

CITY OF NORFOLK, NEBRASKA

Financial Statements and Reports Required by
Governmental Auditing Standards and OMB Circular A-133

For the Year Ended September 30, 2011

CITY OF NORFOLK, NEBRASKA

REPORTS REQUIRED BY *GOVERNMENT AUDITING
STANDARDS* AND OMB CIRCULAR A-133

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

**Independent Auditor's Report on Supplementary
Schedule of Expenditures of Federal Awards**

The Honorable Mayor, City Council and City
Administrator of the City of Norfolk, Nebraska:

We have audited the 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, 2011, and have issued our report thereon dated March 16, 2012. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on the financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Williams & Company, P.C.
Certified Public Accountants

March 16, 2012

CITY OF NORFOLK NEBRASKA

Supplementary Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Expenditures
Direct Financial Assistance:			
U.S. Department of Health and Human Services			
Community Based Abstinence Education	93.010	90AE0130/01	\$ 6,869
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607		2,794
Indirect Financial Assistance:			
U.S. Department of Housing & Urban Development			
Pass-Through the Nebraska Department of Economic Development:			
Community Development Block Grant	14.228	07-CR-007	67,431
Community Development Block Grant	14.228	08-CR-007	110,620
Community Development Block Grant	14.228	09-CR-107	46,655
Community Development Block Grant	14.228	09-ECR-207	106,866
Community Development Block Grant	14.228	09-ED-011	945
Community Development Block Grant	14.228	10-CR-007	275
			<u>332,792</u>
U.S. Department of Justice			
Pass-Through the Nebraska Crime Commission:			
Edward Byrne Memorial Formula Grant Program	16.579	09-DA-302	18,268
Edward Byrne Memorial Formula Grant Program - ARRA	16.579	09-DX-9027	30,880
Edward Byrne Memorial Formula Grant Program	16.579	10-DA-301	71,899
			<u>121,047</u>
U.S. Department of Transportation			
Pass-Through the Nebraska Department of Roads:			
Highway Planning and Construction	20.205	URB-6001(1)	483,580
Highway Planning and Construction	20.205	ENH-59(22)	854
			<u>484,434</u>
Institute of Museum and Library Services			
Pass-Through the Nebraska Library Commission:			
Laura Bush 21st Century Librarian Program	45.313		1,000
U.S. Department of Health and Human Services			
Pass-Through the Nebraska Department of Human Services and the Elkhorn Logan Valley Health Department:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		\$ 4,000

(Continued)

CITY OF NORFOLK NEBRASKA

Supplementary Schedule of Expenditures of Federal Awards - Continued

For the Year Ended September 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
Indirect Financial Assistance:			
U.S. Department of Homeland Security			
Pass-Through the Nebraska Emergency Management Agency:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1924-DR-NE	\$ 75,128
Emergency Management Performance Grants	97.042	2011-EP-00014-501	8,402
Federal Disaster Assistance to Individuals and Households in Presidential Declared Disaster Areas	97.048	2010-EP-E0-0029	34,967
Homeland Security Grant Program	97.067	2007-GE-T7-0035	1,187
Homeland Security Grant Program	97.067	2008-GE-T8-0054	8,160
Homeland Security Grant Program	97.067	2009-SS-T9-0061	21,663
Homeland Security Grant Program	97.067	2010-SS-T0-0013	17,785
			<u>48,795</u>
Total Federal Award Expenditures			<u>\$ 1,120,228</u>

CITY OF NORFOLK, NEBRASKA

Notes to the Supplementary Schedule of Expenditures of Federal Awards
Year Ended September 30, 2011

1. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying supplementary schedule of expenditures of federal awards has been prepared on the cash basis of accounting. Under this method, revenues are recognized when received and expenditures are recognized when paid. Expenditures of federal funds are not accumulated in the accounting records by funding source.

Reporting Entity - The reporting entity for the supplementary schedule of expenditures of federal awards is the City of Norfolk, a municipal corporation governed by an eight member Council and an elected Mayor.

2. Pass-Through Awards

The City receives federal awards in the form of pass-through awards from the State of Nebraska. Such amounts received as pass-through awards are specifically identified on the supplementary schedule of expenditures of federal awards.



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**Independent Auditors' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor, City Council and City
Administrator of the City of Norfolk, Nebraska:

We have audited the 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 16, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item II-A-11 to be a material weakness.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The City's response to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the City Council, management and others within the City of Norfolk, Nebraska, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Williams + Company, P.C.
Certified Public Accountants

March 16, 2012



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**Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and
Material Effect on Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

The Honorable Mayor, City Council and City
Administrator of the City of Norfolk, Nebraska:

Compliance

We have audited the compliance of the City of Norfolk, Nebraska (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in a material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the members of the City Council, management and others within the City of Norfolk, Nebraska, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Williams + Company, P.C.
Certified Public Accountants

March 16, 2012

CITY OF NORFOLK, NEBRASKA
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

I. Summary of Auditor's Results

- A. An unqualified opinion was issued on the financial statements.
- B. A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- C. No noncompliance which is material to the financial statements was disclosed.
- D. No significant deficiencies in internal control over major programs were disclosed.
- E. An unqualified opinion was issued on compliance with requirements applicable to each major program.
- F. The audit disclosed no audit findings which were required to be reported in accordance with OMB Circular A-133 section .510(a).
- G. Major programs: Highway Planning and Construction CFDA #20.205
 Community Development Block Grant CFDA #14.228
- H. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- I. The Auditee did qualify as a low-risk auditee under Section .530 of OMB Circular A-133.

II. Findings Related to the Financial Statements Reported in Accordance with *Government Auditing Standards*

Material Weakness:

II-A-11 Financial Reporting

Observation - During the audit, we identified various audit adjustments for accounts and notes receivable, contract retainage payables, and the capitalization of bond issue costs. Some of these adjustments were material to the financial statements. Adjustments were subsequently made by the City to properly record these amounts in the financial statements.

Recommendation - The City should review their procedures to ensure all receivables, contract retainage payables, and other adjustments are identified and included in the City's financial statements.

CITY OF NORFOLK, NEBRASKA
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Response - We will double check these in the future to avoid any missing receivables, payables, or other items.

Conclusion - Response accepted.

III. Findings and Questioned Costs Relating to Federal Awards - None.

IV. Summary Schedule of Prior Audit Findings - There were no prior year audit findings.