

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

of the

**CITY  
OF  
NORFOLK  
NEBRASKA**



for the year ended

**September 30, 2006**

# **CITY OF NORFOLK, NEBRASKA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

*for the  
fiscal year  
ended  
September 30, 2006*

Prepared by:  
The Finance Division

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CITY OF NORFOLK, NEBRASKA

TABLE OF CONTENTS  
September 30, 2006

	Page(s)
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	1-8
Certificate of Achievement.....	9-10
Organization Chart.....	11
Listing of Officials.....	12
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report.....	13-14
Management's Discussion and Analysis.....	15-28
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
Statement of Net Assets.....	29
Statement of Activities.....	30-31
<b>FUND FINANCIAL STATEMENTS</b>	
<b>Governmental Funds Financial Statements</b>	
Balance Sheet.....	32
Reconciliation of the Balance Sheet to the Statement of Net Assets.....	33
Statement of Revenues, Expenditures and Changes in Fund Balances.....	34
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities.....	35
<b>Proprietary Funds Financial Statements</b>	
Statement of Net Assets.....	36
Statement of Revenues, Expenditures and Changes in Net Assets.....	37
Statement of Cash Flows.....	38-39
<b>Fiduciary Funds Financial Statements</b>	
Statement of Net Assets.....	40
Statement of Changes in Net Assets.....	41
Notes to Financial Statements.....	42-63
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual, General Fund and Major Special Revenue Funds.....	64-65
Notes to Required Supplementary Information.....	66-67
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
<b>Governmental Non-Major Funds Combining Financial Statements</b>	
Balance Sheet.....	68-69
Statement of Revenues, Expenditures and Changes in Fund Balances.....	70-71

**CITY OF NORFOLK, NEBRASKA**

**TABLE OF CONTENTS**  
September 30, 2006

	<b>Page(s)</b>
<b>Budget Schedules</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual, Nonmajor Special Revenue Funds .....	72-73
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual, Capital Project Funds .....	74
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual, Debt Service Fund .....	75
<b>Enterprise Fund Combining Departmental Financial Schedules</b>	
Schedule of Net Assets .....	76-77
Schedules of Revenues, Expenses and Changes in Net Assets .....	78
Schedule of Cash Flows .....	79-80
<b>Fiduciary Funds Combining Financial Statements</b>	
Combining Statement of Net Assets – Employee Retirement Funds .....	81
Combining Statement of Changes in Net Assets – Employee Retirement Fund .....	82
Statement of Changes in Assets and Liabilities - Agency Fund .....	83

**STATISTICAL SECTION**

	<b>Table #</b>	
Net Assets by Components .....	1	84
Changes in Net Assets .....	2	85-86
Fund Balances of Governmental Funds .....	3	87-88
Changes in Fund Balances of Governmental Funds .....	4	89-90
Total City Taxable Sales .....	5	91
Sales Tax Rates .....	6	92
Net Taxable Sales by Business Classifications .....	7	93
Assessed and Estimated Actual Value of Taxable Property .....	8	94
Property Tax Rates-Direct and Overlapping Governments .....	9	95
Principal Property Taxpayers .....	10	96
Property Tax Levies and Collections .....	11	97
Ratios of Outstanding Debt by Type .....	12	98-99
Ratios of General Bonded Debt Outstanding .....	13	100
Direct and Overlapping Governmental Activities Debt .....	14	101
Pledged Revenue Coverage .....	15	102
Demographic and Economic Statistics .....	16	103
Principal Employers .....	17	104
Full-Time Equivalent City Governmental Employees by Function .....	18	105
Operating Indicators by Function .....	19	106
Capital Asset Statistics by Function .....	20	107

# **INTRODUCTORY SECTION**

# City of Norfolk

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Fax: (402) 844-2001

127 North 1st Street  
Norfolk, Nebraska 68701

March 15, 2007

**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, 2006 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, 2006.

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, 2006, 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, 2006, 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 six years and down the other three.

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 \$4,338,724 in the fiscal year ended September 30, 2006, only an 8% increase over the last six years.

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 2006-2007, the half-cent sales tax is expected to lag the 4% growth rate by a cumulative \$1,033,931. Total City sales tax is projected to lag behind the 4% annual growth rate by a cumulative \$4.7 million between 2001 and 2007.

Sales tax for the fiscal year ending September 30, 2007 is budgeted at \$6,278,617, a decrease of \$260,689 or 3.99%. This decrease is primarily due to the impact of LB 312 and LB 968 passed by the Legislature during the 2005 legislative session. LB 312 exempted manufacturing equipment from sales tax, effective January 1, 2006. Staff estimates this will lower city sales tax receipts by more than \$110,000 annually. LB 968, which exempted housing agencies and labor on home improvements from sales tax effective July 1, 2006, is estimated to reduce the City's sales tax by more than \$183,000 annually. Through the first five months of fiscal year 2007, actual sales tax receipts are closely matching the budget with actual receipts exceeding budget by \$10,450 or .38%.

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 property tax \$450,676

to partially offset the slow growth in sales tax. The City also increased 2006 property tax \$83,900 for debt service on \$1 million of bonds for the Spring Branch Drainage Project.

The City also increased 2007 property tax by \$191,440. By state law, the City Council determines the Airport Authority's levy. Due to declining sales tax revenue, the Airport Authority deferred to the City and reduced its tax request from \$450,949 in 2006 to \$248,022 for 2007, a decrease of \$202,927. After adjusting for the County Treasurer's commission and delinquencies, this allowed the City to increase the General Fund property tax budget by \$191,440 without any change in the combined tax asking of the Airport Authority and the City. The net effect was no increase in property taxes controlled by the City of Norfolk. This is in keeping with the City Council's policy of endeavoring to maintain the dollar amount of property tax levied at or below the prior year.

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 Vishay electronics plant in Norfolk closed in 2005. The plant, originally constructed in 1967, employed about 1,400 people at its peak 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 on November 4, 2005 with a \$250,000 Community Development Block Grant through the City, 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.

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, enacted during 2006, 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. Construction is currently underway on the \$60 million ethanol plant capable of producing 40 million gallons of ethanol annually. This plant is expected to employ about 35 people. The City, 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.

On March 9, 2007, the Nebraska Department of Economic Development formally approved the City's grant application for \$276,600 to extend 16th Street from Monroe Avenue north to Affiliated Foods. Construction of a public rail crossing is also part of this project. This will allow Affiliated Foods to access an adjacent 35 acre parcel which the company recently acquired. Plans are to move truck parking to this parcel freeing up space next to the existing facility for future expansion of the warehouse. This will also provide easier truck access from Highway 81. Without this project, Affiliated Foods was essentially land locked and had no room to grow. Affiliated will add eight employees to its current Norfolk staff of 698.

On February 22, 2007, the City entered into a Memorandum of Understanding with Specialty Protein Producers, LLC (SPPLLC) and Elkhorn Valley Economic Development Council (EVEDC) providing for the location of an organic soy processing facility in Norfolk. EVEDC is providing a 40 acre site to SPPLLC at no charge to the company. The City plans to issue tax increment financing (TIF) bonds to construct the infrastructure improvements needed for the site including sewer, water and access road. TIF will also be used to construct a rail spur to the site and the necessary drives and parking along with site clearing and preparation. Total cost to be paid from TIF is approximately \$2.8 million. The City also plans to loan the company \$100,000 from its Economic Development Revolving Loan Fund. The Department of Economic Development (DED) has agreed to provide \$500,000 of Community Development Block Grant (CDBG) funds. The City also applied to the Economic Development Administration for a grant to help with utility extensions. The utility extensions will be oversized to not only serve SPPLLC but future growth in the area and are expected to cost about \$5 million with only the \$1,225,000 of water and sewer improvements needed to serve SPPLLC paid from TIF. This project will be completed in two phases, with Phase I building cost estimated at about \$12 million with equipment cost of \$14 million. Phase II, which will be constructed several years later, will also have building cost of about \$12 million plus an additional \$20 million of equipment. About 60 to 70 employees will be employed for each phase resulting in total employment of about 135 upon completion of Phase II. This project has the potential of anchoring a cluster of higher level food processing facilities. SPPLLC has already been contacted by an Israeli company that produces consumer-ready meat analog products. This firm expressed desire to locate their manufacturing facility on property adjacent to SPPLLC which would create an additional 50 jobs. It is anticipated other food manufacturing firms purchasing large quantities of organic soy products will be interested in locating near SPPLLC in order to reduce their raw material freight costs and have a centrally located distribution center. This project will also benefit the local agriculture economy. SPPLLC plans to contract directly with local and regional farmers for a supply of organic soybeans. These

organically grown soybeans will sell at prices substantially higher than non-organic soybeans. SPPLLC's requirement for organic soybeans is expected to utilize 17,000 acres initially and 68,000 acres at full production.

In January 2007, the University of Nebraska approved a resolution for implementing a project collaborating with Northeast Community College and Faith Regional Health Services in Norfolk to create a nursing division within Northeast Community College offering bachelor's, master's and doctoral degrees in nursing. Northeast Community College currently offers only a two-year program. Projected cost of the 35,000 square foot nursing facility is \$10.8 million. Fifteen faculty will be employed. This facility will alleviate nursing shortages in the area.

Other economic indicators also remain mixed. For example, while residential construction activity in Norfolk was slower than normal last year with a value of about \$11.9 million, commercial construction activity was very strong at 21 permits issued with a value in excess of \$14.6 million, one of the better years ever for commercial construction activity in Norfolk. Norfolk's assessed valuation as of January 1, 2006 increased to \$1,052,209,539. This was an increase of 4.29% of which 2.34% was due to growth, with the remainder due to inflation. Bank deposits within the community also increased significantly, going up almost 9%. Population decreased slightly with the closing of Tyson Foods. Unemployment, however, actually decreased going from 3.6% in 2005 to 3.5% in 2006. Per capita income increased almost 8% for the most recent year statistics are available.

As can be seen from the above discussion, both recent trends and future outlook for Norfolk's economy is mixed. Local officials, however are optimistic since several significant employers should commence operations within the next year, including the ethanol plant and SPPLLC's organic soy plant. Local officials are also pursuing other economic development prospects. In the meantime, most existing employers remain strong and are continuing to expand and add jobs.

## **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 July 17, 2006. 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, additional land was acquired in the west well field costing over \$700,000. Work was also started on the Eisenhower Avenue Water Main Project with over \$550,000 added to construction in progress for this project during the year. \$100,000 is budgeted for 2007 to update this water master plan. This update will consider the impact of extending water service past the Elkhorn River.

The community started a visioning process in 2006 where citizens 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. This process is known as Visioning 2026.

## **SIGNIFICANT EVENTS**

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 no longer returns 2% of NPPD lease revenue as a credit on customers' bills and instead receives the full 12%. This additional lease revenue is 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. NPPD lease revenue increased \$528,409 in 2006 because of the additional 2% lease payment, which was paid to the Power of Partnership organizations.

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 \$3 million project was financed with City Highway Allocation Fund revenue and Surface Transportation Program grants.

During the year, the Vehicle Parking District annexed several blocks to the west. These blocks will be included in the Downtown Improvement Project currently underway. This project includes replacing sidewalks and landscaping, street lighting, various sidewalk amenities, and a major change in downtown street design. Total project cost exceeds \$1,750,000 and will be funded approximately one-third from special assessments, one-third from Vehicle Parking District revenues, and one-third from the City Highway Allocation Fund. A \$300,000 bond issue is planned in the Vehicle Parking District Fund to help finance this project.

## **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, 2005. This was the eighteenth 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

# 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, 2005

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.



President

Executive Director

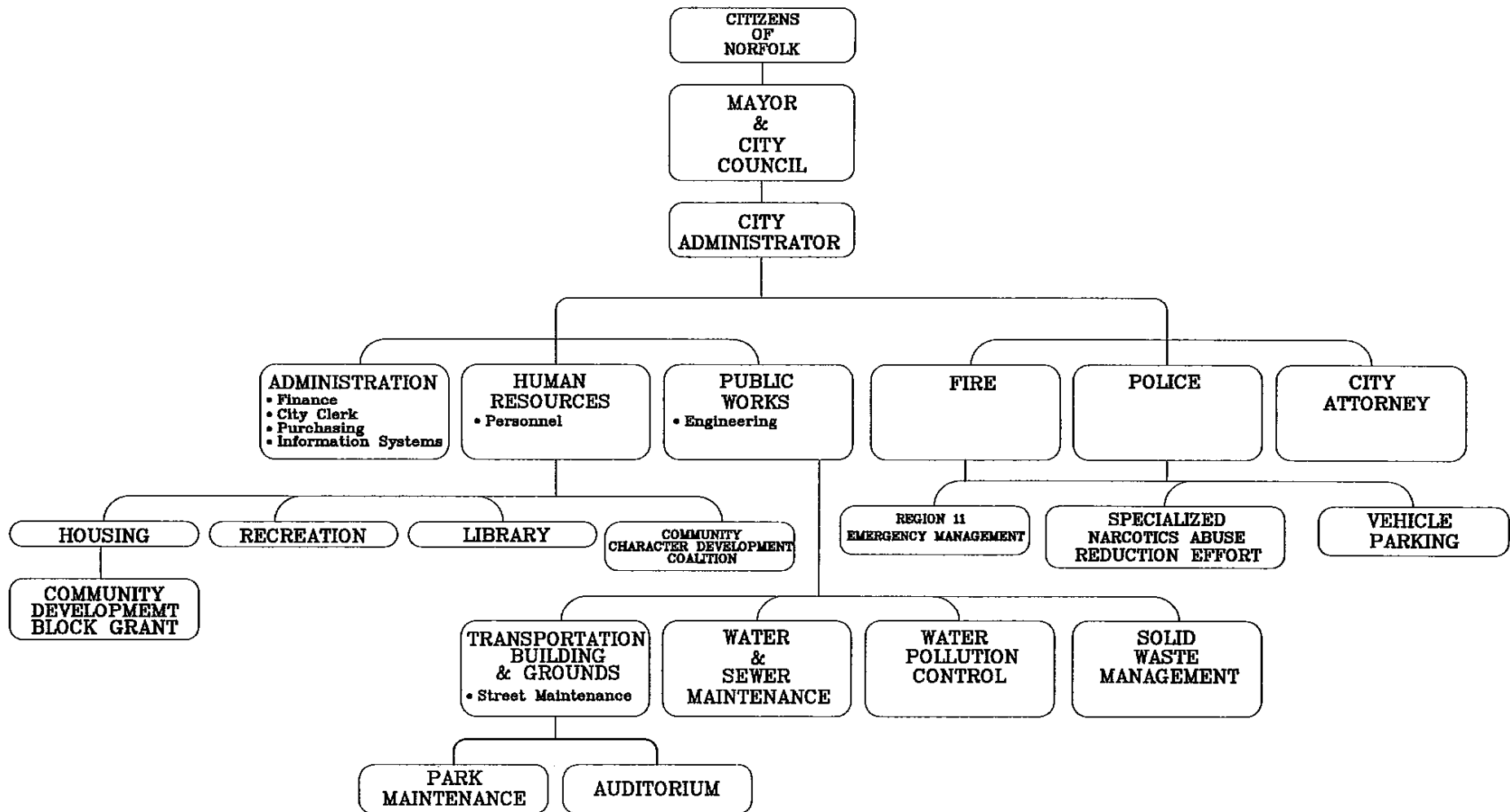
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Norfolk, Nebraska for its comprehensive annual financial report for the fiscal year ended September 30, 2005.

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, 2006*

<b>Title</b>	<b>Name</b>
Mayor	Gordon D. Adams
Council Member	Dave Fauss
Council Member	Sue Kaspar-Beckman
Council Member	Jim Brenneman
Council Member	Jim Lange
Council Member	Ron Stauffer
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**



21 1<sup>st</sup> Avenue NW  
P.O. Box 1010  
Le Mars, IA 51031  
Phone (712) 546-7801  
Fax (712) 546-6543

## 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, 2006, 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 opinions on these 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 respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norfolk as of September 30, 2006, and the respective changes in financial position and, where applicable, cash flows 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 U.S. generally accepted accounting principles. 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 24, 2007 on our consideration of the City of Norfolk's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions 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 basic 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, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
January 24, 2007

## **Management Discussion and Analysis**

**September 30, 2006**

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, 2006. 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, 2006, by \$64,362,600. Of this amount, \$17,270,088 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$3,430,144 during the year. Of this amount, the assets of Governmental Activities increased \$1,573,965 and the assets of Business Activities increased \$1,856,179.
- Bonds payable decreased \$1,564,291. Outstanding revenue bonds total \$10,069,665, general obligation bonds \$4,410,000, and special assessment bonds \$1,430,000 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, 2006, net assets were as follows:

City of Norfolk's Net Assets

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 14,742,155	\$ 15,058,368	\$ 9,067,253	\$ 9,067,801	\$ 23,809,408	\$ 24,126,169
Capital assets	23,088,764	23,032,346	36,991,100	35,774,690	60,079,864	58,807,036
<b>Total assets</b>	<b>37,830,919</b>	<b>38,090,714</b>	<b>46,058,353</b>	<b>44,842,491</b>	<b>83,889,272</b>	<b>82,933,205</b>
Long-Term Liabilities	7,837,519	8,158,100	10,278,269	10,798,956	18,115,788	18,957,056
Other liabilities	915,875	2,429,054	495,009	614,639	1,410,884	3,043,693
<b>Total liabilities</b>	<b>8,753,394</b>	<b>10,587,154</b>	<b>10,773,278</b>	<b>11,413,595</b>	<b>19,526,672</b>	<b>22,000,749</b>
Net assets:						
Invested in capital assets, net of related debt	16,493,764	16,357,346	27,675,349	24,975,734	44,169,113	41,333,080
Restricted	1,283,781	1,273,539	1,639,618	1,690,576	2,923,399	2,964,115
Unrestricted	11,299,980	9,872,675	5,970,108	6,762,586	17,270,088	16,635,261
<b>Total net assets</b>	<b>\$ 29,077,525</b>	<b>\$ 27,503,560</b>	<b>\$ 35,285,075</b>	<b>\$ 33,428,896</b>	<b>\$ 64,362,600</b>	<b>\$ 60,932,456</b>

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 \$17,270,088 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 \$2,836,033 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.

