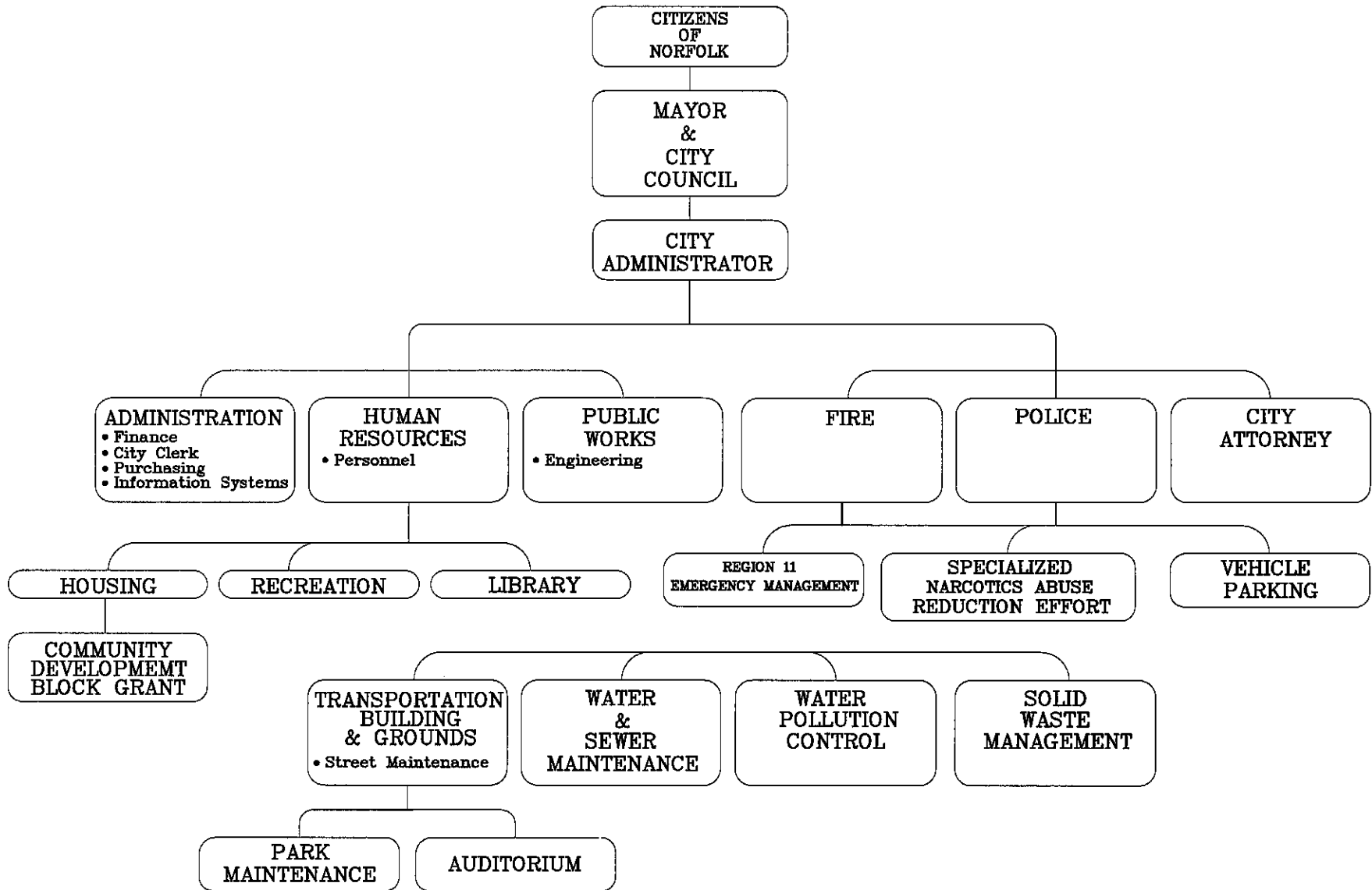
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Norfolk, Nebraska for its comprehensive annual financial report for the fiscal year ended September 30, 2004.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement requirements, and we are submitting to GFOA to determine its eligibility for another certificate.

City of Norfolk, NE Organizational Chart



CITY OF NORFOLK, NEBRASKA

List of Principal Officials

September 30, 2005

Title	Name
Mayor	Gordon D. Adams
Council Member	Dave Fauss
Council Member	Sue Kaspar-Beckman
Council Member	Jim Brenneman
Council Member	Jim Lange
Council Member	Howard Leshovsky
Council Member	Vicki Saunders
Council Member	Ivan Van Dyke
Council Member	Erik Wilson
City Administrator	Mike Nolan
City Attorney	Clint Schukei
Director of Public Works	Dennis Smith
Water and Sewer Director	Dennis Watts
Wastewater Plant Superintendent	Todd Boling
Solid Waste Manager	Gary Lund
Transportation, Building & Grounds Director	Jim Koch
Park & Building Maintenance Superintendent	Pat Mrsny
Housing Director	Sheila Miller
Library Director	Ted Smith
Police Chief	William Mizner
Fire Chief	Shane Weidner
Finance Officer	Randy Gates
City Clerk	Elizabeth A. Deck
Property/Operations Manager	Gary Miller
Human Resources Director	Sheila Schukei

FINANCIAL SECTION

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600 Fourth Street
P.O. Box 298
Sioux City, IA 51102-0298
Phone (712) 252-5337

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City Council
City of Norfolk, Nebraska

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 Norfolk, Nebraska, (the City) as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Section 84-304.01 of the *Revised Statutes of Nebraska*, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2006 on our consideration of the Norfolk's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying Introductory Section and Statistical Section is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Norfolk. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The accompanying other supplementary information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company
Certified Public Accountants

Le Mars, Iowa
January 18, 2006

Management Discussion and Analysis

September 30, 2005

This discussion and analysis of the City of Norfolk's financial performance provides an overview of the City's financial activities for the fiscal year ending September 30, 2005. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal on page 1 and the City's financial statements that follow this report.

Financial Highlights:

- The assets of the City of Norfolk exceeded liabilities at September 30, 2005, by \$60,932,456. Of this amount, \$16,635,261 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$4,700,043 during the year. Of this amount, the assets of Governmental Activities increased \$3,335,822 and the assets of Business Activities increased \$1,364,221.
- The largest factor in the increase in fund balance was the amount by which capital outlays exceeded depreciation in the current period. In fiscal year 2005, that excess was \$2,579,636.
- Bonds payable decreased \$856,337. Outstanding revenue bonds total \$10,798,956, general obligation bonds \$4,805,000, and special assessment bonds \$1,870,000 backed by the City's full faith and credit.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is "*Is the City of Norfolk in a better financial position at the end of this fiscal year, compared to last year?*" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works, Parks and general administration. Sales tax, revenue from lease of the City's electrical distribution system, property tax and state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Water, Sewer, and Solid Waste funds.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as grant revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City’s basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the “modified accrual basis” of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City’s general governmental operations and 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 City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.

- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

THE CITY AS TRUSTEE

Reporting the City’s Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City’s government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government’s financial position. The largest part of the City’s net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided

from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For the year ended September 30, 2005, net assets were as follows:

City of Norfolk's Net Assets

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 15,058,368	\$ 13,643,547	\$ 9,067,801	\$ 8,202,133	\$ 24,126,169	\$ 21,845,680
Capital assets	23,032,346	20,539,889	35,774,690	35,971,660	58,807,036	56,511,549
Total assets	38,090,714	34,183,436	44,842,491	44,173,793	82,933,205	78,357,229
Long-Term Liabilities	8,158,100	8,588,148	10,798,956	11,515,293	18,957,056	20,103,441
Other liabilities	2,429,054	1,427,550	614,639	593,825	3,043,693	2,021,375
Total liabilities	10,587,154	10,015,698	11,413,595	12,109,118	22,000,749	22,124,816
Net assets:						
Invested in capital assets, net of related debt	16,357,346	13,724,889	24,975,734	24,456,367	41,333,080	38,181,256
Restricted	1,273,539	1,459,976	1,690,576	1,517,324	2,964,115	2,977,300
Unrestricted	9,872,675	8,982,873	6,762,586	6,090,984	16,635,261	15,073,857
Total net assets	\$ 27,503,580	\$ 24,167,738	\$ 33,428,896	\$ 32,064,675	\$ 60,932,456	\$ 56,232,413

An additional portion of net assets (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net assets of \$16,635,261 and may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City has positive balances in all three categories of net assets, both for the City as a whole as well as for the separate Governmental and Business-Type Activities. The same situation held true for the prior fiscal year.

The biggest change in fund balance is the \$3,151,824 increase in Investment in Capital Assets net of Related Debt. This increase is due to net capital outlay additions during the year exceeding depreciation along with a decrease in related debt.

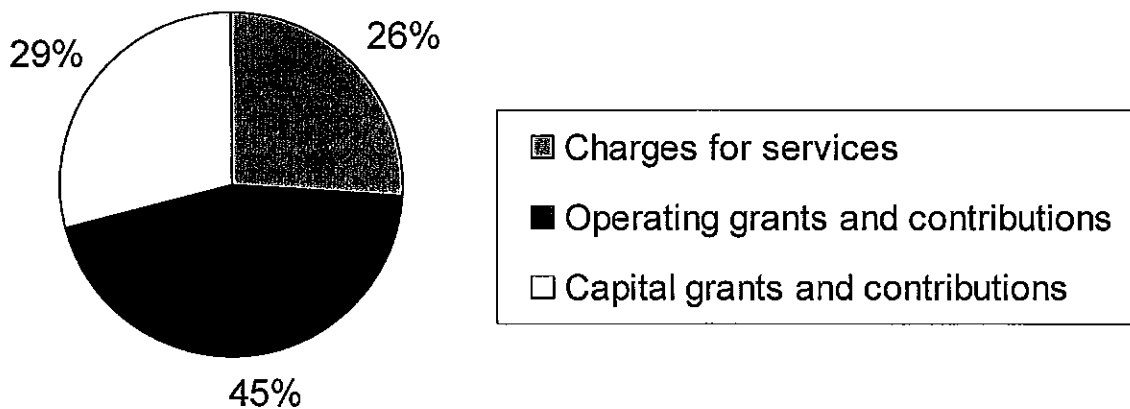
Total revenue reported in Fiscal 2005 was \$25,305,675. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities:

City of Norfolk's Changes in Net Assets

	General Governmental		Business-Type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for services	\$ 1,656,601	\$ 1,685,411	\$ 6,664,239	\$ 7,029,368	\$ 8,320,840	\$ 8,714,779
Operating grants and contributions	2,821,686	2,474,845	-	-	2,821,686	2,474,845
Capital grants and contributions	1,832,950	1,863,073	493,256	438,990	2,326,206	2,302,063
Total Program Revenues	6,311,237	6,023,329	7,157,495	7,468,358	13,468,732	13,491,687
General Revenues:						
Property taxes	893,417	899,918	-	-	893,417	899,918
Sales taxes	6,593,166	6,445,480	-	-	6,593,166	6,445,480
Other taxes	184,404	175,420	-	-	184,404	175,420
Occupation and franchise taxes	589,118	606,176	-	-	589,118	606,176
Interest	325,101	212,803	190,177	101,752	515,278	314,555
General intergovernmental revenues	224,482	201,060	-	-	224,482	201,060
Use of property	2,723,425	2,622,930	-	-	2,723,425	2,622,930
Gain (loss) on sales of assets	43,800	133,757	5,500	-	49,300	133,757
Miscellaneous	64,353	30,476	-	-	64,353	30,476
Total General Revenues	11,641,266	11,328,020	195,677	101,752	11,836,943	11,429,772
Total Revenues	17,952,503	17,351,349	7,353,172	7,570,110	25,305,675	24,921,459
Expenses:						
General Government	1,635,190	1,432,865	-	-	1,635,190	1,432,865
Public Safety	7,113,536	6,916,478	-	-	7,113,536	6,916,478
Public Works	2,535,262	3,116,384	-	-	2,535,262	3,116,384
Public Library	1,047,321	970,290	-	-	1,047,321	970,290
Parks, Recreation and Public Property	1,246,438	1,148,436	-	-	1,246,438	1,148,436
Community Improvement and Development	779,952	928,781	-	-	779,952	928,781
Debt Service	258,982	275,672	-	-	258,982	275,672
Capital Outlays	-	-	-	-	-	-
Water System	-	-	1,730,215	1,650,534	1,730,215	1,650,534
Sewer System	-	-	2,524,819	2,591,885	2,524,819	2,591,885
Solid Waste	-	-	1,733,917	1,757,442	1,733,917	1,757,442
Total Expenses	14,616,681	14,788,906	5,988,951	5,999,861	20,605,632	20,788,767
Increase in Net Assets	3,335,822	2,562,443	1,364,221	1,570,249	4,700,043	4,132,692
Net Assets - Beginning	24,167,738	21,605,295	32,064,675	30,494,426	56,232,413	52,099,721
Net Assets - Ending	\$ 27,503,560	\$ 24,167,738	\$ 33,428,896	\$ 32,064,675	\$ 60,932,456	\$ 56,232,413

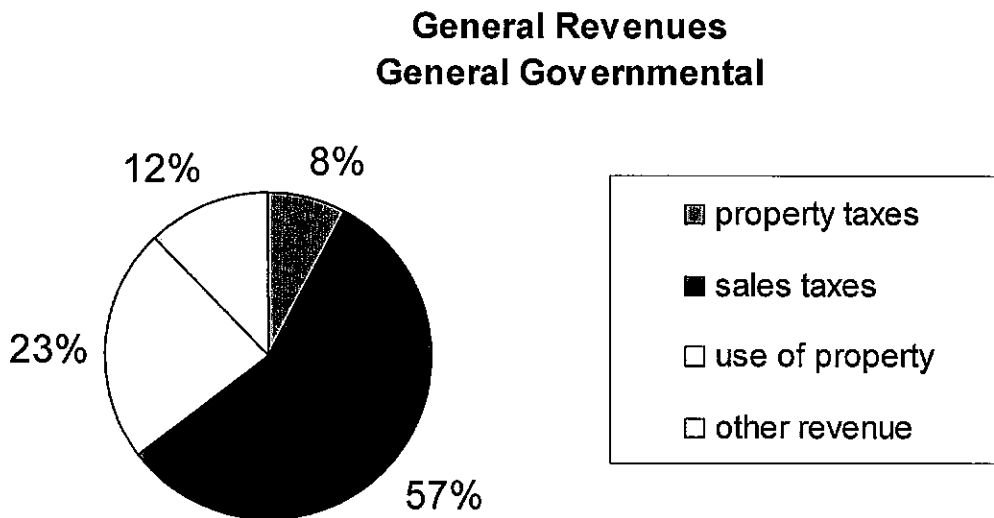
Program revenues totaled \$13,468,732. \$7,157,495 was program revenues from Business-Type Activities. Charges for services for Business-Type Activities decreased \$365,129. \$106,638 of this decrease was in the Solid Waste Division. The Transfer Station received decreased tonnage last year due to the opening of a construction demolition landfill nearby. Construction and demolition waste is now primarily going to the competing landfill. Water Division charges decreased \$251,434 due to a legal settlement in the prior year. Capital grants and contributions for Business-Type Activities are consistent with the prior year. Program Revenues in the General Governmental Activities were consistent with the prior year for Capital Grants and Contributions and Charges for Services. Operating grants and contributions increased \$346,841 from the prior year. This increase was primarily because of \$186,238 of Community Development Block Grant funding received for a grant to MP Global Products to replace equipment destroyed in a fire. The City also received about \$86,000 more in Nebraska Affordable Housing Trust Fund grants in 2005 compared to 2004. These funds are being used to develop affordable housing in the Meadow Ridge Development. In January 2005, the Region 11 Emergency Management Agency was created pursuant to an Interlocal agreement between Antelope, Madison and Pierce Counties and the City of Norfolk. This agency received over \$195,000 of federal operating grants in 2005. Partially offsetting these increases was a decrease of almost \$133,000 in grant funding for the Community Character Development Coalition. The Coalition received a federal grant for character development for a three-year period ending June 30, 2005. A new federal grant was received for a three-year period beginning October 1, 2005; however there was a three-month period between grants resulting in decreased revenue in the fiscal year ended September 30, 2005. The following graph breaks down program revenues by source for Governmental Activities.

Program Revenues General Governmental



General Revenues for Governmental Activities for Fiscal 2005 were similar to the prior year, going from \$11,328,020 in 2004 to \$11,641,226 in 2005, an increase of \$313,206 or 3%. Interest income increased going from \$212,803 in 2004 to \$325,101 in 2005 primarily due to increases in short-term interest rates. Sales tax revenue increased \$147,686 or about 2%. Revenue from use of property increased \$100,495 going from \$2,622,930 in 2004 to \$2,723,425 in 2005 primarily due to increased revenue from lease of the City-owned electrical distribution system. Gain on sale of assets decreased almost \$90,000 because of railroad right-of-way sale to McDonald's Restaurant in 2004 for almost \$100,000.

The following chart breaks down General Revenues for General Governmental Activities by source:



Total expenses were consistent with the prior year going from \$20,788,767 in 2004 to \$20,605,632 in 2005, a decrease of about 1%. Most of this decrease was in General Governmental Activities which went from \$14,788,906 to \$14,616,681, a decrease of \$172,225 or about 1%. General Government Expenditures increased from \$1,432,865 to \$1,635,190. This increase was caused by a combination of factors, the largest of which was an almost \$80,000 decrease in operating income of the Internal Service Fund which is credited to General Governmental Activities. The next largest dollar increase was in personnel costs which increased \$37,842 or 3.7%. This was caused by a 3% cost of living adjustment along with normal merit pay increases and a 9% increase in health insurance. Insurance in General Governmental Activities also increased over \$35,000 going from \$210,251 in 2004 to \$245,964 in 2005.

Community Improvement and Development expenditures decreased \$148,829 primarily due to a \$145,054 decrease in expenditures for the Community Character Development Coalition. As explained earlier in this analysis, the Community Character Development

Coalition was between grants in July, August and September resulting in both decreased revenues and decreased expenses.

Public Works expenditures decreased \$581,122 from the prior year. This decrease was due to several large street repair projects in 2004 including Concrete Improvement Project 2004 and Street Overlay Project 2004 totaling over \$770,000.

