

**CITY OF NORWALK, OHIO
HURON COUNTY**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

**CITY OF NORWALK, OHIO
HURON COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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BASIC FINANCIAL STATEMENTS

ACCOUNTANT'S COMPILATION REPORT

City Council
City of Norwalk
Huron County, Ohio
PO Box 30
Norwalk, OH 44857-0030

We have compiled the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwalk, Ohio as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents, in accordance with statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The management's discussion and analysis and budgetary comparison information, on pages 3 through 10 and page 17, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Varney, Fink & Associates

Varney, Fink & Associates, Inc.
Certified Public Accountants
May 27, 2011

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City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

The discussion and analysis of the City of Norwalk's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; along with the review of the basic financial statements for the reader to enhance their understanding of the City's financial performance.

Financial Highlights

The City's key financial highlights for 2010 are as follows:

- The assets of the City exceeded its liabilities at the close of the year ended December 31, 2010, by \$47 million (net assets). Unrestricted net assets in the amount of \$5.1 million are available to meet the City's ongoing obligations to citizens and creditors. The City's net assets related to governmental activities amounted to \$28.4 million, while net assets related to business-type activities amounted to \$18.6 million.
- Total net assets for the year decreased by \$278,818 or approximately .59%. Net assets for business-type activities increased .48% while those related to governmental activities decreased 1.3%.
- The City's total revenues, excluding transfers amounted to \$18.2 million in 2010, of which \$11.7 million related to governmental activities and \$6.5 million to business-type activities. Program specific revenues in the form of charges for services, grants and contributions accounted for \$8.6 million or 47.36% of total revenues.
- The City had \$18.5 million in expenses, excluding transfers in 2010, \$12 million of which were for governmental activities and \$6.5 million for business-type activities.
- Among major funds, the General Fund had \$6.8 million in revenues and \$6 million in expenditures, excluding transfers out in 2010. \$897,148 was transferred to other funds.
- The General Fund's balance decreased to \$2.6 million, a decrease of \$111,705 from the beginning 2010 balance. The General Fund balance was 37.9% of total General Fund revenues, which is a decrease of .9 % of the percentage in 2009.
- During 2010, the City's total long-term obligations decreased from \$14.9 million to \$13.9 million. The decrease of \$1 million was due to retirement of principal on notes and bonds.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City as a financial whole.

The Statement of Net Assets and Statement of Activities (referred collectively as the government-wide statements) provide information about the activities of the entire City and present a longer-term view of the City's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. The proprietary funds statements are prepared on the same basis as the government-wide statements. 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.

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Reporting the City as a Whole

Statement of Net Assets and Statement of Activities

These government-wide statements answer the question, “How did the City as a whole do financially during 2010”? They are prepared on the accrual basis of accounting, including all assets and liabilities, much the same way as for a private enterprise. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the City’s net assets and the changes in those assets. This change in net assets is important as it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as changes in the tax base and the condition of the City’s needs will also need to be evaluated.

- *The Statement of Net Assets.* This Statement (page 11) reports all assets and liabilities of the City as of December 31, 2010. The difference between total assets and total liabilities is reported as net assets. Increases in net assets generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.
- *The Statement of Activities.* This Statement (page 12) serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the City for the year ended December 31, 2010. Changes in net assets are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expenses of the City’s various programs net of related revenues, as well as the separate presentation of revenues available for general purposes.

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

Governmental Activities – Most of the City’s programs and services are reported here including police, fire and rescue, street maintenance, capital improvements, and general administration. These services are funded primarily by property and income taxes and intergovernmental revenue including Federal and State grants and other shared revenues. The reporting of services including public safety, administration and all departments, with the exception of the Water Fund, Sewer Fund and Sanitation Fund, which are reported as Business-Type Activity.

Business-Type Activities – The City reports the activities of services (Water, Sewer and Sanitation) where the City charges the user fees to recover the cost of providing the service as well as all capital expenses associated with the facilities.

Reporting the City of Norwalk’s Most Significant Funds

Fund Financial Statements

These statements provide financial position and results of the City’s major funds. The City’s major governmental funds are: the General Fund and the Capital Investment Trust Fund. A fund is an accounting entity created to account for a specific activity or purpose. The creation of some funds is mandated by law and others are created by management to demonstrate financial compliance with budgetary or legal requirements. Funds are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds.

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
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- **Governmental Funds.** Governmental funds are used to account for "Government-Type" activities. However, unlike the government-wide financial statements, governmental fund statements use a "flow of financial resources" measurement focus. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Increases in spendable resources are reported in the operating statement as "revenues" or "other financing sources". Decreases in spendable resources are reported as "expenditures" or "other financing uses". Income taxes, property taxes, charges for services and state and federal grants finance most of those activities.

The Basic Governmental Fund Financial Statements can be found on pages 13 through 17 of this report.

- **Proprietary Funds.** There are two types of Proprietary funds: enterprise funds and internal service funds.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises for which either 1) the intent is that the costs (expenses, including depreciation) be recovered primarily through user charges, or 2) determination of net income is appropriate for management control, accountability or other purposes.

The City of Norwalk's Water Fund, Sewer Fund and Sanitation Fund are all considered to be major funds and are displayed separately in the proprietary fund statements on pages 18 through 19.

The City has no internal service funds.

- **Fiduciary Funds.** Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's fiduciary fund type.

Fiduciary fund statements are on page 21 of this report.

Other Information

Notes to the Basic Financial Statements.

The notes provide additional and explanatory data. They are an integral part of the basic financial statements. These notes to the basic financial statements can be found on pages 23 through 49 of this report.

The City as a Whole

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Norwalk, assets exceed liabilities by \$28,352,651 in governmental activities and \$18,624,451 in business-type activities as of December 31, 2010. The largest portion of the City's net assets reflects its investment in capital assets (i.e. land, construction in progress, buildings, equipment and machinery, infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its 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 other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Norwalk, Ohio
Management's Discussion and Analysis
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Unaudited

During 2010, the City's overall financial position was decreased by \$278,818 as governmental activities net assets decreased by \$368,648 and those for business-type activities increased by \$89,830. Net assets are presented in the following table:

Table 1
City of Norwalk
Net Assets

| | <u>Governmental Activities 2010</u> | <u>Governmental Activities 2009</u> | <u>Business- Type Activities 2010</u> | <u>Business- Type Activities 2009</u> | <u>Total 2010</u> | <u>Total 2009</u> |
|---|---|---|---|---|---------------------|---------------------|
| ASSETS | | | | | | |
| Current Assets | \$16,209,533 | \$15,533,392 | \$4,400,822 | \$4,320,253 | \$20,610,355 | \$19,853,645 |
| Capital Assets, Net | 18,799,174 | 18,892,199 | 26,891,588 | 27,620,813 | 45,690,762 | 46,513,012 |
| Total Assets | <u>35,008,707</u> | <u>34,425,591</u> | <u>31,292,410</u> | <u>31,941,066</u> | <u>66,301,117</u> | <u>66,366,657</u> |
| LIABILITIES: | | | | | | |
| Current and Other Liabilities | 3,624,002 | 2,578,245 | 326,012 | 262,846 | 3,950,014 | 2,841,091 |
| Long-Term Liabilities: | | | | | | |
| Due Within One Year | 554,993 | 539,371 | 1,025,757 | 1,033,699 | 1,580,750 | 1,573,070 |
| Due in More Than One Year | 2,477,061 | 2,586,676 | 11,316,190 | 12,109,900 | 13,793,251 | 14,696,576 |
| Total Liabilities | <u>6,656,056</u> | <u>5,704,292</u> | <u>12,667,959</u> | <u>13,406,445</u> | <u>19,324,015</u> | <u>19,110,737</u> |
| NET ASSETS: | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 17,295,246 | 17,215,201 | 15,025,555 | 14,978,533 | 32,320,801 | 32,193,734 |
| Restricted | 9,578,619 | 9,653,326 | 0 | 0 | 9,578,619 | 9,653,326 |
| Unrestricted | 1,478,786 | 1,852,772 | 3,598,896 | 3,556,088 | 5,077,682 | 5,408,860 |
| Total Net Assets | <u>\$28,352,651</u> | <u>\$28,721,299</u> | <u>\$18,624,451</u> | <u>\$18,534,621</u> | <u>\$46,977,102</u> | <u>\$47,255,920</u> |

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Table 2 below, indicates the changes in net assets for the year ended December 31, 2010.