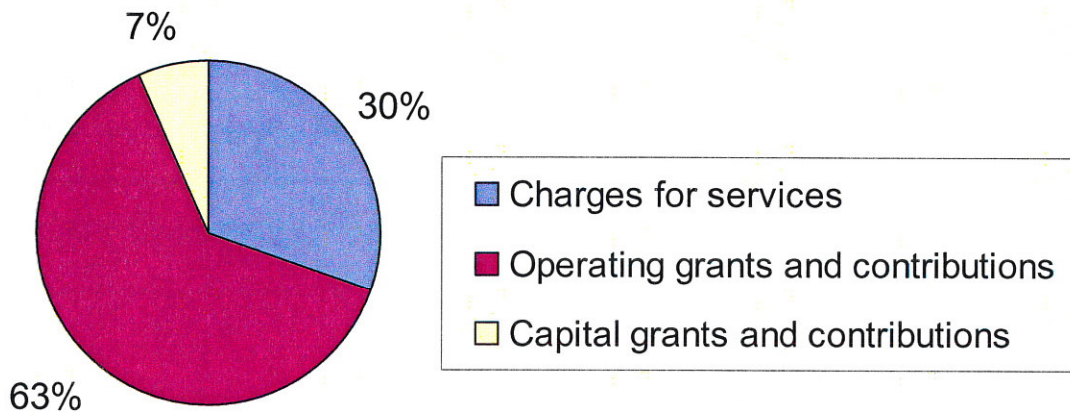
Total revenue reported in Fiscal 2006 was \$26,240,565. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities:

City of Norfolk's Changes in Net Assets

	General Governmental		Business-Type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for services	\$ 1,682,868	\$ 1,656,601	\$ 6,756,177	\$ 6,664,239	\$ 8,439,045	\$ 8,320,840
Operating grants and contributions	3,496,950	2,821,686	-	-	3,496,950	2,821,686
Capital grants and contributions	378,175	1,832,950	791,145	493,256	1,169,320	2,326,206
Total Program Revenues	5,557,993	6,311,237	7,547,322	7,157,495	13,105,315	13,468,732
General Revenues:						
Property taxes	1,392,282	893,417	-	-	1,392,282	893,417
Sales taxes	6,548,082	6,593,166	-	-	6,548,082	6,593,166
Other taxes	209,536	184,404	-	-	209,536	184,404
Occupation and franchise taxes	618,984	589,118	-	-	618,984	589,118
Interest	461,182	325,101	332,022	190,177	793,204	515,278
General intergovernmental revenues	242,041	224,482	-	-	242,041	224,482
Use of property	3,170,236	2,723,425	-	-	3,170,236	2,723,425
Gain (loss) on sales of assets	-	43,800	9,089	5,500	9,089	49,300
Revenue from Sale of Uncapitalized Property	83,761	-	-	-	83,761	-
Miscellaneous	68,035	64,353	-	-	68,035	64,353
Total General Revenues	12,794,139	11,641,266	341,111	195,677	13,135,250	11,836,943
Total Revenues	18,352,132	17,952,503	7,888,433	7,353,172	26,240,565	25,305,675
Expenses:						
General Government	2,416,353	1,635,190	-	-	2,416,353	1,635,190
Public Safety	7,408,066	7,113,536	-	-	7,408,066	7,113,536
Public Works	3,202,666	2,535,262	-	-	3,202,666	2,535,262
Public Library	1,043,951	1,047,321	-	-	1,043,951	1,047,321
Parks, Recreation and Public Property	1,228,289	1,246,438	-	-	1,228,289	1,246,438
Community Improvement and Development	1,213,623	779,952	-	-	1,213,623	779,952
Debt Service	265,219	258,982	-	-	265,219	258,982
Capital Outlays	-	-	-	-	-	-
Water System	-	-	1,870,805	1,730,215	1,870,805	1,730,215
Sewer System	-	-	2,443,955	2,524,819	2,443,955	2,524,819
Solid Waste	-	-	1,717,494	1,733,917	1,717,494	1,733,917
Total Expenses	16,778,167	14,616,681	6,032,254	5,988,951	22,810,421	20,605,632
Increase in Net Assets	1,573,965	3,335,822	1,856,179	1,364,221	3,430,144	4,700,043
Net Assets - Beginning	27,503,560	24,167,738	33,428,896	32,064,675	60,932,456	56,232,413
Net Assets - Ending	\$ 29,077,525	\$ 27,503,560	\$ 35,285,075	\$ 33,428,896	\$ 64,362,600	\$ 60,932,456

Program revenues totaled \$13,105,315. \$7,547,322 was program revenues from Business-Type Activities. Charges for services for Business-Type Activities increased \$91,938 due to a 4% water rate increase and a 5% sewer rate increase implemented during the year. Capital grants and contributions for Business-Type Activities increased \$297,889 going from \$493,256 to \$791,145. This was due to more sewers being dedicated by developers to the City, including sewers in Green Meadow, Wyndham Hills, and College View 5th Additions. Program Revenues in the General Governmental Activities were consistent with the prior year for Charges for Services. Operating grants and contributions increased \$675,264 from the prior year. \$388,644 of this increase was in the Community Development Block Grant Fund (CDBG). CDBG funding for a grant to MP Global Products to replace equipment destroyed in a fire increased \$130,260. The City also received \$253,909 of Community Development Block Grant funding for Greater Norfolk Economic Development Foundation (GNEDF) to purchase the Vishay building. Vishay closed their Norfolk Manufacturing plant in September 2005. The GNEDF purchased the building to be used as a temporary site for the new Nucor Detailing Center. The Nucor Detailing Center is expected to add 200 jobs and an \$11 million payroll and provide drafting services for all Nucor Divisions throughout the United States. Capital grants and contributions decreased \$1,454,775. The biggest portion of this decrease was due to \$841,206 decrease in surface transportation program revenue received to widen Benjamin Avenue. There was also a decrease of over \$368,000 in contributed capital from the levying of special assessments due to completion of several large paving districts in 2005. Capital grants also decreased \$312,037 due to grants received in 2005 for renovation of Skyview Lake and recreational trails. The following graph breaks down program revenues by source for Governmental Activities.

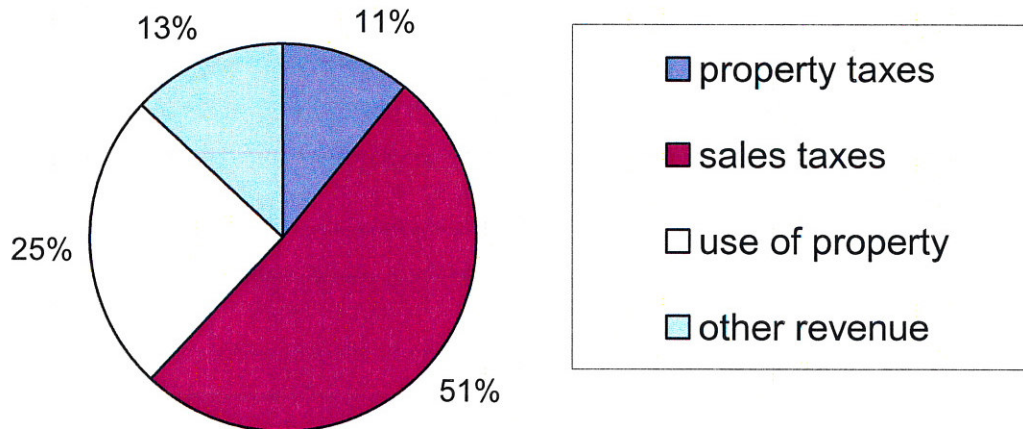
**Program Revenues  
General Governmental**



General Revenues for Governmental Activities went from \$11,641,266 in 2005 to \$12,794,139 in 2006, an increase of \$1,152,873 or 10%. The biggest increase was in property taxes which went from \$893,417 in 2005 to \$1,392,282 in 2006, an increase of \$498,865 or almost 56%. This property tax increase was necessary to offset sluggish sales tax revenues over the last six years and for debt service on the Spring Branch Drainage Project. Revenue from use of property increased \$446,811 going from \$2,723,425 in 2005 to \$3,170,236 in 2006 primarily due to increased revenue from lease of the City's electrical distribution system. NPPD leases the city-owned electrical distribution system for 12% of the system revenues. The City had returned 2% as a credit on customers' electric bills, but beginning October 1, 2005, the City no longer returned 2% as credit on customers' bills and instead received the full 12%. This additional revenue is 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. Interest income increased from \$325,101 in 2005 to \$461,182 in 2006 primarily due to increases in short-term interest rates.

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

### General Revenues General Governmental



Total expenses increased from \$20,605,632 in 2005 to \$22,810,421 in 2006, an increase of \$2,204,789 or 10%. Most of this increase was in General Governmental Activities which went from \$14,616,681 to \$16,778,167, an increase of \$2,161,486 or almost 15%. General Government Expenditures increased \$781,163, or 48%, from \$1,635,190 to \$2,416,353. This increase is caused primarily by \$528,409 of expenditures for the Power of Partnership agreements. As discussed earlier, the City began receiving the full 12% NPPD lease payments, effective October 1, 2005. This additional 2% lease payment is divided equally between a group of four nonprofit organizations. Also increasing

General Government Expenditures was a \$222,788 decrease in operating income of the Internal Service Fund which is credited to General Governmental Activity.

The next largest increase in expenses was \$433,671 or 56% in Community Improvement and Development going from \$779,952 in 2005 to \$1,213,623 in 2006. \$116,628 of this increase was expenditures for the Community Character Development Coalition (CCDC). CCDC was between grants in July, August and September 2005 resulting in decreased activity for those months. In 2006 they were fully funded for the entire year causing the increase in expenditures. Also increasing Community Improvement and Development expenditures was additional expenditures of CDBG's for Vishay and MP Global of almost \$385,000.

The next largest percentage increase was in Public Works which went from \$2,535,262 last year to \$3,202,666 in 2006. This is an increase of \$667,404 or 26%. This increase is because of additional street repair projects paid out of the CHAF Fund in 2006 including Concrete Improvement Project 2005-1 and Concrete Improvement Project 2006-1.

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

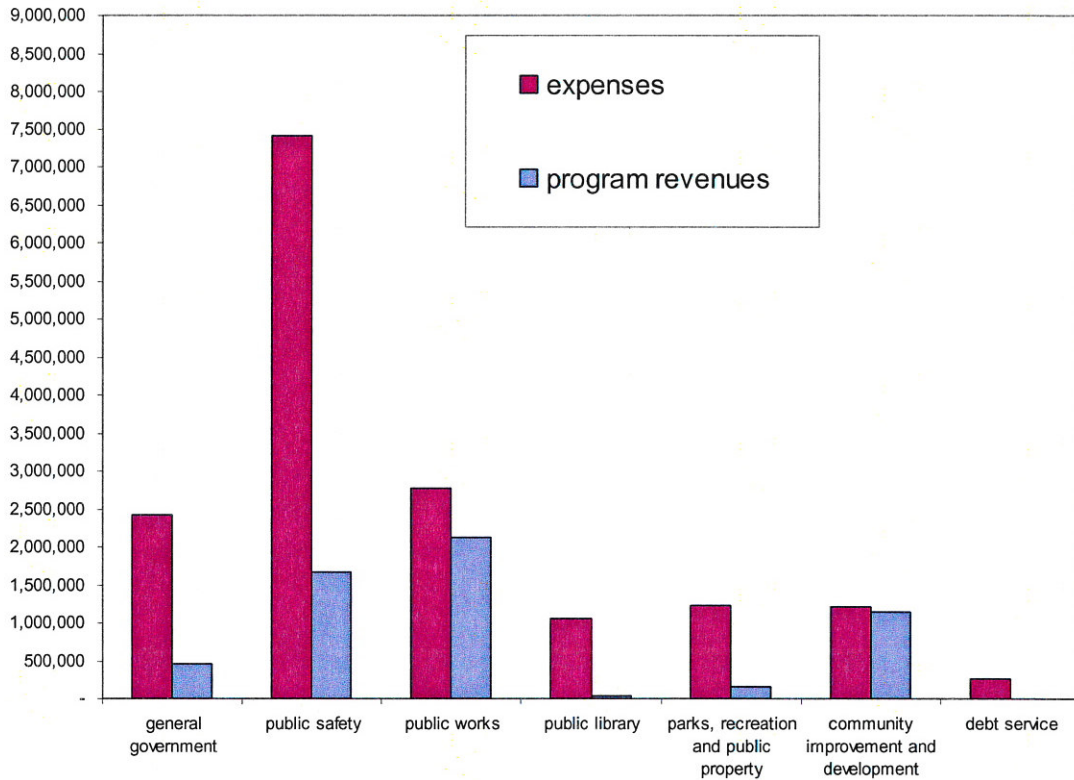
## **Governmental Activities**

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, expenses exceed revenues for all governmental activities. For example, Public Safety had expenses of \$7,408,066 and total program revenues of only \$1,658,510 comprised of \$944,002 of Charges for Services, \$665,296 of Operating Grants and Contributions, and \$49,212 of

Capital Grants and Contributions. The net cost of Public Safety was \$5,749,556 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

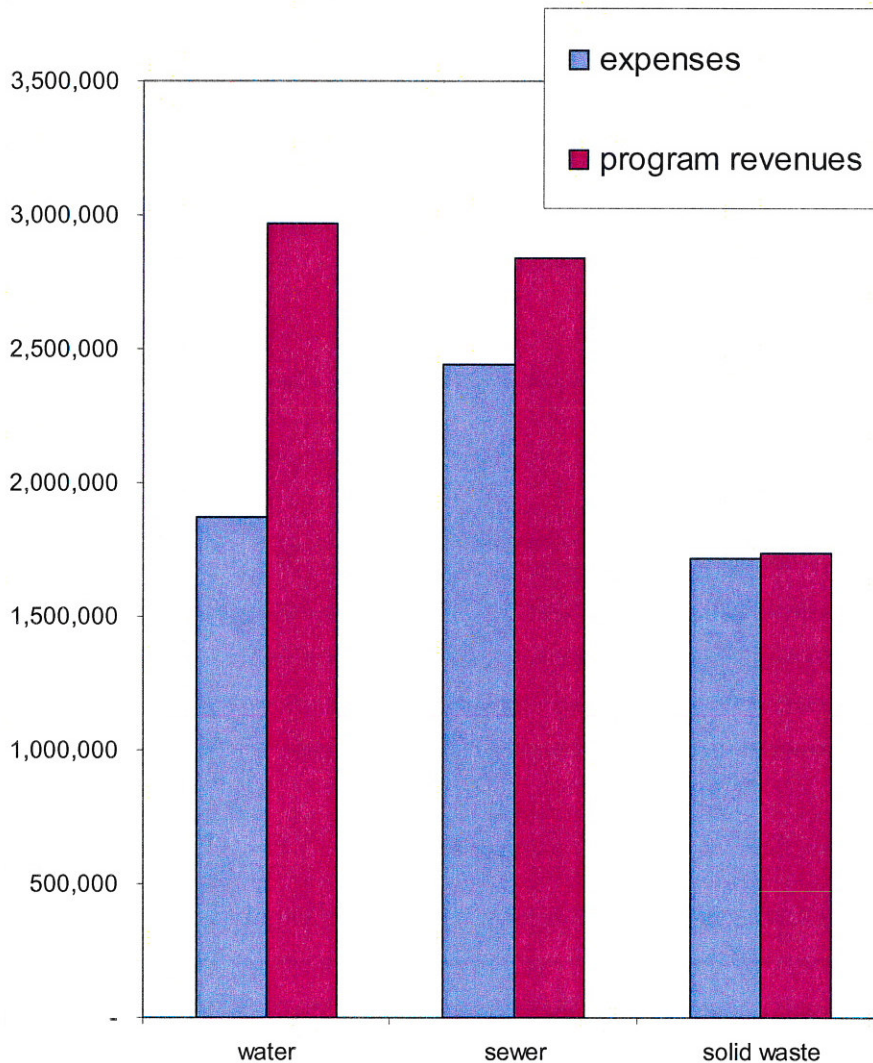
**Business Type Activities**

Business Type Activities increased the City’s net assets by \$1,856,179, accounting for 54% 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 \$1,266,636. 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 \$9,103,976. The combined Governmental Fund balance increased \$501,372 from the prior year.

The primary increases in fund balance were in the City Highway Allocation Fund (CHAF) and General Fund. CHAF Fund balance increased \$296,950 primarily due to street projects budgeted that were not done including the Nucor Road relocation and the traffic signal on Highway 81 and Monroe Avenue. These projects were re-budgeted in 2007.

The General Fund is the primary operating fund of the City. During the year, revenues exceeded expenditures in the General Fund by \$196,317 increasing fund balance from \$4,624,657 last year to \$4,820,974 in the current year. This increase was due to the combined effect of a number of different factors.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund budget was not amended during the year and included approximately \$13.8 million of revenue and \$14.8 million of expenditures resulting in a budgeted decrease in fund balance of \$1 million. Fund balance actually increased \$183,949 because revenues exceeded budget by \$.2 million and expenditures were under budget by \$1 million resulting in an ending fund balance of about \$1.2 million more than budgeted.

The largest amount of revenues over budget was in rental income which exceeded budget by over \$175,000. \$145,992 of this was NPPD lease revenue in excess of budget. The City owns the electrical distribution system and leases it to NPPD for 12% of system revenues. On February 1, 2006, NPPD raised its industrial rates 5.5% and large commercial rates 4%, increasing the City's lease revenue. Licenses and permits exceeded budget by \$77,215 or 28%. In November 2004 the City implemented a change in the permit fee structure. The fee structure is based on the size of the project and not costs. The impact of this change in fee structure was budgeted conservatively and 2006 was the first full fiscal year of increased permit fee. There was also increased construction activity, primarily commercial construction, during the year. Most other revenue categories also exceeded budget since the City normally budgets conservatively. However, there were several categories where revenues were under budget. The most significant was proceeds from debt financing. The City budgeted \$235,000 of public safety tax anticipation bonds. This financing will be part of a larger public safety tax anticipation bond issue planned for 2007.