The following table shows the activities included within each program level:

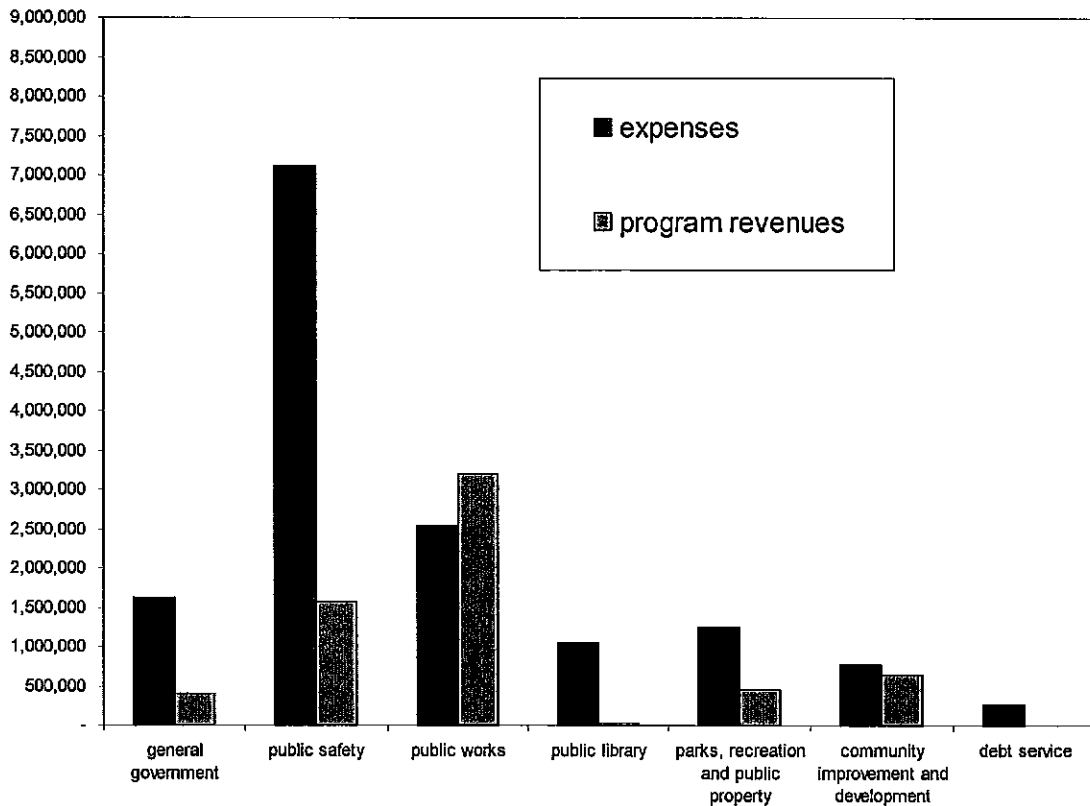
<u>Program Level</u>	<u>Activity</u>
General Government.....	Administration, Support Services
Public Safety.....	Emergency medical services, Police, Fire, Prevention and Codes, Planning and Zoning, Emergency Management
Public Works.....	Engineering, Streets, Drainage
Public Library.....	Operation of Public Library
Parks, Recreation, and Public Property.....	Parks, Auditorium, Recreation
Community Improvement and Development.....	Housing, Economic Development, Community Character Development
Debt Service.....	Payment of Interest
Water System.....	Operation of Water Treatment Plant and Distribution System
Sewer System.....	Operation of the Waste Water Treatment Plant and Collection System
Solid Waste.....	Operation of Transfer Station

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers.

The following chart shows the relationship of Program Expense to Program Revenue for Governmental Activities in a graphical format. As would be expected for Governmental Activities, expenses exceed revenues in most categories. The only exception is Public Works which shows about \$2.5 million of expenses with Program Revenues of almost \$3.2 million resulting in net revenue of \$669,159. This is primarily due to the City Highway Allocation Fund which receives gas tax revenue from the State. Since this revenue can be used either for street operations or street capital, accounting principles require this be shown as an operating grant. However, in most cases, this is used for street capital outlays which are not shown as expenses, but as assets. Therefore, there are significant revenues in the City Highway Allocation Fund but the disbursements of these revenues are reported in the balance sheet and not as expenses in the Public Works category. The other activities all show expenses in excess of revenues. For example, Public Safety had expenses of \$7,113,536 and total program revenues of only \$1,579,321 comprised of \$964,306 of Charges for Services, \$499,978 of Operating Grants and Contributions and \$115,037 of Capital Grants and Contributions. The net cost of Public Safety was \$5,534,215 which must be funded by general revenues.

Expenses and Program Revenues - Governmental Activities



Some of the individual line item revenues reported for each function are:

General Government.....	Fees
Public Safety.....	Permits, State Revenue, Federal Grants, Ambulance Fees and Other Charges for Service, Contributions, 911 Surcharges
Public Works.....	Special Assessments, State Revenue, Charges for Services, Federal Grants
Public Library.....	Service Charges, Fees
Parks, Recreation and Public Property.....	Rent, Fees, Contributions
Community Improvements and Development...	Federal Grants, Contributions

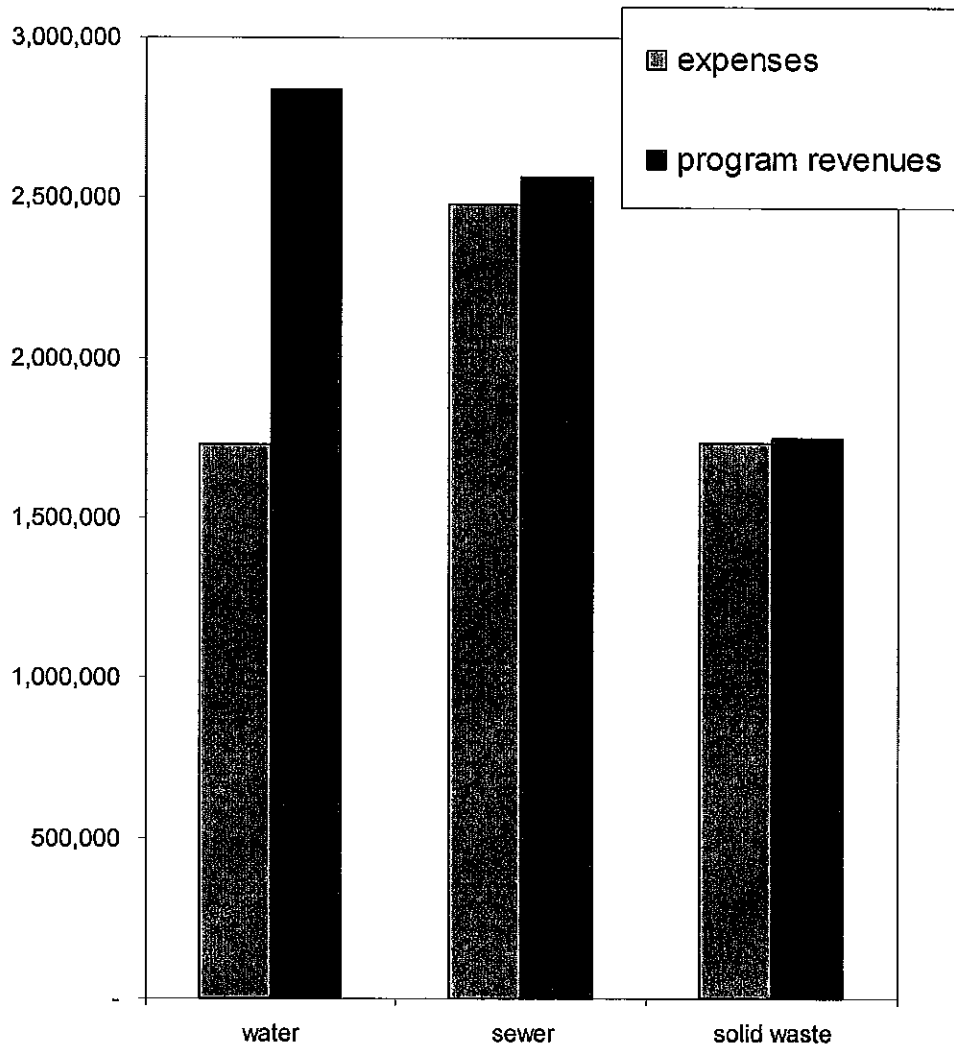
Business Type Activities

Business Type Activities increased the City's net assets by \$1,364,221, accounting for 29% of the growth in the City's net assets.

The City operates three Business-Type Activities including water, sewer and solid waste. As can be seen by the following chart, revenues exceeded expenditures for all three of these activities during the year. Water Division revenues exceeded expenses by \$1,111,265. This is because water rates are set to fund the City's Water Master Plan

which includes about \$20 million of improvements over ten years. The City is implementing a series of planned rate increases beginning October 1, 2002 through September 30, 2007.

Expenses and Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental funds reported combined ending fund

balances of \$8,602,604. The combined Governmental Fund balance increased \$543,211 from the prior year.

The primary increases in fund balance were in the Debt Service Fund and Special Assessments Fund. Debt Service Fund balance increased \$227,271 primarily due to a \$320,000 decrease in Debt Service caused by calling special assessment bonds last year and paying them with special assessments paid prior to their due date. The Special Assessment Fund balance increased \$177,950 due to a \$178,084 increase in special assessment payments from 2004 to 2005. Assessments were levied for Paving Districts 486 to 488 in 2005. Payments made within 50 days of levy are not charged interest and receive a discount, resulting in a large increase in special assessment receipts in 2005. No special assessments were levied in 2004.

The General Fund is the primary operating fund of the City. During the year, revenues exceeded expenditures in the General Fund by \$83,707 increasing fund balance from \$4,540,950 last year to \$4,624,657 in the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget was not amended during the year and included approximately \$13 million of revenue and \$14.4 million of expenditures resulting in a budgeted decrease in fund balance of about \$1.4 million. Fund balance actually increased \$123,971 because revenues exceeded budget by about \$1 million and expenditures were under budget by \$.6 million resulting in an ending fund balance of about \$1.6 million more than budgeted.

The biggest increase in revenues over budget was in taxes which exceeded budget by more than \$300,000. This is primarily because of sales tax exceeding budget by \$288,108. \$178,268 of this was tax received in September 2005 paid by a company in error. This tax was on an LB 775 project located outside the City and was refunded in January 2006. Without this payment, sales tax would have been \$109,840 over budget or 1.7%. Licenses and Permits exceeded budget by \$126,189 or more than 50%. In November 2004, the City implemented a change in the permit fee structure. The new fee structure is more objective and based on the size of a project and not cost. The impact of this change in fee structure was budgeted conservatively. Intergovernmental Revenues exceed budget by \$102,914, most of this was due to federal grants exceeding budget by \$75,764 primarily due to receipt of a Homeland Security Grant that was not included in the budget.

Expenditures in most categories were under budget resulting in \$661,466 less expenditures than budgeted. The City always budgets conservatively and expenditures are normally under budget. However, due to on-going concerns about the local economy last year, budgeted capital outlays were prioritized and lower priority capital items not purchased resulting in lower than budgeted expenditures. The only expenditure category exceeding budget was Parks, Recreation and Public Property which exceeded budget by more than \$11,000. This was due to the cost of a swimming pool study that was not

budgeted. The City's current pools were built between 30 and 40 years ago and each of them has significant problems and do not meet certain Health and ADA codes. A Citizens' Advisory Committee was formed and spent over two years looking at aquatic needs for Norfolk. A swimming pool study was undertaken along with a survey to determine what citizens thought should be done in regard to the swimming pools. The cost of the study and survey exceeded \$30,000 and was not budgeted.

CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, water and sewer systems, drainage systems and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of September 30, 2005, was \$41,333,080 (net of accumulated depreciation and outstanding financings). The City has not yet implemented retroactive reporting of infrastructure, so this number only includes infrastructure additions during the last three years. As required by GASB 34, the City will implement retroactive reporting of infrastructure within the next two fiscal years. The gross additions to capital assets for the last two years follows:

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Land	\$177,495	\$ 31,269	\$ 11,049	\$ -	\$ 188,544	\$ 31,269
Buildings and improvements	144,005	1,139,344	28,193	89,955	170,198	1,229,299
Water distribution and sewage system	-	-	2,437,529	3,333,067	2,437,529	3,333,067
Equipment, furniture and fixtures	584,037	1,233,329	101,354	127,731	685,391	1,361,060
Infrastructure	4,029,395	21,799	-	-	4,029,395	21,799
Construction in progress	3,584,826	3,659,011	-	1,526,233	3,584,826	5,185,244
Total Gross Additions	<u>\$8,519,758</u>	<u>\$6,084,752</u>	<u>\$2,576,125</u>	<u>\$5,076,986</u>	<u>\$11,095,883</u>	<u>\$11,161,738</u>

Gross additions to fixed assets for Governmental Activities were \$8,519,758 increasing \$2,435,006 from the \$6,084,752 of additions in the prior year. This increase is caused by a \$4,007,596 increase in infrastructure additions. No large infrastructure projects were completed in the prior year; however, several large projects were underway. Projects completed in the current year include: Pasewalk Avenue from 1st to 13th Street costing over \$2 million; 4th Street from Madison Avenue to Braasch Avenue along with other downtown street improvements costing in excess of \$500,000; the 18th and Pasewalk roundabout costing over \$245,000. There are also large infrastructure additions in the Park Division including major renovations of Skyview Lake and the Ta-Ha-Zouka Lagoon with combined cost over \$430,000. The soccer field was also completed costing over \$130,000. The Middle School and Levee Trails cost in excess of \$625,000.

Partially offsetting this was a large decrease in buildings and improvements additions because of the second fire station completed in 2004. Additions to equipment, furniture and fixtures also decreased due to deferral of asset purchases necessitated by slow growth in sales tax.

Total Gross Additions to fixed assets for Business-Type Activities was \$2.6 million this year compared to \$5.1 million in Fiscal 2004. In both years, the majority of fixed asset additions were related to improvements being undertaken under the City's Water Master Plan. Current year additions include almost \$1.7 million of additions at the West Water Treatment Plant. Most of the other water additions are related to water mains, the most significant of which were extension of water mains to Suburban Acres addition costing over \$342,000 and the water line to MP Global Products costing over \$192,000.

See Note 5 to the financial statements for more information on the City's Capital Assets.

DEBT ADMINISTRATION

At year-end the City had \$17,473,956 of bonded debt outstanding, net of original issue discounts and deferrals. This is a decrease of \$856,337 from the prior year.

There was only one bond issue during the year, which closed on September 1, 2005 with a maturity of September 1, 2015. This was a \$630,000 special assessment bond issue used, along with special assessment payments, to pay off Special Assessment Bond Anticipation Notes, Series 2003 and 2004 totaling \$835,000.

Although the City has no independent bond rating, it insures some of its larger bond issues. The City's uninsured debt normally sells at lower interest rates than "A" rated debt. The ratio of net bonded debt to assessed value for the City has declined from .70% in 1998 to .47% currently. Net bonded debt per capita has declined from \$202.86 in 1999 to \$181.27 currently. The ratio of debt service for general obligation bonds to general governmental expenditures is 3.16%. The debt coverage ratio for the City's enterprise bonds is 2.29. All these debt indicators are favorable.

The City has no legal debt limit. Debt service payments are exempt from both the lid and levy limits under Nebraska law. More detailed information on debt administration is provided in Note 6 of the financial statements.

ECONOMIC FACTORS

The City faces some economic challenges. As discussed more fully in the transmittal letter, the City's sales tax growth has been slow over the last six years and has not kept up with inflation and growth necessitating a property tax increase of over \$450,000 for fiscal year 2005-2006. Sales tax is down 1.54% in the first five months of fiscal year 2005-2006.

On February 15, 2006, Tyson Foods, the City's largest employer, announced they were closing their beef processing plant on the edge of Norfolk putting 1,300 employees out of work effective February 17, 2006. At the same time, Tyson announced closure of their West Point plant employing 365 people. The impact these closures will have on the regional economy is uncertain. The Norfolk plant was formerly owned by Beef America which closed its facilities in 1998 putting 1,000 employees out of work. The City's economy remained strong during the two years of the plant closure with taxable retail sales increasing significantly during that time.

On the positive side, Governor Dave Heineman and State Senator Mike Flood announced on March 5, 2006 plans to keep the Norfolk Regional Center open with 120 beds and about 206 staff members. LB 1083 passed in 2004 by the State Legislature slated this facility for closure in 2005.

Nucor has opened a Detailing Center in Norfolk and is expected to add 200 jobs and an \$11 million payroll. This Detailing Center will provide drafting services for all Nucor divisions throughout the United States.

Other economic indicators also remained mixed last year. In the area of construction activity, it was one of the City's best years for residential construction with 115 permits issued with a value of over \$18.7 million. However, it was one of the slower years for commercial construction with permits for commercial construction valued at only \$4.6 million. Norfolk's assessed value increased to over \$1 billion as of January 1, 2005. This was an increase of over 9% with almost 5% of this being due to growth. Per capita income also increased over 7%; however, the unemployment rate went from 3.2% last year to 3.6% during the current year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at 402-844-2000.

CITY OF NORFOLK, NEBRASKA

STATEMENT OF NET ASSETS

September 30, 2005

With Summarized Financial Information as of September 30, 2004

	Primary Government		Totals	
	Governmental Activities	Business-Type Activities	2005	2004
ASSETS				
Cash and Equity in Pooled Investment Account	\$ 8,174,567	\$ 4,692,085	\$ 12,866,652	\$ 11,429,010
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	91,990	1,118,911	1,210,901	1,602,425
Taxes	2,571,847	-	2,571,847	1,351,780
Accrued Interest	-	10,405	10,405	25,643
Special Assessments	439,164	11,673	450,837	548,657
Notes Receivable	1,893,076	235,136	2,128,212	1,810,554
Advances to Other Funds	(55,537)	55,537	-	-
Due from Other Governmental Agencies	1,845,126	-	1,845,126	2,141,378
Inventories	34,629	282,024	316,653	383,183
Restricted Assets:				
Cash and Cash Equivalents	-	2,556,017	2,556,017	2,374,514
Bond Issue Costs	63,506	106,013	169,519	178,536
Land	4,013,660	1,157,216	5,170,876	4,982,331
Construction in Progress	4,005,968	78,936	4,084,904	6,880,498
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	15,012,718	34,538,538	49,551,256	44,648,720
Total Assets	38,090,714	44,842,491	82,933,205	78,357,229
LIABILITIES				
Accounts Payable	2,385,276	275,767	2,661,043	1,607,769
Accrued Wages and Compensated Absences	-	204,296	204,296	199,890
Unearned Revenue	-	-	-	28,206
Accrued Interest Payable	43,778	-	43,778	46,226
Payables from Restricted Assets:				
Accrued Revenue Bond Interest	-	134,576	134,576	139,284
Revenue Bonds - Current	-	730,865	730,865	717,906
Noncurrent Liabilities:				
Due within one year:				
General Obligation Bonds	395,000	-	395,000	395,000
Various Purpose Bonds	440,000	-	440,000	375,000
Bond Anticipation Notes	-	-	-	835,000
Compensated Absences and Benefits	988,100	-	988,100	938,148
Due in more than one year:				
Revenue Bonds Payable	-	10,068,091	10,068,091	10,797,387
General Obligation Bonds	4,410,000	-	4,410,000	4,805,000
Various Purpose Bonds	1,430,000	-	1,430,000	1,240,000
Bond Anticipation Notes	495,000	-	495,000	-
Total Liabilities	10,587,154	11,413,595	22,000,749	22,124,816
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	16,357,346	24,975,734	41,333,080	38,181,256
Restricted for:				
Debt Service	1,273,539	1,085,441	2,358,980	2,393,512
Future Capital Assets	-	605,135	605,135	583,788
Unrestricted	9,872,675	6,762,586	16,635,261	15,073,857
Total Net Assets	\$ 27,503,560	\$ 33,428,896	\$ 60,932,456	\$ 56,232,413

CITY OF NORFOLK, NEBRASKA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2005