| | Governmental Activities 2010 | Governmental Activities 2009 | Business- Type Activities 2010 | Business- Type Activities 2009 | Total 2010 | Total 2009 |
|---|---|---|---|---|---------------------|---------------------|
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$1,934,244 | \$2,026,721 | \$5,531,509 | \$5,406,828 | \$7,465,753 | \$7,433,549 |
| Operating Grants and Contributions | 742,131 | 202,304 | 0 | 0 | 742,131 | 202,304 |
| Capital Grants and Contributions | 416,107 | 229,217 | 0 | 0 | 416,107 | 229,217 |
| General Revenues: | | | | | | |
| Property Taxes | 1,375,973 | 1,630,976 | 0 | 0 | 1,375,973 | 1,630,976 |
| Income Taxes | 5,018,697 | 4,841,472 | 1,003,715 | 968,259 | 6,022,412 | 5,809,731 |
| Grants and Entitlements not Restricted to Specific Programs | 1,855,455 | 1,797,927 | 0 | 0 | 1,855,455 | 1,797,927 |
| Investment Income | 207,079 | 324,529 | 0 | 0 | 207,079 | 324,529 |
| Miscellaneous | 110,237 | 291,497 | 15,132 | 20,939 | 125,369 | 312,436 |
| Total Revenues | 11,659,923 | 11,344,643 | 6,550,356 | 6,396,026 | 18,210,279 | 17,740,669 |
| Expenses | | | | | | |
| Program Expenses: | | | | | | |
| General Government | 2,097,550 | 2,394,793 | 0 | 0 | 2,097,550 | 2,394,793 |
| Security of Persons and Property | 4,945,446 | 5,159,409 | 0 | 0 | 4,945,446 | 5,159,409 |
| Public Health | 149,795 | 161,384 | 0 | 0 | 149,795 | 161,384 |
| Leisure Time Services | 1,722,467 | 1,830,096 | 0 | 0 | 1,722,467 | 1,830,096 |
| Community and Economic Development | 1,241,094 | 262,036 | 0 | 0 | 1,241,094 | 262,036 |
| Transportation | 1,812,652 | 1,870,618 | 0 | 0 | 1,812,652 | 1,870,618 |
| Interest and Fiscal Charges | 59,567 | 65,735 | 0 | 0 | 59,567 | 65,735 |
| Water | 0 | 0 | 2,695,690 | 2,675,310 | 2,695,690 | 2,675,310 |
| Sewer | 0 | 0 | 2,773,458 | 2,933,050 | 2,773,458 | 2,933,050 |
| Sanitation | 0 | 0 | 991,378 | 1,181,484 | 991,378 | 1,181,484 |
| Total Expenses | 12,028,571 | 11,744,071 | 6,460,526 | 6,789,844 | 18,489,097 | 18,533,915 |
| Increase (Decrease) in Net Assets Before Transfers | (368,648) | (399,428) | 89,830 | (393,818) | (278,818) | (793,246) |
| Transfers | 0 | (724,900) | 0 | 724,900 | 0 | 0 |
| Increase (Decrease) in Net Assets After Transfers | (368,648) | (1,124,328) | 89,830 | 331,082 | (278,818) | (793,246) |
| Net Assets - Beginning | 28,721,299 | 29,845,627 | 18,534,621 | 18,203,539 | 47,255,920 | 48,049,166 |
| Net Assets - Ending | \$28,352,651 | \$28,721,299 | \$18,624,451 | \$18,534,621 | \$46,977,102 | \$47,255,920 |

City of Norwalk, Ohio
Management's Discussion and Analysis
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Governmental Activities

The City income tax is the largest contributor of revenues sources in government activities accounting for 43% of total revenues. Property and other local taxes generate 11.8% and grants and entitlements generate 25.8% of total revenues.

The City's direct charges to users of governmental services represent 16.6% of total revenue. These charges are from fees for recreational activities, fines and forfeitures related to judicial activity and licenses and permits.

Security of Persons and Property account for 41.1% of governmental expenses, general government accounts for 17.4% of governmental expenses while transportation costs and leisure time services represent 15.1% and 14.3% of governmental expenses respectively.

Business-Type Activities

The City's business-type activities are the water and sewer departments and the sanitation services. The City provides curbside trash pick-up as well as yard waste pick-up. Income to provide sanitation services is derived from a specific one quarter of one percent income tax passed by voters in 1991.

Charges for services generated 84.4% of all revenues in the business-type activities.

The City's water and sewer departments continued to operate with moderate rates. The minimum user water rate was \$1.60 for the first 1,000 gallons of water. The minimum user sewer rate was \$1.95 for the first 1,000 gallons of water. Rates for usage of 2,000 gallons or more for 2010 were \$5.90 per thousand gallons for water which reflects a 1.7% increase from 2009 and \$6.95 per thousand gallons for sewer which reflects an 5.3% increase from 2009.

Individual Funds Summary and Analysis

As noted earlier, the City uses fund accounting to demonstrate and ensure compliance with finance related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near term outflows, inflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of December 31, 2010, the City's governmental funds reported combined ending fund balances of \$11,952,684, a decrease of \$311,133 in comparison with the prior year. Approximately 39.9% of this total amount of \$11,952,684 is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not readily available for new spending since it has already been committed to liquidate contracts and purchase commitments, to pay debt service or for a variety of other restricted purposes.

The General Fund is the primary operating fund of the City of Norwalk. At the end of the current year, the General Fund's unreserved balance was \$2,548,493, while the total fund balance was \$2,576,075. As a measure of the general funds liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 36.9% of total General Fund expenditures, while total fund balance represents 37.3% of that same amount. The General Fund balance decreased by \$111,705 or 4.2% under the prior year.

City of Norwalk, Ohio
Management's Discussion and Analysis
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The other major governmental fund of the City, besides the General Fund is the Capital Investment Trust Fund.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide business-type activity financial statements, but in more detail. Net assets in the Water, Sewer and Sanitation Fund increased/(decreased) (\$68,216) or (.8%), \$109,291 or 1.2%, and \$48,755 or 3.5%, respectively.

Budgetary Highlights

As required by State statute, City Council adopts an annual appropriation (budget) resolution for all City funds.

There was no significant change from the original budget to the final budget in the General Fund. \$17,071 more was collected than was budgeted. Of that amount, \$89,099 was attributed to income tax receipts. Interest earnings decreased \$34,421.

Actual General Fund expenditures compared to the budget reflected approximately \$419,000 remaining in unappropriated funds as of December 31, 2010. Security of persons and property which is largely the Police and Fire Department activity, accounted for \$199,677 of those unappropriated funds and general government accounted for \$210,638. Budgets remained tight in 2010. Management was committed to maintaining the level of services expected by the citizens of the community. With the exception of two police officers on military leave intermittently throughout 2010, all City personnel were retained with the exception of some positions that were not filled after vacancies that occurred through attrition.

Health care premiums did not increase in 2010 with the participation level between employer and employee unchanged at 85/15.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2010, amounts to \$45,690,762 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; building structures and improvements; furniture, fixtures and equipment; and infrastructure. The total decrease in the City's investment in capital assets for the current year was 1.8% (.5% decrease for governmental activities and a 2.6% decrease for business-type activities).

**Table 3 – City of Norwalk, Ohio – Capital Assets
(Net of Depreciation)**

| | Governmental Activities 2010 | Governmental Activities 2009 | Business-Type Activities 2010 | Business-Type Activities 2009 | Total 2010 | Total 2009 |
|----------------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|---------------------|---------------------|
| Land | \$2,270,570 | \$2,005,447 | \$35,297 | \$26,497 | \$2,305,867 | \$2,031,944 |
| Construction in Progress | 177,648 | 22,696 | 279,570 | 301,970 | 457,218 | 324,666 |
| Land Improvements | 496,567 | 522,812 | 333,444 | 361,307 | 830,011 | 884,119 |
| Buildings | 4,402,608 | 4,533,093 | 9,338,532 | 9,281,168 | 13,741,140 | 13,814,261 |
| Equipment | 848,541 | 957,269 | 1,990,681 | 2,344,557 | 2,839,222 | 3,301,826 |
| Infrastructure | 10,603,240 | 10,850,882 | 14,914,064 | 15,305,314 | 25,517,304 | 26,156,196 |
| Total Capital Assets, Net | \$18,799,174 | \$18,892,199 | \$26,891,588 | \$27,620,813 | \$45,690,762 | \$46,513,012 |

City of Norwalk, Ohio
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Additional detailed information relating to the City's capital assets is contained in Note 11 of the Notes to the Basic Financial Statements.

Debt

The gross indebtedness of the City at the end of 2010 was \$13,894,684. As of December 31, 2010, the City had \$444,944 and \$11,047,536 in outstanding OPWC and OWDA loans, respectively.

The general obligation indebtedness of the City is subject to two statutory debt limitations referred to as the direct debt limitation: (Section 133.05 ORC). Certain debt with a repayment source other than general tax revenues, is excluded from the definition of net indebtedness. Under that definition, the City has approximately \$1,619,757 of net indebtedness as of December 31, 2010. The aggregate principal amount of unvoted net indebtedness may not exceed 5.5% of the assessed valuation for property tax purposes of all real and personal property located within the City. The legal unvoted debt margin was \$15,168,654 as of December 31, 2010. The total principal amount of voted and unvoted nonexempt net indebtedness of the City may not exceed 10.5% of its assessed value of real and personal property. Total net indebtedness for both voted and unvoted issues was \$278,080 leaving the City's overall legal debt margin at \$29,211,139 as of December 31, 2010.