Expenditures in all categories were under budget resulting in \$970,260 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, the City implemented a hiring moratorium and as employees separated they were not replaced unless absolutely necessary. This resulted in the elimination of eight full-time



equivalent positions in the General Fund. Capital outlays were also prioritized and lower priority items not purchased.

## 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, 2006, was \$44,169,113 (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 four years. As required by GASB 34, the City will implement retroactive reporting of infrastructure next year. The gross additions to capital assets for the last two years follows:

	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Land	\$ 18,531	\$ 177,495	\$ 713,198	\$ 11,049	\$ 731,729	\$ 188,544
Buildings and improvements	81,965	144,005	-	26,193	81,965	170,198
Water distribution and sewage system	-	-	534,452	2,437,529	534,452	2,437,529
Equipment, furniture and fixtures	551,063	584,037	276,914	101,354	827,977	685,391
Infrastructure	4,015,550	4,029,395	-	-	4,015,550	4,029,395
Construction in progress	352,111	3,584,826	923,437	-	1,275,548	3,584,826
<b>Total Gross Additions</b>	<b>\$ 5,019,220</b>	<b>\$ 8,519,758</b>	<b>\$ 2,448,001</b>	<b>\$ 2,576,125</b>	<b>\$ 7,467,221</b>	<b>\$ 11,095,883</b>

Gross additions to fixed assets for Governmental Activities were \$5,019,220 decreasing \$3,500,538 from the \$8,519,758 of additions in the prior year. This decrease is caused by a \$2,823,027 decrease in construction in progress additions primarily for improvements on Benjamin Avenue in 2005. Large infrastructure projects were completed including: Benjamin Avenue from 13th Street to 25th Street costing over \$3 million and streets in Green Meadow Addition costing over \$500,000.

Total gross additions to fixed assets for Business-Type Activities was \$2.4 million similar to the prior year at \$2.6 million. 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 over \$700,000 for additional land in the west well field and about \$500,000 added to water construction in progress for the Eisenhower Avenue water main project. Other significant additions include more than \$530,000 of other water and sewer mains. Water and sewer mains in Green Meadow Addition were almost \$310,000 and water and sewer mains in College View 5th Addition were over \$102,000. There were a number of smaller water and sewer main additions during the

year. Equipment additions during the year totaled \$276,914. Over \$170,000 of this was replacement of the sewer vactor.

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

## **DEBT ADMINISTRATION**

At year-end the City had \$15,909,665 of bonded debt outstanding, net of original issue discounts and deferrals. This is a decrease of \$1,564,291 from the prior year. There were no bond issues during the year.

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 debt to assessed value for the City has declined from 1.57% in 1997 to .74% currently. Debt per capita has declined from \$357.65 in 1997 to \$274.69 currently. The debt coverage ratio for the City's enterprise bonds is 2.36. 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. Property tax increases another \$191,440 in 2007; however, this is offset by a corresponding decrease in the Airport Authority levy. Due to the impact of LB 312 and LB 968, sales tax is budgeted to decrease \$260,689 or 3.99% in 2007. Through the first five months of fiscal year 2007, actual sales tax receipts closely match the budget.

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.

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.

On February 22, 2007, the City entered into a Memorandum of Understanding with Specialty Protein Producers, LLC (SPPLLC) and Elkhorn Valley Economic Development (EVEDC) providing for the location of an organic soy processing facility in Norfolk. EVEDC is providing a 40-acre site at no charge to the company. The City plans to issue tax increment financing (TIF) bonds to construct the infrastructure improvements along with a rail spur, drives, parking, site clearing and preparation. The City also plans to loan the company \$100,000 from its Economic Development Revolving Loan Fund. The Nebraska Department of Economic Development has agreed to provide \$500,000 of Community Development Block Grant funds to the company. The City also applied to the Economic Development Administration for a grant to help with utility extensions. This project will be completed in two phases over several years and is expected to employ 135 people upon completion. The company will be investing an estimated \$24 million in buildings and \$34 million in equipment. This project has the potential of anchoring a cluster of higher level food processing facilities and benefit the local agriculture economy. SPPLLC plans to contract directly with local and regional farmers for organic soybeans at a price substantially higher than non-organic soybeans. SPPLLC's requirement for organic soybeans is expected to utilize 68,000 acres.

Other economic indicators also remained mixed last year. In the area of construction activity, it was one of the City's better years for commercial construction with 21 permits issued with a value of over \$14.6 million. However, it was slower than normal for residential construction, with permits for residential construction valued at only \$11.9 million. Norfolk's assessed valuation increased 4.29%. Bank deposits also increased significantly, going up almost 9%. Population decreased slightly with the closing of Tyson Foods; however unemployment actually went down slightly. Per capita income increased almost 8%.

## **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, 2006

With Summarized Financial Information as of September 30, 2005

	Primary Government		Totals	
	Governmental Activities	Business-Type Activities	2006	2005
<b>ASSETS</b>				
Cash and Equity in Pooled Investment Account	\$ 9,187,415	\$ 4,986,323	\$ 14,173,738	\$ 12,866,652
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	92,784	999,608	1,092,392	1,210,901
Taxes	1,326,808	-	1,326,808	2,571,847
Accrued Interest	-	10,405	10,405	10,405
Special Assessments	509,500	15,520	525,020	450,837
Notes Receivable	2,223,313	108,940	2,332,253	2,128,212
Advances to Other Funds	(45,486)	45,486	-	-
Due from Other Governmental Agencies	1,366,385	-	1,366,385	1,845,126
Inventories	24,931	282,024	306,955	316,653
Restricted Assets:				
Cash and Cash Equivalents	-	2,522,571	2,522,571	2,556,017
Bond Issue Costs	56,505	96,376	152,881	169,519
Land	4,032,191	1,870,414	5,902,605	5,170,876
Construction in Progress	561,903	979,734	1,541,637	4,084,904
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	18,494,670	34,140,952	52,635,622	49,551,256
<b>Total Assets</b>	<b>37,830,919</b>	<b>46,058,353</b>	<b>83,889,272</b>	<b>82,933,205</b>
<b>LIABILITIES</b>				
Accounts Payable	875,280	365,970	1,241,250	2,661,043
Accrued Interest Payable	40,595	-	40,595	43,778
Payables from Restricted Assets:				
Accrued Revenue Bond Interest	-	129,039	129,039	134,576
Revenue Bonds - Current	-	753,914	753,914	730,865
Noncurrent Liabilities:				
Due within one year:				
Notes Payable	35,714	-	35,714	-
General Obligation Bonds	425,000	-	425,000	395,000
Various Purpose Bonds	245,000	-	245,000	440,000
Bond Anticipation Notes	755,000	-	755,000	-
Compensated Absences and Benefits	608,313	85,605	693,918	1,192,396
Due in more than one year:				
Notes Payable	208,334	-	208,334	-
Revenue Bonds Payable	-	9,315,751	9,315,751	10,068,091
General Obligation Bonds	3,985,000	-	3,985,000	4,410,000
Various Purpose Bonds	1,185,000	-	1,185,000	1,430,000
Bond Anticipation Notes	-	-	-	495,000
Compensated Absences and Benefits	390,158	122,999	513,157	-
<b>Total Liabilities</b>	<b>8,753,394</b>	<b>10,773,278</b>	<b>19,526,672</b>	<b>22,000,749</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	16,493,764	27,675,349	44,169,113	41,333,080
Restricted for:				
Debt Service	1,283,781	983,449	2,267,230	2,358,980
Future Capital Assets	-	656,169	656,169	605,135
Unrestricted	11,299,980	5,970,108	17,270,088	16,635,261
<b>Total Net Assets</b>	<b>\$ 29,077,525</b>	<b>\$ 35,285,075</b>	<b>\$ 64,362,600</b>	<b>\$ 60,932,456</b>

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**CITY OF NORFOLK, NEBRASKA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2006**  
**With Summarized Financial Information for the Year Ended September 30, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 2,416,353	\$ 391,281	\$ 60,214	\$ -
Public Safety	7,408,066	944,002	665,296	49,212
Public Works	3,202,666	93,846	1,694,157	328,963
Public Library	1,043,951	29,686	7,951	-
Parks, Recreation and Public Property	1,228,289	158,053	-	-
Community Improvement and Development	1,213,623	66,000	1,069,332	-
Debt Service	265,219	-	-	-
Total governmental activities	<u>16,778,167</u>	<u>1,682,868</u>	<u>3,496,950</u>	<u>378,175</u>
Business-Type Activities:				
Water Division	1,870,805	2,495,101	-	475,111
Sewer Division	2,443,955	2,523,573	-	316,034
Solid Waste Division	1,717,494	1,737,503	-	-
Total Business-Type Activities:	<u>6,032,254</u>	<u>6,756,177</u>	<u>-</u>	<u>791,145</u>
Total Primary Government	<u>\$ 22,810,421</u>	<u>\$ 8,439,045</u>	<u>\$ 3,496,950</u>	<u>\$ 1,169,320</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  
Revenue from Sale of Uncapitalized Property  
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	
		2006	2005
\$ (1,964,858)		\$ (1,964,858)	\$ (1,235,905)
(5,749,556)		(5,749,556)	(5,534,215)
(1,085,700)		(1,085,700)	669,159
(1,006,314)		(1,006,314)	(1,005,758)
(1,070,236)		(1,070,236)	(795,679)
(78,291)		(78,291)	(144,064)
(265,219)		(265,219)	(258,982)
<u>(11,220,174)</u>		<u>(11,220,174)</u>	<u>(8,305,444)</u>
	\$ 1,099,407	1,099,407	1,111,265
	395,652	395,652	40,375
	20,009	20,009	16,904
	<u>1,515,068</u>	<u>1,515,068</u>	<u>1,168,544</u>
<u>(11,220,174)</u>	<u>1,515,068</u>	<u>(9,705,106)</u>	<u>(7,136,900)</u>
1,392,282	-	1,392,282	893,417
6,548,082	-	6,548,082	6,593,166
209,536	-	209,536	184,404
618,984	-	618,984	589,118
461,182	332,022	793,204	515,278
242,041	-	242,041	224,482
3,170,236	-	3,170,236	2,723,425
-	9,089	9,089	49,300
83,761	-	83,761	-
68,035	-	68,035	64,353
<u>12,794,139</u>	<u>341,111</u>	<u>13,135,250</u>	<u>11,836,943</u>
1,573,965	1,856,179	3,430,144	4,700,043
27,503,560	33,428,896	60,932,456	56,232,413
<u>\$ 29,077,525</u>	<u>\$ 35,285,075</u>	<u>\$ 64,362,600</u>	<u>\$ 60,932,456</u>

See Accompanying Notes to Financial Statements

**CITY OF NORFOLK, NEBRASKA**  
**BALANCE SHEET**  
**Governmental Funds**  
**September 30, 2006**

	General	City Highway Allocation	Community Development Block Grant	Debt Service	Special Assesments	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and Equity in Pooled Investment Account	\$ 2,729,974	\$2,513,178	\$ 256,722	\$ 1,116,373	\$ 38,711	\$ 948,254	\$ 7,603,212
Receivables (Net, where applicable, of allowance for uncollectibles)							
Accounts	48,002	-	-	-	-	44,782	92,784
Taxes	1,158,452	-	-	151,498	-	16,858	1,326,808
Special Assessments	-	-	-	320,581	188,919	-	509,500
Notes Receivable	20,678	-	2,166,678	-	-	35,957	2,223,313
Due from Other Funds	73,587	-	-	-	-	-	73,587
Due from Other Governmental Agencies	1,124,864	174,824	3,501	-	-	63,196	1,366,385
Inventories	24,931	-	-	-	-	-	24,931
<b>Total Assets</b>	<b>5,180,488</b>	<b>2,688,002</b>	<b>2,426,901</b>	<b>1,588,452</b>	<b>227,630</b>	<b>1,109,047</b>	<b>13,220,520</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts Payable	293,350	83,183	15,354	-	75,538	42,233	509,658
Due to Other Funds	-	-	-	-	-	73,587	73,587
Unearned Revenue	20,678	-	2,166,678	320,581	188,919	35,957	2,732,813
Bond Anticipation Notes	-	-	-	-	755,000	-	755,000
Advances from Other Funds	45,486	-	-	-	-	-	45,486
<b>Total Liabilities</b>	<b>359,514</b>	<b>83,183</b>	<b>2,182,032</b>	<b>320,581</b>	<b>1,019,457</b>	<b>151,777</b>	<b>4,116,544</b>
<b>Fund Balances:</b>							
<b>Reserved for:</b>							
Encumbrances	28,471	248,413	1,000	-	-	23,740	301,624
Hazardous Waste	29,970	-	-	-	-	-	29,970
WW II Memorial	12,157	-	-	-	-	-	12,157
Debt Service	-	-	-	1,267,871	-	-	1,267,871
Inventories	24,931	-	-	-	-	-	24,931
<b>Unreserved:</b>							
General fund	4,725,445	-	-	-	-	-	4,725,445
Special revenue funds	-	2,356,406	243,869	-	-	622,561	3,222,836
Capital projects funds	-	-	-	-	(791,827)	310,969	(480,858)
<b>Total Fund Balances</b>	<b>4,820,974</b>	<b>2,604,819</b>	<b>244,869</b>	<b>1,267,871</b>	<b>(791,827)</b>	<b>957,270</b>	<b>9,103,976</b>
<b>Total Liabilities and Equity</b>	<b>\$ 5,180,488</b>	<b>\$2,688,002</b>	<b>\$ 2,426,901</b>	<b>\$ 1,588,452</b>	<b>\$ 227,630</b>	<b>\$ 1,109,047</b>	<b>\$ 13,220,520</b>



**CITY OF NORFOLK, NEBRASKA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**September 30, 2006**

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

Total Fund Balance – Governmental Funds (page 32)	\$ 9,103,976
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	23,088,764
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.	1,218,581
Unearned revenues that provide current financial resources for governmental activities	2,732,813
Accrued expenses from the balance sheet that require current financial resources for governmental activities	(40,595)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	56,505
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(6,692,361)</u>
Total Net Assets – Governmental Activities (page 29)	<u>\$ 29,467,683</u>

**CITY OF NORFOLK, NEBRASKA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**Year Ended September 30, 2006**

	General	City Highway Allocation	Community Development Block Grant	Debt Service	Special Assessments	Other Governmental Funds	Total Governmental Funds
Revenue:							
Taxes	\$ 7,172,001	\$ -	\$ -	\$ 691,914	\$ -	\$ 225,509	\$ 8,089,424
Special Assessments	-	-	-	114,750	56,019	-	170,769
Licenses and Permits	347,386	-	-	-	-	-	347,386
Intergovernmental Revenue	524,586	1,770,682	749,445	23,921	-	809,379	3,878,013
Charges for Services	1,236,475	-	-	-	-	-	1,236,475
Occupation and Franchise Taxes	618,984	-	-	-	-	-	618,984
Payments in Lieu of Taxes	18,767	-	-	41,710	-	-	60,477
Parking Fees and Rentals	3,160,411	-	-	-	-	13,145	3,173,556
Loan Repayments	-	-	125,585	-	-	5,798	131,383
Interest	115,064	95,800	19,945	89,465	4,530	39,581	364,385
Miscellaneous	198,968	-	4	-	-	28,637	227,609
Total Revenue	13,392,642	1,866,482	894,979	961,760	60,549	1,122,049	18,298,461
Current Expenditures:							
Public Safety	6,761,968	-	-	-	-	501,079	7,263,047
Public Works	2,185,030	939,532	-	-	-	84,572	3,209,134
Public Library	1,014,735	-	-	-	-	-	1,014,735
Parks, Recreation and Public Property	1,126,493	-	-	-	-	-	1,126,493
Community Improvement and Development	322,964	-	776,197	-	-	331,390	1,430,551
General Government	2,345,359	-	-	-	2,745	-	2,348,104
Debt Service:							
Debt Service	2,777	-	5,952	1,079,136	21,489	-	1,109,354
Capital Outlays:							
Capital Outlay	-	-	-	-	275,039	20,632	295,671
Total Expenditures	13,759,326	939,532	782,149	1,079,136	299,273	937,673	17,797,089
Excess (deficiency) of revenues over expenditures	(366,684)	926,950	112,830	(117,376)	(238,724)	184,376	501,372
Other financing sources (uses):							
Transfers In	732,000	-	-	131,436	-	37,563	900,999
Transfers Out	(168,999)	(630,000)	-	-	-	(102,000)	(900,999)
Total other financing sources (uses)	563,001	(630,000)	-	131,436	-	(64,437)	-
Net Change in Fund Balance	196,317	296,950	112,830	14,060	(238,724)	119,939	501,372
Fund balances (deficits)-beginning of year	4,624,657	2,307,869	132,039	1,253,811	(553,103)	837,331	8,602,604
Fund balances (deficits) - end of year	\$ 4,820,974	\$ 2,604,819	\$ 244,869	\$ 1,267,871	\$ (791,827)	\$ 957,270	\$ 9,103,976

**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, 2006**

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

Net change in fund balances – total governmental funds (page 34) \$ 501,372

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:

	\$ 1,223,044	
Expenditures for capital assets		
Depreciation expense	(1,065,070)	157,974

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. (101,556)

Revenues reported in the funds that are not available to provide current financial resources 150,573

Accrued interest expense that does not require current financial resources 3,183

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: (10,371)

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. 38,839

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities (7,001)