With Summarized Financial Information for the Year Ended September 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,635,190	\$ 377,825	\$ 21,460	\$ -
Public Safety	7,113,536	964,306	499,978	115,037
Public Works	2,535,262	77,702	1,720,843	1,405,876
Public Library	1,047,321	32,046	9,517	-
Parks, Recreation and Public Property	1,246,438	138,722	-	312,037
Community Improvement and Development	779,952	66,000	569,888	-
Debt Service	258,982	-	-	-
Total governmental activities	<u>14,616,681</u>	<u>1,656,601</u>	<u>2,821,686</u>	<u>1,832,950</u>
Business-Type Activities:				
Water Division	1,730,215	2,426,990	-	414,490
Sewer Division	2,524,819	2,486,428	-	78,766
Solid Waste Division	1,733,917	1,750,821	-	-
Total Business-Type Activities:	<u>5,988,951</u>	<u>6,664,239</u>	<u>-</u>	<u>493,256</u>
Total Primary Government	<u>\$ 20,605,632</u>	<u>\$ 8,320,840</u>	<u>\$ 2,821,686</u>	<u>\$ 2,326,206</u>

General Revenues:

Property taxes
 Sales Taxes
 Other taxes
 Occupation and Franchise Taxes
 Interest
 General Intergovernmental Revenues Unrestricted
 Use of property
 Gain on Sale of Assets
 Miscellaneous
 Total general revenues and transfers
 Change in net assets

Net assets - beginning

Net assets - ending

**Net (Expense) Revenue
and Changes in Net Assets**

Governmental Activities	Business-Type Activities	Totals	
		2005	2004
\$ (1,235,905)		\$ (1,235,905)	\$ (1,082,584)
(5,534,215)		(5,534,215)	(5,639,160)
669,159		669,159	(37,328)
(1,005,758)		(1,005,758)	(928,353)
(795,679)		(795,679)	(372,004)
(144,064)		(144,064)	(430,476)
(258,982)		(258,982)	(275,672)
<u>(8,305,444)</u>		<u>(8,305,444)</u>	<u>(8,765,577)</u>
	\$ 1,111,265	1,111,265	1,287,887
	40,375	40,375	80,593
	16,904	16,904	100,017
	<u>1,168,544</u>	<u>1,168,544</u>	<u>1,468,497</u>
<u>(8,305,444)</u>	<u>1,168,544</u>	<u>(7,136,900)</u>	<u>(7,297,080)</u>
893,417	-	893,417	899,918
6,593,166	-	6,593,166	6,445,480
184,404	-	184,404	175,420
589,118	-	589,118	606,176
325,101	190,177	515,278	314,555
224,482	-	224,482	201,060
2,723,425	-	2,723,425	2,622,930
43,800	5,500	49,300	133,757
64,353	-	64,353	30,476
<u>11,641,266</u>	<u>195,677</u>	<u>11,836,943</u>	<u>11,429,772</u>
3,335,822	1,364,221	4,700,043	4,132,692
24,167,738	32,064,675	56,232,413	52,099,721
<u>\$ 27,503,560</u>	<u>\$ 33,428,896</u>	<u>\$ 60,932,456</u>	<u>\$ 56,232,413</u>

See Accompanying Notes to Financial Statements

CITY OF NORFOLK, NEBRASKA
BALANCE SHEET
Governmental Funds
September 30, 2005

	General	City Highway Allocation	Community Development Block Grant	Debt Service	Special Assesments	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and Equity in Pooled Investment Account	\$ 2,609,499	\$1,890,744	\$ 140,817	\$ 1,213,542	\$ 36,347	\$ 853,520	\$ 6,744,469
Receivables (Net, where applicable, of allowance for uncollectibles)							
Accounts	52,428	-	-	-	-	39,562	91,990
Taxes	2,514,990	-	-	40,269	-	16,588	2,571,847
Special Assessments	3,833	-	-	435,331	-	-	439,164
Notes Receivable	-	-	1,851,321	-	-	41,755	1,893,076
Due from Other Funds	10,112	-	-	-	-	-	10,112
Due from Other Governmental Agencies	1,000,737	807,747	-	-	-	36,642	1,845,126
Inventories	34,629	-	-	-	-	-	34,629
Total Assets	6,226,228	2,698,491	1,992,138	1,689,142	36,347	988,067	13,630,413
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable	1,542,201	390,622	8,778	-	94,450	98,869	2,134,920
Due to Other Funds	-	-	-	-	-	10,112	10,112
Unearned Revenue	3,833	-	1,851,321	435,331	-	41,755	2,332,240
Bond Anticipation Notes	-	-	-	-	495,000	-	495,000
Advances from Other Funds	55,537	-	-	-	-	-	55,537
Total Liabilities	1,601,571	390,622	1,860,099	435,331	589,450	150,736	5,027,809
Fund Balances:							
Reserved for:							
Encumbrances	42,342	1,065,096	1,000	-	-	56,802	1,165,240
Hazardous Waste	29,970	-	-	-	-	-	29,970
WW II Memorial	11,466	-	-	-	-	-	11,466
Debt Service	-	-	-	1,253,811	-	-	1,253,811
Inventories	34,629	-	-	-	-	-	34,629
Unreserved:							
General fund	4,506,250	-	-	-	-	-	4,506,250
Special revenue funds	-	1,242,773	131,039	-	-	465,150	1,838,962
Capital projects funds	-	-	-	-	(553,103)	315,379	(237,724)
Total Fund Balances	4,624,657	2,307,869	132,039	1,253,811	(553,103)	837,331	8,602,604
Total Liabilities and Equity	\$ 6,226,228	\$2,698,491	\$ 1,992,138	\$ 1,689,142	\$ 36,347	\$ 988,067	\$ 13,630,413

CITY OF NORFOLK, NEBRASKA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
September 30, 2005

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance – Governmental Funds (page 31)	\$ 8,602,604
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	23,032,346
Internal service funds are used by management to fund and maintain the City's health insurance provided to user departments and are included in the statement of net assets.	1,179,742
Deferred revenues that provide current financial resources for governmental activities	2,332,240
Accrued expenses from the balance sheet that require current financial resources for governmental activities	(43,778)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	63,506
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(7,663,100)</u>
Total Net Assets – Governmental Activities (page 28)	<u>\$ 27,503,560</u>

CITY OF NORFOLK, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
Year Ended September 30, 2005

	General	City Highway Allocation	Community Development Block Grant	Debt Service	Special Assessments	Other Governmental Funds	Total Governmental Funds
Revenue:							
Taxes	\$ 7,251,264	\$ -	\$ -	\$ 165,441	\$ -	\$ 224,241	\$ 7,640,946
Special Assessments	-	-	-	320,671	218,529	-	539,200
Licenses and Permits	369,424	-	-	-	-	-	369,424
Intergovernmental Revenue	608,263	2,642,323	360,801	5,670	-	821,993	4,439,050
Charges for Services	1,184,021	-	-	-	-	-	1,184,021
Occupation and Franchise Taxes	589,118	-	-	-	-	-	589,118
Contributions	-	-	-	-	-	3,154	3,154
Payments in Lieu of Taxes	20,217	-	-	10,634	-	-	30,851
Parking Fees and Rentals	2,716,436	-	-	-	-	12,099	2,728,535
Loan Repayments	-	-	19,216	-	-	5,562	24,778
Interest	62,719	52,630	4,057	119,180	10,900	22,858	272,344
Miscellaneous	105,667	-	17	-	-	57,321	163,005
Total Revenue	12,907,129	2,694,953	384,091	621,596	229,429	1,147,228	17,984,426
Current Expenditures:							
Public Safety	6,655,476	-	-	-	-	292,934	6,948,410
Public Works	2,152,617	1,972,724	-	-	-	125,377	4,250,718
Public Library	1,006,569	-	-	-	-	-	1,006,569
Parks, Recreation and Public Property	1,237,186	-	-	-	-	180	1,237,366
Community Improvement and Development	322,158	-	336,966	-	-	214,924	874,048
General Government	1,745,907	-	-	-	15,610	-	1,761,517
Debt Service:							
Debt Service	3,255	-	-	1,015,129	19,976	-	1,038,360
Capital Outlays:							
Capital Outlay	-	-	-	-	597,961	356,266	954,227
Total Expenditures	13,123,168	1,972,724	336,966	1,015,129	633,547	989,681	18,071,215
Excess (deficiency) of revenues over expenditures	(216,039)	722,229	47,125	(393,533)	(404,118)	157,547	(86,789)
Other financing sources (uses):							
Proceeds from Debt Financing	-	-	-	-	630,000	-	630,000
Transfers In	910,654	-	-	620,804	-	38,036	1,569,494
Transfers Out	(610,908)	(630,000)	-	-	(47,932)	(280,654)	(1,569,494)
Total other financing sources (uses)	299,746	(630,000)	-	620,804	582,068	(242,618)	630,000
Net Change in Fund Balance	83,707	92,229	47,125	227,271	177,950	(85,071)	543,211
Fund balances (deficits)-beginning of year	4,540,950	2,215,640	84,914	1,026,540	(731,053)	922,402	8,059,393
Fund balances (deficits) - end of year	\$ 4,624,657	\$ 2,307,869	\$ 132,039	\$ 1,253,811	\$ (553,103)	\$ 837,331	\$ 8,602,604

CITY OF NORFOLK, NEBRASKA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 33) \$ 543,211

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays were exceeded by depreciation expense in the current year as follows:

	\$	3,713,118	
Expenditures for capital assets			
Depreciation expense		(1,016,838)	2,696,280

Governmental funds report the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain on the sale of capital assets. This is the effect on the change in net assets on the statement of activities. (203,823)

Revenues reported in the funds that are not available to provide current financial resources (10,553)

Accrued interest expense that does not require current financial resources 2,448

Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was: (49,952)

Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and for the maintenance, repair, and replacement of the City's automotive equipment and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities. 217,590

The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was: (630,000)

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities 621

The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was: 770,000

Change in net assets of governmental activities (page 30) \$ 3,335,822

CITY OF NORFOLK, NEBRASKA
STATEMENT OF NET ASSETS
Proprietary Funds
September 30, 2005

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	<u>Combined Utilities</u>	<u>Internal Service</u>
ASSETS		
Current Assets:		
Cash and Equity in Pooled Investment Account	\$ 4,692,085	\$ 1,430,098
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	1,118,911	-
Accrued Interest	10,405	-
Special Assessments	11,673	-
Restricted Cash		
Cash and Cash Equivalents	865,441	-
Inventories	282,024	-
Total current assets	<u>6,980,539</u>	<u>1,430,098</u>
Noncurrent assets:		
Restricted Assets:		
Cash and Cash Equivalents	1,690,576	-
Notes Receivable	235,136	-
Advances to Other Funds	55,537	-
Bond Acquisition Costs	106,013	-
Capital assets:		
Land	1,157,216	-
Construction in Progress	78,936	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	34,538,538	-
Total noncurrent assets	<u>37,861,952</u>	<u>-</u>
Total Assets	<u>44,842,491</u>	<u>1,430,098</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	275,767	250,356
Accrued Wages and Compensated Absences	204,296	-
Payables from Restricted Assets:		
Accrued Revenue Bond Interest	134,576	-
Revenue Bonds – Current	730,865	-
Total current liabilities	<u>1,345,504</u>	<u>250,356</u>
Noncurrent Liabilities:		
Due in more than one year:		
Revenue Bonds Payable	10,068,091	-
Total noncurrent liabilities	<u>10,068,091</u>	<u>-</u>
Total Liabilities	<u>11,413,595</u>	<u>250,356</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	24,975,734	-
Restricted for:		
Debt Service	1,085,441	-
Future Capital Assets	605,135	-
Unrestricted	6,762,586	1,179,742
Total Net Assets	<u>\$ 33,428,896</u>	<u>\$ 1,179,742</u>

See Accompanying Notes to Financial Statements

CITY OF NORFOLK, NEBRASKA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended September 30, 2005

	Business Type Activities Combined Utilities	Governmental Activities Internal Service
Operating Revenues:		
Charges for Services	\$ 6,585,922	\$ 1,726,213
Miscellaneous Income	78,317	-
Total Operating Revenue	<u>6,664,239</u>	<u>1,726,213</u>
Operating Expenses:		
Payroll and Related Taxes and Benefits	1,657,072	-
Purchased Services	1,158,541	-
General and Administration	569,327	1,561,383
Repairs and Maintenance	596,492	-
Utilities	425,180	-
Depreciation and Amortization	1,130,198	-
Total Operating Expenses	<u>5,536,810</u>	<u>1,561,383</u>
Operating Income	<u>1,127,429</u>	<u>164,830</u>
Non-Operating Income (Expense):		
Interest Income	203,541	52,760
Market Value Loss	(13,364)	-
(Loss) on Disposal of Capital Assets	(52,347)	-
Interest Expense	(394,294)	-
Total Non-Operating Income (Expenses)	<u>(256,464)</u>	<u>52,760</u>
Income before contributions and transfers	870,965	217,590
Capital contributions	493,256	-
Change in Net Assets	1,364,221	217,590
Net Assets - Beginning	<u>32,064,675</u>	<u>962,152</u>
Net Assets - Ending	<u>\$ 33,428,896</u>	<u>\$ 1,179,742</u>

See Accompanying Notes to Financial Statements

CITY OF NORFOLK, NEBRASKA
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended September 30, 2005

	Business Type Activities Combined Utilities	Governmental Activities Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 6,986,708	\$ 1,726,213
Cash Paid to Suppliers for Goods and Services	(2,700,863)	(1,601,326)
Cash Paid to Employees for Services	(1,652,666)	-
Net Cash Provided by Operating Activities	<u>2,633,179</u>	<u>124,887</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(622,091)	-
Proceeds from Sales of Capital Assets	5,500	-
Change in Advance to Other Funds	9,572	-
Principal Paid on Notes and Bonds	(717,906)	-
Interest Paid on Notes and Bonds	(399,002)	-
Net Cash (Used) for Capital and Related Financing Activities	<u>(1,723,927)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	<u>196,720</u>	<u>54,266</u>
Net Increase in Cash and Cash Equivalents	1,105,972	179,153
Cash and Cash Equivalents at Beginning of Year	<u>6,142,130</u>	<u>1,250,945</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,248,102</u>	<u>\$ 1,430,098</u>

(Continued)

CITY OF NORFOLK, NEBRASKA
STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended September 30, 2005

	Business Type Activities	Governmental Activities
	Combined Utilities	Internal Service
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 1,127,429	\$ 164,830
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,130,198	-
(Increase) Decrease in Assets:		
Accounts Receivable	367,724	-
Notes Receivable	(50,000)	-
Special Assessments	4,745	-
Inventories	77,218	-
Increase (Decrease) in Liabilities:		
Accounts Payable	-	(39,943)
Accrued Compensated Absences	(28,541)	-
Accrued Expenses	4,406	-
Total Adjustments	1,505,750	(39,943)
Net Cash Provided by Operating Activities	<u>\$ 2,633,179</u>	<u>\$ 124,887</u>
Supplemental Schedule of Noncash Capital and Related Financing Activities:		
Developers Contribution of Distribution System	\$ 308,120	-
Accounts Payable Exchanged for Capital Assets	<u>\$ 49,657</u>	<u>-</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and Equity in Pooled Investment Account	\$ 4,692,085	\$ 1,430,098
Restricted Cash	2,556,017	-
	<u>\$ 7,248,102</u>	<u>\$ 1,430,098</u>

CITY OF NORFOLK, NEBRASKA
STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds
September 30, 2005

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
	<u>Employee Retirement Funds</u>	<u>Community Development Agency</u>
ASSETS		
Current Assets:		
Cash	\$ -	\$ 430,140
Investments Managed by Trustee	20,520,945	-
Receivables (Net, where applicable, of allowance for uncollectibles)		
Taxes	-	12,272
Total Current Assets	<u>20,520,945</u>	<u>442,412</u>
LIABILITIES		
Current Liabilities:		
Due to Bondholders	-	442,412
Total Current Liabilities	<u>-</u>	<u>442,412</u>
NET ASSETS		
Unrestricted	<u>\$ 20,520,945</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

CITY OF NORFOLK, NEBRASKA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Fiduciary Funds
For the Year Ended September 30, 2005

	<u>Pension Trust Funds Employee Retirement Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 591,470
Employee	<u>988,486</u>
Total Contributions	<u>1,579,956</u>
Investment Income:	
Interest, Dividends and Market Gain	<u>1,861,059</u>
Total Additions	<u>3,441,015</u>
DEDUCTIONS	
Pension Benefits	662,774
Contribution Refunds	668,108
Administrative Costs	<u>3,531</u>
Total Deductions	<u>1,334,413</u>
Net Increase	2,106,602
Net Assets -- Beginning of Period	<u>18,414,343</u>
Net Assets -- End of Period	<u><u>\$ 20,520,945</u></u>

See Accompanying Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Norfolk, Nebraska is a political subdivision of the state of Nebraska located in Madison County. The City operates under the mayor-council form of government with the mayor and council members elected on a nonpartisan basis. The City administers the following programs as authorized by its charter: General Government, Public Library, Public Works, Public Safety, Parks, Recreation, and Public Property, Community Improvement and Development. It also provides municipal utility services including: water, sewer and solid waste.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

For financial reporting purposes, the City of Norfolk, Nebraska, 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.

Blended Component Unit-Community Development Agency (CDA)

The CDA is included in the City's reporting entity as a blended component unit because of the significance of its operational and financial relationships with the City.

The Mayor and Council to provide for redevelopment of various blighted areas within the City created the CDA. Members of the CDA consist of the Mayor and City Council with the Mayor serving as Chairman. Officers of the CDA are also officers of the City. Although it is legally separate from the City, the CDA is reported as if it were part of the primary government because its sole purpose is to provide redevelopment of various areas within the City. Currently the CDA is involved with a drainage project in southwest Norfolk along with the Meadow Ridge Housing Development in northeast Norfolk. The CDA does not issue separate financial statements.

Joint Venture – Northeast Nebraska Solid Waste Coalition (NNSWC)

The City, in conjunction with twenty-four other cities and counties in Northeast Nebraska, has created the NNSWC. The NNSWC's Board is composed of a member from each of the participating cities and counties. The Purpose of the NNSWC is to provide solid waste management by means of building and operating a solid waste disposal facility, commonly referred to as a landfill. The NNSWC issued \$8,000,000 of revenue bonds on October 1, 1998. As the three largest participants in NNSWC, the cities of Fremont, Norfolk, and Columbus each guaranteed one third of the NNSWC bond issue. It anticipated these bonds will be paid by revenue from the NNSWC landfill, which began operation October 30, 1995.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City does not have an equity interest in the NNSWC. The NNSWC issues its own financial statements, which are available upon request from its offices at 127 North First Street in Norfolk.

B. Basic Financial Statements-Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general, special revenue, debt service, capital projects and internal service funds are classified as governmental activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual basis of accounting using the economic resources measurement focus, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: invested in capital assets net of related debt, restricted net assets, and unrestricted net assets. The City first uses restricted resources to finance qualifying activities.

The Government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (public safety, public works, parks, recreation and public property, community improvement and development, general government, etc.) and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenue, operating grants, and capital grants. Program revenue must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The City does not allocate indirect costs.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City can electively add funds, as major funds, which have a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

The City reports the following major governmental funds:

Governmental Fund Types – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds'

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, state allocations, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, parks, recreation and public property, public safety, public works, housing, public libraries and planning, permits and health.

- 2) Special Revenue Funds

City Highway Allocation Fund – To account for the City's share of motor fuel tax revenues that are legally restricted to street expenditures.

Community Development Block Grant Fund – To account for various community development grants and related program income. The use of these funds is restricted to community and economic development activities, as defined in the grant agreements.

- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for the payment of general obligation bond, principal and interest from governmental resources, and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

- 4) Capital Project Funds

Special Assessment Fund – To account for the construction of infrastructure fixed assets financed through the creation of special assessment districts.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

- 1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City includes the following utilities within its combined utilities fund:

Water Division – The water division accounts for the operation of a municipally owned water system, which provides services to the residents of the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sewer Division – The sewer division accounts for the operation of a municipally owned sewage collection, which provides services to the residents of the City.

Solid Waste Management Division – The solid waste management division accounts for the operations of the City's solid waste transfer station.

- 2) Internal Service Fund – The Internal Service Fund is used to account for the operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

The City's internal service fund is presented in the proprietary fund financial statements. Because the principal user of the internal service is the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of this service is reported in the appropriate functional activity.

Group Insurance Fund- The Group Insurance Fund is used to account for the accumulation of Resources used to fund claims under the City's self-insured health and dental plans.

Fiduciary Fund Types – These funds account for assets held by the government in a trustees capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

- 1) Pension Trust Funds – The Pension Trust Funds represent the resources accumulated for pension benefit payments to qualified City employees. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting, so that revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City includes the firefighter, police and civilian retirement funds in its combined retirement fund.
- 2) Agency Fund – The Community Development Agency Fund is used to account for the resources for payment of principal and interest on tax increment financing bonds issued by the Community Development Agency of the City of Norfolk. These bonds were issued to provide the long-term financing for the redevelopment of the Southwest Norfolk Redevelopment Plan area and the Meadow Ridge Housing Development area. These bonds are payable only from real estate taxes on certain property located within these plan areas and do not constitute general obligations of the Agency or the City.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual basis of accounting is used for all activities in the government-wide financial statements and for the proprietary and fiduciary activities in the fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual basis of accounting is used by all governmental funds in the fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough

City of Norfolk, NEBRASKA
Notes to Financial Statements
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. The City considers sales and use taxes and gasoline taxes as available when in the hands of the State of Nebraska, the intermediary collecting government. The City normally collects these taxes within 30 days of year-end.

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

Budgetary basis of accounting is used by the general fund and all major special revenue funds in the required supplementary information section of the comprehensive annual financial report. Under the budgetary basis of accounting, revenues are recognized when received and expenditures are recognized when paid.

Those revenues susceptible to accrual are taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The Agency Fund is custodial in nature and does not involve the measurement of results of operations.

E. Budgets

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Assets, Liabilities and Fund Equity

1. Pooled Investment Account – The City maintains a commingled pool of cash and investments for all funds, except the Community Development Agency. This pool is under the management of the City Treasurer. Each of the applicable City funds reports its undistributed interest in the principal balance of this pooled investment account, which is recorded at cost. Interest income received is allocated to each fund based on its proportionate interest in the pool.
2. Short-Term Interfund Receivables/Payables – During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of September 30, 2005, balances of interfund amounts payable or receivable have been recorded. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.
3. Advances to Other Funds – Noncurrent portions of long-term interfund loan receivables are reported as advances.
4. Proprietary Fund Types – Contributions of capital assets are treated as revenue and capital assets. Contributions and grants received for operating purposes are included in revenues when earned.

Governmental Fund Types – Contributions and grants for both capital and operating purposes are included in revenues when earned.

5. Estimated Unbilled Enterprise Revenue – Within the City's enterprise fund, an estimated amount has been recorded for services rendered but not yet billed as of the close of the year involved. The receivable was arrived at by taking the cycle billings the City sent the customer in October and November and prorating the amount of days applicable to the current year.

City of Norfolk, NEBRASKA
Notes to Financial Statements
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Inventories – Purchases of materials and supplies are recorded as expenditures as incurred except for items (e.g. fuel and certain office supplies) held in central storage for the use of several of the City's funds. Inventories held in central storage are valued at cost, which approximates market, using the first-in/first-out (FIFO) method are recorded as expenditures when consumed rather than when purchased. The amounts in the governmental funds are not material and therefore not recorded on the Statement of Net Assets.
7. Restricted Assets - Proceeds from debt and funds set aside for payment of enterprise fund revenue bonds are classified as restricted assets since their use is limited by applicable bond indentures.
8. Property and Equipment – Assets with an initial individual cost of \$500 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been reported for assets capitalized during fiscal years 2003, 2004 and 2005 and will be retroactively reported by September 30, 2007. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

Buildings	40 – 50 Years
Utility Plant	20 – 100 Years
Machinery & Equipment	3 – 25 Years
Infrastructure	30 – 100 Years

9. Accrued Compensated Absences - These amounts represent the unpaid vacation costs and related employee benefits as of the end of the period. All compensated amounts for governmental and proprietary fund types are accrued as liabilities on the government wide statement for governmental funds and applicable enterprise funds respectively and are not recorded as expenditures of the current reporting period for governmental fund types because they do not represent amounts that are expected to be liquidated with expendable available financial resources. A liability is recognized for that portion of accumulating sick leave benefits in which the employee becomes vested after twenty years of service.
10. Long-Term Obligations – Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in the combined utility fund.
11. Fund Equity – Reserves represent those portions of fund equity legally segregated for a specific use.
12. Bond Issuance Costs/Discounts - Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond issuance costs for governmental fund types are deferred and amortized over the term of the bonds in the governmental activities column of the government-wide Statement of Net Assets.
13. Property Taxes – Real estate taxes are levied on October 15 of each year and may be paid in two equal installments. These taxes are due December 31. The first and second half of the taxes

City of Norfolk, NEBRASKA
Notes to Financial Statements
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

becomes delinquent on the following May 1 and September 1, respectively. Real estate taxes collected within 60 days after year-end are recognized as revenues in accordance with the revenue recognition policy described in Note 1.D. Real estate taxes become a lien against the property on the levy date.

Personal property taxes are levied on October 15 of each year and are due November 1 of each year and may be paid in two equal installments. The first and second half of the taxes become delinquent on December 1 and July 1, respectively.

Motor vehicle taxes are due when an application is made for registration of a motor vehicle.

14. Interfund Transactions – Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

15. Encumbrances – Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed by the City in its governmental funds; the subsequent year's appropriation provides authority to complete these transactions as expenditures. Encumbrances at year-end do not constitute expenditures or liabilities.

G. Landfill Closure Costs

The City is not currently responsible for any landfill closure or post-closure care costs.

H. Statement of Cash Flows

As described in Note 2.A., the City maintains a cash and investment pool for all funds except the Community Development Agency. The funds use their equity in the pooled investment account as a demand deposit account and, for purposes of the statements of cash flows, the interest in the pooled investment account is considered cash. Restricted cash consists of equity in the pooled investment account that is also considered cash for the Statement of Cash Flows.

NOTE 2 - CASH AND EQUITY IN POOLED INVESTMENT ACCOUNT

At September 30, 2005, the City's cash and pooled investments consisted of the following:

Cash, principally in interest bearing accounts (at cost)	\$14,745,883
Unites States Treasury Note (at market)	<u>676,786</u>
	<u>\$15,422,669</u>

The City maintains a cash and investment pool for all funds, except the Community Development Agency. This pool is under management of the City Treasurer. Each of the applicable City funds reports its undistributed interest in the pooled investment account. Statutes authorize the City to invest these funds in direct obligations of the U.S. Government, selected Federal Agency securities, certain state and local obligations of the State of Nebraska, collateralized bank certificates of

City of Norfolk, NEBRASKA
Notes to Financial Statements
September 30, 2005

NOTE 2 - CASH AND EQUITY IN POOLED INVESTMENT ACCOUNT (CONTINUED)

deposit and certain other high-grade investments. City policy is to limit these investments to U.S. Treasury obligations and fully collateralized bank certificates of deposit with maximum maturities of approximately one year. At September 30, 2005 and throughout the year, the City's bank deposits, including certificates of deposit, were entirely covered by federal deposit insurance or by collateral held in joint custody in the City's name at third party banks acting as the City's agent (in most cases Federal Reserve Banks). The City's agent in the City's name held U.S. Treasury obligations in sufficient amounts to fully collateralize the city's interest bearing accounts and collateralized certificates of deposits. Fair value is determined by quoted market prices.

<u>US Treasury Obligations:</u>	<u>Maturity</u>	<u>Fair Value</u>
Notes	11/15/12	\$676,786

B. Investments Managed by Trustee:

An insurance company administers the City's Pension Trust Funds. For investment purposes, certain pension assets are pooled with the general assets of the insurance company and invested in guaranteed insurance accounts.

Under this arrangement, the insurance company guarantees the City a minimum rate of return. If the rate of return on the general assets of the insurance company exceeds the guaranteed rate of return, the City's investments are credited with the actual rate of return. These guaranteed insurance contracts are not marketable. Any withdrawals from these accounts are at cost plus accumulated earnings. At September 30, 2005, \$11,329,367 was held in these guaranteed insurance contracts. The other pension assets are invested in open-ended mutual funds, which are stated at fair value, and, at September 30, 2005, amounted to \$9,191,578.

C. Restricted Assets:

The following schedule details the restricted assets at September 30, 2005:

	Enterprise Fund
Pursuant to revenue bond ordinances:	
Bond reserve account	\$ 997,250
Revenue bond account	598,632
Operation and maintenance account	<u>355,000</u>
	1,950,882
Pursuant to grant agreements:	
Improvement and extension account	<u>605,135</u>
	<u>\$2,556,017</u>

Restricted cash is recorded at cost, which approximates market value, and consists of equity in the pooled investment account in the form of U. S. Treasury obligations and interest bearing accounts held by the City's agent in the City's name.

Interest Rate Risk: The City's investment policy for operating funds is limited to certificates of deposit with a maturity of 1 year or less.

Credit Risk: The City's investments at September 30, 2005 consisted entirely of U.S. Treasury obligations.

City of Norfolk, NEBRASKA
Notes to Financial Statements
September 30, 2005

NOTE 2 - CASH AND EQUITY IN POOLED INVESTMENT ACCOUNT (CONTINUED)

Concentration of Credit Risk: The City's investment policy places no limits on the amounts that may be invested in any one issuer.

NOTE 3 - RECEIVABLES

Receivables at September 30, 2005, are net of allowance for uncollectibles. The allowance for uncollectibles in the general fund was \$110,000 at September 30, 2005.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

As of September 30, 2005, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	<u>\$ 10,112</u>

As of September 30, 2005, long-term advances were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Proprietary Fund - Water	General	<u>\$ 55,537</u>

City of Norfolk, NEBRASKA
Notes to Financial Statements
September 30, 2005

NOTE 5 - CAPITAL ASSETS

A summary of changes in capital assets is as follows

	Balance October 1, 2004	Additions	Deletions	Balance September 30, 2005
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,836,165	\$ 177,495	\$ -	\$ 4,013,660
Construction in Progress	5,227,782	3,584,826	4,806,640	4,005,968
Total capital assets not being depreciated	9,063,947	3,762,321	4,806,640	8,019,628
Capital assets being depreciated:				
Buildings and improvements	9,348,877	144,005	150,514	9,342,368
Electrical distribution system	1,182,329	-	-	1,182,329
Equipment, furniture and fixtures	8,449,420	584,037	382,343	8,651,114
Infrastructure	1,814,673	4,029,395	-	5,844,068
Total capital assets being depreciated	20,795,299	4,757,437	532,857	25,019,879
Less: Accumulated Depreciation for:				
Buildings and improvements	3,969,639	210,194	14,451	4,165,382
Electrical distribution system	373,077	11,618	-	384,695
Equipment, furniture and fixtures	4,769,393	663,393	314,583	5,118,203
Infrastructure	207,248	131,633	-	338,881
Total accumulated depreciation	9,319,357	1,016,838	329,034	10,007,161
Total capital assets being depreciated, net	11,475,942	3,740,599	203,823	15,012,718
Governmental activities capital assets, net	\$ 20,539,889	\$ 7,502,920	\$ 5,010,463	\$ 23,032,346

Construction in progress at September 30, 2005, for the governmental activities consisted of costs associated with Meadow Ridge, North 10th St Drainage, Elkhorn Valley Ethanol Project Plant, Benjamin Avenue, downtown pavement replacement project, downtown street improvements, and Paving District No. 488.

City of Norfolk, NEBRASKA
Notes to Financial Statements
September 30, 2005

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Balance October 1, 2004	Additions	Deletions	Balance September 30, 2005
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,146,166	\$ 11,049	\$ -	\$ 1,157,216
Construction in Progress	1,652,716	-	1,573,780	78,936
Total capital assets not being depreciated	2,798,882	11,049	1,573,780	1,236,152
Capital assets being depreciated:				
Water and pollution control plant	25,942,770	26,193	103,247	25,865,716
Water distribution and sewage system	18,613,028	2,437,529	-	21,050,557
Equipment	4,003,496	101,354	86,038	4,018,812
Total capital assets being depreciated	48,559,294	2,565,076	189,285	50,935,085
Less: Accumulated Depreciation for:				
Water and pollution control plant	10,708,315	771,112	56,701	11,422,726
Water distribution and sewage system	3,079,597	183,745	-	3,263,342
Equipment, furniture and fixtures	1,598,604	164,132	52,257	1,710,479
Total accumulated depreciation	15,386,516	1,118,989	108,958	16,396,547
Total capital assets being depreciated, net	33,172,778	1,446,087	80,327	34,538,538
Business-type activities capital assets, net	\$ 35,971,660	1,457,136	\$ 1,654,107	\$ 35,774,690

Construction in progress at September 30, 2005 consisted of costs associated with the Eisenhower Old Hadar Water extension and west well addition.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 60,166
Public Safety	445,109
Public Works	321,823
Parks, Recreation, and Public Property	135,567
Public Library	43,652
Community Improvement and Development	10,521
Total depreciation expense – governmental activities	<u>\$ 1,016,838</u>
Business-Type Activities:	
Solid Waste Management	\$ 72,823
Water	355,049
Sewer	691,117
Total depreciation expense – business-type activities	<u>\$ 1,118,989</u>

City of Norfolk, NEBRASKA
Notes to Financial Statements
September 30, 2005

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Reconciliation of Investment in Capital Assets:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land	\$ 4,013,660	\$ 1,157,216
Construction in Progress	4,005,968	78,936
Capital Assets (Net of Accumulated Depreciation)	15,012,718	34,538,538
Less: General Obligation Bonds Payable	4,805,000	-
Various Purpose Bonds Payable	1,870,000	-
Revenue Bonds Payable	-	10,798,956
Investment in Capital Assets, Net of Related Debt	<u>\$ 16,357,346</u>	<u>\$ 24,975,734</u>

NOTE 6 - BONDS PAYABLE AND OTHER LONG-TERM OBLIGATIONS

Changes in bonds payable and other long-term obligations for the period ended September 30, 2005 were as follows:

	<u>October 01, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2005</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds (excluding special assessment bonds) 4.10% to 6.35%, Various maturities through 2019	\$ 5,200,000	\$ -	\$ 395,000	\$ 4,805,000	\$ 395,000
Special assessment bonds, with City commitment, 2.80% to 5.10%, various maturities through 2015	1,615,000	630,000	375,000	1,870,000	440,000
Bond anticipation notes, 2.95%, mature September, 2007	835,000	495,000	835,000	495,000	-
Accrued compensated absences	938,148	988,100	938,148	988,100	988,100
Total Governmental Activities	<u>\$8,588,148</u>	<u>\$2,113,100</u>	<u>\$2,543,148</u>	<u>\$8,158,100</u>	<u>\$1,330,000</u>

City of Norfolk, NEBRASKA
Notes to Financial Statements
September 30, 2005

NOTE 6 - BONDS PAYABLE AND OTHER LONG-TERM OBLIGATIONS (CONTINUED)

Business Type Activities:

Revenue Bonds, 1.25% to 5.20%, various maturities Through 2024	\$10,075,000	\$	-	\$620,000	\$9,455,000	\$630,000
State Revolving Loan Fund Bond, 3.00%	1,460,720		-	97,906	1,362,814	100,865
Total Business Type Activities	11,535,720		-	717,906	10,817,814	730,865
Grand Total	\$20,123,868	\$2,113,100		\$3,261,054	\$18,975,914	\$2,060,865

The revenue bonds are presented on the statement of net assets net of unamortized bond discounts of \$18,858. In addition, for the governmental activities compensated absences are generally liquidated by the general fund.

Annual debt service requirements as of September 30, 2005 for general obligation and enterprise fund debt, including interest of 4,475,312 is as follows:

Fiscal Year Ending	Governmental Activities				Business Type Activities	
	General Obligation Debt		Special Assessment Debt		Enterprise Fund	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$395,000	\$168,205	\$440,000	\$75,329	\$730,865	\$383,259
2007	425,000	158,509	245,000	57,989	753,914	365,095
2008	440,000	146,584	250,000	48,125	772,055	344,149
2009	440,000	132,924	260,000	37,723	800,290	320,666
2010	455,000	118,049	190,000	27,223	823,624	294,510
2011	385,000	101,183	205,000	19,333	852,058	265,916
2012	395,000	87,167	65,000	10,618	880,596	234,869
2013	415,000	72,141	70,000	8,245	879,241	201,825
2014	430,000	55,888	70,000	5,620	837,997	168,496
2015	315,000	41,229	75,000	2,925	876,865	135,540
2016	335,000	28,500	-	-	865,851	99,918
2017	295,000	15,682	-	-	829,458	63,883
2018	40,000	3,440	-	-	110,000	43,487
2019	40,000	1,740	-	-	120,000	37,907
2020	-	-	-	-	125,000	31,842
2021	-	-	-	-	130,000	25,435
2022	-	-	-	-	135,000	18,710
2023	-	-	-	-	145,000	11,534
2024	-	-	-	-	150,000	3,900
	<u>\$4,805,000</u>	<u>\$1,131,241</u>	<u>\$1,870,000</u>	<u>\$293,130</u>	<u>\$10,817,814</u>	<u>\$3,050,941</u>

City of Norfolk, NEBRASKA
Notes to Financial Statements
September 30, 2005

NOTE 6 - BONDS PAYABLE AND OTHER LONG-TERM OBLIGATIONS (CONTINUED)

General obligation bonds and other general long-term obligations represent indebtedness secured by the full faith and credit of the City. Special assessment bonds represent indebtedness supported by the full faith and credit of the City and are payable from the collection of special assessment receivables. Bond anticipation notes are used by the City as interim financing. The City has no legal debt limit; therefore, a computation of the legal debt margin is not required. Revenue bonds are the obligation of the Enterprise Fund and are payable solely from the revenues of that fund.

On September 1, 2005, the City issued \$630,000 of various purpose bonds payable with a maturity of September 1, 2015 and interest rates ranging from 2.8% to 3.9%. These bonds financed the cost of sanitary sewer improvements and street improvements for various paving districts.

On September 1, 2005, the City issued \$495,000 of general obligation bond anticipation notes with a maturity of September 1, 2007 and an interest rate of 2.95%. This bond provided interim financing for the cost of street improvements for various paving districts.

Prior to 1995, the City authorized a number of limited obligation industrial development revenue bonds. Although these bonds bear the name of the City of Norfolk, the City has no obligation for such debt beyond the resources provided by the leases securing this debt. This debt was issued on behalf of companies for the purchase of business assets and was done in order to provide lower tax-exempt interest rates. Since the City has no obligation for this debt, this debt is not reported as a liability on the balance sheet. Two of these issues remain outstanding with an original principal amount of \$4,000,000. The current amount outstanding is not readily determinable.