Table 4 - City of Norwalk, Ohio - Long-Term Debt
(As of end of each year)

| | Governmental Activities 2010 | Governmental Activities 2009 | Business- Type Activities 2010 | Business- Type Activities 2009 | Total 2010 | Total 2009 |
|--------------------------------------|------------------------------------|------------------------------------|---|---|---------------------|---------------------|
| General Obligation Bonds | \$432,836 | \$512,863 | \$1,465,000 | \$1,715,000 | \$1,897,836 | \$2,227,863 |
| OPWC Loans | 300,443 | 338,331 | 144,501 | 158,951 | 444,944 | 497,282 |
| OWDA Loans | 770,649 | 825,804 | 10,276,887 | 10,777,234 | 11,047,536 | 11,603,038 |
| Capital Lease | 0 | 0 | 82,728 | 121,186 | 82,728 | 121,186 |
| Police and Fire Past Service Cost | 421,640 | 431,306 | 0 | 0 | 421,640 | 431,306 |
| Total Long-Term Debt | \$1,925,568 | \$2,108,304 | \$11,969,116 | \$12,772,371 | \$13,894,684 | \$14,880,675 |

Additional information regarding the City's Long-Term Obligations can be found in Note 13 of this report.

Contacting the City Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with an overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Diane Eschen, Director of Finance, 38 Whittlesey Avenue, Norwalk, Ohio 44857, 419-663-6710.

City of Norwalk, Ohio
Huron County
Statement of Net Assets
December 31, 2010

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|---------------------|
| Assets | | | |
| Current Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | \$9,766,532 | \$3,530,891 | \$13,297,423 |
| Cash and Cash Equivalents in Segregated Accounts | 3,191 | 0 | 3,191 |
| Investment in Norwalk Securities | 147,863 | 0 | 147,863 |
| Taxes Receivable | 2,242,078 | 226,607 | 2,468,685 |
| Accounts Receivable | 67,236 | 544,271 | 611,507 |
| Accrued Interest Receivable | 65,029 | 0 | 65,029 |
| Intergovernmental Receivable | 2,628,890 | 0 | 2,628,890 |
| Special Assessments Receivable | 25,703 | 1,942 | 27,645 |
| Notes Receivable | 1,219,696 | 0 | 1,219,696 |
| Materials and Supplies Inventory | 43,315 | 81,338 | 124,653 |
| Noncurrent Assets: | | | |
| Unamortized Bond Issue Costs | 0 | 15,773 | 15,773 |
| Non-Depreciable Capital Assets | 2,448,218 | 314,867 | 2,763,085 |
| Depreciable Capital Assets, Net | 16,350,956 | 26,576,721 | 42,927,677 |
| <i>Total Assets</i> | <u>35,008,707</u> | <u>31,292,410</u> | <u>66,301,117</u> |
| Liabilities | | | |
| Current Liabilities: | | | |
| Accounts Payable | 486,425 | 230,947 | 717,372 |
| Accrued Wages and Benefits | 25,151 | 16,591 | 41,742 |
| Intergovernmental Payable | 285,952 | 78,474 | 364,426 |
| Unearned Revenue | 2,826,474 | 0 | 2,826,474 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 554,993 | 1,025,757 | 1,580,750 |
| Due In More Than One Year | 2,477,061 | 11,316,190 | 13,793,251 |
| <i>Total Liabilities</i> | <u>6,656,056</u> | <u>12,667,959</u> | <u>19,324,015</u> |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | 17,295,246 | 15,025,555 | 32,320,801 |
| Restricted for Debt Service | 77,474 | 0 | 77,474 |
| Restricted for Capital Projects | 5,641,357 | 0 | 5,641,357 |
| Restricted for Other Purposes | 162,590 | 0 | 162,590 |
| Restricted for Police Pension | 88,215 | 0 | 88,215 |
| Restricted for Fire Pension | 39,955 | 0 | 39,955 |
| Restricted for Parks and Recreation | 218,179 | 0 | 218,179 |
| Restricted for Recreation | 226,011 | 0 | 226,011 |
| Restricted for Police Levy | 57,173 | 0 | 57,173 |
| Restricted for Fire Levy | 54,821 | 0 | 54,821 |
| Restricted for Street Construction, Maint., & Repair | 602,661 | 0 | 602,661 |
| Restricted for Court Programs | 604,360 | 0 | 604,360 |
| Restricted for Community Development Programs | 864,746 | 0 | 864,746 |
| Restricted for Housing Programs | 556,722 | 0 | 556,722 |
| Restricted for Economic Development | 379,523 | 0 | 379,523 |
| Restricted - Nonexpendable | 4,832 | 0 | 4,832 |
| Unrestricted | 1,478,786 | 3,598,896 | 5,077,682 |
| <i>Total Net Assets</i> | <u>\$28,352,651</u> | <u>\$18,624,451</u> | <u>\$46,977,102</u> |

See Accompanying Notes and Accountants' Report.

City of Norwalk, Ohio
Huron County
Statement of Activities
For the Year Ended December 31, 2010

| | Program Revenues | | | | Net (Expense) and Changes in Net Assets | | |
|---|---------------------|--------------------------------|------------------------------------|----------------------------------|---|--------------------------|--------------------|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities | | | | | | | |
| General Government | \$2,097,550 | \$324,519 | \$74,594 | \$345,130 | (\$1,353,307) | \$0 | (\$1,353,307) |
| Security of Persons and Property | 4,945,446 | 582,607 | 11,248 | 3,492 | (4,348,099) | 0 | (4,348,099) |
| Public Health | 149,795 | 34,590 | 326 | 101 | (114,778) | 0 | (114,778) |
| Leisure Time Services | 1,722,467 | 958,685 | 106,528 | 0 | (657,254) | 0 | (657,254) |
| Community and Economic Development | 1,241,094 | 9,190 | 549,419 | 57 | (682,428) | 0 | (682,428) |
| Transportation | 1,812,652 | 24,653 | 16 | 67,327 | (1,720,656) | 0 | (1,720,656) |
| Interest and Fiscal Charges | 59,567 | 0 | 0 | 0 | (59,567) | 0 | (59,567) |
| <i>Total Governmental Activities</i> | <u>12,028,571</u> | <u>1,934,244</u> | <u>742,131</u> | <u>416,107</u> | <u>(8,936,089)</u> | <u>0</u> | <u>(8,936,089)</u> |
| Business-Type Activities | | | | | | | |
| Water | 2,695,690 | 2,627,474 | 0 | 0 | 0 | (68,216) | (68,216) |
| Sewer | 2,773,458 | 2,869,130 | 0 | 0 | 0 | 95,672 | 95,672 |
| Sanitation | 991,378 | 34,905 | 0 | 0 | 0 | (956,473) | (956,473) |
| <i>Total Business-Type Activities</i> | <u>6,460,526</u> | <u>5,531,509</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(929,017)</u> | <u>(929,017)</u> |
| <i>Totals</i> | <u>\$18,489,097</u> | <u>\$7,465,753</u> | <u>\$742,131</u> | <u>\$416,107</u> | <u>(8,936,089)</u> | <u>(929,017)</u> | <u>(9,865,106)</u> |
| General Revenues: | | | | | | | |
| Property Taxes Levied for: | | | | | | | |
| General Purposes | | | | | 765,933 | 0 | 765,933 |
| Special Revenue | | | | | 610,040 | 0 | 610,040 |
| Income Taxes | | | | | 5,018,697 | 1,003,715 | 6,022,412 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 1,855,455 | 0 | 1,855,455 |
| Investment Earnings | | | | | 207,079 | 0 | 207,079 |
| Miscellaneous | | | | | 110,237 | 15,132 | 125,369 |
| <i>Total General Revenues</i> | | | | | <u>8,567,441</u> | <u>1,018,847</u> | <u>9,586,288</u> |
| Change in Net Assets | | | | | (368,648) | 89,830 | (278,818) |
| <i>Net Assets Beginning of Year</i> | | | | | <u>28,721,299</u> | <u>18,534,621</u> | <u>47,255,920</u> |
| <i>Net Assets End of Year</i> | | | | | <u>#####</u> | <u>\$18,624,451</u> | <u>#####</u> |

See Accompanying notes and Accountants' Report

City of Norwalk, Ohio
Huron County
Balance Sheet
Governmental Funds
December 31, 2010