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: 840,952

Change in net assets of governmental activities (page 31) \$ 1,573,965

**CITY OF NORFOLK, NEBRASKA**  
**STATEMENT OF NET ASSETS**  
**Proprietary Funds**  
**September 30, 2006**

	<b>Business Type Activities</b>	<b>Governmental Activities</b>
	<b>Combined Utilities</b>	<b>Internal Service</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Equity in Pooled Investment Account	\$ 4,986,323	\$ 1,584,203
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	999,608	-
Accrued Interest	10,405	-
Special Assessments	15,520	-
Restricted Cash		
Cash and Cash Equivalents	882,953	-
Inventories	282,024	-
Total current assets	<u>7,176,833</u>	<u>1,584,203</u>
Noncurrent assets:		
Restricted Assets:		
Cash and Cash Equivalents	1,639,618	-
Notes Receivable	108,940	-
Advances to Other Funds	45,486	-
Bond Acquisition Costs	96,376	-
Capital assets:		
Land	1,870,414	-
Construction in Progress	979,734	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	34,140,952	-
Total noncurrent assets	<u>38,881,520</u>	<u>-</u>
<b>Total Assets</b>	<u>46,058,353</u>	<u>1,584,203</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	365,970	365,622
Accrued Wages and Compensated Absences	85,605	-
Payables from Restricted Assets:		
Accrued Revenue Bond Interest	129,039	-
Revenue Bonds - Current	753,914	-
Total current liabilities	<u>1,334,528</u>	<u>365,622</u>
Noncurrent Liabilities:		
Due in more than one year:		
Revenue Bonds Payable	9,315,751	-
Compensated Absences and Benefits, Long-Term	122,999	-
Total noncurrent liabilities	<u>9,438,750</u>	<u>-</u>
<b>Total Liabilities</b>	<u>10,773,278</u>	<u>365,622</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	27,675,349	-
Restricted for:		
Debt Service	983,449	-
Future Capital Assets	656,169	-
Unrestricted	5,970,108	1,218,581
Total Net Assets	<u>\$ 35,285,075</u>	<u>\$ 1,218,581</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, 2006**

	<b>Business Type Activities Combined Utilities</b>	<b>Governmental Activities Internal Service</b>
<b>Operating Revenues:</b>		
Charges for Services	\$ 6,662,870	\$ 1,801,179
Miscellaneous Income	93,307	-
<b>Total Operating Revenue</b>	<u>6,756,177</u>	<u>1,801,179</u>
<b>Operating Expenses:</b>		
Payroll and Related Taxes and Benefits	1,689,719	-
Purchased Services	1,130,306	-
General and Administration	757,402	1,859,137
Repairs and Maintenance	477,404	-
Utilities	428,479	-
Depreciation and Amortization	1,171,222	-
<b>Total Operating Expenses</b>	<u>5,654,532</u>	<u>1,859,137</u>
<b>Operating Income (Loss)</b>	<u>1,101,645</u>	<u>(57,958)</u>
<b>Non-Operating Income (Expense):</b>		
Interest Income	342,480	96,797
Market Value Loss	(10,458)	-
Gain on Disposal of Capital Assets	9,089	-
Interest Expense	(377,722)	-
<b>Total Non-Operating Income (Expenses)</b>	<u>(36,611)</u>	<u>96,797</u>
<b>Income before contributions and transfers</b>	1,065,034	38,839
Capital contributions	791,145	-
<b>Change in Net Assets</b>	1,856,179	38,839
<b>Net Assets - Beginning</b>	<u>33,428,896</u>	<u>1,179,742</u>
<b>Net Assets - Ending</b>	<u>\$ 35,285,075</u>	<u>\$ 1,218,581</u>

See Accompanying Notes to Financial Statements

**CITY OF NORFOLK, NEBRASKA**  
**STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended September 30, 2006**

	<b>Business Type Activities Combined Utilities</b>	<b>Governmental Activities Internal Service</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 6,901,633	\$ 1,801,179
Cash Paid to Suppliers for Goods and Services	(2,771,532)	(1,743,871)
Cash Paid to Employees for Services	(1,685,411)	-
Net Cash Provided by Operating Activities	<u>2,444,690</u>	<u>57,308</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and Construction of Capital Assets	(1,518,445)	-
Proceeds from Sales of Capital Assets	10,400	-
Change in Advance to Other Funds	10,051	-
Principal Paid on Notes and Bonds	(730,863)	-
Interest Paid on Notes and Bonds	(383,259)	-
Payments on Note Receivable	96,196	-
Net Cash (Used) for Capital and Related Financing Activities	<u>(2,515,920)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest and Dividends on Investments	<u>332,022</u>	<u>96,797</u>
Net Increase in Cash and Cash Equivalents	260,792	154,105
Cash and Cash Equivalents at Beginning of Year	<u>7,248,102</u>	<u>1,430,098</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,508,894</u>	<u>\$ 1,584,203</u>

(Continued)

**CITY OF NORFOLK, NEBRASKA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**Proprietary Funds**  
**For the Year Ended September 30, 2006**

	<b>Business Type Activities Combined Utilities</b>	<b>Governmental Activities Internal Service</b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 1,101,645	\$ (57,958)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,171,222	-
(Increase) Decrease in Assets:		
Accounts Receivable	119,303	-
Special Assessments	(3,847)	-
Notes Receivable	30,000	-
Increase (Decrease) in Liabilities:		
Accounts Payable	22,059	115,266
Accrued Compensated Absences	4,308	-
Total Adjustments	<u>1,343,045</u>	<u>115,266</u>
Net Cash Provided by Operating Activities	<u>\$ 2,444,690</u>	<u>\$ 57,308</u>
<b>Supplemental Schedule of Noncash Capital and Related Financing Activities:</b>		
Developers Contribution of Distribution System	<u>\$ 791,145</u>	<u>-</u>
Accounts Payable Exchanged for Capital Assets	<u>\$ 117,801</u>	<u>-</u>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet:</b>		
Cash and Equity in Pooled Investment Account	\$ 4,986,323	\$ 1,584,203
Restricted Cash	2,522,571	-
	<u>\$ 7,508,894</u>	<u>\$ 1,584,203</u>

**CITY OF NORFOLK, NEBRASKA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**Fiduciary Funds**  
**September 30, 2006**

	<b>Pension Trust Funds</b>	<b>Agency Fund</b>
	<b>Employee Retirement Funds</b>	<b>Community Development Agency</b>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ -	\$ 478,497
Guaranteed Insurance Contracts Managed by Trustee	12,677,111	-
Open Ended Mutual Funds Managed by Trustee	9,777,924	-
Receivables (Net, where applicable, of allowance for uncollectibles)		
Taxes	-	9,985
<b>Total Current Assets</b>	<u>22,455,035</u>	<u>488,482</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Due to Bondholders	-	488,482
<b>Total Current Liabilities</b>	<u>-</u>	<u>488,482</u>
<b>NET ASSETS</b>		
Held in Trust for Pension Benefits	<u>\$ 22,455,035</u>	<u>\$ -</u>



**CITY OF NORFOLK, NEBRASKA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Fiduciary Funds**  
**For the Year Ended September 30, 2006**

	<b>Pension Trust Funds Employee Retirement Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 596,047
Employee	632,119
	<hr/>
Total Contributions	1,228,166
	<hr/>
Investment Income:	
Interest, Dividends and Market Gain	1,452,749
	<hr/>
Total Additions	2,680,915
	<hr/>
<b>DEDUCTIONS</b>	
Pension Benefits	272,434
Contribution Refunds	474,391
	<hr/>
Total Deductions	746,825
	<hr/>
Net Increase	1,934,090
	<hr/>
Net Assets -- Beginning of Period	20,520,945
	<hr/>
Net Assets -- End of Period	<u>\$ 22,455,035</u>

**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.

City of Norfolk, NEBRASKA  
Notes to Financial Statements  
September 30, 2006

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**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. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs.

- 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

City of Norfolk, NEBRASKA  
Notes to Financial Statements  
September 30, 2006

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

transaction can be determined and "available" means collectible within the current period or soon enough 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, 2006, 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, 2006

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**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

City of Norfolk, NEBRASKA  
Notes to Financial Statements  
September 30, 2006

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

equal installments. These taxes are due December 31. The first and second half of the taxes 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, 2006, the City's cash and pooled investments consisted of the following:

Cash, principally in interest bearing accounts (at cost)	\$16,029,979
Unites States Treasury Note (at market)	<u>666,328</u>
	<u>\$16,696,307</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,



City of Norfolk, NEBRASKA  
Notes to Financial Statements  
September 30, 2006

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

certain state and local obligations of the State of Nebraska, collateralized bank certificates of 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, 2006 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	\$666,328

**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, 2006, \$12,677,111 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, 2006, amounted to \$9,777,924.

**C. Restricted Assets:**

The following schedule details the restricted assets at September 30, 2006:

	<b>Enterprise Fund</b>
<b>Pursuant to revenue bond ordinances:</b>	
Bond reserve account	\$ 906,050
Revenue bond account	605,352
Operation and maintenance account	<u>355,000</u>
	1,866,402
<b>Pursuant to grant agreements:</b>	
Improvement and extension account	<u>656,169</u>
	<u>\$2,552,571</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, 2006 consisted entirely of U.S. Treasury obligations.

City of Norfolk, NEBRASKA  
Notes to Financial Statements  
September 30, 2006

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**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, 2006, are net of allowance for uncollectibles. The allowance for uncollectibles in the general fund was \$95,000 at September 30, 2006.

**NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES**

As of September 30, 2006, 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>\$ 73,587</u>

The purpose of these interfund balances is to finance short-term cash flow shortages of various funds.

As of September 30, 2006, long-term advances were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Proprietary Fund - Water	General	<u>\$ 45,486</u>

The purpose of this interfund balance was to finance the fiber optic inventory purchased by the general fund from the water fund. The general fund is repaying the Water fund by making annual payments of \$12,828, including interest at 5%.

City of Norfolk, NEBRASKA  
Notes to Financial Statements  
September 30, 2006

**NOTE 5 - CAPITAL ASSETS**

A summary of changes in capital assets is as follows

	Balance October 1, 2005	Additions	Deletions	Balance September 30, 2006
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,013,660	\$ 18,531	\$ -	\$ 4,032,191
Construction in Progress	4,005,968	352,111	3,796,176	561,903
Total capital assets not being depreciated	8,019,628	370,642	3,796,176	4,594,094
Capital assets being depreciated:				
Buildings and improvements	9,342,368	81,965	-	9,424,333
Electrical distribution system	1,182,329	-	-	1,182,329
Equipment, furniture and fixtures	8,651,114	551,063	171,257	9,030,920
Infrastructure	5,844,068	4,015,550	-	9,859,618
Total capital assets being depreciated	25,019,879	4,648,578	171,257	29,497,200
Less: Accumulated Depreciation for:				
Buildings and improvements	4,165,382	203,749	-	4,369,131
Electrical distribution system	384,695	11,620	-	396,315
Equipment, furniture and fixtures	5,118,203	632,619	69,701	5,681,121
Infrastructure	338,881	217,082	-	555,963
Total accumulated depreciation	10,007,161	1,065,070	69,701	11,002,530
Total capital assets being depreciated, net	15,012,718	3,583,508	101,556	18,494,670
Governmental activities capital assets, net	\$ 23,032,346	\$ 3,954,150	\$3,897,732	\$ 23,088,764

Construction in progress at September 30, 2006, for the governmental activities consisted of costs associated with Meadow Ridge, Elkhorn Valley Ethanol Project Plant, Benjamin Avenue, downtown pavement replacement project, downtown street improvements, and Paving District No. 494.

City of Norfolk, NEBRASKA  
Notes to Financial Statements  
September 30, 2006

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

	Balance October 1, 2005	Additions	Deletions	Balance September 30, 2006
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,157,216	\$ 713,198	\$ -	\$ 1,870,414
Construction in Progress	78,936	923,437	22,639	979,734
Total capital assets not being depreciated	1,236,152	1,636,635	22,639	2,850,148
Capital assets being depreciated:				
Water and pollution control plant	25,865,716	-	-	25,865,716
Water distribution and sewage system	21,050,557	534,452	-	21,263,553
Equipment	4,018,812	276,914	148,928	4,146,798
Total capital assets being depreciated	50,935,085	811,366	148,928	51,597,523
Less: Accumulated Depreciation for:				
Water and pollution control plant	11,422,726	789,438	-	12,212,164
Water distribution and sewage system	3,263,342	191,732	-	3,455,074
Equipment, furniture and fixtures	1,710,479	178,843	99,989	1,789,333
Total accumulated depreciation	16,396,547	1,160,013	99,989	17,456,571
Total capital assets being depreciated, net	34,538,538	(348,647)	48,939	34,140,952
Business-type activities capital assets, net	\$ 35,774,690	\$ 1,287,988	\$ 71,578	\$ 36,991,100

Construction in progress at September 30, 2006 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:

<b>Governmental Activities:</b>	
General Government	\$ 42,702
Public Safety	470,103
Public Works	387,244
Parks, Recreation, and Public Property	107,677
Public Library	48,852
Community Improvement and Development	8,492
Total depreciation expense – governmental activities	<u>\$ 1,065,070</u>
<b>Business-Type Activities:</b>	
Solid Waste Management	\$ 64,962
Water	416,907
Sewer	678,144
Total depreciation expense – business-type activities	<u>\$ 1,160,013</u>

City of Norfolk, NEBRASKA  
Notes to Financial Statements  
September 30, 2006

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

**Reconciliation of Invested in Capital Assets:**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Land	\$ 4,032,191	\$ 1,870,414
Construction in Progress	561,903	979,734
Capital Assets (Net of Accumulated Depreciation)	18,494,670	34,140,952
Less: General Obligation Bonds Payable	4,410,000	-
Various Purpose Bonds Payable	1,430,000	-
Bond Anticipation Notes	755,000	
Revenue Bonds Payable	-	9,315,751
Invested in Capital Assets, Net of Related Debt	\$ 16,493,764	\$ 27,675,349

**NOTE 6 - BONDS PAYABLE AND OTHER LONG-TERM OBLIGATIONS**

Changes in bonds payable and other long-term obligations for the period ended September 30, 2006 were as follows:

	<b>Balance October 01, 2005</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance September 30, 2006</b>	<b>Due Within One Year</b>
Governmental Activities:					
General obligation bonds (excluding special assessment bonds) 2.15% to 5.35%, Various maturities through 2019	\$ 4,805,000	\$ -	\$ 395,000	\$ 4,410,000	\$ 425,000
Special assessment bonds, with City commitment, 2.95% to 5.00%, various maturities through 2015	1,870,000	-	440,000	1,430,000	245,000
Bond anticipation notes, 2.95% to 3.20%, mature September, 2007	495,000	260,000	-	755,000	755,000
Note Payable	-	250,000	5,952	244,048	35,714
Accrued compensated absences	988,100	629,692	619,321	998,471	608,313
Total Governmental Activities	\$8,158,100	\$1,139,692	\$1,460,273	\$7,837,519	\$2,069,027

City of Norfolk, NEBRASKA  
Notes to Financial Statements  
September 30, 2006

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

Business Type Activities:

Revenue Bonds, 2.20% to 5.20%, various maturities through 2024	\$ 9,455,000	\$ -	\$630,000	\$8,825,000	\$650,000
State Revolving Loan Fund Bond, 3.00%	1,362,814	-	100,865	1,261,949	103,914
Accrued Compensated absences	204,296	93,610	89,302	208,604	85,605
Total Business Type Activities	11,022,110	93,610	820,167	10,295,553	839,519
Grand Total	<u>\$19,180,210</u>	<u>\$1,233,302</u>	<u>\$2,280,440</u>	<u>\$18,133,072</u>	<u>\$2,908,546</u>

The revenue bonds are presented on the statement of net assets net of unamortized bond discounts of \$17,284. In addition, for the governmental activities compensated absences are generally liquidated by the general fund.

Annual debt service requirements as of September 30, 2006 for general obligation and enterprise fund debt, including interest of \$3,848,519 is as follows:

Fiscal Year Ending	Governmental Activities				Business Type Activities	
	General Obligation Debt		Various Purpose Bonds		Enterprise Fund	
	Principal	Interest	Principal	Interest	Principal	Interest
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>\$4,410,000</u>	<u>\$ 963,036</u>	<u>\$1,430,000</u>	<u>\$217,801</u>	<u>\$10,086,949</u>	<u>\$2,667,682</u>

City of Norfolk, NEBRASKA  
Notes to Financial Statements  
September 30, 2006

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**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 November 3, 2005, the City issued \$260,000 of general obligation bond anticipation notes with a maturity of September 1, 2007 and an interest rate of 3.20%. This bond provided interim financing for the cost of street improvements for various paving districts.

On September 16, 2005, the City loaned \$250,000 to MP Global through a Community Development Block Grant. This \$250,000 is owed back to the State of Nebraska. MP Global began making payments to the City August 1, 2006 and in turn the City is remitting those payments to the State. The loan has an interest rate of 0% for 30 years.

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	\$ -	\$ 131,436	\$ 37,563	\$ 168,999
City Highway Allocation	630,000	-	-	630,000
Nonmajor Governmental	102,000	-	-	102,000
Transfer In	<u>\$ 732,000</u>	<u>\$ 131,436</u>	<u>\$ 37,563</u>	<u>\$900,999</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.

City of Norfolk, NEBRASKA  
Notes to Financial Statements  
September 30, 2006

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**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, 2006 was \$9,175,192 of which \$8,312,874 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 \$289,448, and employee contributions totaled \$434,216.

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	15
Active Employees:	
Non-vested	11
Partially vested	21
Fully vested	121
 Total membership	 <u>153</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 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.



City of Norfolk, NEBRASKA  
Notes to Financial Statements  
September 30, 2006

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**NOTE 8 - EMPLOYEE PENSION PLANS (CONTINUED)**

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	9	8	17
Partially vested	12	6	18
Fully vested	25	22	47
	46	36	82
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	57	48	105

City of Norfolk, NEBRASKA  
Notes to Financial Statements  
September 30, 2006

**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)
<b>Fire</b>						
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%	1,242,030	0.00%
2005	5,012,780	5,012,780	-	100.0%	1,304,663	0.00%
2005	5,205,751	5,205,751	-	100.0%	1,335,544	0.00%
<b>Police</b>						
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%
2006	4,572,173	4,572,173	-	100.0%	1,845,479	0.0%

Schedule of Employer Contributions

Fiscal Year Ended	Fire		Police	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
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%
2006	156,272	100%	150,327	100%

City of Norfolk, NEBRASKA  
Notes to Financial Statements  
September 30, 2006

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**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, 2006. 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, 2006.

The city has entered into various contracts for street and other capital improvements. The remaining commitment under these contracts is \$869,903. \$290,009 will be paid from the City Highway Allocation Fund, \$376,988 will be paid from the Special Assessments Fund and \$202,906 will be paid from the Capital Construction Fund. The City also entered into various contracts for Water and Sewer Improvement Projects. The remaining commitment under these contracts is approximately \$1,006,532 and \$176,857 will be paid by the Water Division with \$829,675 will be paid by the Sewer 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, 2006:

Capital Project Fund:	Special Assessment	(\$791,827)
Capital Project Fund:	Capital Construction	(34,131)

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 \$41,130,750.