NOTE 7 - TRANSFERS

The following is a summary of transfers between funds:

	Governmental Fund Types			Total
	General	Debt Service	Nonmajor Governmental	Transfer Out
General	\$ -	\$ 572,872	\$ 38,036	\$ 610,908
City Highway Allocation	630,000	-	-	630,000
Special Assessment	-	47,932	-	47,932
Nonmajor Governmental	280,654	-	-	280,654
Transfer In	<u>\$ 910,654</u>	<u>\$ 620,804</u>	<u>\$ 38,036</u>	<u>\$1,569,494</u>

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To use sales tax revenues collected in the general fund for property tax relief in the debt service fund as well as to fund capital construction.

NOTE 8 - EMPLOYEE PENSION PLANS

The City has three single-employer retirement systems covering City employees. The City and covered employees make contributions to these retirement plans. The total payroll for all employees during the period ended September 30, 2005 was \$9,061,023 of which \$8,165,309 related to employees covered by one of these three retirement systems. Forfeitures of non-vested employer contributions are used to pay for administrative costs. If forfeitures are insufficient, costs are financed through investment earnings.

Employees are allowed to invest their participant account balances in certain stock and/or bond mutual funds as well as guaranteed insurance accounts. Participants in the Civilian Employee Retirement System can direct their entire account balance to mutual funds. Participants in the Police and Firemen's Retirement Systems can only direct a portion of their accounts into these funds. All of these funds are invested through Ameritas Life Insurance Corporation. All investments are valued at market or contract value as more fully discussed in note 2. B. to these statements.

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are withheld from pay and due to the plan. Employer contributions to each plan are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Civilian Employee Retirement System

The City of Norfolk's Civilian Employee Retirement System is a defined contribution plan, which covers substantially all regular employees working greater than 1,000 hours per year. Participation in this plan is voluntary and employees may contribute a percentage of total compensation up to the IRS allowed maximum. The City contributes an amount up to 6% of the employee's compensation, pursuant to plan provisions as established by City ordinance. Employer contributions to this plan totaled \$281,923, and employee contributions totaled \$399,985.

Employees become fully vested in the employer contributions and related earnings after seven years of service. Current membership is comprised of the following:

Vested terminated employees	16
Active Employees:	
Non-vested	17
Partially vested	22
Fully vested	120
 Total membership	 <u>159</u>

Police and Firemen's Retirement Systems

The Police Retirement System, a single employer defined benefit plan, covers all regular uniformed employees of the Norfolk Police Division, as required by State statutes and City ordinances. Effective January 1, 1984, the plan was changed from a defined benefit plan to a defined contribution plan in which the City matches employee contributions, up to 6% of compensation.

The Firemen's Retirement System, a single employer defined benefit plan, covers all regular uniformed employees of the Norfolk Fire Division, as required by State statutes and City ordinances. The Firemen's Retirement Plan was also changed, effective January 1, 1984, from a

City of Norfolk, NEBRASKA
Notes to Financial Statements
September 30, 2005

NOTE 8 - EMPLOYEE PENSION PLANS (CONTINUED)

defined benefit plan to a defined contribution plan in which the City contributes twice the employees' contribution, which is 6 1/2% of base pay.

Both plans stipulate that, for participants employed prior to January 1, 1984, retirement benefits shall not be less than 50% of final earnings, as defined. The benefits shall not be less than 40% of final earnings, as defined in the event a police officer elects early retirement. Because of these minimum benefit guarantees for participants employed prior to January 1, 1984, these plans are treated as defined benefit plans for financial reporting purposes.

Participants in both the Police and Firemen's Retirement Systems are fully vested in the amounts they contribute to the plans, together with the related earnings. Participants become fully vested in employer contributions and related earnings after ten years of service. Current membership is comprised of the following:

	Police Retirement System	Firemen's Retirement System	Total
Current covered employees:			
Non-vested	13	12	25
Partially vested	12	6	18
Fully vested	17	11	28
	42	29	71
Retirees and beneficiaries currently			
Receiving benefits from the plan	-	9	9
Terminated employees entitled to,			
But not yet receiving benefits	11	3	14
Total active and inactive participants	53	41	94

City of Norfolk, NEBRASKA
Notes to Financial Statements
September 30, 2005

NOTE 8 - EMPLOYEE PENSION PLANS (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date(1) Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ©	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Fire						
1997	\$3,190,507	\$3,482,141	\$291,634	91.6%	\$770,521	37.8%
1998	3,374,295	3,600,244	225,949	93.7%	827,131	27.3%
1999	3,503,543	3,659,209	155,666	95.7%	903,600	17.23%
2000	4,068,501	4,148,965	80,464	98.1%	889,825	9.04%
2001	3,698,838	3,698,838	-	100.0%	940,286	0.00%
2002	3,474,047	3,474,047	-	100.0%	975,556	0.00%
2003	4,123,606	4,123,606	-	100.0%	1,152,063	0.00%
2004	4,752,051	4,752,051	-	100.0%	1,242,330	0.00%
2005	5,012,780	5,012,780	-	100.0%	1,304,663	0.00%
Police						
1997	\$2,683,746	\$2,683,746	-	100.0%	\$1,187,843	0.0%
1998	2,682,730	2,682,730	-	100.0%	1,248,654	0.0%
1999	2,949,459	2,949,459	-	100.0%	1,176,154	0.0%
2000	3,176,783	3,176,783	-	100.0%	1,403,036	0.0%
2001	2,899,255	2,899,255	-	100.0%	1,444,857	0.0%
2002	3,070,458	3,070,458	-	100.0%	1,485,186	0.0%
2003	3,488,992	3,488,992	-	100.0%	1,645,314	0.0%
2004	3,788,812	3,788,812	-	100.0%	1,796,690	0.0%
2005	4,178,798	4,178,798	-	100.0%	1,867,048	0.0%

Schedule of Employer Contributions

Fiscal Year Ended	Fire		Police	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
1997	\$199,469	100%	\$71,271	100%
1998	207,705	100%	83,195	100%
1999	187,368	100%	79,591	100%
2000	190,228	100%	83,434	100%
2001	217,352	100%	89,415	100%
2002	140,091	100%	101,954	100%
2003	169,410	100%	109,041	100%
2004	178,605	100%	113,365	100%
2005	189,027	100%	120,520	100%

City of Norfolk, NEBRASKA
Notes to Financial Statements
September 30, 2005

NOTE 8 - EMPLOYEE PENSION PLANS (CONTINUED)

Actuarial valuations of the Police and Firemen's Retirement Plans are performed annually, with the most recent as of October 1, 2005. The City uses the Frozen Entry Age Normal actuarial method for reporting and disclosure purposes. The City annually contributes actuarially determined amounts in addition to the matching contributions. These contributions are recognized as expenses when made. Significant actuarial assumptions include a 7% return on plan assets and 4% annual salary increases, 3% of which is assumed to be due to inflation and 1% assumed to be due to merit pay increases. Publicly issued financial reports are not available for any of the pension plans.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The City has received financial assistance from federal, state and local governmental agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and the Single Audit Act, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds, however, such disallowed claims, if any, are not expected to have a materially adverse effect on the City's financial position at September 30, 2005.

The city has entered into various contracts for street and other capital improvements. The remaining commitment under these contracts is \$722,725. \$553,958 will be paid from the City Highway Allocation Fund, \$168,767 will be paid from the Special Assessment Funds. The City also entered into various contracts for Water Improvement Projects. The remaining commitment under these contracts is approximately \$57,405 and will be paid by the Water Division.

As more fully discussed in Note 1. A., the City has guaranteed one-third of the Northeast Nebraska Solid Waste Coalition \$8,000,000 Revenue Bonds dated October 1, 1998. These issues are expected to be paid from landfill revenues or future bond issues and do not require any City funding.

NOTE 10 - INDIVIDUAL FUND DISCLOSURES

Certain information concerning individual funds is as follows:

A. The following funds had a deficit fund balance at September 30, 2005:

Capital Project Fund:	Special Assessment	(\$553,103)
Capital Project Fund:	Capital Construction	(13,499)

This deficit will be funded by proceeds from the issuance of bonds.

B. The City maintains the following insurance coverage on the water and sewage treatment and solid waste facilities of the Enterprise Fund:

Fire and extended coverage with a \$5,000 deductible on various water and sewage treatment and solid waste facilities. Buildings and contents insured at \$38,940,873.

Boiler and machinery coverage on City utility plant is covered under a blanket of \$33 million per accident policy.

City of Norfolk, NEBRASKA
Notes to Financial Statements
September 30, 2005

NOTE 10 - INDIVIDUAL FUND DISCLOSURES (CONTINUED)

The City provides water, sewer, and solid waste management services (transfer station) through the Enterprise Fund. These services are financed through user charges. Segment information for the Enterprise Fund is as follows:

CONDENSED STATEMENT OF NET ASSETS

	Water Division	Sewer Division	Solid Waste Management Division	Totals
Assets:				
Current assets	\$ 3,768,958	\$2,068,415	\$ 277,725	\$ 6,115,099
Restricted assets	306,301	1,880,685	369,031	2,556,017
Noncurrent assets	290,673	106,013	-	396,686
Capital assets	20,970,150	13,884,194	920,346	35,774,690
Total assets	25,336,082	17,939,307	1,567,102	44,842,492
Liabilities:				
Current liabilities	414,042	695,468	235,994	1,345,504
Noncurrent liabilities	3,146,947	6,226,144	695,000	10,068,091
Total liabilities	3,560,989	6,921,612	930,994	11,413,595
Net assets:				
Invested in capital assets, net of related debt	17,647,338	7,180,050	148,346	24,975,734
Restricted	76,264	1,334,218	280,094	1,690,576
Unrestricted	4,051,491	2,503,427	207,668	6,761,966
Total net assets	\$21,775,093	\$11,017,695	\$ 636,108	\$33,428,896

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Water Division	Sewer Division	Solid Waste Management Division	Totals
Operating revenues	\$2,426,990	\$2,486,428	\$1,750,821	\$ 6,664,239
Depreciation and amortization	355,049	702,326	72,823	1,130,198
Other operating expenses	1,248,027	1,535,748	1,622,837	4,406,612
Operating income	823,914	248,354	55,161	1,127,429
Nonoperating revenues (expenses):				
Interest on bonds and other debt	(127,139)	(228,898)	(38,257)	(394,294)
Interest income	90,075	101,258	12,208	203,541
Market Value Loss	-	(13,364)	-	(13,364)
Gain (Loss) on disposal of fixed assets	5,500	(57,847)	-	(52,347)
Capital Contributions	414,490	78,766	-	493,256
Change in net assets	1,206,840	128,269	29,112	1,364,221
Beginning net assets	20,568,253	10,889,426	606,996	32,064,675
Ending net assets	\$21,775,093	\$11,017,695	\$636,108	\$33,428,896

City of Norfolk, NEBRASKA
Notes to Financial Statements
September 30, 2005

NOTE 10 - INDIVIDUAL FUND DISCLOSURES (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:

Operating activities	\$ 1,570,547	\$ 937,166	\$125,466	\$2,633,179
Capital and related financing activities	(813,508)	(731,923)	(178,496)	(1,723,927)
Investing activities	93,041	90,959	12,720	196,720
Net increase (decrease)	850,080	296,202	(40,310)	1,105,972
Beginning cash and cash equivalents	2,479,207	3,237,494	425,429	6,142,130
Ending cash and cash equivalents	<u>\$3,329,287</u>	<u>\$3,533,696</u>	<u>\$385,119</u>	<u>\$7,248,102</u>

Individual Fund Information for the Employee Retirement Funds follows:

COMBINING STATEMENT OF NET ASSETS

	Firemen's Retirement Fund	Police Retirement Fund	Civilian Retirement Fund	Total
ASSETS				
Investments Managed by Trustee	\$ 5,012,780	\$ 4,178,798	\$11,329,367	\$20,520,945
Total Assets	<u>5,012,780</u>	<u>4,178,798</u>	<u>11,329,367</u>	<u>20,520,945</u>
NET ASSETS				
Unrestricted	5,012,780	4,178,798	11,329,367	20,520,945
Total Net Assets	<u>\$ 5,012,780</u>	<u>\$ 4,178,798</u>	<u>\$11,329,367</u>	<u>\$20,520,945</u>

COMBINING STATEMENT OF CHANGES IN NET ASSETS

	Firemen's Retirement Fund	Police Retirement Fund	Civilian Retirement Fund	Total
ADDITIONS				
Contributions:				
Employer	\$ 189,027	\$ 120,520	\$ 281,923	\$ 591,470
Employee	476,478	112,023	399,985	988,486
Total Contributions	<u>665,505</u>	<u>232,543</u>	<u>681,908</u>	<u>1,579,956</u>
Investment Income:				
Interest, Dividends and Market Gains	423,112	365,557	1,072,390	1,861,059
Total Additions	<u>1,088,617</u>	<u>598,100</u>	<u>1,754,298</u>	<u>3,441,015</u>
DEDUCTIONS				
Pension Benefits	513,063	25,025	124,686	662,774
Contribution Refunds	311,333	183,049	173,726	668,108
Administrative Costs	3,491	40	-	3,531
Total Deductions	<u>827,887</u>	<u>208,114</u>	<u>298,412</u>	<u>1,334,413</u>
Net Increase	260,730	389,986	1,455,886	2,106,602
Net Assets -- Beginning of Period	<u>4,752,050</u>	<u>3,788,812</u>	<u>9,873,481</u>	<u>18,414,343</u>
Net Assets -- End of Period	<u>\$ 5,012,780</u>	<u>\$ 4,178,798</u>	<u>\$ 11,329,367</u>	<u>\$ 20,520,945</u>

City of Norfolk, NEBRASKA
Notes to Financial Statements
September 30, 2005

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and group health and dental claims. The City participates in the League Association of Risk Management (LARM), a public entity risk pool, to cover the risk of loss except for health and dental coverage, which is self-insured. The City pays an annual premium contribution to LARM for its insurance coverage membership in the self-insurance pool. LARM purchases reinsurance through commercial companies for claims in excess of \$1,000,000 for property or \$250,000 for liability per single loss, or a combined loss of \$2.1 million. Workers Compensation reinsurance covers claims in excess of \$500,000 for a single loss or a combined loss of \$1.8 million. The retentions meet the actuarially determined requirements of the third party administrator reducing the risk of assessments over premiums. The policy period is October 1, 2004 to September 30, 2005. The terms of coverage did not change substantially in the current fiscal year from the prior fiscal year and settled claims have not exceeded this coverage in any of the past three fiscal years.

Group health and dental coverage provided by the City is accounted for in the Internal Service Fund, which is used to accumulate resources to fund claims under the City's self-insured health and dental plans. City contributions to fund this coverage are reported by the respective funds as expenditures and shown as revenue in the Internal Service Fund. The employees' share is also shown as revenue in the internal service fund. The City purchases reinsurance to protect against large losses. This reinsurance pays for individual claims in excess of \$50,000 and limits City payments for claims during the year to a maximum of \$998,999. The September 30, 2005 claims liability of \$227,905 is included in accounts and contracts payable for the Internal Service Fund. This claims liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that the liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of financial statements and the amount of loss can be reasonably estimated. This claims liability includes accruals for claims incurred but not paid and claims incurred but not reported. Changes in the claims liability amount for the year ending September 30, 2005 and the year ending September 30, 2004 are:

	<u>Beginning</u>	<u>Claims & Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending</u>
2004	\$152,219	\$1,088,555	\$967,669	\$273,105
2005	\$273,105	\$1,357,705	\$1,402,905	\$227,905

NOTE 12 - RECLASSIFICATIONS OF A GENERAL NATURE

Certain amounts in the prior periods have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income.

NOTE 13 - SUBSEQUENT EVENT

On October 3, 2005 the City Council adopted an ordinance authorizing the issuance and sale of Bond Anticipation Notes in the principal amount of \$260,000 for the purpose of providing interim financing for the costs of street improvements for paving districts Nos. 490, 491 and 492.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORFOLK, NEBRASKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - BUDGETARY BASIS
Year Ended September 30, 2005

	General Fund		
	Budgeted Original & Final	Actual	Variance with Final Budget Over (Under)
Revenue:			
Taxes	\$ 7,093,762	\$ 7,395,861	\$ 302,099
Licenses and Permits	248,295	374,484	126,189
Intergovernmental Revenue	515,069	617,983	102,914
Charges for Services	1,112,315	1,197,716	85,401
Occupation and Franchise Taxes	564,550	601,673	37,123
Payments in Lieu of Taxes	21,000	20,217	(783)
Loan Repayments	-	-	-
Rental Income	2,641,606	2,650,411	8,805
Interest	34,800	65,736	30,936
Miscellaneous	57,000	70,789	13,789
Total Revenue	<u>12,288,397</u>	<u>12,994,870</u>	<u>706,473</u>
Current Expenditures:			
Public Safety	6,762,013	6,648,482	(113,531)
Public Works	2,460,790	2,151,908	(308,883)
Public Library	1,042,608	1,002,351	(40,257)
Parks, Recreation and Public Property	1,291,012	1,302,417	11,405
Community Improvement and Development	348,324	321,938	(26,386)
General Government	1,914,250	1,730,435	(183,815)
Total Expenditures	<u>13,818,997</u>	<u>13,157,531</u>	<u>(661,466)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,530,600)</u>	<u>(162,661)</u>	<u>1,367,939</u>
Other financing sources (uses):			
Transfers In	720,000	910,654	190,654
Transfers Out	(585,700)	(623,736)	(38,036)
Total other financing sources (uses)	<u>134,300</u>	<u>286,918</u>	<u>152,618</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (1,396,300)</u>	<u>124,257</u>	<u>\$ 1,520,557</u>
Fund balances—beginning of year		<u>2,495,354</u>	
Fund balances— end of year		<u>\$ 2,619,611</u>	

City Highway Allocation Fund			Community Development Block Grant Fund		
Budgeted Original & Final	Actual	Variance with Final Budget Over (Under)	Budgeted Original & Final	Actual	Variance with Final Budget Over (Under)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
3,220,000	2,770,082	(449,918)	981,000	360,801	(620,199)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	67,025	19,216	(47,809)
-	-	-	-	-	-
27,900	54,922	27,022	8,200	4,237	(3,963)
-	-	-	-	16	16
<u>3,247,900</u>	<u>2,825,004</u>	<u>(422,896)</u>	<u>1,056,225</u>	<u>384,270</u>	<u>(671,955)</u>
-	-	-	-	-	-
4,305,500	2,208,426	(2,097,074)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,172,212	393,099	(779,113)
-	-	-	-	-	-
<u>4,305,500</u>	<u>2,208,426</u>	<u>(2,097,074)</u>	<u>1,172,212</u>	<u>393,099</u>	<u>(779,113)</u>
<u>(1,057,600)</u>	<u>616,578</u>	<u>1,674,178</u>	<u>(115,987)</u>	<u>(8,829)</u>	<u>107,158</u>
-	-	-	-	-	-
(630,000)	(630,000)	-	-	-	-
(630,000)	(630,000)	-	-	-	-
<u>\$ (1,687,600)</u>	<u>(13,422)</u>	<u>\$ 1,674,178</u>	<u>\$ (115,987)</u>	<u>(8,829)</u>	<u>\$ 107,158</u>
	<u>1,904,166</u>			<u>149,646</u>	
	<u>\$ 1,890,744</u>			<u>\$ 140,817</u>	

City of Norfolk, NEBRASKA
Notes to Required Supplementary Information Budgetary Reporting
September 30, 2005

Budgets

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At or around May 1, the City's department and division heads prepare and submit budget requests for the following fiscal year to the City Administrator who then reviews the requests with the department and division heads.
2. After this review process has been completed, the City Administrator presents these budget requests to the Mayor and City Council along with his recommendations as to what changes, if any should be made. These budget requests and recommendations are reviewed by the Finance Committee of the City Council at meetings open to the public.
3. A public hearing on the budget is then conducted at a City Council meeting to obtain citizen comments.
4. Prior to October 1, the City Council legally enacts the ensuing fiscal year's budget for all funds, except Fiduciary Funds and the Community Development Capital Project Fund through the passage of an ordinance, which establishes the legal level of control (the level on which expenditures may not legally exceed appropriations) at the total governmental fund level.