| | General | Capital Investment Trust Fund | All Other Governmental Funds | Total Governmental Funds |
|--|--------------------|-------------------------------------|------------------------------------|--------------------------------|
| Assets | | | | |
| Current Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,529,110 | \$4,190,714 | \$4,046,708 | \$9,766,532 |
| Cash and Cash Equivalents in Segregated Accounts | 3,191 | 0 | 0 | 3,191 |
| Investment in Norwalk Securities | 0 | 0 | 147,863 | 147,863 |
| Taxes Receivable | 1,519,880 | 0 | 722,198 | 2,242,078 |
| Accounts Receivable | 62,221 | 0 | 5,015 | 67,236 |
| Accrued Interest Receivable | 65,029 | 0 | 0 | 65,029 |
| Intergovernmental Receivable | 641,471 | 0 | 1,987,419 | 2,628,890 |
| Special Assessments Receivable | 0 | 0 | 25,703 | 25,703 |
| Notes Receivable | 0 | 0 | 1,219,696 | 1,219,696 |
| Materials and Supplies Inventory | 0 | 0 | 43,315 | 43,315 |
| <i>Total Assets</i> | <u>\$3,820,902</u> | <u>\$4,190,714</u> | <u>\$8,197,917</u> | <u>\$16,209,533</u> |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | \$73,122 | \$0 | \$413,303 | \$486,425 |
| Accrued Wages and Benefits | 10,547 | 0 | 14,604 | 25,151 |
| Intergovernmental Payable | 100,527 | 0 | 195,505 | 296,032 |
| Deferred Revenue | 277,995 | 0 | 344,772 | 622,767 |
| Unearned Revenue | 782,636 | 0 | 2,043,838 | 2,826,474 |
| <i>Total Liabilities</i> | <u>1,244,827</u> | <u>0</u> | <u>3,012,022</u> | <u>4,256,849</u> |
| Fund Balances | | | | |
| Reserved for: | | | | |
| Encumbrances | 27,582 | 0 | 1,656,228 | 1,683,810 |
| Notes Receivable | 0 | 0 | 1,219,696 | 1,219,696 |
| Endowments | 0 | 0 | 4,832 | 4,832 |
| Capital Improvements | 0 | 4,190,714 | 0 | 4,190,714 |
| Debt Service | 0 | 0 | 77,474 | 77,474 |
| Unreserved, Undesignated, Reported in: | | | | |
| General Fund | 2,548,493 | 0 | 0 | 2,548,493 |
| Special Revenue Funds | 0 | 0 | 1,344,664 | 1,344,664 |
| Capital Projects Funds | 0 | 0 | 882,963 | 882,963 |
| Permanent Funds | 0 | 0 | 38 | 38 |
| <i>Total Fund Balances</i> | <u>2,576,075</u> | <u>4,190,714</u> | <u>5,185,895</u> | <u>11,952,684</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$3,820,902</u> | <u>\$4,190,714</u> | <u>\$8,197,917</u> | <u>\$16,209,533</u> |

See Accompanying Notes and Accountants' Report

City of Norwalk, Ohio
Huron County
Reconciliation of Total Governmental Fund Balances to Net Assets
of Governmental Activities
For the Year Ended December 31, 2010

Total Governmental Fund Balances \$11,952,684

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

| | | |
|---|-------------------|------------|
| Land | 2,270,570 | |
| Construction in Progress | 177,648 | |
| Land Improvements (Net of Depreciation) | 496,567 | |
| Buildings (Net of Depreciation) | 4,402,608 | |
| Equipment (Net of Depreciation) | 848,541 | |
| Infrastructure (Net of Depreciation) | <u>10,603,240</u> | |
| Total | | 18,799,174 |

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

| | | |
|----------------|--------------|---------|
| Property Taxes | 119,415 | |
| Local Taxes | 501,401 | |
| Grants | <u>1,951</u> | |
| Total | | 622,767 |

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

| | | |
|------------------------------------|--------------------|--------------------|
| General Obligation Bonds | (432,836) | |
| OPWC Loan | (770,649) | |
| OWDA Loan | (300,443) | |
| Police and Fire Past Service Costs | (411,560) | |
| Compensated Absences | <u>(1,106,486)</u> | |
| | | <u>(3,021,974)</u> |

Net Assets of Governmental Activities \$28,352,651

See Accompanying Notes and Accountants' Report

City of Norwalk, Ohio
Huron County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

| | General | Capital Investment Trust Fund | All Other Governmental Funds | Total Governmental Funds |
|--|--------------------|-------------------------------------|------------------------------------|--------------------------------|
| Revenues: | | | | |
| Property and Other Local Taxes | \$784,717 | \$0 | \$637,572 | \$1,422,289 |
| Income Taxes | 4,014,957 | 0 | 1,003,740 | 5,018,697 |
| Special Assessments | 5,379 | 0 | 91,890 | 97,269 |
| Charges for Services | 110,913 | 0 | 981,302 | 1,092,215 |
| Licenses and Permits | 15,423 | 0 | 13,682 | 29,105 |
| Fines and Forfeitures | 740,980 | 0 | 71,944 | 812,924 |
| Intergovernmental | 946,819 | 0 | 1,884,123 | 2,830,942 |
| Interest | 165,183 | 0 | 41,896 | 207,079 |
| Contributions and Donations | 1,200 | 0 | 106,529 | 107,729 |
| Other | 1,957 | 0 | 108,280 | 110,237 |
| <i>Total Revenues</i> | <u>6,787,528</u> | <u>0</u> | <u>4,940,958</u> | <u>11,728,486</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 1,938,994 | 0 | 103,021 | 2,042,015 |
| Security of Persons and Property | 3,855,359 | 0 | 876,708 | 4,732,067 |
| Public Health | 114,127 | 0 | 35,668 | 149,795 |
| Leisure Time Services | 0 | 0 | 1,538,114 | 1,538,114 |
| Community and Economic Development | 64,442 | 0 | 1,175,668 | 1,240,110 |
| Transportation | 5,503 | 0 | 924,383 | 929,886 |
| Capital Outlay | 0 | 0 | 1,192,995 | 1,192,995 |
| Debt Service: | | | | |
| Principal Retirement | 15,027 | 0 | 158,043 | 173,070 |
| Interest and Fiscal Charges | 8,633 | 0 | 50,934 | 59,567 |
| <i>Total Expenditures</i> | <u>6,002,085</u> | <u>0</u> | <u>6,055,534</u> | <u>12,057,619</u> |
| <i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i> | <u>785,443</u> | <u>0</u> | <u>(1,114,576)</u> | <u>(329,133)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 0 | 0 | 897,148 | 897,148 |
| Proceeds from Sale of Capital Assets | 0 | 18,000 | 0 | 18,000 |
| Transfers Out | (897,148) | 0 | 0 | (897,148) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(897,148)</u> | <u>18,000</u> | <u>897,148</u> | <u>18,000</u> |
| <i>Net Change in Fund Balances</i> | (111,705) | 18,000 | (217,428) | (311,133) |
| <i>Fund Balances Beginning of Year</i> | <u>2,687,780</u> | <u>4,172,714</u> | <u>5,403,323</u> | <u>12,263,817</u> |
| <i>Fund Balances End of Year</i> | <u>\$2,576,075</u> | <u>\$4,190,714</u> | <u>\$5,185,895</u> | <u>\$11,952,684</u> |

See Accompanying Notes and Accountants' Report

City of Norwalk, Ohio
Huron County
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2010

Net Change in Fund Balances - Total Governmental Funds (\$311,133)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | | |
|----------------------|-------------|-------|
| Capital Outlay | 1,183,625 | |
| Depreciation Expense | (1,180,039) | |
| Total | 3,586 | 3,586 |

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.

| | | |
|------------------------------------|--|----------|
| Loss on Disposal of Capital Assets | | (96,611) |
|------------------------------------|--|----------|

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | | |
|---------------------|----------|----------|
| Property Taxes | (46,316) | |
| Special Assessments | 4,487 | |
| Local Taxes | (26,734) | |
| Total | (68,563) | (68,563) |

Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

| | | |
|---|---------|---------|
| General Obligation Payments | 80,027 | |
| OWDA Loan Payable | 55,155 | |
| OPWC Loan Payments | 37,888 | |
| Police and Fire Past Service Costs Payments | 19,746 | |
| Total | 192,816 | 192,816 |

Some expenses reported in the Statement of Activities, such as compensated absences which represent contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | | |
|----------------------|--|----------|
| Compensated Absences | | (88,743) |
|----------------------|--|----------|

Change in Net Assets of Governmental Activities (\$368,648)

See Accompanying Notes and Accountants' Report

**City of Norwalk
Huron County
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2010**

| | Budgeted Amounts | | Actual | Variance with |
|---|--------------------|------------------|--------------------|------------------|
| | Original | Final | | Final Budget |
| | | | | Over |
| | | | | (Under) |
| REVENUES: | | | | |
| Property and Other Local Taxes | \$851,545 | \$851,545 | \$784,717 | (\$66,828) |
| Income Taxes | 3,914,000 | 3,914,000 | 4,003,099 | 89,099 |
| Special Assessments | 0 | 0 | 5,379 | 5,379 |
| Charges for Services | 54,600 | 54,600 | 92,463 | 37,863 |
| Licenses and Permits | 15,200 | 15,200 | 15,423 | 223 |
| Fines and Forfeitures | 839,000 | 839,000 | 751,424 | (87,576) |
| Intergovernmental | 888,597 | 888,597 | 916,040 | 27,443 |
| Interest | 210,000 | 210,000 | 175,579 | (34,421) |
| Contributions and Donations | 0 | 0 | 1,200 | 1,200 |
| Reimbursements | 3,000 | 3,000 | 46,191 | 43,191 |
| Other | 300 | 300 | 1,798 | 1,498 |
| Total Revenues | 6,776,242 | 6,776,242 | 6,793,313 | 17,071 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 2,245,552 | 2,303,037 | 2,092,399 | 210,638 |
| Security of Persons and Property | 4,101,171 | 4,165,681 | 3,966,004 | 199,677 |
| Public Health | 126,140 | 126,140 | 124,037 | 2,103 |
| Community and Economic Development | 66,688 | 66,688 | 65,055 | 1,633 |
| Transportation | 16,561 | 11,941 | 7,179 | 4,762 |
| Debt Service: | | | | |
| Principal Retirements | 15,030 | 15,030 | 15,027 | 3 |
| Interest and Fiscal Charges | 8,635 | 8,635 | 8,633 | 2 |
| Total Expenditures | 6,579,777 | 6,697,152 | 6,278,334 | 418,818 |
| Excess of Revenues Over Expenditures | 196,465 | 79,090 | 514,979 | 435,889 |
| OTHER FINANCING (USES): | | | | |
| Transfers Out | (901,600) | (901,600) | (897,148) | 4,452 |
| Net Change in Fund Balance | (705,135) | (822,510) | (382,169) | 440,341 |
| Fund Balance at Beginning of Year | 1,469,628 | 1,469,628 | 1,469,628 | 0 |
| Prior Year Encumbrances Appropriated | 242,132 | 242,132 | 242,132 | 0 |
| Fund Balance at End of Year | \$1,006,625 | \$889,250 | \$1,329,591 | \$440,341 |