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, 2006

**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
<b>Assets:</b>				
Current assets	\$ 3,688,260	\$2,276,238	\$ 329,382	\$ 6,293,880
Restricted assets	337,463	1,913,037	272,071	2,522,571
Noncurrent assets	154,426	96,376	-	250,802
Capital assets	22,285,188	13,794,636	911,276	36,991,100
<b>Total assets</b>	<b>26,465,337</b>	<b>18,080,287</b>	<b>1,512,729</b>	<b>46,058,353</b>
<b>Liabilities:</b>				
Current liabilities	418,225	705,985	210,318	1,334,528
Noncurrent liabilities	3,005,383	5,805,001	628,366	9,438,750
<b>Total liabilities</b>	<b>3,423,608</b>	<b>6,510,986</b>	<b>838,684</b>	<b>10,773,278</b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	19,317,153	8,050,720	307,476	27,675,349
Restricted	105,896	1,360,840	172,882	1,639,618
Unrestricted	3,618,680	2,157,741	193,687	5,970,108
<b>Total net assets</b>	<b>\$23,041,729</b>	<b>\$11,569,301</b>	<b>\$ 674,045</b>	<b>\$35,285,075</b>

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	Water Division	Sewer Division	Solid Waste Management Division	Totals
Operating revenues	\$2,495,101	\$2,523,573	\$1,737,503	\$ 6,756,177
Depreciation and amortization	416,907	689,353	64,962	1,171,222
Other operating expenses	1,331,018	1,530,505	1,621,787	4,483,310
<b>Operating income</b>	<b>747,176</b>	<b>303,715</b>	<b>50,754</b>	<b>1,101,645</b>
<b>Nonoperating revenues (expenses):</b>				
Interest on bonds and other debt	(122,880)	(224,097)	(30,745)	(377,722)
Interest income	156,829	166,796	18,855	342,480
Market Value Loss	-	(10,458)	-	(10,458)
Gain (Loss) on disposal of fixed assets	10,400	(384)	(927)	9,089
Capital Contributions	475,111	316,034	-	791,145
<b>Change in net assets</b>	<b>1,226,636</b>	<b>551,606</b>	<b>37,937</b>	<b>1,856,179</b>
Beginning net assets	21,775,093	11,017,695	636,108	33,428,896
<b>Ending net assets</b>	<b>\$23,041,729</b>	<b>\$11,569,301</b>	<b>\$674,045</b>	<b>\$35,285,075</b>

City of Norfolk, NEBRASKA  
Notes to Financial Statements  
September 30, 2006

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**NOTE 10 - INDIVIDUAL FUND DISCLOSURES (CONTINUED)**

**CONDENSED STATEMENT OF CASH FLOWS**

Net cash provided (used) by:				
Operating activities	\$ 1,271,771	\$ 1,037,212	\$135,707	\$2,444,690
Capital and related financing activities	(1,418,000)	(929,408)	(168,512)	( 2,515,920)
Investing activities	156,829	156,338	18,855	332,022
Net increase (decrease)	10,600	264,142	(13,950)	260,792
Beginning cash and cash equivalents	3,329,287	3,533,696	385,119	7,248,102
Ending cash and cash equivalents	<u>\$3,339,887</u>	<u>\$3,797,838</u>	<u>\$ 371,169</u>	<u>\$7,508,894</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
<b>ASSETS</b>				
Guaranteed Insurance Contracts	\$ -	\$ -	\$12,677,111	\$12,677,111
Open Ended Mutual Funds	5,205,751	4,572,173		9,777,924
<b>Total Assets</b>	<u>5,205,751</u>	<u>4,572,173</u>	<u>12,677,111</u>	<u>22,455,035</u>
<b>NET ASSETS</b>				
Held in Trust for Pension Benefits	5,205,751	4,572,173	12,677,111	22,455,035
<b>Total Net Assets</b>	<u>\$5,205,751</u>	<u>\$4,572,173</u>	<u>\$12,677,111</u>	<u>\$22,455,035</u>

City of Norfolk, NEBRASKA  
Notes to Financial Statements  
September 30, 2006

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**COMBINING STATEMENT OF CHANGES IN NET ASSETS**

	Firemen's Retirement Fund	Police Retirement Fund	Civilian Retirement Fund	Total
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 156,272	\$ 150,237	\$ 289,448	\$ 596,047
Employee	<u>87,174</u>	<u>110,729</u>	<u>434,216</u>	<u>632,119</u>
Total Contributions	<u>243,446</u>	<u>261,056</u>	<u>723,664</u>	<u>1,228,166</u>
Investment Income:				
Interest, Dividends and Market Gains	<u>335,027</u>	<u>278,638</u>	<u>839,084</u>	<u>1,452,749</u>
Total Additions	<u>578,473</u>	<u>539,694</u>	<u>1,562,748</u>	<u>2,680,915</u>
<b>DEDUCTIONS</b>				
Pension Benefits	83,401	54,132	134,901	272,434
Contribution Refunds	<u>302,101</u>	<u>92,187</u>	<u>80,103</u>	<u>474,391</u>
Total Deductions	<u>385,502</u>	<u>146,319</u>	<u>215,004</u>	<u>746,825</u>
Net Increase	192,971	393,375	1,347,744	1,934,090
Net Assets -- Beginning of Period	<u>5,012,780</u>	<u>4,178,798</u>	<u>11,329,367</u>	<u>20,520,945</u>
Net Assets -- End of Period	<u><u>\$5,205,751</u></u>	<u><u>\$4,572,173</u></u>	<u><u>\$ 12,677,111</u></u>	<u><u>\$22,455,035</u></u>

City of Norfolk, NEBRASKA  
Notes to Financial Statements  
September 30, 2006

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**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, 2005 to September 30, 2006. 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, 2006 claims liability of \$344,593 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, 2006 and the year ending September 30, 2005 are:

	<u>Beginning</u>	<u>Claims &amp; Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending</u>
2005	\$273,105	\$1,357,705	\$1,402,905	\$227,905
2006	\$227,905	\$1,760,474	\$1,643,786	\$344,593

**NOTE 12 - SUBSEQUENT EVENT**

On October 19, 2006 the City Council adopted an ordinance authorizing the issuance and sale of Bond Anticipation Notes in the principal amount of \$510,000 for the purpose of providing interim financing for the costs of street improvements for paving districts No. 494.

## **REQUIRED SUPPLEMENTARY INFORMATION**



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**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, 2006**

	General Fund		
	Budgeted Original & Final	Actual	Variance with Final Budget Over (Under)
Revenue:			
Taxes	\$ 7,188,030	\$ 7,159,766	\$ (28,264)
Licenses and Permits	271,845	344,060	72,215
Intergovernmental Revenue	519,078	499,308	(19,770)
Charges for Services	1,164,157	1,246,294	82,137
Occupation and Franchise Taxes	579,300	623,195	43,895
Payments in Lieu of Taxes	20,000	18,767	(1,233)
Loan Repayments	-	-	-
Rental Income	2,916,300	3,061,672	145,372
Interest	62,800	115,535	52,735
Miscellaneous	79,000	201,173	122,173
Total Revenue	<u>12,800,510</u>	<u>13,269,770</u>	<u>469,260</u>
Current Expenditures:			
Public Safety	7,234,460	6,778,796	(455,664)
Public Works	2,375,864	2,193,427	(182,437)
Public Library	1,084,232	1,021,555	(62,677)
Parks, Recreation and Public Property	1,237,511	1,136,604	(100,907)
Community Improvement and Development	363,711	323,220	(40,491)
General Government	2,310,476	2,182,392	(128,084)
Total Expenditures	<u>14,606,254</u>	<u>13,635,994</u>	<u>(970,260)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,805,744)</u>	<u>(366,224)</u>	<u>1,439,520</u>
Other financing sources (uses):			
Proceeds from Debt Financing	235,000	-	(235,000)
Transfers In	732,000	732,000	-
Transfers Out	(181,827)	(181,827)	-
Total other financing sources (uses)	<u>785,173</u>	<u>550,173</u>	<u>(235,000)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (1,020,571)</u>	<u>183,949</u>	<u>\$ 1,204,520</u>
Fund balances—beginning of year		<u>2,619,611</u>	
Fund balances— end of year		<u>\$ 2,803,560</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,725,000	2,403,606	678,606	1,106,500	745,944	(360,556)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	62,775	125,589	62,814
-	-	-	-	-	-
31,600	95,800	64,200	4,400	19,945	15,545
-	-	-	-	-	-
<u>1,756,600</u>	<u>2,499,406</u>	<u>742,806</u>	<u>1,173,675</u>	<u>891,478</u>	<u>(282,197)</u>
-	-	-	-	-	-
2,575,500	1,246,971	(1,328,529)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,211,358	775,573	(435,785)
-	-	-	-	-	-
<u>2,575,500</u>	<u>1,246,971</u>	<u>(1,328,529)</u>	<u>1,211,358</u>	<u>775,573</u>	<u>(435,785)</u>
<u>(818,900)</u>	<u>1,252,435</u>	<u>2,071,335</u>	<u>(37,683)</u>	<u>115,905</u>	<u>153,588</u>
-	-	-	-	-	-
-	-	-	-	-	-
(630,000)	(630,000)	-	-	-	-
<u>(630,000)</u>	<u>(630,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (1,448,900)</u>	<u>622,435</u>	<u>\$ 2,071,335</u>	<u>\$ (37,683)</u>	<u>115,905</u>	<u>\$ 153,588</u>
	<u>1,890,743</u>			<u>140,817</u>	
	<u>\$ 2,513,178</u>			<u>\$ 256,722</u>	

City of Norfolk, NEBRASKA  
Notes to Required Supplementary Information Budgetary Reporting  
September 30, 2006

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**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, 2006

	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	\$ 183,950	\$ 622,435	\$ 115,905
Basis differences:			
To adjust revenues from recognition on a cash basis	122,871	(632,924)	3,501
To adjust other financial sources from recognition on a cash basis:			
Proceeds of debt	-	-	-
To adjust total expenditures from recognition on a cash basis	(123,332)	307,439	(6,576)
To adjust operating transfers out	12,828	-	-
Excess of revenues and other financial sources over expenditures and other financial uses, on a GAAP basis	<u>\$ 196,317</u>	<u>\$ 296,950</u>	<u>\$ 112,830</u>

	Total Governmental Funds
Expenditures and other financing uses, on a budgetary basis	\$(19,229,865)
Basis Differences:	
To adjust total expenditures from recognition on a cash basis	253,079
To adjust operating transfers out	278,698
Expenditures and other financing uses, on a GAAP basis	<u>\$ (18,698,088)</u>

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

Fund	Budget	Actual	Variance Over (Under) Budget
Governmental Funds Expenditures	24,626,022	19,229,865	(5,396,157)

## **OTHER SUPPLEMENTARY INFORMATION**

# GOVERNMENTAL NONMAJOR FUNDS

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**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.

**CITY OF NORFOLK, NEBRASKA**  
**COMBINING BALANCE SHEET**  
**Governmental Nonmajor Funds**  
**September 30, 2006**

	<b>Special Revenue Funds</b>				
	<b>Vehicle Parking</b>	<b>Community Character Development Coalition</b>	<b>911</b>	<b>SNARE</b>	<b>Region 11</b>
<b>Assets</b>					
Cash and Equity in Pooled Investment Account	\$ 291,988	\$ 100	\$ 114,139	\$ 83,072	\$ 113,855
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	1,553	-	28,120	15,109	-
Taxes	16,858	-	-	-	-
Notes Receivable	35,957	-	-	-	-
Due from Other Governmental Agencies	-	63,196	-	-	-
<b>Total Assets</b>	<b>346,356</b>	<b>63,296</b>	<b>142,259</b>	<b>98,181</b>	<b>113,855</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable	17,049	15,245	-	1,750	141
Due to Other Funds	-	47,504	-	-	-
Unearned Revenue	35,957	-	-	-	-
<b>Total Liabilities</b>	<b>53,006</b>	<b>62,749</b>	<b>-</b>	<b>1,750</b>	<b>141</b>
<b>Fund Balances (Deficit):</b>					
Reserved for:					
Encumbrance	23,193	547	-	-	-
Unreserved	270,157	-	142,259	96,431	113,714
<b>Total Fund Balances (Deficit)</b>	<b>293,350</b>	<b>547</b>	<b>142,259</b>	<b>96,431</b>	<b>113,714</b>
<b>Total Liabilities and Equity</b>	<b>\$ 346,356</b>	<b>\$ 63,296</b>	<b>\$ 142,259</b>	<b>\$ 98,181</b>	<b>\$ 113,855</b>



<b>Capital Projects</b>			
<b>Community Development Agency</b>	<b>Capital Construction</b>		<b>Total Governmental Nonmajor Funds</b>
\$ 345,100	\$ -		\$ 948,254
-	-		44,782
-	-		16,858
-	-		35,957
-	-		63,196
345,100	-		1,109,047
-	8,048		42,233
-	26,083		73,587
-	-		35,957
-	34,131		151,777
-	-		23,740
345,100	(34,131)		933,530
345,100	(34,131)		957,270
\$ 345,100	\$ -		\$ 1,109,047

**CITY OF NORFOLK, NEBRASKA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**For the Year Ended September 30, 2006**

	<b>Special Revenue Funds</b>				
	<b>Vehicle Parking</b>	<b>Community Character Development Coalition</b>	<b>911</b>	<b>SNARE</b>	<b>Region 11</b>
<b>Revenue:</b>					
Taxes	\$ 76,447	\$ -	\$ 149,062	\$ -	\$ -
Intergovernmental Revenue	311	319,887	-	103,925	385,256
Rental Income	13,145	-	-	-	-
Loan Repayments	5,798	-	-	-	-
Interest	14,349	-	4,874	-	4,136
Miscellaneous	13	10,840	-	17,784	-
<b>Total Revenue</b>	<b>110,063</b>	<b>330,727</b>	<b>153,936</b>	<b>121,709</b>	<b>389,392</b>
<b>Expenditures:</b>					
Public Safety	-	-	-	103,115	397,964
Public Works	84,572	-	-	-	-
Community and Economic Development	-	331,390	-	-	-
Capital Outlay	-	-	-	-	-
<b>Total Expenditures</b>	<b>84,572</b>	<b>331,390</b>	<b>-</b>	<b>103,115</b>	<b>397,964</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>25,491</b>	<b>(663)</b>	<b>153,936</b>	<b>18,594</b>	<b>(8,572)</b>
<b>Other financing sources (uses):</b>					
Transfers In	-	-	-	-	37,563
Transfers Out	-	-	(102,000)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(102,000)</b>	<b>-</b>	<b>37,563</b>
<b>Net Change in Fund Balance</b>	<b>25,491</b>	<b>(663)</b>	<b>51,936</b>	<b>18,594</b>	<b>28,991</b>
<b>Fund balances -beginning of year</b>	<b>267,859</b>	<b>1,210</b>	<b>90,323</b>	<b>77,837</b>	<b>84,723</b>
<b>Fund balances (deficits) - end of year</b>	<b>\$ 293,350</b>	<b>\$ 547</b>	<b>\$ 142,259</b>	<b>\$ 96,431</b>	<b>\$ 113,714</b>

<b>Capital Projects</b>			
<b>Community Development Agency</b>	<b>Capital Construction</b>		<b>Total Governmental Nonmajor Funds</b>
\$ -	\$ -		\$ 225,509
-	-		809,379
-	-		13,145
-	-		5,798
16,222	-		39,581
-	-		28,637
16,222	-		1,122,049
-	-		501,079
-	-		84,572
-	-		331,390
-	20,632		20,632
-	20,632		937,673
16,222	(20,632)		184,376
-	-		37,563
-	-		(102,000)
-	-		(64,437)
16,222	(20,632)		119,939
328,878	(13,499)		837,331
\$ 345,100	\$ (34,131)	\$	957,270

**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, 2006**

	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	\$ 72,250	\$ 76,488	\$ 4,238	\$ -	\$ -	\$ -
Intergovernmental Revenue	-	-	-	-	283,548	283,548
Contributions	-	-	-	-	-	-
Loan Repayments	10,000	5,798	(4,202)	-	-	-
Rental Income	14,400	12,776	(1,624)	-	-	-
Interest	6,600	14,349	7,749	-	-	-
Miscellaneous	-	-	-	-	10,839	10,839
Total Revenue	<u>103,250</u>	<u>109,411</u>	<u>6,161</u>	<u>-</u>	<u>294,387</u>	<u>294,387</u>
Current Expenditures:						
Public Safety	-	-	-	-	-	-
Public Works	609,343	135,879	(473,464)	-	-	-
Community Improvement and Development	-	-	-	-	340,242	340,242
Total Expenditures	<u>609,343</u>	<u>135,879</u>	<u>(473,464)</u>	<u>-</u>	<u>340,242</u>	<u>340,242</u>
Excess (deficiency) of revenues over expenditures	<u>(506,093)</u>	<u>(26,468)</u>	<u>479,625</u>	<u>-</u>	<u>(45,855)</u>	<u>(45,855)</u>
Other financing sources (uses):						
Proceeds from Debt Financing	300,000	-	(300,000)	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total other financing sources (uses)	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (206,093)</u>	<u>(26,468)</u>	<u>\$ 179,625</u>	<u>\$ -</u>	<u>(45,855)</u>	<u>\$ (45,855)</u>
Fund balances—beginning of year		<u>318,456</u>			<u>(1,549)</u>	
Fund balances— end of year		<u>\$ 291,988</u>			<u>\$ (47,404)</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)
\$ 90,100	\$ 149,539	\$ 59,439	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	100,925	116,395	15,470	877,108	395,042	(482,066)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
554	4,874	4,320	-	-	-	2,600	4,136	1,536
-	-	-	-	-	-	-	-	-
<u>90,654</u>	<u>154,413</u>	<u>63,759</u>	<u>100,925</u>	<u>116,395</u>	<u>15,470</u>	<u>879,708</u>	<u>399,178</u>	<u>(480,530)</u>
15,000	-	15,000	102,418	102,352	(66)	914,002	398,217	(515,785)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>102,418</u>	<u>102,352</u>	<u>(66)</u>	<u>914,002</u>	<u>398,217</u>	<u>(515,785)</u>
75,654	154,413	78,759	(1,493)	14,043	15,536	(34,294)	961	35,255
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	37,563	37,563	-
(102,000)	(102,000)	-	-	-	-	-	-	-
<u>(102,000)</u>	<u>(102,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,563</u>	<u>37,563</u>	<u>-</u>
<u>\$ (26,346)</u>	52,413	<u>\$ 78,759</u>	<u>\$ (1,493)</u>	14,043	<u>\$ 15,536</u>	<u>\$ 3,269</u>	38,524	<u>\$ 35,255</u>
	<u>61,726</u>			<u>69,029</u>			<u>75,331</u>	
	<u>\$ 114,139</u>			<u>\$ 83,072</u>			<u>\$ 113,855</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, 2006**