Proposed expenditures, which are expected to exceed the fund's total appropriation, require amendment by the City Council. The legal level of budgetary control is at the total governmental fund level. Expenditures in excess of the amount budgeted within individual funds do not require amendment by the City Council.

Appropriations lapse at year-end. Encumbrances outstanding at year-end are reported as reservations of fund balance and generally are re-appropriated in the next fiscal year.

5. Formal budgetary integration is employed as a management control device during the year for all Governmental and Proprietary Funds.
6. The budgets adopted are stated on a cash basis. Budgetary comparisons are presented in the financial statements for the governmental funds and are on this budgetary basis, which is not in accordance with U.S. generally accepted accounting principles.
7. There were no budget amendments during the year.

BUDGETARY CONTROL

The annual appropriated budget adopted by the City is prepared on a cash basis and, therefore, the budgetary basis differs from that used to present the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). Such differences and their effect on the respective funds reported operations are summarized as follows:

City of Norfolk, NEBRASKA
Notes to Required Supplementary Information Budgetary Reporting
September 30, 2005

	General	City Highway Allocation	Community Development Block Grant
Excess (deficiency) of revenues and other financial sources over expenditures and other financial uses, on a budgetary basis	\$ 124,257	\$ (13,422)	\$ (8,829)
Basis differences:			
To adjust revenues from recognition on a cash basis	(87,741)	(130,051)	(179)
To adjust other financial sources from recognition on a cash basis:			
Proceeds of debt	-	-	-
To adjust total expenditures from recognition on a cash basis	34,363	235,702	56,133
To adjust operating transfers out	12,828	-	-
	\$ 83,707	\$ 92,229	\$ 47,125

	Total Governmental Funds
Expenditures and other financing uses, on a budgetary basis	\$(20,378,531)
Basis Differences:	
To adjust total expenditures from recognition on a cash basis	731,858
To adjust operating transfers out	5,964
Expenditures and other financing uses, on a GAAP basis	\$ (19,640,709)

The following schedule demonstrates the City's legal compliance to the budget

Fund	Budget	Actual	Variance Over (Under) Budget
Governmental Funds Expenditures	24,272,780	20,378,531	(3,894,249)

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OTHER SUPPLEMENTARY INFORMATION

GOVERNMENTAL NONMAJOR FUNDS

VEHICLE PARKING FUND - This fund is used to account for the revenues and expenditures of Parking District No. 1. This is a special taxing district, encompassing the downtown area, created for the purpose of providing and maintaining off-street parking lots for employees and customers of the downtown businesses.

COMMUNITY CHARACTER DEVELOPMENT COALITION FUND - This fund is used to account for federal grants from the department of Health and Human Services. The use of these funds is restricted to community character development as defined in the grant agreements.

911 FUND – This fund is used to account for proceeds from a \$1.00 per month surcharge on each local exchange access telephone line which physically terminates within the City of Norfolk's designated 911 telephone service area. These funds are used for the provision of 911 emergency telephone services to various emergency response agencies in the City of Norfolk's 911 telephone service area. This service area covers parts of four (4) counties and receives emergency phone calls for the provision of law enforcement, fire, and rescue services.

SNARE FUND - This fund is used to account for the proceeds of a law enforcement grant.

REGION 11 EMERGENCY MANAGEMENT FUND – This fund is used to account for revenue received for emergency management in Antelope County, Pierce County, Madison County and the City of Norfolk. These governments contribute to the fund based upon population. This fund also accounts for emergency management grants received for the area.

COMMUNITY DEVELOPMENT AGENCY FUND – This fund is used to account for the construction of fixed assets financed by the issuance of tax increment financing bonds by the Community Development Agency of the City of Norfolk. The Agency is currently involved with the drainage project in southwest Norfolk and the Meadow Ridge Housing Development in northeast Norfolk.

CAPITAL CONSTRUCTION FUND – This fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds, or special assessments.

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CITY OF NORFOLK, NEBRASKA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
September 30, 2005

	Special Revenue Funds				
	Vehicle Parking	Community Character Development Coalition	911	SNARE	Region 11
Assets					
Cash and Equity in Pooled Investment Account	\$ 318,456	\$ 100	\$ 61,726	\$ 69,029	\$ 75,331
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	1,170	-	28,597	9,795	-
Taxes	16,588	-	-	-	-
Notes Receivable	41,755	-	-	-	-
Due from Other Governmental Agencies	-	26,856	-	-	9,786
Total Assets	377,969	26,956	90,323	78,824	85,117
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	68,355	24,097	-	987	394
Due to Other Funds	-	1,649	-	-	-
Unearned Revenue	41,755	-	-	-	-
Total Liabilities	110,110	25,746	-	987	394
Fund Balances (Deficit):					
Reserved for:					
Encumbrance	55,592	1,210	-	-	-
Unreserved	212,267	-	90,323	77,837	84,723
Total Fund Balances (Deficit)	267,859	1,210	90,323	77,837	84,723
Total Liabilities and Equity	\$ 377,969	\$ 26,956	\$ 90,323	\$ 78,824	\$ 85,117

Capital Projects		
Community Development Agency	Capital Construction	Total Governmental Nonmajor Funds
\$ 328,878	\$ -	\$ 853,520
-	-	39,562
-	-	16,588
-	-	41,755
-	-	36,642
328,878	-	988,067
-	5,036	98,869
-	8,463	10,112
-	-	41,755
-	13,499	150,736
-	-	56,802
328,878	(13,499)	780,529
328,878	(13,499)	837,331
\$ 328,878	\$ -	\$ 988,067

CITY OF NORFOLK, NEBRASKA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
September 30, 2005

	Special Revenue Funds				
	Vehicle Parking	Community Character Development Coalition	911	SNARE	Region 11
Revenue:					
Taxes	\$ 70,688	\$ -	\$ 153,553	\$ -	\$ -
Intergovernmental Revenue	357	205,933	-	108,217	195,449
Contributions	-	3,154	-	-	-
Rental Income	12,099	-	-	-	-
Loan Repayments	5,562	-	-	-	-
Interest	9,919	-	1,057	-	1,234
Miscellaneous	-	3,646	-	53,675	-
Total Revenue	98,625	212,733	154,610	161,892	196,683
Expenditures:					
Public Safety	-	-	12,730	130,208	149,996
Public Works	125,377	-	-	-	-
Parks, Recreation and Public Property	-	-	-	-	-
Community and Economic Development	-	214,924	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	125,377	214,924	12,730	130,208	149,996
Excess (deficiency) of revenues over expenditures	(26,752)	(2,191)	141,880	31,684	46,687
Other financing sources (uses):					
Transfers In	-	-	-	-	38,036
Transfers Out	-	-	(90,000)	-	-
Total other financing sources (uses)	-	-	(90,000)	-	38,036
Net Change in Fund Balance	(26,752)	(2,191)	51,880	31,684	84,723
Fund balances -beginning of year	294,611	3,401	38,443	46,153	-
Fund balances (deficits) - end of year	\$ 267,859	\$ 1,210	\$ 90,323	\$ 77,837	\$ 84,723

Capital Projects			
Community Development Agency	Capital Construction		Total Governmental Nonmajor Funds
\$ -	\$ -		\$ 224,241
-	312,037		821,993
-	-		3,154
-	-		12,099
-	-		5,562
9,773	875		22,858
-	-		57,321
9,773	312,912		1,147,228
-	-		292,934
-	-		125,377
-	180		180
-	-		214,924
-	356,266		356,266
-	356,446		989,681
9,773	(43,534)		157,547
-	-		38,036
-	(190,654)		(280,654)
-	(190,654)		(242,618)
9,773	(234,188)		(85,071)
319,105	220,689		922,402
\$ 328,878	\$ (13,499)	\$	837,331

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BUSINESS TYPE ACTIVITIES

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government has decided that periodic determination of net income is appropriate for accountability purposes.

COMBINED UTILITY FUND - This fund is used to account for the operations of the City's water and sewer utilities and the solid waste transfer station.

CITY OF NORFOLK, NEBRASKA
COMBINING DEPARTMENTAL SCHEDULE OF NET ASSETS
COMBINED UTILITIES
September 30, 2005

ASSETS	Water Division	Sewer Division	Solid Waste Management Division	Totals
Current assets:				
Cash and equity in pooled investment account	\$3,022,986	\$1,653,011	\$16,088	\$4,692,085
Receivables:				
Accounts	459,521	397,753	261,637	1,118,911
Special assessments	4,427	7,246	-	11,673
Interest	-	10,405	-	10,405
Restricted Cash				
Cash & Cash Equivalents	230,037	546,467	88,937	865,441
Inventories:				
Fiber optic system held for resale	282,024	-	-	282,024
Total current assets	3,998,995	2,614,882	366,662	6,980,539
Noncurrent assets:				
Restricted assets:				
Restricted cash	76,264	1,334,218	280,094	1,690,576
Notes Receivable	235,136	-	-	235,136
Advance to other funds	55,537	-	-	55,537
Bond Acquisition Costs	-	106,013	-	106,013
Property, plant and equipment:				
Land	525,182	579,750	52,284	1,157,216
Water and pollution control plant	9,566,800	15,490,153	808,763	25,865,716
Water distribution and sewage system	13,820,831	7,229,726	-	21,050,557
Equipment	1,934,586	1,445,684	638,542	4,018,812
Construction in progress	78,936	-	-	78,936
	25,926,335	24,745,313	1,499,589	52,171,237
Less accumulated depreciation	4,956,185	10,861,119	579,243	16,396,547
Total property, plant and equipment (net of accumulated depreciation)	20,970,150	13,884,194	920,346	35,774,690
Total noncurrent assets	21,337,087	15,324,425	1,200,440	37,861,952
Total assets	\$25,336,082	\$17,939,307	\$1,567,102	\$44,842,491

LIABILITIES AND EQUITY	Water Division	Sewer Division	Solid Waste Management Division	Totals
Current liabilities:				
Accounts and contracts payable	\$117,031	\$50,015	\$108,721	\$275,767
Accrued compensated absences	66,974	98,986	38,336	204,296
Payables from restricted assets:				
Accrued interest payable	54,172	68,467	11,937	134,576
Revenue bonds – current	175,865	478,000	77,000	730,865
Total current liabilities	414,042	695,468	235,994	1,345,504
Noncurrent liabilities:				
Revenue bonds (Sewer division net of deferred bond discount of \$18,858 in 2005)	3,146,947	6,226,144	695,000	10,068,091
Total noncurrent liabilities	3,146,947	6,226,144	695,000	10,068,091
Total liabilities	3,560,989	6,921,612	930,994	11,413,595
Net Assets				
Invested in Capital Assets, Net of Related Debt	17,647,338	7,180,050	148,346	24,975,734
Restricted for:				
Debt Service	76,264	729,083	280,094	1,085,441
Future Capital Assets	-	605,135	-	605,135
Unrestricted	4,051,491	2,503,427	207,668	6,762,586
Total Net Assets	\$ 21,775,093	\$ 11,017,695	\$ 636,108	\$ 33,428,896

CITY OF NORFOLK, NEBRASKA
COMBINING DEPARTMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
COMBINED UTILITIES
Year Ended September 30, 2005

	Water Division	Sewer Division	Solid Waste Management Division	Totals
Operating revenues:				
User charges	\$2,361,863	\$2,475,959	\$1,748,100	\$6,585,922
Miscellaneous Income	65,127	10,469	2,721	78,317
Total operating revenues	<u>2,426,990</u>	<u>2,486,428</u>	<u>1,750,821</u>	<u>6,664,239</u>
Operating expenses:				
Payroll and related taxes and benefits	590,318	740,019	326,735	1,657,072
Utilities	154,997	253,228	16,955	425,180
Repairs and maintenance	201,396	324,685	70,411	596,492
Purchased services	-	-	1,158,541	1,158,541
General and administration	301,316	217,816	50,195	569,327
Depreciation and amortization	355,049	702,326	72,823	1,130,198
Total operating expenses	<u>1,603,076</u>	<u>2,238,074</u>	<u>1,695,660</u>	<u>5,536,810</u>
Operating income	<u>823,914</u>	<u>248,354</u>	<u>55,161</u>	<u>1,127,429</u>
Nonoperating revenues (expenses):				
Interest on bonds and other debt	(127,139)	(228,898)	(38,257)	(394,294)
Interest income	90,075	101,258	12,208	203,541
Market Value Loss	-	(13,364)	-	(13,364)
Gain (Loss) on disposal of fixed assets	5,500	(57,847)	-	(52,347)
Total nonoperating revenues (expenses)	<u>(31,564)</u>	<u>(198,851)</u>	<u>(26,049)</u>	<u>(256,464)</u>
Income before contributions	792,350	49,503	29,112	870,965
Capital contributions	414,490	78,766	-	493,256
Change in Net Assets	1,206,840	128,269	29,112	1,364,221
Net Assets - Beginning of Period	<u>20,568,253</u>	<u>10,889,426</u>	<u>606,996</u>	<u>32,064,675</u>
Net Assets - End of Period	<u>\$21,775,093</u>	<u>\$11,017,695</u>	<u>\$636,108</u>	<u>\$33,428,896</u>

CITY OF NORFOLK, NEBRASKA
COMBINING DEPARTMENTAL SCHEDULE OF CASH FLOWS
Combined Utilities
Year Ended September 30, 2005

	Water Division	Sewer Division	Solid Waste Management Division	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 2,763,832	\$ 2,480,898	\$ 1,741,978	\$ 6,986,708
Cash Paid to Suppliers for Goods and Services	(607,613)	(802,732)	(1,290,518)	(2,700,863)
Cash Paid to Employees for Services	(585,672)	(741,000)	(325,994)	(1,652,666)
Net Cash Provided by Operating Activities	<u>1,570,547</u>	<u>937,166</u>	<u>125,466</u>	<u>2,633,179</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(532,241)	(27,473)	(62,377)	(622,091)
Proceeds from Sales of Capital Assets	5,500	-	-	5,500
Change in Advance to Other Funds	9,572	-	-	9,572
Principal Paid on Notes and Bonds	(167,906)	(473,000)	(77,000)	(717,906)
Interest Paid on Notes and Bonds	(128,433)	(231,450)	(39,119)	(399,002)
Net Cash (Used) for Capital and Related Financing Activities	<u>(813,508)</u>	<u>(731,923)</u>	<u>(178,496)</u>	<u>(1,723,927)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	<u>93,041</u>	<u>90,959</u>	<u>12,720</u>	<u>196,720</u>
Net Increase (Decrease) in Cash and Cash Equivalents	850,080	296,202	(40,310)	1,105,972
Cash and Cash Equivalents at Beginning of Year	<u>2,479,207</u>	<u>3,237,494</u>	<u>425,429</u>	<u>6,142,130</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,329,287</u>	<u>\$ 3,533,696</u>	<u>\$ 385,119</u>	<u>\$ 7,248,102</u>

(Continued)

CITY OF NORFOLK, NEBRASKA
COMBINING DEPARTMENTAL SCHEDULE OF CASH FLOWS (Continued)
Combined Utilities
Year Ended September 30, 2005

	Water Division	Sewer Division	Solid Waste Management Division	Totals
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$ 823,914	\$ 248,354	\$ 55,161	\$ 1,127,429
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	355,049	702,326	72,823	1,130,198
(Increase) decrease in Assets:				
Accounts Receivable	385,841	(9,274)	(8,843)	367,724
Special Assessments	1,001	3,744	-	4,745
Notes Receivable	(50,000)	-	-	(50,000)
Inventories	77,218	-	-	77,218
Increase (decrease) in Liabilities:				
Accounts and Contracts Payable	(27,122)	(7,003)	5,584	(28,541)
Accrued Compensated Absences	4,646	(981)	741	4,406
Total Adjustments	746,633	688,812	70,305	1,505,750
Net Cash Provided by Operating Activities	\$ 1,570,547	\$ 937,166	\$ 125,466	\$ 2,633,179

Supplemental Schedule of Noncash Capital and Related Financing Activities:

Developers Contribution of Distribution System	\$ 229,354	\$ 78,766	\$ -	\$ 308,120
Accounts Payable Exchanged for Capital Assets	\$ 49,657	\$ --	\$ -	\$ 49,657

Reconciliation of Cash and Cash Equivalents to the Balance Sheet:

Cash and Equity in Pooled Investment Account	\$ 3,022,986	\$ 1,653,011	\$ 16,088	\$ 4,692,085
Restricted Cash	306,301	1,880,685	369,031	2,556,017
	\$ 3,329,287	\$ 3,533,696	\$ 385,119	\$ 7,248,102

FIDUCIARY FUNDS

Trust Funds are used to account for assets held by the City in a trustee capacity. **Agency Funds** are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds.

PENSION TRUST FUNDS:

FIREMEN'S RETIREMENT FUND - This fund is used to account for the accumulation of resources for pension benefit payments to qualified firefighters.

POLICE RETIREMENT FUND - This fund is used to account for the accumulation of resources for pension benefit payments to qualified police officers.

CIVILIAN RETIREMENT FUND - This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees of the City.

AGENCY FUND:

COMMUNITY DEVELOPMENT AGENCY FUND – This fund is used to account for the accumulation of resources for payment of principal and interest on tax increment financing bonds issued by the Community Development Agency of the City of Norfolk. These bonds were issued to provide the long-term financing for the redevelopment of the Southwest Norfolk Redevelopment Plan area and the Meadow Ridge Housing Development area. These bonds are payable only from real estate taxes on certain property located within these plan areas and do not constitute general obligations of the Agency or the City.