See Accompanying Notes and Accountants' Report

City of Norwalk, Ohio
Huron County
Statement of Fund Net Assets
Proprietary Funds
December 31, 2010

| | Business-Type Activities | | | Totals |
|---|--------------------------|--------------------|--------------------|---------------------|
| | Enterprise Funds | | | |
| | Water | Sewer | Sanitation | |
| Assets | | | | |
| Current Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,277,368 | \$1,524,840 | \$728,683 | \$3,530,891 |
| Taxes Receivable | 0 | 0 | 226,607 | 226,607 |
| Accounts Receivable | 250,219 | 291,477 | 2,575 | 544,271 |
| Special Assessments Receivable | 1,029 | 913 | 0 | 1,942 |
| Materials and Supplies Inventory | 67,740 | 13,598 | 0 | 81,338 |
| Total Current Assets | 1,596,356 | 1,830,828 | 957,865 | 4,385,049 |
| Noncurrent Assets: | | | | |
| Unamortized Bond Issue Costs | 15,773 | 0 | 0 | 15,773 |
| Non-Depreciable Capital Assets | 2,460 | 285,910 | 26,497 | 314,867 |
| Depreciable Capital Assets, Net | 9,168,733 | 16,815,489 | 592,499 | 26,576,721 |
| Total Noncurrent Assets | 9,186,966 | 17,101,399 | 618,996 | 26,907,361 |
| Total Assets | 10,783,322 | 18,932,227 | 1,576,861 | 31,292,410 |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 124,096 | 69,236 | 37,615 | 230,947 |
| Accrued Wages and Benefits | 5,044 | 4,228 | 7,319 | 16,591 |
| Intergovernmental Payable | 30,289 | 31,188 | 16,997 | 78,474 |
| Compensated Absences Payable | 60,164 | 65,146 | 25,946 | 151,256 |
| General Obligation Bonds Payable | 260,000 | 0 | 0 | 260,000 |
| Capital Leases Payable | 20,182 | 20,182 | 0 | 40,364 |
| OPWC Loans Payable | 0 | 14,450 | 0 | 14,450 |
| OWDA Loans Payable | 40,020 | 544,541 | 0 | 584,561 |
| Total Current Liabilities | 539,795 | 748,971 | 87,877 | 1,376,643 |
| Noncurrent Liabilities: | | | | |
| Compensated Absences Payable - Net of Current Portion | 126,279 | 155,369 | 43,011 | 324,659 |
| General Obligation Bonds Payable - Net of Current Portion | 1,205,000 | 0 | 0 | 1,205,000 |
| Capital Leases Payable - Net of Current Portion | 21,182 | 21,182 | 0 | 42,364 |
| OPWC Loans Payable - Net of Current Portion | 0 | 130,051 | 0 | 130,051 |
| OWDA Loans Payable - Net of Current Portion | 856,562 | 8,835,764 | 0 | 9,692,326 |
| Unamortized Discount on Bonds | (4,991) | 0 | 0 | (4,991) |
| Unamortized Charge - Refunding Bonds | (98,093) | 0 | 0 | (98,093) |
| Total Noncurrent Liabilities | 2,105,939 | 9,142,366 | 43,011 | 11,291,316 |
| Total Liabilities | 2,645,734 | 9,891,337 | 130,888 | 12,667,959 |
| Net Assets | | | | |
| Invested in Capital Assets, Net of Related Debt | 6,871,330 | 7,535,229 | 618,996 | 15,025,555 |
| Unrestricted | 1,266,258 | 1,505,661 | 826,977 | 3,598,896 |
| Total Net Assets | \$8,137,588 | \$9,040,890 | \$1,445,973 | \$18,624,451 |

See Accompanying Notes and Accountants' Report

City of Norwalk, Ohio
Huron County
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2010

| | Business-Type Activities | | | Totals |
|--|--------------------------|--------------------|--------------------|---------------------|
| | Enterprise Funds | | | |
| | Water | Sewer | Sanitation | |
| Operating Revenues: | | | | |
| Charges for Services | \$2,627,474 | \$2,869,130 | \$34,905 | \$5,531,509 |
| Other Operating Revenue | 0 | 1,175 | 1,513 | 2,688 |
| <i>Total Operating Revenues</i> | <u>2,627,474</u> | <u>2,870,305</u> | <u>36,418</u> | <u>5,534,197</u> |
| Operating Expenses: | | | | |
| Personal Services | 1,311,673 | 1,323,672 | 551,441 | 3,186,786 |
| Contractual Services | 346,313 | 289,988 | 300,278 | 936,579 |
| Materials and Supplies | 337,534 | 135,135 | 72,774 | 545,443 |
| Depreciation | 528,732 | 722,611 | 66,885 | 1,318,228 |
| Capital Outlay | 12,183 | 0 | 0 | 12,183 |
| <i>Total Operating Expenses</i> | <u>2,536,435</u> | <u>2,471,406</u> | <u>991,378</u> | <u>5,999,219</u> |
| <i>Operating Income (Loss)</i> | <u>91,039</u> | <u>398,899</u> | <u>(954,960)</u> | <u>(465,022)</u> |
| Non-Operating Revenues (Expenses): | | | | |
| Municipal Income Tax | 0 | 0 | 1,003,715 | 1,003,715 |
| Other Non-Operating Revenues | 0 | 12,444 | 0 | 12,444 |
| Interest and Fiscal Charges | (159,255) | (300,189) | 0 | (459,444) |
| Other Non-Operating Expenses | 0 | (1,863) | 0 | (1,863) |
| <i>Total Non-Operating Revenues (Expenses)</i> | <u>(159,255)</u> | <u>(289,608)</u> | <u>1,003,715</u> | <u>554,852</u> |
| <i>Change in Net Assets</i> | <u>(68,216)</u> | <u>109,291</u> | <u>48,755</u> | <u>89,830</u> |
| <i>Net Assets at Beginning of Year</i> | <u>8,205,804</u> | <u>8,931,599</u> | <u>1,397,218</u> | <u>18,534,621</u> |
| <i>Net Assets at End of Year</i> | <u>\$8,137,588</u> | <u>\$9,040,890</u> | <u>\$1,445,973</u> | <u>\$18,624,451</u> |

See Accompanying Notes and Accountants' Report

City of Norwalk, Ohio
Huron County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

| | Business-Type Activities- Enterprise Funds | | | Totals |
|---|---|--------------------|--------------------|--------------------|
| | Water | Sewer | Sanitation | |
| Cash Flows from Operating Activities | | | | |
| Cash Received from Customers | \$2,611,558 | \$2,849,104 | \$34,905 | \$5,495,567 |
| Cash Payments to Employees for Services | (1,297,398) | (1,307,515) | (643,711) | (3,248,624) |
| Cash Payments for Goods and Services | (648,375) | (433,475) | (371,257) | (1,453,107) |
| Other Operating Revenues | 9,909 | 8,203 | 1,293 | 19,405 |
| Other Operating Expenses | (27) | (8) | 0 | (35) |
| Net Cash Provided by (Used in) Operating Activities | <u>675,667</u> | <u>1,116,309</u> | <u>(978,770)</u> | <u>813,206</u> |
| Cash Flows from Noncapital Financing Activities | | | | |
| Municipal Income Tax | 0 | 0 | 1,000,752 | 1,000,752 |
| Other Non-Operating Revenue | 0 | 12,444 | 0 | 12,444 |
| Other Non-Operating Expenses | 0 | (1,863) | 0 | (1,863) |
| Net Cash Provided by Noncapital Financing Activities | <u>0</u> | <u>10,581</u> | <u>1,000,752</u> | <u>1,011,333</u> |
| Cash Flows from Capital and Related Financing Financing Activities | | | | |
| Acquisition of Capital Assets | (557,199) | (54,506) | 0 | (611,705) |
| Principal Payments | (280,037) | (484,760) | 0 | (764,797) |
| Interest Payments | (128,157) | (300,189) | 0 | (428,346) |
| Net Cash (Used in) Capital and Related Financing Activities | <u>(965,393)</u> | <u>(839,455)</u> | <u>0</u> | <u>(1,804,848)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (289,726) | 287,435 | 21,982 | 19,691 |
| Cash and Cash Equivalents Beginning of Year | <u>1,567,094</u> | <u>1,237,405</u> | <u>706,701</u> | <u>3,511,200</u> |
| Cash and Cash Equivalents End of Year | <u>\$1,277,368</u> | <u>\$1,524,840</u> | <u>\$728,683</u> | <u>\$3,530,891</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities | | | | |
| Operating Income (Loss) | \$94,210 | \$379,670 | (\$954,960) | (\$481,080) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities | | | | |
| Depreciation | 528,732 | 722,611 | 66,885 | 1,318,228 |
| Loss on Disposal of Assets | 0 | 302 | 0 | 302 |
| (Increase) Decrease in Operating Assets: | | | | |
| Accounts Receivable | (15,902) | (20,003) | (1,513) | (37,418) |
| Special Assessments Receivable | (14) | (23) | 0 | (37) |
| Materials and Supplies Inventory | (21,267) | (3,284) | 0 | (24,551) |
| Increase (Decrease) in Operating Liabilities: | | | | |
| Accounts Payable | 71,620 | 13,851 | 3,088 | 88,559 |
| Accrued Wages and Benefits | (164) | (576) | (3,992) | (4,732) |
| Compensated Absences Payable | 25,963 | 31,596 | (82,963) | (25,404) |
| Intergovernmental Payable | (7,511) | (7,835) | (5,315) | (20,661) |
| Capital Lease | 0 | 0 | 0 | 0 |
| Total Adjustments | <u>581,457</u> | <u>736,639</u> | <u>(23,810)</u> | <u>1,294,286</u> |
| Net Cash Provided by (Used in) Operating Activities | <u>\$675,667</u> | <u>\$1,116,309</u> | <u>(\$978,770)</u> | <u>\$813,206</u> |