	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	\$ -	\$ -	\$ -	\$ -	\$ 56,019	\$ 56,019
Intergovernmental Revenue	208,263	-	(208,263)	-	-	-
Interest	212	-	(212)	1,114	4,530	3,416
Total Revenue	<u>208,475</u>	<u>-</u>	<u>(208,475)</u>	<u>1,114</u>	<u>60,549</u>	<u>59,435</u>
Expenditures:						
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	946,000	285,538	(660,462)
Parks, Recreation and Public Property	1,219,069	17,620	(1,201,449)	-	-	-
General Government	-	-	-	10,000	2,738	(7,262)
Debt Service	-	-	-	30,000	21,489	(8,511)
Total Expenditures	<u>1,219,069</u>	<u>17,620</u>	<u>(1,201,449)</u>	<u>986,000</u>	<u>309,765</u>	<u>(676,235)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,010,594)</u>	<u>(17,620)</u>	<u>992,974</u>	<u>(984,886)</u>	<u>(249,216)</u>	<u>735,670</u>
Other financing sources (uses):						
Proceeds from Debt Financing	1,000,000	-	(1,000,000)	1,000,000	260,000	(740,000)
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total other financing sources (uses)	<u>1,000,000</u>	<u>-</u>	<u>(1,000,000)</u>	<u>1,000,000</u>	<u>260,000</u>	<u>(740,000)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (10,594)</u>	<u>(17,620)</u>	<u>\$ (7,026)</u>	<u>\$ 15,114</u>	<u>10,784</u>	<u>\$ (4,330)</u>
Fund balances--beginning of year		<u>(8,463)</u>			<u>27,927</u>	
Fund balances-- end of year		<u>\$ (26,083)</u>			<u>\$ 38,711</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, 2006**

	<b>Debt service</b>		
	<b>Budgeted Original &amp; Final</b>	<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
Revenue:			
Taxes	\$ 705,676	\$ 619,818	\$ (85,858)
Special Assessments	100,581	114,750	14,169
Intergovernmental Revenue	-	34,920	34,920
Interest	65,450	89,462	24,012
Total Revenue	<u>871,707</u>	<u>858,950</u>	<u>(12,757)</u>
Current Expenditures:			
Debt Service	<u>1,207,381</u>	<u>1,087,555</u>	<u>(119,826)</u>
Total Expenditures	<u>1,207,381</u>	<u>1,087,555</u>	<u>(119,826)</u>
Excess (deficiency) of revenues over expenditures	<u>(335,674)</u>	<u>(228,605)</u>	<u>107,069</u>
Other financing sources (uses):			
Transfers In	397,306	397,306	-
Transfers Out	<u>(265,870)</u>	<u>(265,870)</u>	-
Total other financing sources (uses)	<u>131,436</u>	<u>131,436</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (204,238)</u>	<u>(97,169)</u>	<u>\$ 107,069</u>
Fund balances--beginning of year		<u>1,213,542</u>	
Fund balances-- end of year		<u>\$ 1,116,373</u>	

## **BUSINESS TYPE ACTIVITIES**

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**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.

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**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.



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**CITY OF NORFOLK, NEBRASKA**  
**COMBINING DEPARTMENTAL SCHEDULE OF NET ASSETS**  
**COMBINED UTILITIES**  
**September 30, 2006**

ASSETS	Water Division	Sewer Division	Solid Waste Management Division	Totals
Current assets:				
Cash and equity in pooled investment account	\$3,002,424	\$1,884,801	\$99,098	\$4,986,323
Receivables:				
Accounts	392,678	376,646	230,284	999,608
Special assessments	11,134	4,386	-	15,520
Interest	-	10,405	-	10,405
Restricted Cash				
Cash & Cash Equivalents	231,567	552,197	99,189	882,953
Inventories:				
Fiber optic system held for resale	282,024	-	-	282,024
<b>Total current assets</b>	<b>3,919,827</b>	<b>2,828,435</b>	<b>428,571</b>	<b>7,176,833</b>
Noncurrent assets:				
Restricted assets:				
Restricted cash	105,896	1,360,840	172,882	1,639,618
Notes Receivable	108,940	-	-	108,940
Advance to other funds	45,486	-	-	45,486
Bond Acquisition Costs	-	96,376	-	96,376
Property, plant and equipment:				
Land	1,238,380	579,750	52,284	1,870,414
Water and pollution control plant	9,566,800	15,490,153	808,763	25,865,716
Water distribution and sewage system	14,142,287	7,442,722	-	21,585,009
Equipment	1,963,908	1,491,976	690,914	4,146,798
Construction in progress	746,905	232,829	-	979,734
	27,658,280	25,237,430	1,551,961	54,447,671
Less accumulated depreciation	5,373,092	11,442,794	640,685	17,456,571
<b>Total property, plant and equipment (net of accumulated depreciation)</b>	<b>22,285,188</b>	<b>13,794,636</b>	<b>911,276</b>	<b>36,991,100</b>
<b>Total noncurrent assets</b>	<b>22,545,510</b>	<b>15,251,852</b>	<b>1,084,158</b>	<b>38,881,520</b>
<b>Total assets</b>	<b>\$26,465,337</b>	<b>\$18,080,287</b>	<b>\$1,512,729</b>	<b>\$46,058,353</b>

LIABILITIES AND EQUITY	Water Division	Sewer Division	Solid Waste Management Division	Totals
Current liabilities:				
Accounts and contracts payable	\$155,370	\$113,813	\$96,787	\$365,970
Accrued compensated absences	31,288	39,975	14,342	85,605
Payables from restricted assets:				
Accrued interest payable	52,653	65,397	10,989	129,039
Revenue bonds - current	178,914	486,800	88,200	753,914
Total current liabilities	418,225	705,985	210,318	1,334,528
Noncurrent liabilities:				
Revenue bonds (Sewer division net of deferred bond discount of \$17,284 in 2006)	2,968,035	5,743,916	603,800	9,315,751
Accrued compensated absences	37,348	61,085	24,566	122,999
Total noncurrent liabilities	3,005,383	5,805,001	628,366	9,438,750
Total liabilities	3,423,608	6,510,986	838,684	10,773,278
Net Assets				
Invested in Capital Assets, Net of Related Debt	19,317,153	8,050,720	307,476	27,675,349
Restricted for:				
Debt Service	105,896	704,671	172,882	983,449
Future Capital Assets	-	656,169	-	656,169
Unrestricted	3,618,680	2,157,741	193,687	5,970,108
Total Net Assets	\$ 23,041,729	\$ 11,569,301	\$ 674,045	\$ 35,285,075

**CITY OF NORFOLK, NEBRASKA**  
**COMBINING DEPARTMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**COMBINED UTILITIES**  
**Year Ended September 30, 2006**

	Water Division	Sewer Division	Solid Waste Management Division	Totals
<b>Operating revenues:</b>				
User charges	\$2,408,591	\$2,520,200	\$1,734,079	\$6,662,870
Miscellaneous Income	86,510	3,373	3,424	93,307
Total operating revenues	<u>2,495,101</u>	<u>2,523,573</u>	<u>1,737,503</u>	<u>6,756,177</u>
<b>Operating expenses:</b>				
Payroll and related taxes and benefits	600,703	755,352	333,664	1,689,719
Utilities	159,600	250,060	18,819	428,479
Repairs and maintenance	166,192	261,538	49,674	477,404
Purchased services	-	-	1,130,306	1,130,306
General and administration	404,523	263,555	89,324	757,402
Depreciation and amortization	416,907	689,353	64,962	1,171,222
Total operating expenses	<u>1,747,925</u>	<u>2,219,858</u>	<u>1,686,749</u>	<u>5,654,532</u>
Operating income	<u>747,176</u>	<u>303,715</u>	<u>50,754</u>	<u>1,101,645</u>
<b>Nonoperating revenues (expenses):</b>				
Interest on bonds and other debt	(122,880)	(224,097)	(30,745)	(377,722)
Interest income	156,829	166,796	18,855	342,480
Market Value Loss	-	(10,458)	-	(10,458)
Gain (Loss) on disposal of fixed assets	10,400	(384)	(927)	9,089
Total nonoperating revenues (expenses)	<u>44,349</u>	<u>(68,143)</u>	<u>(12,817)</u>	<u>(36,611)</u>
Income before contributions	791,525	235,572	37,937	1,065,034
Capital contributions	475,111	316,034	-	791,145
Change in Net Assets	1,266,636	551,606	37,937	1,856,179
Net Assets - Beginning of Period	<u>21,775,093</u>	<u>11,017,695</u>	<u>636,108</u>	<u>33,428,896</u>
Net Assets - End of Period	<u>\$23,041,729</u>	<u>\$11,569,301</u>	<u>\$674,045</u>	<u>\$35,285,075</u>

**CITY OF NORFOLK, NEBRASKA**  
**COMBINING DEPARTMENTAL SCHEDULE OF CASH FLOWS**  
**Combined Utilities**  
**Year Ended September 30, 2006**

	Water Division	Sewer Division	Solid Waste Management Division	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 2,585,237	\$ 2,547,540	\$ 1,768,856	\$ 6,901,633
Cash Paid to Suppliers for Goods and Services	(714,425)	(757,050)	(1,300,057)	(2,771,532)
Cash Paid to Employees for Services	(599,041)	(753,278)	(333,092)	(1,685,411)
Net Cash Provided by Operating Activities	<u>1,271,771</u>	<u>1,037,212</u>	<u>135,707</u>	<u>2,444,690</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and Construction of Capital Assets	(1,234,385)	(227,241)	(56,819)	(1,518,445)
Proceeds from Sales of Capital Assets	10,400	-	-	10,400
Change in Advance to Other Funds	10,051	-	-	10,051
Principal Paid on Notes and Bonds	(175,863)	(475,000)	(80,000)	(730,863)
Interest Paid on Notes and Bonds	(124,399)	(227,167)	(31,693)	(383,259)
Payments on Note Receivable	96,196	-	-	96,196
Net Cash (Used) for Capital and Related Financing Activities	<u>(1,418,000)</u>	<u>(929,408)</u>	<u>(168,512)</u>	<u>(2,515,920)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and Dividends on Investments	<u>156,829</u>	<u>156,338</u>	<u>18,855</u>	<u>332,022</u>
Net Cash Provided for Investing Activities	156,829	156,338	18,855	332,022
Net Increase (Decrease) in Cash and Cash Equivalents	10,600	264,142	(13,950)	260,792
Cash and Cash Equivalents at Beginning of Year	<u>3,329,287</u>	<u>3,533,696</u>	<u>385,119</u>	<u>7,248,102</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,339,887</u>	<u>\$ 3,797,838</u>	<u>\$ 371,169</u>	<u>\$ 7,508,894</u>

(Continued)

**CITY OF NORFOLK, NEBRASKA**  
**COMBINING DEPARTMENTAL SCHEDULE OF CASH FLOWS (Continued)**  
**Combined Utilities**  
**Year Ended September 30, 2006**

	Water Division	Sewer Division	Solid Waste Management Division	Totals
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$ 747,176	\$ 303,715	\$ 50,754	\$ 1,101,645
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	416,907	689,353	64,962	1,171,222
(Increase) decrease in Assets:				
Accounts Receivable	66,843	21,107	31,353	119,303
Special Assessments	(6,707)	2,860	-	(3,847)
Notes Receivable	30,000	-	-	30,000
Increase (decrease) in Liabilities:				
Accounts and Contracts Payable	15,890	18,103	(11,934)	22,059
Accrued Compensated Absences	1,662	2,074	572	4,308
Total Adjustments	524,595	733,497	84,953	1,343,045
Net Cash Provided by Operating Activities	\$ 1,271,771	\$ 1,037,212	\$ 135,707	\$ 2,444,690
<b>Supplemental Schedule of Noncash Capital and Related Financing Activities:</b>				
Developers Contribution of Distribution System	\$ 475,111	\$ 316,034	\$ -	\$ 791,145
Accounts Payable Exchanged for Capital Assets	\$ 72,106	\$ 45,695	\$ -	\$ 117,801
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet:</b>				
Cash and Equity in Pooled Investment Account	\$ 3,002,424	\$ 1,884,801	\$ 99,098	\$ 4,986,323
Restricted Cash	337,463	1,913,037	272,071	2,522,571
	\$ 3,339,887	\$ 3,797,838	\$ 371,169	\$ 7,508,894

# FIDUCIARY FUNDS

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**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.

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## **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.

**CITY OF NORFOLK, NEBRASKA**  
**COMBINING STATEMENT OF NET ASSETS**  
**Employee Retirement Funds**  
**September 30, 2006**

	<b>Firemen's Retirement Fund</b>	<b>Police Retirement Fund</b>	<b>Civilian Retirement Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Guaranteed Insurance Contracts	\$ -	\$ -	\$ 12,677,111	\$ 12,677,111
Open Ended Mutual Funds	5,205,751	4,572,173	-	\$ 9,777,924
<b>Total Assets</b>	<u>5,205,751</u>	<u>4,572,173</u>	<u>12,677,111</u>	<u>22,455,035</u>
<b>NET ASSETS</b>				
Held in Trust for Pension Benefits	5,205,751	4,572,173	12,677,111	22,455,035
<b>Total Net Assets</b>	<u>\$ 5,205,751</u>	<u>\$ 4,572,173</u>	<u>\$ 12,677,111</u>	<u>\$ 22,455,035</u>



**CITY OF NORFOLK, NEBRASKA**  
**COMBINING STATEMENT OF CHANGES IN NET ASSETS**  
**Employee Retirement Funds**  
**For the Year Ended September 30, 2006**

	<b>Firemen's Retirement Fund</b>	<b>Police Retirement Fund</b>	<b>Civilian Retirement Fund</b>	<b>Total</b>
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 156,272	\$ 150,327	\$ 289,448	\$ 596,047
Employee	87,174	110,729	434,216	632,119
Total Contributions	243,446	261,056	723,664	1,228,166
Investment Income:				
Interest, Dividends and Market Gains	335,027	278,638	839,084	1,452,749
Total Additions	578,473	539,694	1,562,748	2,680,915
<b>DEDUCTIONS</b>				
Pension Benefits	83,401	54,132	134,901	272,434
Contribution Refunds	302,101	92,187	80,103	474,391
Total Deductions	385,502	146,319	215,004	746,825
Net Increase	192,971	393,375	1,347,744	1,934,090
Net Assets -- Beginning of Period	5,012,780	4,178,798	11,329,367	20,520,945
Net Assets -- End of Period	\$ 5,205,751	\$ 4,572,173	\$ 12,677,111	\$ 22,455,035

**CITY OF NORFOLK, NEBRASKA**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND**  
**Fiduciary Funds**  
**For the Year Ended September 30, 2006**

	<b>Balance September 30, 2005</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance September 30, 2006</b>
<b><u>COMMUNITY DEVELOPMENT AGENCY</u></b>				
<u>Assets</u>				
Cash	\$ 430,140	\$ 196,769	\$ 148,412	\$ 478,497
Taxes Receivable	12,272	9,985	12,272	9,985
Total Assets	<u>442,412</u>	<u>206,754</u>	<u>160,684</u>	<u>488,482</u>
<u>Liabilities</u>				
Due to Bondholders	442,412	206,754	160,684	488,482
Total Liabilities	<u>\$ 442,412</u>	<u>\$ 206,754</u>	<u>\$ 160,684</u>	<u>\$ 488,482</u>

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# **STATISTICAL SECTION**

**CITY OF NORFOLK, NEBRASKA**  
**NET ASSETS BY COMPONENT**  
**LAST FOUR FISCAL YEARS(1)**  
**(accrual basis of accounting)**

TABLE 1

	Fiscal Year			
	2006	2005	2004	2003
<b>Governmental Activities</b>				
Invested in Capital Assets, Net of Related Debt	\$ 16,493,764	\$ 16,357,346	\$ 13,724,889	\$ 9,617,883
Restricted	1,283,781	1,273,539	1,459,976	2,055,140
Unrestricted	11,299,980	9,872,675	8,982,873	9,932,272
<b>Total Governmental Activities Net Assets</b>	<b>29,077,525</b>	<b>27,503,560</b>	<b>24,167,738</b>	<b>21,605,295</b>
<b>Business-Type Activities</b>				
Invested in Capital Assets, Net of Related Debt	27,675,349	24,975,734	24,456,367	23,065,838
Restricted	1,639,618	1,690,576	1,517,324	920,048
Unrestricted	5,970,108	6,762,586	6,090,984	6,508,540
<b>Total Business-Type Activities Net Assets</b>	<b>35,285,075</b>	<b>33,428,896</b>	<b>32,064,675</b>	<b>30,494,426</b>
<b>Primary Government:</b>				
Invested in Capital Assets, Net of Related Debt	44,169,113	41,333,080	38,181,256	32,683,721
Restricted	2,923,399	2,964,115	2,977,300	2,975,188
Unrestricted	17,270,088	16,635,261	15,073,857	16,440,812
<b>Total Primary Government Net Assets</b>	<b>\$ 64,362,600</b>	<b>\$ 60,932,456</b>	<b>\$ 56,232,413</b>	<b>\$ 52,099,721</b>

(1) The City implemented GASB Statement No. 34 in fiscal year 2003, therefore, four years of government-wide data is presented.