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CITY OF NORFOLK, NEBRASKA
COMBINING STATEMENT OF NET ASSETS
Employee Retirement Funds
September 30, 2005

	Firemen's Retirement Fund	Police Retirement Fund	Civilian Retirement Fund	Total
ASSETS				
Investments Managed by Trustee	\$ 5,012,780	\$ 4,178,798	\$ 11,329,367	\$ 20,520,945
Total Assets	<u>5,012,780</u>	<u>4,178,798</u>	<u>11,329,367</u>	<u>20,520,945</u>
NET ASSETS				
Unrestricted	5,012,780	4,178,798	11,329,367	20,520,945
Total Net Assets	<u>\$ 5,012,780</u>	<u>\$ 4,178,798</u>	<u>\$ 11,329,367</u>	<u>\$ 20,520,945</u>

CITY OF NORFOLK, NEBRASKA
COMBINING STATEMENT OF CHANGES IN NET ASSETS
Employee Retirement Funds
For the Year Ended September 30, 2005

	Firemen's Retirement Fund	Police Retirement Fund	Civilian Retirement Fund	Total
ADDITIONS				
Contributions:				
Employer	\$ 189,027	\$ 120,520	\$ 281,923	\$ 591,470
Employee	476,478	112,023	399,985	988,486
Total Contributions	665,505	232,543	681,908	1,579,956
Investment Income:				
Interest, Dividends and Market Gains	423,112	365,557	1,072,390	1,861,059
Total Additions	1,088,617	598,100	1,754,298	3,441,015
DEDUCTIONS				
Pension Benefits	513,063	25,025	124,686	662,774
Contribution Refunds	311,333	183,049	173,726	668,108
Administrative Costs	3,491	40	--	3,531
Total Deductions	827,887	208,114	298,412	1,334,413
Net Increase	260,730	389,986	1,455,886	2,106,602
Net Assets -- Beginning of Period	4,752,050	3,788,812	9,873,481	18,414,343
Net Assets -- End of Period	\$ 5,012,780	\$ 4,178,798	\$ 11,329,367	\$ 20,520,945

CITY OF NORFOLK, NEBRASKA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
Fiduciary Funds
For the Year Ended September 30, 2005

	Balance September 30, 2004	Additions	Deductions	Balance September 30, 2005
<u>COMMUNITY DEVELOPMENT AGENCY</u>				
<u>Assets</u>				
Cash	\$ 401,762	\$ 165,214	\$ 136,836	\$ 430,140
Taxes Receivable	8,895	12,272	8,895	12,272
Total Assets	<u>410,657</u>	<u>177,486</u>	<u>145,731</u>	<u>442,412</u>
<u>Liabilities</u>				
Due to Bondholders	<u>410,657</u>	<u>177,486</u>	<u>145,731</u>	<u>442,412</u>
Total Liabilities	<u>\$ 410,657</u>	<u>\$ 177,486</u>	<u>\$ 145,731</u>	<u>\$ 442,412</u>

CITY OF NORFOLK, NEBRASKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, NONMAJOR SPECIAL REVENUE FUNDS - BUDGETARY BASIS
Year Ended September 30, 2005

	Vehicle Parking			Community Character Development Coalition		
	Budgeted Original & Final	Actual	Variance with Final Budget Over (Under)	Budgeted Original & Final	Actual	Variance with Final Budget Over (Under)
Revenue:						
Taxes	\$ 68,300	\$ 69,586	\$ 1,286	\$ -	\$ -	\$ -
Intergovernmental Revenue	-	-	-	298,620	220,154	(78,466)
Contributions	-	-	-	-	3,155	3,155
Loan Repayments	10,000	5,562	(4,438)	-	-	-
Rental Income	14,000	13,530	(470)	-	-	-
Interest	4,900	9,919	5,019	-	-	-
Miscellaneous	400	-	(400)	-	3,646	3,646
Total Revenue	<u>97,600</u>	<u>98,597</u>	<u>997</u>	<u>298,620</u>	<u>226,955</u>	<u>(71,665)</u>
Current Expenditures:						
Public Safety	-	-	-	-	-	-
Public Works	144,318	72,023	72,295	-	-	-
Community Improvement and Development	235,000	-	235,000	327,842	206,364	121,478
Total Expenditures	<u>379,318</u>	<u>72,023</u>	<u>307,295</u>	<u>327,842</u>	<u>206,364</u>	<u>121,478</u>
Excess (deficiency) of revenues over expenditures	<u>(281,718)</u>	<u>26,574</u>	<u>308,292</u>	<u>(29,222)</u>	<u>20,591</u>	<u>49,813</u>
Other financing sources (uses):						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (281,718)</u>	<u>26,574</u>	<u>\$ 308,292</u>	<u>\$ (29,222)</u>	<u>20,591</u>	<u>\$ 49,813</u>
Fund balances—beginning of year		<u>291,882</u>			<u>(22,140)</u>	
Fund balances— end of year		<u>\$ 318,456</u>			<u>\$ (1,549)</u>	

911			SNARE			REGION 11		
Budgeted Original & Final	Actual	Variance with Final Budget Over (Under)	Budgeted Original & Final	Actual	Variance with Final Budget Over (Under)	Budgeted Original & Final	Actual	Variance with Final Budget Over (Under)
\$ 101,000	\$ 152,649	\$ 51,649	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	129,600	82,118	(47,482)	-	185,663	185,663
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
500	1,070	570	-	-	-	-	1,234	1,234
-	-	-	-	53,675	53,675	-	-	-
<u>101,500</u>	<u>153,719</u>	<u>52,219</u>	<u>129,600</u>	<u>135,793</u>	<u>6,193</u>	<u>-</u>	<u>186,897</u>	<u>186,897</u>
11,078	12,730	(1,652)	129,604	130,706	(1,102)	-	149,602	(149,602)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>11,078</u>	<u>12,730</u>	<u>(1,652)</u>	<u>129,604</u>	<u>130,706</u>	<u>(1,102)</u>	<u>-</u>	<u>149,602</u>	<u>(149,602)</u>
90,422	140,989	50,567	(4)	5,087	5,091	-	37,295	37,295
-	-	-	-	-	-	-	38,036	38,036
(90,000)	(90,000)	-	-	-	-	-	-	-
<u>(90,000)</u>	<u>(90,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,036</u>	<u>38,036</u>
<u>\$ 422</u>	<u>50,989</u>	<u>\$ 50,567</u>	<u>\$ (4)</u>	<u>5,087</u>	<u>\$ 5,091</u>	<u>\$ -</u>	<u>75,331</u>	<u>\$ 75,331</u>
	<u>10,737</u>			<u>63,942</u>			<u>-</u>	
	<u>\$ 61,726</u>			<u>\$ 69,029</u>			<u>\$ 75,331</u>	

CITY OF NORFOLK, NEBRASKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, CAPITAL PROJECT FUNDS - BUDGETARY BASIS
Year Ended September 30, 2005

	Capital Construction			Special Assessments		
	Budgeted Original & Final	Actual	Variance with Final Budget Over (Under)	Budgeted Original & Final	Actual	Variance with Final Budget Over (Under)
Revenue:						
Special Assessments	\$ -	\$ -	\$ -	\$ 6,436	\$ 218,529	\$ 212,093
Intergovernmental Revenue	330,046	565,964	235,918	-	-	-
Interest	716	875	159	5,440	4,190	(1,250)
Total Revenue	<u>330,762</u>	<u>566,839</u>	<u>236,077</u>	<u>11,876</u>	<u>222,719</u>	<u>210,843</u>
Expenditures:						
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	1,126,000	527,795	598,205
Parks, Recreation and Public Property	402,403	458,166	(55,763)	-	-	-
General Government	-	-	-	10,000	15,374	(5,374)
Debt Service	-	-	-	20,000	224,977	(204,977)
Total Expenditures	<u>402,403</u>	<u>458,166</u>	<u>(55,763)</u>	<u>1,156,000</u>	<u>768,146</u>	<u>387,854</u>
Excess (deficiency) of revenues over expenditures	<u>(71,641)</u>	<u>108,673</u>	<u>180,314</u>	<u>(1,144,124)</u>	<u>(545,427)</u>	<u>598,697</u>
Other financing sources (uses):						
Proceeds from Debt Financing	-	-	-	1,000,000	495,000	(505,000)
Transfers In	-	-	-	-	-	-
Transfers Out	-	(190,654)	(190,654)	-	(41,068)	(41,068)
Total other financing sources (uses)	<u>-</u>	<u>(190,654)</u>	<u>(190,654)</u>	<u>1,000,000</u>	<u>453,932</u>	<u>(546,068)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (71,641)</u>	<u>(81,981)</u>	<u>\$ (10,340)</u>	<u>\$ (144,124)</u>	<u>(91,495)</u>	<u>\$ 52,629</u>
Fund balances--beginning of year		<u>73,518</u>			<u>127,842</u>	
Fund balances-- end of year		<u>\$ (8,463)</u>			<u>\$ 36,347</u>	

CITY OF NORFOLK, NEBRASKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, DEBT SERVICE FUND - BUDGETARY BASIS
Year Ended September 30, 2005

	Debt service		
	Budgeted Original & Final	Actual	Variance with Final Budget Over (Under)
Revenue:			
Taxes	\$ 171,498	\$ 153,890	\$ (17,608)
Special Assessments	107,979	324,278	216,299
Intergovernmental Revenue	-	5,579	5,579
Interest	53,052	135,994	82,942
Total Revenue	<u>332,529</u>	<u>619,741</u>	<u>287,212</u>
Current Expenditures:			
Debt Service	2,188,973	1,246,280	942,693
Total Expenditures	<u>2,188,973</u>	<u>1,246,280</u>	<u>942,693</u>
Excess (deficiency) of revenues over expenditures	<u>(1,856,444)</u>	<u>(626,539)</u>	<u>1,229,905</u>
Other financing sources (uses):			
Proceeds from Debt Financing	1,000,000	-	(1,000,000)
Transfers In	804,025	843,684	39,659
Transfers Out	(231,153)	-	231,153
Total other financing sources (uses)	<u>1,572,872</u>	<u>843,684</u>	<u>(729,188)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (283,572)</u>	217,145	<u>\$ 500,717</u>
Fund balances—beginning of year		<u>996,397</u>	
Fund balances— end of year		<u>\$ 1,213,542</u>	

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STATISTICAL SECTION

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TABLE 1

CITY OF NORFOLK, NEBRASKA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
Last Ten Fiscal Years

FISCAL YEAR(2)	GENERAL GOVERNMENT	PARKS, RECREATION AND PUBLIC PROPERTY	PUBLIC SAFETY	PUBLIC WORKS	PUBLIC LIBRARY	COMMUNITY IMPROVEMENT AND DEVELOPMENT	CAPITAL OUTLAYS	OTHER	DEBT SERVICE	TOTAL
1996	1,149,539	745,273	4,501,686	1,706,220	767,144	1,729,195	2,968,709	2,270	1,112,606	14,682,642
1997	1,042,496	638,361	3,929,880	1,508,820	714,838	779,262	2,087,582	37,988	1,017,440	11,756,667
1998	1,174,808	674,146	4,153,155	1,567,772	730,337	802,520	1,722,198	1,495	1,018,933	11,845,364
1999	1,169,692	727,119	4,234,703	1,575,034	750,538	348,216	1,106,395	2,310	1,206,698	11,120,705
2000	1,335,189	732,790	4,458,705	1,713,323	794,565	526,936	2,238,358	36,970	1,195,362	13,032,198
2001	1,419,730	786,120	4,774,034	1,836,078	842,029	728,780	3,240,022	34,852	2,736,784	16,398,429
2002	1,443,918	984,522	4,955,052	1,876,188	828,165	523,769	3,938,442	25,091	2,288,729	16,863,876
2003	1,502,019	923,151	5,605,110	2,017,880	878,571	781,823	3,034,314	32,141	4,359,051	19,134,060
2004	1,644,901	1,333,068	7,124,232	4,832,602	922,952	969,638	1,901,354	15,423	1,335,533	20,079,703
2005	1,761,517	1,237,366	6,948,410	4,250,718	1,006,569	874,048	954,227	23,231	1,015,129	18,071,215

(1) INCLUDES GENERAL, SPECIAL REVENUE, DEBT SERVICE FUNDS AND CAPITAL PROJECT FUNDS.

(2) FISCAL YEAR 1996 WAS 14 MONTHS IN LENGTH ENDING SEPTEMBER 30 PURSUANT TO NEBRASKA LEGISLATIVE BILL 194 CHANGING FISCAL YEARS.

TABLE 2

CITY OF NORFOLK, NEBRASKA
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
Last Ten Fiscal Years

FISCAL YEAR(3)	TAXES(2)	STATE REVENUE	FEDERAL GRANTS	CHARGES FOR SERVICE	LICENSES AND PERMITS	INTEREST INCOME	SPECIAL ASSESSMENTS	PARKING FEES AND RENTALS	EXPENSE REIMBURSEMENT AND OTHER REVENUES	TOTAL
1996	5,695,426	1,967,301	1,588,125	774,339	209,070	522,950	264,283	2,722,498	459,634	14,203,626
1997	4,896,011	1,816,630	376,461	664,077	183,705	461,653	418,971	2,085,766	413,003	11,316,277
1998	4,880,602	1,975,127	450,517	798,938	172,248	522,748	343,535	2,135,258	394,777	11,673,750
1999	5,676,106	1,919,634	126,222	772,526	232,472	522,846	570,589	2,031,910	358,836	12,211,141
2000	6,461,068	2,208,820	240,713	782,132	204,687	473,380	333,570	2,214,380	335,883	13,254,633
2001	6,596,644	2,231,450	386,958	997,934	170,654	608,137	335,094	2,369,580	689,630	14,386,081
2002	6,686,098	2,586,754	201,340	1,016,392	203,729	438,990	392,419	2,568,571	456,502	14,550,795
2003	8,053,130	2,368,238	678,667	1,141,526	216,378	276,096	746,591	2,621,812	710,527	16,812,965
2004	8,126,994	2,225,236	2,232,970	1,033,465	313,124	189,878	268,341	2,627,681	574,229	17,591,918
2005	8,260,915	2,380,221	1,897,231	1,184,021	369,424	272,344	539,200	2,728,535	352,535	17,984,426

(1) INCLUDES GENERAL, SPECIAL REVENUE, DEBT SERVICE AND CAPITAL PROJECTS.

(2) REFER TO TABLE 2A FOR A BREAKDOWN OF TAX REVENUES.

(3) FISCAL YEAR 1996 WAS 14 MONTHS IN LENGTH ENDING SEPTEMBER 30 PURSUANT TO NEBRASKA LEGISLATIVE BILL 194 CHANGING FISCAL YEARS.

TABLE 2A

CITY OF NORFOLK, NEBRASKA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
Last Ten Fiscal Years

FISCAL YEAR(1)	PROPERTY TAXES	SALES AND USE TAXES	PAYMENTS IN LIEU OF TAXES	OCCUPATION AND FRANCHISE TAXES	TOTAL
1996	1,475,769	3,671,473	57,300	490,884	5,695,426
1997	976,669	3,292,714	54,828	571,800	4,896,011
1998	1,067,358	3,255,466	58,622	499,156	4,880,602
1999	1,398,559	3,663,371	78,326	535,850	5,676,106
2000	1,773,499	4,041,736	90,895	554,938	6,461,068
2001	1,816,147	3,985,928	96,133	698,436	6,596,644
2002	1,850,124	4,183,490	92,733	559,751	6,686,098
2003	1,892,223	5,494,056	102,337	564,514	8,053,130
2004	1,042,334	6,445,480	33,004	606,176	8,126,994
2005	1,047,780	6,593,166	30,851	589,118	8,260,915

(1) FISCAL YEAR 1996 WAS 14 MONTHS IN LENGTH ENDING SEPTEMBER 30 PURSUANT TO NEBRASKA LEGISLATIVE BILL 194 CHANGING FISCAL YEARS.

TABLE 3

CITY OF NORFOLK, NEBRASKA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

FISCAL YEAR(2)	TOTAL TAX LEVY(1)	CURRENT TAX COLLECTIONS	DELINQUENT TAX COLLECTIONS	TOTAL TAX COLLECTIONS	RATIO OF TOTAL TAX COLLECTIONS TO TOTAL TAX LEVY	OUTSTANDING DELINQUENT TAXES	RATIO OF DELINQUENT TAXES TO TOTAL TAX LEVY
1996	853,267	801,653	51,119	852,773	99.94%	494	0.06%
1997	850,963	806,737	43,291	850,028	99.89%	935	0.11%
1998	954,571	891,173	63,281	954,454	99.99%	117	0.01%
1999	1,237,913	1,182,205	55,445	1,237,650	99.98%	262	0.02%
2000	1,494,870	1,427,285	67,005	1,494,290	99.96%	580	0.04%
2001	1,475,143	1,399,480	75,338	1,474,818	99.98%	326	0.02%
2002	1,501,784	1,424,153	76,868	1,501,021	99.95%	764	0.05%
2003	1,508,392	1,447,125	60,324	1,507,450	99.94%	942	0.06%
2004	469,305	449,282	3,983	453,265	96.58%	16,040	3.42%
2005	887,921	858,870	4,864	863,734	97.28%	24,187	2.72%

(1) INCLUDES REAL ESTATE AND PERSONAL PROPERTY TAX LEVIES; MOTOR VEHICLE TAXES, LIMITED COMMUNITY REDEVELOPMENT AUTHORITY TAXES AND COMMUNITY DEVELOPMENT AGENCY TAXES HAVE BEEN EXCLUDED. THESE AMOUNTS DO NOT INCLUDE PROPERTY TAX RELIEF PAYMENTS FROM THE STATE AND MAY VARY SLIGHTLY FROM AMOUNTS REPORTED IN THE PRIOR YEAR DUE TO ADJUSTMENTS MADE BY THE COURTS AND BOARD OF ADJUSTMENT.

(2) FISCAL YEAR 1996 WAS 14 MONTHS IN LENGTH ENDING SEPTEMBER 30 PURSUANT TO NEBRASKA LEGISLATIVE BILL 194 CHANGING FISCAL YEARS.

CITY OF NORFOLK, NEBRASKA
HISTORY OF PROPERTY TAX RATES, LEVIES AND VALUATIONS
Last Ten Fiscal Years

The City levies property taxes for the General Fund, Debt Service Fund and Vehicle Parking Fund. The levies for the General Fund and Debt Service Fund apply to the valuation of all taxable property in the City. The levy for the Vehicle Parking Fund is applied only to the taxable property within Parking District #1, which is comprised of the downtown business district. The Downtown Improvement Council, which represents the business people within the district, recommends the amount of the levy. A ten year history of levy rates, valuations, and tax levies is presented below. The rate is dollars levied per \$100 of valuation. Limited Community Redevelopment Authority taxes and Community Development Agency taxes have been excluded.

Fiscal Year	General Fund			Debt Service Fund			Total City-wide			Vehicle Parking Fund			Total Levy
	Rate	Valuation	Levy	Rate	Valuation	Levy	Rate	Valuation	Levy	Rate	Valuation	Levy	
1996	0.0915	608,565,477	556,837	0.0657	608,565,477	399,828	0.1572	608,565,477	956,665	0.1736	21,987,025	38,169	994,834
1997	0.0836	665,726,732	556,548	0.0600	665,726,732	399,436	0.1436	665,726,732	955,984	0.1772	21,537,425	38,164	994,148
1998	0.0857	649,810,396	556,888	0.0615	649,810,396	399,633	0.1472	649,810,396	956,521	0.1721	22,174,120	38,162	994,683
1999	0.1227	671,012,585	823,561	0.0595	671,012,585	399,393	0.1823	671,012,585	1,222,954	0.1886	20,152,174	38,000	1,260,954
2000	0.1142	720,898,994	823,555	0.0914	720,898,994	659,089	0.2057	720,898,994	1,482,644	0.1915	19,843,843	37,998	1,520,642
2001	0.1033	751,764,666	776,919	0.0939	751,764,666	705,734	0.1972	751,764,666	1,482,653	0.3099	20,522,595	63,600	1,546,253
2002	0.0958	811,014,645	776,920	0.0870	811,014,645	705,729	0.1828	811,014,645	1,482,649	0.3068	20,732,569	63,600	1,546,249
2003	0.0900	862,973,025	776,917	0.0818	862,973,025	705,731	0.1718	862,973,025	1,482,648	0.3213	22,435,200	72,080	1,554,728
2004	0.0286	886,182,038	253,049	0.0191	886,182,038	169,598	0.0477	886,182,038	422,647	0.3183	22,642,339	72,080	494,727
2005	0.0273	925,382,359	253,055	0.0183	925,382,359	169,604	0.0457	925,382,359	422,659	0.3306	21,801,714	72,080	494,739

TABLE 4

CITY OF NORFOLK, NEBRASKA
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (1)
Last Ten Fiscal Years

FISCAL YEAR (2)	REAL PROPERTY	PERSONAL PROPERTY	ASSESSED VALUE
1996	497,237,748	111,327,729	608,565,477
1997	541,057,163	124,669,569	665,726,732
1998	601,583,712	48,226,684	649,810,396
1999	630,101,572	40,911,013	671,012,585
2000	676,803,529	44,095,465	720,898,994
2001	704,155,892	47,608,774	751,764,666
2002	761,879,454	49,135,191	811,014,645
2003	814,745,494	48,227,531	862,973,025
2004	839,734,268	46,447,770	886,182,038
2005	887,188,956	38,193,403	925,382,359

(1) TAXABLE PROPERTY IS ASSESSED AT 100% OF ITS ESTIMATED ACTUAL VALUE.