See Accompanying Notes and Accountants' Report

City of Norwalk, Ohio
Huron County
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2010

| | <u>Agency</u> |
|--|-------------------------|
| Assets | |
| Current Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$92,499 |
| Cash and Cash Equivalents in Segregated Accounts | <u>23,690</u> |
| <i>Total Assets</i> | <u>116,189</u> |
| Liabilities | |
| Current Liabilities: | |
| Undistributed Monies | <u>116,189</u> |
| <i>Total Liabilities</i> | <u><u>\$116,189</u></u> |

See Accompanying Notes and Accountants' Report

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**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Norwalk, Ohio (the “City”) was incorporated in 1887 and chartered in 1972 under the laws of the State of Ohio. The City operates under the Mayor-Council form of government.

For financial reporting purposes, the City’s basic financial statements include all funds, agencies, boards, commissions and departments for which the City is financially accountable. Financial accountability, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, “The Reporting Entity”, exists if the City appoints a voting majority of an organization’s governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s basic financial statements to be misleading or incomplete.

The City provides various services and consists of many different activities and smaller accounting entities. These include police and firefighting forces, sewage and water treatment plants, a street maintenance department, a park and recreation system, a trash collection service, planning and zoning, and a staff to provide the necessary support to these service providers. The City also includes a municipal court with jurisdiction extending beyond the boundaries of the City. These service departments and the Norwalk Municipal Court are included as part of the primary reporting entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these basic financial statements are summarized below. These policies conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The City applies Financial Accounting Standards Board Statements (FASB) and Interpretations issued on or before November 30, 1989 to its business-type activities and enterprise funds provided they do not conflict with Governmental Accounting Standards Board pronouncements. The City has not elected to apply FASB statements and interpretations issued after November 30, 1989. The more significant of the City’s policies are described below.

A. *Basis of Presentation*

The City’s basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operation. The principal operating revenues of the city's proprietary funds are charges for services, operating expenses for the enterprise fund including personnel and other expenses related to sewer, water and sanitation operations. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

B. *Fund Accounting*

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.

Capital Investment Trust Fund – This fund is used to account for the proceeds from the sale of public utilities or real estate that the City owns or has an interest in. The monies may be used to construct or acquire permanent improvements upon the approval of the majority of electors of the City.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds consist of enterprise and internal service funds. The City does not have internal service funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Enterprise Fund - The water enterprise fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Sewer Enterprise Fund - The sewer enterprise fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Sanitation Enterprise Fund - The sanitation enterprise fund accounts for the provision of trash and recyclables to the residents and commercial users located within the City.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The agency funds account for municipal court collections that are distributed to various local governments, uncashed City issued checks, deposits made for street openings and boulevard openings, and security against the total cost of removing, repairing or security for property damaged by fire. The City's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. *Measurement Focus*

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets.

Fund Financial Statements

All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Agency funds do not report a measurement focus as they do not report operations.

D. *Basis of Accounting*

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 8). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants, fees, rentals and special assessments.

Deferred Revenue/Unearned Revenue

Deferred revenue and unearned revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2010, are recorded as deferred revenue.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. *Budgetary Process*

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the department level for all funds. Any budgetary modifications at this level may only be made by resolution of City Council. The Finance Director has been authorized to allocate appropriations to the department and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources in effect at the time the final appropriations were passed by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

F. *Cash, Cash Equivalents and Investments*

To improve cash management, cash received by the City is pooled. Monies for all funds, including the proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as overnight repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2010.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the year 2010 amounted to \$165,183, which includes \$144,461 assigned from other City funds.

The City has segregated bank accounts and investments for monies held separate from the City's central bank accounts. These accounts and investments are presented as "Cash and Cash Equivalents in Segregated Accounts" and "Investments in Segregated Accounts" since they are not required to be deposited into the City treasury.

For purposes of the statement of cash flows and for presentation on the statement of net assets/balance sheet, investments with original maturities of three months or less at the time they are purchased by the City and investments of the cash management pool are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. *Interfund Balances*

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables" and long-term interfund loans are classified as "advances to/from other funds" on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances. The City had no interfund balances at year end.

H. *Inventory*

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used.

I. *Prepaid Items*

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City’s infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

| Description | Governmental Activities Estimated Lives | Business-Type Activities Estimated Lives |
|---------------------|---|--|
| Land Improvements | 20 years | 20 years |
| Buildings | 6 to 45 years | 6 to 45 years |
| Equipment | 5 to 45 years | 5 to 45 years |
| Underground Piping | 20 to 50 years | 20 to 50 years |
| Street Improvements | 10 years | 10 years |

The City’s current infrastructure consists of street projects, streets, bridges and water and sewer lines.

K. Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributed to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City’s past experience of making termination payments. In proprietary funds, the entire amount of compensated absences is reported as fund liability.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

M. Fund Balance Reserves

The City records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Fund balances are reserved for encumbrances, notes receivable, debt service principal payments, endowments and capital improvements.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Assets are restricted for capital projects by terms of either the City's income tax levy, various Trust Fund agreements, or debt issues.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of December 31, 2010 the City did not have any net assets restricted by enabling legislation.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer, and sanitation services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

P. Contributions of Capital

Contributions of capital arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Q. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

S. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

The following funds had a deficit in fund balance at December 31, 2010:

| Fund | Deficit |
|---|------------|
| Special Revenue Funds: | |
| FY02 Intensive Supervision Probation | (\$1,006) |
| FY04 CDBG Formula Grant | (\$14,904) |
| Neighborhood Stabilization Fund | (\$91,695) |
| FY09 CDBG Community Housing Improvement | (\$17,304) |
| FY09 Home Inv Partnership | (\$5,960) |
| Capital Projects Funds: | |
| OPWC Sofios Park Wetlands Acquisition | (\$1,570) |

These funds complied with Ohio State law, which does not permit cash basis deficits. The General Fund transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. These deficits should be eliminated by future intergovernmental revenues not recognized under GAAP at December 31.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

B. Change in Accounting Principles and Restatement of Prior Year Net Assets

For fiscal year 2010, the City has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies."

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display and disclosure guidance for governments that file for Chapter 9 bankruptcy.

The implementation of these GASB Statements had no material effect on the financial statements of the City.

Restatement of Prior Year Net Assets

The Street Opening Fund was reclassified from a private purpose trust fund to an agency fund. This restatement reduced unrestricted net assets \$20,100 and increased current liability: undistributed monies \$20,100.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements, appropriations, and encumbrances.

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, presented for the General Fund on the budgetary basis to provide a relevant comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are that:

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental types (GAAP).
4. Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements.

| | General Fund |
|---|-----------------|
| GAAP Basis | (\$111,705) |
| Net Adjustment for Revenue Accruals | 5,785 |
| Net Adjustment for Expenditure Accruals | (475,765) |
| Encumbrances | 199,516 |
| Budget Basis | (\$382,169) |

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

1. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdraw able on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
2. Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.
3. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Protection of the City’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Interim monies are permitted to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand - At year end, the City had \$4,291 in undeposited cash on hand, of which \$1,100 is included on the balance sheet as part of "Equity in Pooled Cash and Cash Equivalents" and \$3,191 is included on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts".

**CITY OF NORWALK, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Deposits – Custodial credit risk is the risk that, in the event of bank failure, the City’s deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution.

Based on the criteria described in GASB 40, “ Deposits and Investment Risk Disclosures,” as of December 31, 2010, \$11,132,114 of the City’s bank balance of \$12,377,878, was exposed to custodial risk as discussed above, while \$1,245,764 was covered by FDIC. Of the uninsured bank balance, all was collateralized with securities held by the pledging institution’s trust department, but not in the City’s name.

Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

As of December 31, 2010, the City had the following investments and maturities:

| Investment Type | Fair Value | Investment Maturities (in Years) | | |
|------------------------|--------------------|----------------------------------|--------------------|------------------|
| | | Less Than 1 | 1-5 | More Than 10 |
| STAR Ohio | \$234,322 | \$234,322 | \$0 | \$0 |
| City of Norwalk Bonds | 147,863 | 0 | 0 | 147,863 |
| Repurchase Agreements | 215,880 | 215,880 | 0 | 0 |
| Federal Home Loan Bank | 1,000,000 | 0 | 1,000,000 | 0 |
| Total | <u>\$1,598,065</u> | <u>\$450,202</u> | <u>\$1,000,000</u> | <u>\$147,863</u> |

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. According to the City’s policy, investments made by the Treasurer must mature within five years from the date of purchase with an average weighted maturity not to exceed two years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments had the following ratings by Standard & Poors.

| | |
|------------------------|------|
| STAR Ohio | AAAm |
| Federal Home Loan Bank | AAA |

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial credit risk beyond the requirement in State Statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk is the possibility of loss attributed to the magnitude of the City’s investment in a single issuer. More than five percent of the City’s investments are in STAR Ohio, Repurchase Agreement, City of Norwalk Bond, and FHLB. The City’s policy places no limit on the amount that may be invested in any one issuer.

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STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price that is the price the investment could be sold for on December 31, 2010.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2010, consisted of taxes, accounts (billings for user charged services, rents and royalties), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements, shared revenues, and notes receivable.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant.

Notes Receivable

The City of Norwalk has an active Revolving Loan Fund program receiving grants from the Ohio Department of Development funded by the Community Development Block Grant Program and the Federal Economic Development Administration. Grants are invested in loans to economic development projects that are approved by the local Revolving Loan Fund Board and Norwalk City Council. Projects will create and retain jobs in the community with the majority available to persons from low and moderate income households. Loans for machinery and equipment are normally five to seven years and real estate is ten to twenty years.

The Community Development Block Grant Program and a federally funded Housing Preservation Grant have also provided loans for persons in low and moderate income households for eligible housing rehabilitation projects. Most of these loans are deferred and only become payable at the time the property is sold or title is transferred from the property owner that obtained the loan.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2010 for real and public utility property taxes represents collections of the 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) is for 2009 taxes.

2010 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35% of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

Beginning in calendar year 2009, tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property tax collections in calendar year 2010 represent delinquent collections.

CITY OF NORWALK, OHIO
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House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2009-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The full tax rate for all City operations for the year ended December 31, 2010, was \$6.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

| | Total Assessed | |
|---------------------------------------|----------------------|----------------|
| | Value | % |
| Real Property Valuation: | | |
| Residential/Agriculture | \$207,057,730 | 73.04% |
| Commercial/Industrial/Mineral | 69,689,200 | 24.58% |
| Public Utilities | 9,460 | 0.00% |
| Tangible Personal Property Valuation: | | |
| Public Utilities | 6,738,890 | 2.38% |
| Total Valuation | <u>\$283,495,280</u> | <u>100.00%</u> |

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Norwalk. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental fund financial statements, the entire receivable is offset by deferred revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

NOTE 8 - INCOME TAX

The City levies and collects an income tax on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% for the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated taxes at least quarterly and to file a final return annually.

The income tax collected in 2010 was distributed to the general fund (66.66%), sanitation enterprise fund (16.67%) and general capital improvements fund (16.67%).

**CITY OF NORWALK, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 9 - SPECIAL ASSESSMENTS

Special assessments include annually assessed service assessments. Service-type special assessments are levied against all property owners which benefit from the provided service. Special assessments are payable by the time and in the manner stipulated in the assessing ordinance and are a lien from the date of the passage of the ordinance. The City's special assessments include sidewalk construction/repair which are billed by the County Auditor and collected by the County Treasurer.

The County Auditor periodically remits these collections to the City.
Special assessments collected in one calendar year are levied and certified in the preceding calendar year.

NOTE 10 – RISK MANAGEMENT

A. Liability Insurance

The City is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The City has a comprehensive property and casualty policy with a deductible of \$1,000 per incident. The City's vehicle liability insurance policy limit is \$3,000,000 with a \$1,000 collision deductible. All Council members, administrators and employees are covered under a City liability policy. The limits of this coverage are \$3,000,000 per occurrence and \$5,000,000 in the aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction of coverage from the prior year.

B. Fidelity Bonds

The Mayor, Director of Finance, Municipal Court Judge and Clerk of Courts have a \$100,000 position bond. The Director of Law has a \$5,000 position bond. All other City employees are covered by a \$50,000 blanket bond.

C. Workers' Compensation

The City pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

D. Employee Health Insurance

The City has elected to provide employee medical and prescription benefits provided through a health insurance consortium comprised of other public entities beginning January 1, 2006. The Ohio Mid Eastern Education Service Agency (OME-RESA) is the consortium that administers the provision of medical, hospitalization, and prescription drug benefits for all claims incurred during membership in the OME-RESA. A third party administrator chosen by the City then provides administrative services to the OME-RESA in connection with the processing and payment of claims. The City of Norwalk is responsible for the first \$35,000 in claims, the OME-RESA pool is responsible for claims from \$35,000 to \$400,000 and claims over \$400,000 are covered with stop-loss insurance coverage with a carrier chosen by the consortium. Fixed premiums for the calendar year are determined by the OME-RESA and paid to the third party administrator. The insurance plan for the City provides a \$600.00 family and \$300.00 single deductible.

In 2010, the City share of the family coverage was \$1,217.62 per month while the employee contribution was \$99.17 per pay. The City share of the single coverage was \$474.31 per month while the employee contribution was \$38.63 per pay.

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

| | Beginning Balance <u>01/01/2010</u> | <u>Transfers</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>12/31/2010</u> |
|--|---|------------------|---------------------|-------------------|------------------------------|
| Governmental Activities | | | | | |
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | \$2,005,447 | \$0 | \$304,423 | (\$39,300) | \$2,270,570 |
| Construction in Progress | 22,696 | 0 | 161,778 | (6,826) | 177,648 |
| Total Capital Assets, Not Being Depreciated | <u>2,028,143</u> | <u>0</u> | <u>466,201</u> | <u>(46,126)</u> | <u>2,448,218</u> |
| Capital Assets, Being Depreciated: | | | | | |
| Land Improvements | 1,362,804 | 0 | 27,118 | 0 | 1,389,922 |
| Buildings | 7,225,637 | 0 | 24,732 | 0 | 7,250,369 |
| Equipment | 5,827,442 | (14,900) | 80,962 | (29,801) | 5,863,703 |
| Infrastructure | 19,107,210 | 0 | 584,612 | (59,394) | 19,632,428 |
| Total Capital Assets, Being Depreciated | <u>33,523,093</u> | <u>(14,900)</u> | <u>717,424</u> | <u>(89,195)</u> | <u>34,136,422</u> |
| Less Accumulated Depreciation: | | | | | |
| Land Improvements | (839,992) | 0 | (53,363) | 0 | (893,355) |
| Buildings | (2,692,544) | 0 | (155,217) | 0 | (2,847,761) |
| Equipment | (4,870,173) | 14,900 | (189,691) | 29,802 | (5,015,162) |
| Infrastructure | (8,256,328) | 0 | (781,768) | 8,908 | (9,029,188) |
| Total Accumulated Depreciation | <u>(16,659,037)</u> | <u>14,900</u> | <u>(1,180,039)*</u> | <u>38,710</u> | <u>(17,785,466)</u> |
| Total Capital Assets, Being Depreciated, net | <u>16,864,056</u> | <u>0</u> | <u>(462,615)</u> | <u>(50,485)</u> | <u>16,350,956</u> |
| Governmental Activities Capital Assets, net | <u>\$18,892,199</u> | <u>\$0</u> | <u>\$3,586</u> | <u>(\$96,611)</u> | <u>\$18,799,174</u> |

During 2010 the governmental funds purchased \$1,183,625 of capital assets. During 2010 the governmental funds transferred an asset to the proprietary funds in the amount of \$14,900.

**CITY OF NORWALK, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | Beginning Balance 01/01/2010 | Transfers | Additions | Deletions | Balance 12/31/2010 |
|--|------------------------------------|-----------|-------------|------------|-----------------------|
| Business-type Activities | | | | | |
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | \$26,497 | \$0 | \$8,800 | \$0 | \$35,297 |
| Construction in Progress | 301,970 | 0 | 0 | (22,400) | 279,570 |
| Total Capital Assets, Not Being Depreciated | 328,467 | 0 | 8,800 | (22,400) | 314,867 |
| Capital Assets, Being Depreciated: | | | | | |
| Land Improvements | 1,133,529 | 0 | 0 | 0 | 1,133,529 |
| Buildings | 13,064,391 | 0 | 330,875 | (567) | 13,394,699 |
| Equipment | 9,504,299 | 14,900 | 0 | (9,635) | 9,509,564 |
| Infrastructure | 28,791,924 | 0 | 272,030 | (11,321) | 29,052,633 |
| Total Capital Assets, Being Depreciated | 52,494,143 | 14,900 | 602,905 | (21,523) | 53,090,425 |
| Less Accumulated Depreciation: | | | | | |
| Land Improvements | (772,222) | 0 | (27,863) | 0 | (800,085) |
| Buildings | (3,783,223) | 0 | (273,209) | 265 | (4,056,167) |
| Equipment | (7,159,742) | (14,900) | (353,876) | 9,635 | (7,518,883) |
| Underground Piping | (13,486,610) | 0 | (663,280) | 11,321 | (14,138,569) |
| Total Accumulated Depreciation | (25,201,797) | (14,900) | (1,318,228) | 21,221 | (26,513,704) |
| Total Capital Assets, Being Depreciated, net | 27,292,346 | 0 | (715,323) | (302) | 26,576,721 |
| Business-Type Activities Capital Assets, net | \$27,620,813 | \$0 | (\$706,523) | (\$22,702) | \$26,891,588 |

*Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------------|--------------------|
| General Government | \$45,260 |
| Security of Persons and Property | 136,745 |
| Transportation | 805,964 |
| Leisure Time Activities | 192,070 |
| Total | <u>\$1,180,039</u> |

NOTE 12 – CAPITAL LEASES

The City entered into a lease agreement for a sewer jet cleaner in 2008. This lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards Board No. 13, "Accounting for Leases." Accordingly, this lease has been recorded at the present value of their future minimum lease payments, as of the inception date. The sewer jet cleaner has been recorded in the sewer and water enterprise funds.