**CITY OF NORFOLK, NEBRASKA**  
**CHANGES IN NET ASSETS**  
**LAST FOUR FISCAL YEARS(1)**  
**(accrual basis of accounting)**

TABLE 2

	Fiscal Year			
	2006	2005	2004	2003
<b>Expenses</b>				
<b>Governmental Activities</b>				
General Government	\$ 2,416,353	\$ 1,635,190	\$ 1,432,865	\$ 2,689,308
Public Safety	7,408,066	7,113,536	6,916,478	4,915,213
Public Works	3,202,666	2,535,262	3,116,384	2,726,421
Public Library	1,043,951	1,047,321	970,290	893,569
Parks, Recreation and Public Property	1,228,289	1,246,438	1,148,436	647,235
Community Improvement & Development	1,213,623	779,952	928,781	789,323
Debt Service	265,219	258,982	275,672	426,984
<b>Total Governmental Activities Expenses</b>	<b>16,778,167</b>	<b>14,616,681</b>	<b>14,788,906</b>	<b>13,088,053</b>
<b>Business-Type Activities</b>				
Water Division	1,870,805	1,730,215	1,650,534	1,591,668
Sewer Division	2,443,955	2,524,819	2,591,885	2,584,926
Solid Waste Division	1,717,494	1,733,917	1,757,442	1,776,126
<b>Total Business-Type Activities</b>	<b>6,032,254</b>	<b>5,988,951</b>	<b>5,999,861</b>	<b>5,952,720</b>
<b>Total Primary Government Expenses</b>	<b>\$ 22,810,421</b>	<b>\$ 20,605,632</b>	<b>\$ 20,788,767</b>	<b>\$ 19,040,773</b>
<b>Program Revenues</b>				
<b>Governmental Activities:</b>				
<b>Charges for Services</b>				
General Government	\$ 391,281	\$ 377,825	\$ 328,275	\$ 1,655,517
Public Safety	944,002	964,306	826,082	586,988
Public Works	93,846	77,702	82,029	114,294
Public Library	29,686	32,046	31,571	-
Parks, Recreation and Public Property	158,053	138,722	114,954	126,755
Community Improvement and Development	66,000	66,000	-	-
Operating Grants & Contributions	3,496,950	2,821,686	2,474,845	2,527,492
Capital Grants & Contributions	378,175	1,832,950	1,863,073	448,150
<b>Total Governmental Activities Program Revenues</b>	<b>5,557,993</b>	<b>6,311,237</b>	<b>5,720,829</b>	<b>5,459,196</b>
<b>Business-Type Activities:</b>				
<b>Charges for Services:</b>				
Water Division	2,495,101	2,426,990	2,678,424	2,667,740
Sewer Division	2,523,573	2,486,428	2,493,485	2,468,167
Solid Waste	1,737,503	1,750,821	1,857,459	1,890,923
Capital Grants & Contributions	791,145	493,256	438,990	-
<b>Total Business-Type Activities Program Revenues</b>	<b>7,547,322</b>	<b>7,157,495</b>	<b>7,468,358</b>	<b>7,026,830</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 13,105,315</b>	<b>\$ 13,468,732</b>	<b>\$ 13,189,187</b>	<b>\$ 12,486,026</b>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (11,220,173)	\$ (8,305,444)	\$ (9,068,077)	\$ (7,628,857)
Business-Type Activities	1,515,068	1,168,544	1,468,497	1,074,110
<b>Total Primary Government Net Expense</b>	<b>\$ (9,705,105)</b>	<b>\$ (7,136,900)</b>	<b>\$ (7,599,580)</b>	<b>\$ (6,554,747)</b>

(Continued)

**CITY OF NORFOLK, NEBRASKA**  
**CHANGES IN NET ASSETS**  
**LAST FOUR FISCAL YEARS(1)**  
**(accrual basis of accounting)**

TABLE 2

	2006	2005	2004	2003
<b>General Revenues and Other Changes In Net Assets</b>				
<b>Governmental Activities:</b>				
<b>Taxes:</b>				
Property Tax	\$ 1,392,282	\$ 893,417	\$ 899,918	\$ 1,913,198
Sales Tax	6,548,082	6,593,166	6,445,480	-
Other Taxes	209,536	184,404	175,420	5,799,684
Occupation and Franchise Taxes	618,984	589,118	606,176	564,514
Interest	461,182	325,101	212,803	301,965
General Intergovernmental Revenues Unrestricted	242,041	224,482	503,560	955,569
Use of Property	3,170,236	2,723,425	2,622,930	2,618,532
Revenue from Sale of Uncapitalized Property	83,761	-	-	-
Gain on Sale of Assets	-	43,800	133,757	99,611
Miscellaneous	68,035	64,353	30,476	109,628
<b>Total Governmental Activities</b>	<b>\$ 12,794,139</b>	<b>\$ 11,641,266</b>	<b>\$ 11,630,520</b>	<b>\$ 12,362,701</b>
<b>Business Type of Activities:</b>				
Interest	332,022	190,177	101,752	135,670
Gain on Sale of Assets	9,089	5,500	-	(7,051)
Contributed Capital Revenue	-	-	-	74,044
<b>Total Business-Type Activities</b>	<b>341,111</b>	<b>195,677</b>	<b>101,752</b>	<b>202,663</b>
<b>Total Primary Government</b>	<b>\$13,135,250</b>	<b>\$ 11,836,943</b>	<b>\$ 11,732,272</b>	<b>\$ 12,565,364</b>
<b>Change in Net Assets</b>				
Governmental Activities	\$ 1,573,966	\$ 3,335,822	\$ 2,562,443	\$ 4,733,844
Business-Type Activities	1,856,179	1,364,221	1,570,249	1,276,773
<b>Total Primary Government</b>	<b>\$ 3,430,145</b>	<b>\$ 4,700,043</b>	<b>\$ 4,132,692</b>	<b>\$ 6,010,617</b>

(1) The City implemented GASB Statement No. 34 in fiscal year 2003, therefore, four years of government-wide data is presented.

**City of Norfolk, Nebraska**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

TABLE 3

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund					
Reserved	\$ 95,529	\$ 118,407	\$ 176,929	\$ 208,963	\$ 242,598
Unreserved	<u>4,725,445</u>	<u>4,506,250</u>	<u>4,364,021</u>	<u>4,813,484</u>	<u>4,394,939</u>
Total General Fund	<u><u>\$ 4,820,974</u></u>	<u><u>4,624,657</u></u>	<u><u>4,540,950</u></u>	<u><u>5,022,447</u></u>	<u><u>4,637,537</u></u>
All Other Governmental Funds					
Reserved	\$ 1,541,024	2,376,709	3,200,208	1,772,362	2,130,580
Unreserved, Reported in:					
Special Revenue Funds	3,222,836	1,838,962	730,183	2,340,454	1,751,170
Capital Project Funds	<u>(480,858)</u>	<u>(237,724)</u>	<u>(411,948)</u>	<u>266,917</u>	<u>(171,012)</u>
Total All Other Governmental Funds	<u><u>\$ 4,283,002</u></u>	<u><u>\$ 3,977,947</u></u>	<u><u>\$ 3,518,443</u></u>	<u><u>\$ 4,379,733</u></u>	<u><u>\$ 3,710,738</u></u>



<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$ 138,568	\$ 51,194	\$ 72,885	\$ 146,470	\$ 102,810
<u>4,318,369</u>	<u>4,350,625</u>	<u>3,833,148</u>	<u>3,174,581</u>	<u>3,456,555</u>
<u>4,456,937</u>	<u>4,401,819</u>	<u>3,906,033</u>	<u>3,321,051</u>	<u>3,559,365</u>
3,078,441	2,714,316	2,306,903	2,908,645	3,243,713
2,003,607	3,494,434	3,109,326	1,514,913	1,370,467
<u>277,371</u>	<u>(846,865)</u>	<u>(30,993)</u>	<u>(775,380)</u>	<u>2,381,967</u>
<u>\$ 5,359,419</u>	<u>\$ 5,361,885</u>	<u>\$ 5,385,236</u>	<u>\$ 3,648,178</u>	<u>\$ 6,996,147</u>

**City of Norfolk, Nebraska**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

TABLE 4

	Fiscal year				
	2006	2005	2004	2003 (1)	2002
<b>Revenues</b>					
Taxes	\$ 8,089,424	\$ 7,640,946	\$ 7,487,814	\$ 7,589,570	\$ 6,033,614
Special Assessments	170,769	539,200	268,341	746,591	392,419
Licenses & Permits	347,386	369,424	313,124	216,378	203,729
Intergovernmental Revenue	3,878,013	4,439,050	4,760,706	3,046,905	2,788,094
Charges for Services	1,236,475	1,184,021	1,033,465	1,141,526	1,016,392
Occupation & Franchise Taxes	618,984	589,118	606,176	564,514	559,751
Contributions	-	3,154	5,451	725	-
Payments in Lieu of Taxes	60,477	30,851	33,004	102,337	92,733
Parking Fees and Rentals	3,173,556	2,728,535	2,627,681	2,621,812	2,568,571
Loan Repayments	131,383	24,778	28,124	57,830	-
Interest	364,385	272,344	189,878	276,096	438,990
Miscellaneous	227,609	163,005	238,154	448,681	456,502
<b>Total Revenue</b>	<b>18,298,461</b>	<b>17,984,426</b>	<b>17,591,918</b>	<b>16,812,965</b>	<b>14,550,795</b>
<b>Expenditures</b>					
General Government	2,348,104	1,761,517	1,644,901	1,502,019	1,443,918
Public Safety	7,263,047	6,948,410	7,124,232	5,605,110	4,955,052
Public Works	3,209,134	4,250,718	4,832,602	2,017,880	1,876,188
Public Library	1,014,735	1,006,569	922,952	878,571	828,165
Parks, Recreation & Public Property	1,126,493	1,237,366	1,333,068	923,151	984,522
Other	-	-	-	-	25,091
Community Improvement & Development	1,430,551	874,048	969,638	781,823	523,769
Debt Service	1,109,354	1,038,360	1,350,956	4,391,192	2,288,729
Capital Outlay	295,671	954,227	1,901,354	3,034,314	3,938,442
<b>Total Expenditure</b>	<b>17,797,089</b>	<b>18,071,215</b>	<b>20,079,703</b>	<b>19,134,060</b>	<b>16,863,876</b>
<b>Excess (Deficiency) of Revenues over expenditures</b>	<b>501,372</b>	<b>(86,789)</b>	<b>(2,487,785)</b>	<b>(2,321,095)</b>	<b>(2,313,081)</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from Debt Financing	-	630,000	1,145,000	3,375,000	845,000
Transfers In	900,999	1,569,494	1,413,988	905,702	-
Transfers Out	(900,999)	(1,569,494)	(1,413,988)	(905,702)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>630,000</b>	<b>1,145,000</b>	<b>3,375,000</b>	<b>845,000</b>
<b>Net Change in Fund Balances</b>	<b>\$ 501,372</b>	<b>\$ 543,211</b>	<b>\$ (1,342,785)</b>	<b>\$ 1,053,905</b>	<b>\$ (1,468,081)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>6.34%</b>	<b>6.07%</b>	<b>7.43%</b>	<b>27.27%</b>	<b>17.71%</b>

Note: 1) GASB 34 partially implemented.

Fiscal Year				
2001	2000	1999	1998	1997
\$ 5,802,075	\$ 5,815,235	\$ 5,061,930	\$ 4,322,824	\$ 4,269,383
335,094	333,570	793,882	749,246	536,319
170,654	204,687	232,472	172,248	183,705
2,618,408	2,449,533	2,045,857	2,625,644	2,193,091
997,934	782,132	772,526	798,938	664,077
698,436	554,938	535,850	499,156	571,800
-	-	-	-	-
96,133	90,895	78,326	58,622	54,828
2,369,580	2,214,380	2,031,909	2,135,258	2,085,766
-	-	-	-	-
608,137	473,380	568,286	680,054	518,089
689,630	335,883	361,445	394,777	413,003
<u>14,386,081</u>	<u>13,254,633</u>	<u>12,482,483</u>	<u>12,436,767</u>	<u>11,490,061</u>
1,419,730	1,335,189	1,169,692	1,174,808	1,042,496
4,774,034	4,458,705	4,234,703	4,153,155	3,929,880
1,836,078	1,713,323	1,575,034	1,567,772	1,508,820
842,029	794,565	750,538	730,337	714,838
786,120	732,790	727,119	674,146	638,361
34,852	36,970	27,572	17,749	108,077
728,780	526,936	348,216	914,236	779,262
2,736,784	1,195,362	1,227,578	1,068,446	1,108,411
3,240,022	2,238,358	2,281,907	5,511,088	4,115,355
<u>16,398,429</u>	<u>13,032,198</u>	<u>12,342,359</u>	<u>15,811,737</u>	<u>13,945,500</u>
<u>(2,012,348)</u>	<u>222,435</u>	<u>140,124</u>	<u>(3,374,970)</u>	<u>(2,455,439)</u>
2,065,000	250,000	1,845,000	145,000	6,347,241
-	-	-	-	-
-	-	-	-	-
<u>2,065,000</u>	<u>250,000</u>	<u>1,845,000</u>	<u>145,000</u>	<u>6,347,241</u>
<u>\$ 52,652</u>	<u>\$ 472,435</u>	<u>\$ 1,985,124</u>	<u>\$ (3,229,970)</u>	<u>\$ 3,891,802</u>
20.80%	11.07%	12.20%	10.37%	11.28%

**CITY OF NORFOLK, NEBRASKA**  
 TOTAL CITY TAXABLE SALES  
 LAST TEN FISCAL YEARS

TABLE 5

Fiscal Year Ended September 30,	Total City Taxable Sales	Total Direct Tax Rate
2006	\$433,872,362	1.50%
2005	438,658,575	1.50%
2004	426,759,409	1.50%
2003	403,345,119	1.50%
2002	417,833,011	1.00%
2001	395,366,811	1.00%
2000	402,247,968	1.00%
1999	362,385,748	1.00%
1998	325,546,600	1.00%
1997	329,271,400	1.00%

Source: City of Norfolk Finance Office

**CITY OF NORFOLK, NEBRASKA**  
 SALES TAX RATES  
 DIRECT AND OVERLAPPING GOVERNMENTS  
 LAST TEN FISCAL YEARS

TABLE 6

Fiscal Year	<u>Direct</u>	<u>Overlapping (1)</u>	Total Tax Rate
	City of Norfolk	State of Nebraska	
2006	1.50%	5.00%	6.50%
2005	1.50%	5.00%	6.50%
2004	1.50%	5.00%	6.50%
2003 (2)	1.50%	5.00%	6.50%
2002	1.00%	5.00%	6.00%
2001	1.00%	5.00%	6.00%
2000	1.00%	5.00%	6.00%
1999	1.00%	4.50%	5.50%
1998	1.00%	4.50%	5.50%
1997	1.00%	5.00%	6.00%

Note: (1) Overlapping rates are those of other governments that apply to consumers within the City of Norfolk.  
 (2) January 1, 2003 tax rate in the City of Norfolk changed from 1% to 1.5%.

**CITY OF NORFOLK, NEBRASKA**  
**NET TAXABLE SALES BY BUSINESS CLASSIFICATION**  
**CURRENT YEAR**

TABLE 7

Business Classifications	2005		
	Net Taxable Sales	Rank	Percentage of Total Net Taxable Sales
Retail Trade	\$ 258,928,882	1	55.94%
Utilities	45,731,451	2	9.88
Accommodation & Food Services	39,806,728	3	8.60
Other	118,401,873	-	25.58
Total	<u>462,868,934</u>		100.00%

Note: Amounts shown are net taxable sales, which includes refunds and does not include motor vehicle net sales. The numbers are only available on a calendar year basis. 2006 amounts are not yet available. Numbers are not available for nine years ago.

Source: Nebraska Dept of Revenue

**City of Norfolk, Nebraska**  
 Assessed and Estimated Actual Value of Taxable Property (1)  
 Last Ten Fiscal Year

TABLE 8

FISCAL YEAR (2)	REAL PROPERTY	PERSONAL PROPERTY	TOTAL ASSESSED VALUE	TOTAL DIRECT TAX RATE
1997	\$ 541,057,163	\$ 124,669,569	\$ 665,726,732	0.3208
1998	601,583,712	48,226,684	649,810,396	0.3708
1999	630,101,572	40,911,013	671,012,585	0.3971
2000	676,803,529	44,095,465	720,898,994	0.5071
2001	704,155,892	47,608,774	751,764,666	0.4896
2002	761,879,454	49,135,191	811,014,645	0.4931
2003	814,745,494	48,227,531	862,973,025	0.4931
2004	839,734,268	46,447,770	886,182,038	0.3660
2005	887,188,956	38,193,403	925,382,359	0.4419
2006	978,737,063	30,215,824	1,008,952,887	0.4605

(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

**City of Norfolk, Nebraska**  
**Property Tax Rates—Direct and Overlapping Governments (1)**  
**Last Ten Fiscal Years**

TABLE 9

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
CITY OF NORFOLK										
GENERAL FUND	0.0433	0.0251	0.0286	0.0900	0.0958	0.1033	0.1142	0.1227	0.0857	0.0836
DEBT SERVICE	0.0696	0.0726	0.0191	0.0818	0.087	0.0939	0.0914	0.0595	0.0615	0.0600
VEHICLE PARKING FUND(3)	0.3476	0.3442	0.3183	0.3213	0.3068	0.3099	0.1915	0.1886	0.1721	0.1772
<b>TOTAL CITY OF NORFOLK</b>	<b>0.4605</b>	<b>0.4419</b>	<b>0.3660</b>	<b>0.4931</b>	<b>0.4896</b>	<b>0.5071</b>	<b>0.3971</b>	<b>0.3708</b>	<b>0.3193</b>	<b>0.3208</b>
OVERLAPPING RATES (2)										
MADISON COUNTY	0.4049	0.4083	0.3905	0.3496	0.3097	0.3200	0.3830	0.4095	0.4796	0.4722
SCHOOL DISTRICT NO 2	1.2112	1.2176	1.1377	1.1026	1.1293	1.1606	1.1607	1.1687	1.2641	1.3205
NORTHEAST COMMUNITY COLLEGE	0.0904	0.0896	0.0811	0.0700	0.0685	0.0351	0.0423	0.0795	0.0769	0.0768
NORFOLK AIRPORT AUTHORITY	0.0236	0.0447	0.0487	0.0554	0.0393	0.0404	0.0390	0.0525	0.0349	0.0306
LOWER ELKHORN NRD	0.0354	0.0369	0.0348	0.0370	0.0382	0.0392	0.0280	0.0258	0.0332	0.0349
AGRICULTURAL SOCIETY MADISON COUNTY	0.0158	0.0168	0.0185	0.0186	0.0190	0.0188	0.0195	0.0205	0.0137	0.0148
EDUCATIONAL SERVICES UNIT #8	0.0149	0.0149	0.015	0.0150	0.0150	0.0159	0.0164	0.0161	0.0400	0.0400
NORFOLK SANITARY DISTRICT	0.0067	0.0068	0.007	0.0072	0.0071	0.0075	0.0074	0.0076	0.0078	0.0076
RAILROAD TRANSPORTATION SAFETY DIST.	0.0046	0.0046	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
<b>TOTAL OVERLAPPING RATES</b>	<b>1.8075</b>	<b>1.8402</b>	<b>1.7333</b>	<b>1.6554</b>	<b>1.6261</b>	<b>1.6375</b>	<b>1.6963</b>	<b>1.7802</b>	<b>1.9502</b>	<b>1.9974</b>
<b>TOTAL PROPERTY TAXES</b>	<b>2.2680</b>	<b>2.2821</b>	<b>2.0993</b>	<b>2.1485</b>	<b>2.1157</b>	<b>2.1446</b>	<b>2.0934</b>	<b>2.1510</b>	<b>2.2695</b>	<b>2.3182</b>

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

(2) OVERLAPPING RATES ARE THOSE OF LOCAL AND COUNTY GOVERNMENTS THAT APPLY TO PROPERTY OWNERS WITHIN THE CITY OF NORFOLK NE.