(2) THE ASSESSED VALUATIONS ARE EFFECTIVE ON SEPTEMBER 1 OF EACH YEAR.

SOURCE: MADISON COUNTY ASSESSOR'S OFFICE

TABLE 5

CITY OF NORFOLK, NEBRASKA
PROPERTY TAX RATES--DIRECT AND OVERLAPPING GOVERNMENTS(1)
Last Ten Fiscal Years

FISCAL YEAR	CITY OF NORFOLK			MADISON COUNTY	NORFOLK SCHOOL DISTRICT #2	NORTHEAST COMMUNITY COLLEGE	NORFOLK AIRPORT AUTHORITY	LOWER ELKHORN NATURAL RESOURCES DISTRICT	MADISON COUNTY AGRICULTURAL SOCIETY	EDUCATIONAL SERVICES UNIT #8	NORFOLK SANITARY DISTRICT	TOTAL
	GENERAL FUND	DEBT SERVICE FUND	VEHICLE PARKING FUND									
1996	0.0915	0.0657	0.1736	0.4657	1.4021	0.0774	0.0301	0.0359	0.0153	0.0393	0.0082	2.4048
1997	0.0836	0.0600	0.1772	0.4722	1.3205	0.0768	0.0306	0.0349	0.0148	0.0400	0.0076	2.3182
1998	0.0857	0.0615	0.1721	0.4796	1.2641	0.0769	0.0349	0.0332	0.0137	0.0400	0.0078	2.2695
1999	0.1227	0.0595	0.1886	0.4095	1.1687	0.0795	0.0525	0.0258	0.0205	0.0161	0.0076	2.1510
2000	0.1142	0.0914	0.1915	0.3830	1.1607	0.0423	0.0390	0.0280	0.0195	0.0164	0.0074	2.0934
2001	0.1033	0.0939	0.3099	0.3200	1.1606	0.0351	0.0404	0.0392	0.0188	0.0159	0.0075	2.1447
2002	0.0958	0.0870	0.3068	0.3097	1.1293	0.0685	0.0393	0.0382	0.0190	0.0150	0.0071	2.1156
2003	0.0900	0.0818	0.3213	0.3496	1.1026	0.0700	0.0554	0.0370	0.0186	0.0150	0.0072	2.1485
2004	0.0286	0.0191	0.3183	0.3905	1.1377	0.0811	0.0487	0.0348	0.0185	0.0150	0.0070	2.0994
2005	0.0251	0.0726	0.3442	0.4083	1.2176	0.0896	0.0447	0.0369	0.0168	0.0149	0.0068	2.2774

(1) TAX RATES ARE PER \$100 OF ASSESSED VALUATION, AND ARE EFFECTIVE ON SEPTEMBER 1 OF EACH YEAR.

SOURCE: MADISON COUNTY ASSESSOR'S OFFICE.

TABLE 6

CITY OF NORFOLK, NEBRASKA
PRINCIPAL TAXPAYERS

<u>TAXPAYERS</u>	<u>TYPE OF BUSINESS</u>	<u>2005 ASSESSED VALUATION</u>	<u>PERCENTAGE OF TOTAL ASSESSED VALUATION OF \$925,382,359</u>
Dial--Sunset Mall LLC	Shopping mall	\$13,242,523	1.43%
Wal-Mart Stores, Inc	Retail store	9,652,773	1.04
Heartland Pantry Inc (Hy-Vee)	Retail store	8,642,212	0.93
Faith Regional Health Services	Hospital	7,684,035	0.83
Perkins LLC	Retail stores	7,203,896	0.78
Qwest Corporation	Telephone	6,929,794	0.75
Heritage of Norfolk Inc	Nursing Home	6,109,779	0.66
Menard Inc	Retail store	5,708,817	0.62
McMeadows LLC	Apartments	4,925,431	0.53
Wis-Pak of Norfolk Inc	Bottling Distribution	4,912,758	0.53
		<u>\$78,889,160</u>	<u>8.53%</u>

TABLE 7

CITY OF NORFOLK, NEBRASKA
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
Last Ten Fiscal Years

<u>FISCAL YEAR(2)</u>	<u>SPECIAL ASSESSMENT BILLINGS</u>	<u>SPECIAL ASSESSMENT COLLECTIONS(1)</u>
1996	863,903	528,544
1997	954,977	536,319
1998	971,344	632,400
1999	203,880	773,890
2000	5,112	407,494
2001	931,404	392,177
2002	228,163	393,408
2003	330,606	747,580
2004	28,228	302,981
2005	322,408	397,820

(1) INCLUDES PREPAYMENTS AND FORECLOSURES

(2) FISCAL YEAR 1996 WAS 14 MONTHS IN LENGTH ENDING SEPTEMBER 30
 PURSUANT TO NEBRASKA LEGISLATIVE BILL 194 CHANGING FISCAL YEARS.

TABLE 8

CITY OF NORFOLK, NEBRASKA
RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
Last Ten Fiscal Years

FISCAL YEAR	POPULATION(1)	ASSESSED VALUE(2)	GROSS BONDED DEBT(3)	LESS:	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
				SERVICE FUND(4)			
1995	23,245	583,003,742	1,605,000	841,373	763,627	0.13%	32.85
1996	23,525	608,565,477	2,110,000	937,540	1,172,460	0.19%	49.84
1997	23,780	665,726,732	5,560,000	1,053,681	4,506,319	0.68%	189.50
1998	24,045	649,810,396	5,405,000	737,688	4,667,312	0.70%	194.11
1999	24,285	671,012,585	5,570,000	643,641	4,926,359	0.68%	202.86
2000	24,550	720,898,994	5,465,000	593,467	4,871,533	0.65%	198.43
2001	23,516	751,764,666	5,065,000	531,135	4,533,865	0.56%	192.80
2002	23,516	811,014,645	4,615,000	375,671	4,239,329	0.49%	180.27
2003	24,183	862,973,025	4,415,000	449,300	3,965,700	0.46%	163.99
2004	24,061	886,182,038	5,200,000	477,600	4,722,400	0.53%	196.27
2005	24,072	925,382,359	4,805,000	441,416	4,363,584	0.47%	181.27

(1) FROM TABLE 12.

(2) FROM TABLE 4. ASSESSED VALUE EQUALS ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY.

(3) AMOUNTS DO NOT INCLUDE SPECIAL ASSESSMENT BONDS, REVENUE BONDS AND TAX INCREMENT REVENUE BONDS.

(4) AMOUNT AVAILABLE FOR REPAYMENT OF GENERAL OBLIGATION BONDS.

TABLE 9

CITY OF NORFOLK, NEBRASKA
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
 GENERAL OBLIGATION BONDED DEBT TO GENERAL GOVERNMENTAL EXPENDITURES
Last Ten Fiscal Years

FISCAL YEAR(2)	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE(1)	GENERAL GOVERNMENTAL EXPENDITURES (3)	RATIO OF DEBT SERVICE TO GENERAL GOVERNMENTAL EXPENDITURES
1995	135,000	62,354	197,354	10,684,195	1.85%
1996	145,000	110,311	255,311	14,682,642	1.74%
1997	185,000	109,507	294,507	11,756,667	2.51%
1998	305,000	269,765	574,765	11,845,364	4.85%
1999	340,000	262,912	602,912	11,120,705	5.42%
2000	360,000	273,935	633,935	13,032,198	4.86%
2001	400,000	270,285	670,285	16,398,429	4.09%
2002	450,000	251,616	701,616	16,863,876	4.16%
2003	260,000	207,630	467,630	19,134,060	2.44%
2004	290,000	174,134	464,134	20,079,703	2.31%
2005	395,000	176,674	571,674	18,071,215	3.16%

(1) DEBT SERVICE EXPENDITURES RELATED TO SPECIAL ASSESSMENT DEBT, TAX INCREMENT REVENUE BONDS AND THOSE FUNDED FROM PROCEEDS OF REFUNDING BOND ISSUES HAVE BEEN EXCLUDED.

(2) FISCAL YEAR 1996 WAS 14 MONTHS IN LENGTH ENDING SEPTEMBER 30 PURSUANT TO NEBRASKA LEGISLATIVE BILL 194 CHANGING FISCAL YEARS.

(3) GENERAL GOVERNMENTAL EXPENDITURES INCLUDE GENERAL FUND, SPECIAL REVENUE FUND, DEBT SERVICE FUND AND THE CAPITAL PROJECTS FUND.

TABLE 10

CITY OF NORFOLK, NEBRASKA
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
 GENERAL OBLIGATION BONDS
September 30, 2005

<u>JURISDICTION</u>	<u>NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING</u>	<u>PERCENTAGE APPLICABLE TO THE CITY OF NORFOLK</u>	<u>AMOUNT APPLICABLE TO THE CITY OF NORFOLK</u>
DIRECT:			
City of Norfolk	\$4,363,584 (1)	100.0%	\$4,363,584
OVERLAPPING:			
Norfolk School District #2	<u>24,640,000</u>	58.6%	<u>14,439,040</u>
TOTAL	<u><u>\$29,003,584</u></u>		<u><u>\$18,802,624</u></u>

(1) FROM TABLE 8.

TABLE 11

CITY OF NORFOLK, NEBRASKA
 REVENUE BOND COVERAGE
 ENTERPRISE BONDS
Last Ten Fiscal Years

FISCAL YEAR(4)	GROSS REVENUE(1)	OPERATING EXPENSES(2)	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS(3)		TOTAL	COVERAGE
				PRINCIPAL	INTEREST		
1996	6,211,116	3,847,832	2,363,284	85,000	83,547	168,547	14.02
1997	6,238,854	3,953,899	2,284,955	256,303	387,289	643,592	3.55
1998	6,219,090	3,870,258	2,348,832	421,521	468,567	890,088	2.64
1999	5,887,013	3,781,098	2,105,915	439,679	450,258	889,937	2.37
2000	6,180,357	3,946,387	2,233,970	463,392	431,251	894,643	2.50
2001	6,360,839	4,250,164	2,110,675	511,826	462,238	974,064	2.17
2002	6,914,608	4,453,548	2,461,060	527,120	435,422	962,542	2.56
2003	7,162,500	4,351,795	2,810,705	356,818	243,136	599,954	4.68
2004	7,131,120	4,277,024	2,854,096	630,034	371,009	1,001,043	2.85
2005	6,867,780	4,406,612	2,461,168	717,906	399,002	1,116,908	2.20

(1) TOTAL OPERATING REVENUE PLUS INTEREST INCOME.

(2) TOTAL OPERATING EXPENSES EXCLUSIVE OF DEPRECIATION AND AMORTIZATION.

(3) INCLUDES PRINCIPAL AND INTEREST OF REVENUE BONDS ONLY. PRINCIPAL RETIREMENTS FUNDED FROM THE PROCEEDS OF NEW REVENUE BOND ISSUES HAVE ALSO BEEN EXCLUDED.

(4) FISCAL YEAR 1996 WAS 14 MONTHS IN LENGTH ENDING SEPTEMBER 30 PURSUANT TO NEBRASKA LEGISLATIVE BILL 194 CHANGING FISCAL YEARS.

TABLE 12

CITY OF NORFOLK, NEBRASKA
 DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years

FISCAL YEAR	POPULATION (1)	PER CAPITA INCOME (2)	SCHOOL ENROLLMENT (3)	UNEMPLOYMENT RATE (4)
1996	23,525	21,150	4,432	2.2%
1997	23,780	22,060	4,427	2.5%
1998	24,045	23,827	4,418	3.4%
1999	24,285	24,030	4,297	3.1%
2000	24,550	24,419	4,138	3.0%
2001	23,516	24,725	4,221	3.1%
2002	23,857	24,614	4,166	3.3%
2003	24,183	26,420	4,121	3.7%
2004	24,061	-	3,997	3.2%
2005	24,072	-	3,902	3.6%

SOURCES:

- (1) THESE FIGURES ARE ESTIMATES COMPILED FROM THE MOST RECENT DATA AVAILABLE FROM THE BUREAU OF CENSUS AND THE NEBRASKA DEPARTMENT OF LABOR.
- (2) NEBRASKA DEPARTMENT OF LABOR. THE AMOUNTS ARE FOR MADISON COUNTY, IN WHICH NORFOLK IS THE LARGEST CITY. INFORMATION FOR 2004 AND 2005 IS NOT YET AVAILABLE.
- (3) NORFOLK PUBLIC SCHOOLS, OFFICE OF THE SUPERINTENDENT
- (4) NEBRASKA DEPARTMENT OF LABOR

NOTE: MEDIAN AGE AND EDUCATION LEVEL IN YEARS OF FORMAL SCHOOLING ARE NOT AVAILABLE.

TABLE 13

CITY OF NORFOLK, NEBRASKA
 PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
Last Ten Fiscal Years

FISCAL YEAR(4)	PROPERTY VALUE (1)	COMMERCIAL CONSTRUCTION (2)		RESIDENTIAL CONSTRUCTION (2)		BANK DEPOSITS (3)
		NUMBER OF PERMITS	VALUE	NUMBER OF PERMITS	VALUE	
1996	608,565,477	20	5,182,401	124	18,151,815	451,982,544
1997	665,726,732	9	9,453,186	108	13,230,282	557,164,235
1998	649,810,396	17	6,241,185	97	10,769,024	562,123,315
1999	671,012,585	26	29,449,515	94	11,299,175	566,294,330
2000	720,898,994	17	6,215,674	81	9,770,673	606,748,300
2001	751,764,666	9	5,103,838	67	8,440,533	644,095,162
2002	811,014,645	6	6,698,085	81	11,357,314	642,478,692
2003	862,973,025	8	4,846,937	89	12,079,371	650,621,009
2004	886,182,038	21	16,325,964	97	15,278,620	645,794,323
2005	925,382,359	8	4,585,566	115	18,712,036	705,145,813

(1) TOTAL ASSESSED VALUE FROM TABLE 4. A BREAKDOWN OF PROPERTY VALUE BETWEEN COMMERCIAL AND RESIDENTIAL PROPERTIES IS NOT AVAILABLE.

(2) SOURCE: NORFOLK FIRE DIVISION – PERMITS AND CODES

(3) SOURCES: BANKFIRST
 COMMERCIAL FEDERAL BANK
 ELKHORN VALLEY BANK
 FIRST NATIONAL BANK
 MADISON COUNTY BANK
 STANTON NATIONAL BANK
 TIERONE BANK
 U.S. BANK
 WELLS FARGO

(4) FISCAL YEAR 1996 WAS 14 MONTHS IN LENGTH ENDING SEPTEMBER 30 PURSUANT TO NEBRASKA LEGISLATIVE BILL 194 CHANGING FISCAL YEARS.

CITY OF NORFOLK, NEBRASKA
 MISCELLANEOUS STATISTICS
 2005

Date of Incorporation	September 12, 1881
Form of Government	Mayor/Council
Location	Northeast Nebraska
Elevation	1,544
Area in square miles	10.2
Average annual rain fall (inches)	25.15
Average annual snow fall (inches)	26.9
Average growing season (days)	153
Number of employees (excluding police officers and firefighters):	
Full time	134
Part time	13
Seasonal	66
City of Norfolk facilities and services:	
Miles of streets	137.26
Number of street lights	2,246
Parks and recreation:	
Number of parks	12
Area of parks in acres	362
Swimming pools	2
Tennis courts	5
Fire protection:	
Number of stations	2
Number of firemen:	
Full time	30
Reserve	21
Police protection:	
Number of stations	1
Number of police officers	42
Water and sewer system:	
Number of customers	9,009
Number of water treatment plants	2
Number of sewage treatment plants	1
Miles of sanitary sewers	155
Miles of water mains	145
Libraries	1
Facilities and services not included in the reporting entity:	
Education:	
Number of schools:	
Elementary	13
Junior High	1
Middle School	1
Senior High	4
College	2
Number of students:	
Elementary	2,622
Middle/Junior/Senior High	2,423
College:	
Full-Time Students	2,261
Part-Time Students	2,986
Number of instructors:	
Elementary	220
Middle/Junior/Senior High	175
College	113
Hospitals:	
Number of hospitals	1
Number of patient beds	166

TABLE 15

CITY OF NORFOLK, NEBRASKA
 ANALYSIS OF WATER PUMPED VERSUS WATER BILLED
Last Ten Calendar Years

Calendar Year	Water Billed (Cubic Feet)	Water Pumped (1) (Cubic Feet)	Percentage of Pumped Water Billed
1996	189,853,420	212,785,700	89.22%
1997	194,987,487	233,227,280	83.60%
1998	182,105,320	212,048,400	85.88%
1999	175,682,369	206,148,670	85.22%
2000	205,657,726	250,281,810	82.17%
2001	195,490,330	253,189,170	77.21%
2002	217,531,330	262,977,810	82.72%
2003	204,017,930	246,722,110	82.69%
2004	198,723,700	227,672,150	87.29%
2005	205,338,013	231,852,430	88.56%

(1) Water pumped is month previous of water billed (i.e., August billed compared to July pumped).

TABLE 16

CITY OF NORFOLK, NEBRASKA
ELECTRIC LEASE PAYMENT CREDIT (1)
Last Ten Fiscal Years

Fiscal Year (2)	Lease Payment Credited Directly To Customers
1996	542,659
1997	415,479
1998	425,215
1999	404,687
2000	434,603
2001	462,185
2002	501,911
2003	523,234
2004	526,946
2005	552,205
	\$4,789,124

(1) The City owns the electrical distribution system in Norfolk and some of the immediately surrounding fringe area. Nebraska Public Power District (NPPD) leases the system from the City, a common arrangement in Nebraska, with NPPD leasing electrical distribution systems from over 200 other Nebraska municipalities in return for a percentage of NPPD's revenue to the cities. During 1989, NPPD re-negotiated its lease agreements with all its lease communities, except Norfolk, to provide for an increase in lease payments to the cities from 10% of NPPD's revenue from the systems to 12%. The City had concerns related to a provision in the lease that provided for lease payments to revert from 12% of revenues to 10% after the first 15 years of the lease, unless a new 25 year lease was entered into at that time. Because of this, the City negotiated its own lease agreement with NPPD effective January 1, 1991 which fixed the cost to the City of terminating the lease agreement and also allowed the City to return the additional 2% lease payment offered by NPPD to the ratepayers in the form of a credit on their electric bills. This schedule shows the amount of credit returned to Norfolk's electric customers directly on their utility bills.

(2) Fiscal year 1996 was 14 months in length ending September 30 pursuant to Nebraska Legislative Bill 194 changing fiscal years.