(3) TAX APPLIES TO PROPERTY IN VEHICLE PAVING DISTRICT IN DOWNTOWN NORFOLK NEBRASKA. DISTRICT ASSESSED VALUATIONS ABOUT 2%.



**City of Norfolk, Nebraska**  
 PRINCIPAL PROPERTY TAXPAPERS  
 CURRENT YEAR AND NINE YEARS AGO

TABLE 10

TAXPAYERS	TYPE OF BUSINESS	2006			1997		
		TAXABLE ASSESSED VALUE	RANK	% OF TOTAL CITY TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	% OF TOTAL CITY TAXABLE ASSESSED VALUE
DIAL - SUNSET MALL LLC	SHOPPING MALL	\$ 13,242,523	1	1.31%	\$ 9,659,000	2	1.59%
WAL-MART STORES INC	RETAIL STORE	9,652,773	2	0.96%	2,776,305	8	0.46%
HEARTLAND PANTRY INC (HY-VEE)	RETAIL STORE	8,642,212	3	0.86%	-	-	-
FAITH REGIONAL HEALTH SERVICES	MEDICAL OFFICES	7,692,200	4	0.76%	-	-	-
QWEST CORPORATION	TELEPHONE	6,164,893	5	0.61%	12,381,571	1	2.03%
HERITAGE OF NORFOLK INC	NURSING HOME	6,109,779	6	0.61%	-	-	-
MENARD INC	RETAIL STORE	5,708,817	7	0.57%	-	-	-
WIS-PAK OF NORFOLK INC	BOTTLING DISTRIBUTION	5,577,167	8	0.55%	-	-	-
MCMEADOWS LLC	APARTMENTS	4,925,431	9	0.49%	3,547,220	5	0.58%
DAYTON HUDSON CORP	RETAIL STORE	4,293,596	10	0.43%	4,483,084	3	0.74%
PERKINS LLC	RETAIL STORE	-	-	0.00%	-	-	-
M. TIMM INC	APARTMENTS	-	-	-	4,095,038	4	0.67%
DOUGLAS W & TWYLIA SPEIDEL	RETAIL STORE	-	-	-	2,936,775	6	0.48%
SHOPKO STORES, INC	RETAIL STORE	-	-	-	2,818,576	7	0.46%
FIRST BANK, N.A.	BANK	-	-	-	2,617,050	9	0.43%
PEOPLES NATURAL GAS CO.	GAS COMPANY	-	-	-	2,612,695	10	0.43%
<b>TOTAL</b>		<b>\$ 72,009,391</b>		<b>7.14%</b>	<b>\$ 47,927,314</b>		<b>5.40%</b>

**CITY OF NORFOLK, NEBRASKA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

TABLE 11

Fiscal Year Ended Sep 30	Taxes Levied for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 1,466,361	\$ 1,424,620	97.15%	\$ 7,312	\$ 1,431,932	97.65%
2005	887,921	858,870	96.73%	4,864	863,734	97.28%
2004	469,305	449,282	95.73%	3,983	453,265	96.58%
2003	1,508,392	1,447,125	95.94%	60,324	1,507,449	99.94%
2002	1,501,784	1,424,153	94.83%	76,868	1,501,021	99.95%
2001	1,475,143	1,399,480	94.87%	75,338	1,474,818	99.98%
2000	1,494,870	1,427,285	95.48%	67,005	1,494,290	99.96%
1999	1,237,913	1,182,205	95.50%	55,445	1,237,650	99.98%
1998	954,571	891,173	93.36%	63,281	954,454	99.99%
1997	850,963	806,737	94.80%	43,291	850,028	99.89%

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**CITY OF NORFOLK, NEBRASKA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

TABLE 12

FISCAL YEAR	GOVERNMENTAL ACTIVITIES			
	GENERAL OBLIGATION BONDS	SPECIAL ASSESSMENT BONDS	BOND ANTICIPATION NOTES	NOTES PAYABLE
2006	4,410,000	1,430,000	755,000	244,048
2005	4,805,000	1,870,000	495,000	-
2004	5,200,000	1,615,000	385,000	-
2003	4,415,000	2,395,000	665,000	-
2002	4,615,000	2,795,000	-	-
2001	5,065,000	3,380,000	-	-
2000	5,465,000	3,165,000	-	-
1999	5,335,000	2,650,000	500,000	-
1998	5,405,000	2,650,000	-	-
1997	5,560,000	2,945,000	-	-

Notes:(1)See Table 16 for income and population data. 2006, 2005 and 2004 personal income numbers are unavailable.

BUSINESS-TYPE ACTIVITIES					
REVENUE	STATE	CAPITAL	TOTAL	DEBT PER	PERCENTAGE
BONDS	REVOLVING	LEASES	PRIMARY	CAPITA (1)	OF PERSONAL
	LOAN		GOVERNMENT		INCOME (1)
8,825,000	1,261,949	-	16,925,997	704.99	N/A
9,455,000	1,362,814	-	17,987,814	747.25	N/A
10,075,000	1,460,720	-	18,735,720	778.68	N/A
10,610,000	1,555,754	-	19,640,754	812.17	2.08
1,230,000	9,101,839	-	17,741,839	743.67	1.98
1,300,000	9,558,958	-	19,303,958	820.89	2.18
1,370,000	9,864,579	-	19,864,579	809.15	2.39
1,495,000	8,869,658	-	18,849,658	776.19	2.38
1,610,000	8,837,176	-	18,502,176	769.48	2.31
1,720,000	9,148,697	10,000	19,383,697	815.13	2.49

**CITY OF NORFOLK, NEBRASKA**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**

TABLE 13

FISCAL YEAR	GENERAL OBLIGATION BONDS	SPECIAL ASSESSMENT BONDS	BOND ANTICIPATION BONDS	GENERAL BONDED DEBT	BONDED DEBT PER CAPITA	VALUATION OF TAXABLE REAL PROPERTY
2006	\$ 4,410,000	\$ 1,430,000	\$ 755,000	\$ 6,595,000	\$ 274.69	0.74%
2005	4,805,000	1,870,000	495,000	7,170,000	297.86	0.81%
2004	5,200,000	1,615,000	385,000	7,200,000	299.24	0.86%
2003	4,415,000	2,395,000	665,000	7,475,000	309.10	0.92%
2002	4,615,000	2,795,000	-	7,410,000	310.60	0.97%
2001	5,065,000	3,380,000	-	8,445,000	359.12	1.20%
2000	5,465,000	3,165,000	-	8,630,000	351.53	1.28%
1999	5,335,000	2,650,000	500,000	8,485,000	349.39	1.35%
1998	5,405,000	2,650,000	-	8,055,000	335.00	1.34%
1997	5,560,000	2,945,000	-	8,505,000	357.65	1.57%

**CITY OF NORFOLK, NEBRASKA**  
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 AS OF SEPTEMBER 30, 2006

TABLE 14

GOVERNMENTAL UNITS	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE	DIRECT AND OVERLAPPING DEBT TO THE CITY
DIRECT:			
CITY	\$ 3,892,218	100.00%	\$ 3,892,218
OVERLAPPING:			
Norfolk School District #2	\$ 25,342,538	58.57%	\$ 14,843,236

SOURCE: NORFOLK PUBLIC SCHOOLS

**CITY OF NORFOLK, NEBRASKA**  
**PLEDGED REVENUE COVERAGE**  
**ENTERPRISE BONDS**  
**LAST TEN FISCAL YEARS**

TABLE 15

	GROSS REVENUE (1)	DIRECT OPERATING EXPENSES (2)	NET AVAILABLE REVENUE	DEBT SERVICE REQUIREMENTS			COVERAGE
				PRINCIPAL	INTEREST	TOTAL	
2006	\$ 7,098,657	\$ 4,483,310	\$ 2,615,347	\$ 730,863	\$ 377,722	\$ 1,108,585	2.36
2005	6,867,780	4,406,612	2,461,168	717,906	399,002	1,116,908	2.20
2004	7,131,120	4,277,024	2,854,096	630,034	371,009	1,001,043	2.85
2003	7,162,500	4,351,795	2,810,705	356,818	243,136	599,954	4.68
2002	6,914,608	4,453,548	2,461,060	527,120	435,422	962,542	2.56
2001	6,360,839	4,250,164	2,110,675	511,826	462,238	974,064	2.17
2000	6,180,357	3,946,387	2,233,970	463,392	431,251	894,643	2.50
1999	5,887,013	3,781,098	2,105,915	439,679	450,258	889,937	2.37
1998	6,219,090	3,870,258	2,348,832	421,521	468,567	890,088	2.64
1997	6,238,854	3,953,899	2,284,955	256,303	387,289	643,592	3.55

1) TOTAL OPERATING REVENUE PLUS INTEREST INCOME

2) TOTAL OPERATING EXPENSES EXCLUSIVE OF DEPRECIATION AND AMORTIZATION



**CITY OF NORFOLK, NEBRASKA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

TABLE 16

Fiscal Year	Population(1)	Personal Income (2)	Per Capita Personal Income(2)	School Enrollment(3)	Unemployment Rate(4)
2006	23,946	N/A	N/A	3,987	3.5%
2005	24,072	N/A	N/A	3,902	3.6%
2004	24,061	N/A	28,472	3,997	3.2%
2003	24,183	946,158	26,948	4,121	3.7%
2002	23,857	897,545	25,366	4,166	3.3%
2001	23,516	883,961	24,805	4,221	3.1%
2000	24,550	831,896	23,657	4,138	3.0%
1999	24,285	793,345	23,137	4,297	3.1%
1998	24,045	801,055	22,839	4,418	3.4%
1997	23,780	777,224	22,072	4,427	2.5%

Sources: (1) Norfolk Chamber of Commerce  
(2) State of Nebraska, NE Dept of Labor. 2006, 2005 and 2004 numbers are unavailable for Personal Income and 2006 and 2005 numbers are unavailable for per capita personal income.  
(3) Norfolk Public Schools  
(4) State of Nebraska, NE Dept of Labor

**CITY OF NORFOLK, NEBRASKA**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

TABLE 17

EMPLOYER	2006			1997		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Faith Regional Health Services	1167	1	5.66%	600	3	2.52%
Norfolk Public Schools	827	2	4.01%	561	5	2.39%
Affiliated Foods Cooperative	689	3	3.34%	460	6	1.93%
Tyco Health Care	502	4	2.43%			
Vulcraft, A Division of Nucor	463	5	2.25%	346	8	1.47%
Nucor Steel Div. of Nucor Corp	416	6	2.02%	567	4	2.38%
Wal-Mart	416	7	2.02%			
Goodyear Tire & Rubber	411	8	1.99%	249	10	1.06%
Norfolk Iron & Metal Co	335	9	1.62%			
Northeast Community College	269	10	1.30%			
State of Nebraska				799	1	3.36%
Dale Electronics				723	2	3.04%
Sherwood Medical Inc				460	7	1.96%
Norfolk Regional Center				333	9	1.42%
<b>Total</b>	<b>5,495</b>		<b>26.65%</b>	<b>5,098</b>		<b>21.54%</b>

Source: Norfolk Area Chamber of Commerce

**CITY OF NORFOLK, NEBRASKA**  
 Full-Time Equivalent City Governmental Employees by Function  
 Last Ten Fiscal Years

TABLE 18

	Full-Time Equivalent City Government Employees by Function as of September 30									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General Government	25.00	25.00	25.00	25.00	25.00	25.00	25.00	24.75	23.75	22.38
Engineering	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Public Safety										
Police	65.50	65.50	64.50	59.23	58.23	57.63	56.13	56.13	56.13	55.13
Fire	38.00	38.00	38.00	32.00	32.00	32.25	32.25	32.25	32.00	32.00
Region 11	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SNARE	0.63	0.50	0.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Streets	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00
Culture & Recreation										
Parks	18.00	18.00	17.00	17.00	17.00	17.00	15.00	15.00	15.00	15.00
Recreation	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Auditorium	1.68	1.68	1.68	1.00	1.00	0.00	0.00	0.00	0.00	0.00
Library	16.69	15.80	15.80	15.80	15.80	16.30	16.30	15.93	15.93	15.97
Housing	5.73	5.73	5.73	5.73	5.73	5.73	5.38	5.00	5.00	5.00
Vehicle Parking Monitor	0.00	0.00	0.00	0.00	0.00	0.63	0.63	0.62	0.00	0.00
Community Character Development Coalition	0.00	4.50	3.03	2.15	0.00	0.00	0.00	0.00	0.00	0.00
Water	11.00	11.00	11.00	11.00	11.00	10.00	10.00	10.00	10.00	10.00
Sewer Maintenance	5.00	5.00	5.00	5.00	5.00	6.00	6.00	6.00	5.00	5.00
Water Pollution Control	13.50	13.50	13.50	13.25	13.25	13.25	13.50	13.50	13.50	13.50
Solid Waste Management	5.75	5.75	5.75	5.75	5.75	5.75	5.50	5.50	5.50	5.50
<b>Total</b>	<b>236.46</b>	<b>238.95</b>	<b>235.48</b>	<b>221.90</b>	<b>218.75</b>	<b>218.53</b>	<b>214.68</b>	<b>213.68</b>	<b>210.81</b>	<b>208.47</b>

Source: City of Norfolk Finance

**CITY OF NORFOLK, NEBRASKA**  
**OPERATING INDICATORS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

TABLE 19

<b>FUNCTION</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
<b>General Government</b>										
Purchase Ordered Processed	2,100	2,537	2,845	2,893	2,830	4,471	4,719	4,896	5,736	6,051
Water/Sewer Customers Billed	9,000	8,850	8,910	8,750	8,545	8,705	8,550	8,475	8,370	8,148
<b>Engineering</b>										
Miles of Paving Districts	1.10	0.80	0.90	0.90	0.90	1.30	0.60	1.10	0.74	0.97
Miles of Street Reconstruction	1.00	1.50	0.80	0.80	1.00	1.00	0.50	0.70	0.90	0.84
<b>Public Safety</b>										
Police:										
Criminal Arrests	2,500	2,738	2,303	2,150	2,395	1,908	1,966	1,925	1,400	1,250
Traffic Arrests	3,550	3,718	3,688	3,474	3,558	3,111	3,163	2,854	2,400	2,900
Drug/Alcohol Arrests	1,200	1,065	1,376	869	862	685	595	526	480	264
Fire:										
Rescue Calls	1,715	1,925	1,657	1,432	1,857	1,685	1,694	1,363	1,500	1,484
Building and Safety										
Building Permits	549	575	497	478	471	447	518	548	560	540
<b>Culture and Recreation</b>										
Library										
Total Circulation	334,736	333,602	339,374	329,462	336,562	266,787	246,905	258,513	262,534	263,989
<b>Water:</b>										
Water Inspections	62	47	45	49	40	37	50	62	46	72
Locates	2,708	2,502	2,583	2,257	2,474	2,325	2,850	2,603	2,765	2,763
<b>Sewer:</b>										
Water Pollution Control										
Million of Gallons treated	1.000	1.265	1.254	1.278	1.368	1.380	1.160	1.171	1.171	1.171
Sewer Maintenance										
Sewer Inspections	46	39	38	23	23	31	47	36	32	40
<b>Solid Waste Management</b>										
Average Daily Tonnage	117	121	128	129	130	122	120	118	116	114

Souces: Various City Departments

**CITY OF NORFOLK, NEBRASKA**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

TABLE 20

FUNCTION	FISCAL YEAR									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General Government										
City Auditorium (1)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Council Chambers	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Public Safety										
Police Stations	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Fire Stations	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Streets										
Streets (Miles)	137.26	135.90	135.90	135.84	134.50	134.30	133.19	132.31	131.52	131.52
Streetlights	2,246	2,204	2,192	2,162	2,153	2,137	2,125	2,012	1,974	1,974
Parks										
Parks Acreage	364.00	364.00	364.00	335.00	335.00	335.00	335.00	335.00	335.00	335.00
Parks #	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Swimming Pools	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Tennis Courts	5.00	5.00	5.00	5.00	5.00	5.00	7.00	7.00	7.00	7.00
Library	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Water										
Water mains (miles)	145.00	142.00	141.00	140.00	139.00	149.00	134.50	134.50	134.50	133.00
Water treatment plants	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Sewer										
Sanitary sewer (miles)	155.00	153.00	152.00	150.00	149.00	127.00	116.00	116.00	115.00	115.00
Sewage treatment plants	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

(1) Included Administrative offices and Engineering Offices

Sources: Various City Departments