CITY OF NORWALK, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of December 31, 2010:

| <u>Year Ending December 31,</u> | <u>Business-Type Activities Lease Payments</u> |
|---|--|
| 2011 | \$44,464 |
| 2012 | 44,464 |
| Total minimum lease payments | 88,928 |
| Less: Amount representing interest | (6,200) |
| Present value of net minimum lease payments | <u><u>\$82,728</u></u> |

NOTE 13 – LONG-TERM OBLIGATIONS

| | <u>Interest Rate</u> | <u>Original Issue Amount</u> | <u>Date of Maturity</u> |
|--|--------------------------|----------------------------------|-----------------------------|
| Governmental Activities: | | | |
| Parking Improvement Bonds | 5.50% | \$90,000 | December 1, 2017 |
| Parking Improvement Bonds | 6.00% | \$185,000 | December 1, 2017 |
| Street Improvement Bonds | 3.85%-5.30% | \$875,000 | December 1, 2014 |
| OPWC Memorial Reservoir Spillway | 0% | \$276,578 | January 1, 2018 |
| OPWC East/West Parkway Construction | 0% | \$125,000 | July 1, 2022 |
| OPWC Woodlawn Avenue Paving Project | 0% | \$21,900 | January 1, 2021 |
| OPWC West Monroe/Case Street Improvements | 0% | \$95,621 | January 1, 2014 |
| OPWC Woodlawn Ave Paving Project Phase IV | 0% | \$101,799 | January 1, 2022 |
| Police and Fire Past Service Cost | 4.25% | \$541,508 | November 1, 2035 |
| OWDA Milan/Chatham Sewers Project | 3.90% | \$1,198,098 | January 1, 2022 |
| | <u>Interest Rate</u> | <u>Original Issue Amount</u> | <u>Date of Maturity</u> |
| Business-Type Activities: | | | |
| Waterworks Refunding Bonds, Series 1996 | 3.80%-5.90% | \$3,910,000 | April 1, 2015 |
| OPWC Pleasant Street Pumping Station | 0% | \$289,001 | January 1, 2020 |
| OWDA Southside Sewer Separation | 3.85% | \$1,189,805 | July 1, 2016 |
| OWDA Ward/Parsons Sewer Construction | 3.75% | \$562,594 | July 1, 2019 |
| OWDA Milan/Chatham Sewers Project | 3.90% | \$1,797,148 | January 1, 2022 |
| OWDA Water Treatment Plant Project | 3.25% | \$752,940 | January 1, 2028 |
| OWDA Wastewater Treatment Plant Improve | 2.94% | \$8,365,070 | July 1, 2028 |
| OWDA Corwin Street Sewer Project | 3.67% | \$735,000 | July 1, 2027 |
| OWDA Norwood Ave Waterline Replace | 4.78% | \$329,555 | July 1, 2028 |

CITY OF NORWALK, OHIO
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Changes in the long-term obligations of the City during 2010 were as follows:

| | Balance 1/1/2010 | Additions | Deletions | Balance 12/31/2010 | Amount Due In One Year |
|--|---------------------|------------------|--------------------|-----------------------|---------------------------|
| Governmental Activities: | | | | | |
| Parking Improvement Bonds | \$47,705 | \$0 | (\$4,907) | \$42,798 | \$5,176 |
| Parking Improvement Bonds | 100,158 | 0 | (10,120) | 90,038 | 10,727 |
| Street Improvement Bonds | 365,000 | 0 | (65,000) | 300,000 | 70,000 |
| Total General Obligation Bonds | <u>512,863</u> | <u>0</u> | <u>(80,027)</u> | <u>432,836</u> | <u>85,903</u> |
| OPWC Memorial Reservoir Spillway | 124,459 | 0 | (13,829) | 110,630 | 13,829 |
| OPWC East/West Parkway Construction | 78,125 | 0 | (6,250) | 71,875 | 6,250 |
| OPWC West Monroe/Case Street Improvements | 38,249 | 0 | (9,562) | 28,687 | 9,562 |
| OPWC Woodlawn Ave Paving Project | 16,060 | 0 | (1,460) | 14,600 | 1,460 |
| OPWC Woodlawn Ave Paving Project Phase IV | 81,438 | 0 | (6,787) | 74,651 | 6,787 |
| Total OPWC Loans | <u>338,331</u> | <u>0</u> | <u>(37,888)</u> | <u>300,443</u> | <u>37,888</u> |
| Police and Fire Past Service Cost | 431,306 | 0 | (9,666) | 421,640 | 10,080 |
| OWDA Milan/Chatham Sewers Project | 825,804 | 0 | (55,155) | 770,649 | 57,327 |
| Compensated Absences | 1,017,743 | 445,379 | (356,636) | 1,106,486 | 363,795 |
| Total Governmental Activities | <u>\$3,126,047</u> | <u>\$445,379</u> | <u>(\$539,372)</u> | <u>\$3,032,054</u> | <u>\$554,993</u> |
| | Balance 1/1/2010 | Additions | Deletions | Balance 12/31/2010 | Amount Due In One Year |
| Business -Type Activity: | | | | | |
| Waterworks Refunding Bonds, Series 1996 | \$1,715,000 | \$0 | (\$250,000) | \$1,465,000 | \$260,000 |
| Unamortized Discount on Bonds | (6,165) | 0 | 1,174 | (4,991) | (1,174) |
| Unamortized Charge-Refunding Bonds | (123,926) | 0 | 25,833 | (98,093) | (23,700) |
| Total General Obligation Bonds | <u>1,584,909</u> | <u>0</u> | <u>(222,993)</u> | <u>1,361,916</u> | <u>235,126</u> |
| OPWC Pleasant Street Pumping Station | 158,951 | 0 | (14,450) | 144,501 | 14,450 |
| OWDA Southside Sewer Separation | 489,541 | 0 | (67,647) | 421,894 | 70,276 |
| OWDA Ward/Parsons Sewer Construction | 349,987 | 0 | (31,299) | 318,688 | 32,483 |
| OWDA Milan/Chatham Sewers Project | 1,238,705 | 0 | (82,732) | 1,155,973 | 85,990 |
| OWDA Water Treatment Improvement Note | 612,456 | 0 | (19,153) | 593,303 | 28,610 |
| OWDA Wastewater Treatment Improvement Note | 7,221,401 | 0 | (276,839) | 6,944,562 | 331,551 |
| OWDA Corwin Street Sewer Project | 550,981 | 0 | (11,793) | 539,188 | 24,241 |
| OWDA Norwood Ave Waterline Replacement | 314,163 | 0 | (10,884) | 303,279 | 11,410 |
| Total OWDA Loans | <u>10,777,234</u> | <u>0</u> | <u>(500,347)</u> | <u>10,276,887</u> | <u>584,561</u> |
| Capital Leases | 121,186 | 0 | (38,457) | 82,728 | 40,364 |
| Compensated Absences | 501,319 | 54,457 | (79,861) | 475,915 | 151,256 |
| Total Business-Type Activity | <u>\$13,143,599</u> | <u>\$54,457</u> | <u>(\$856,108)</u> | <u>\$12,341,947</u> | <u>\$1,025,757</u> |

**CITY OF NORWALK, OHIO
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The Ohio Public Works Commission (OPWC) loans and the Ohio Water Development Authority (OWDA) loans in the enterprise funds have been received for improvement to the City's water and sewer system. Water and sewer revenues are expected to be used to repay the loans. The liability for police and fire past service cost relates to the City's liability to certain employees incurred prior to the establishment of the Ohio Police and Fire Pension Fund. The City is required to make payments of approximately \$27,900, including interest, annually through the year 2035. The liability for police and fire past service cost will be repaid with taxes on all taxable property in the City. An OPWC loan was received for improvements to the Memorial Reservoir Spillway. Repayment of this loan will be made with income tax monies. An OPWC loan was received for construction to the East/West Parkway and will be paid from the general capital improvements fund with income tax monies and special assessments. An OPWC loan was received for the Woodlawn Avenue Paving Project and will be paid from the general capital improvements fund.

The City has pledged future revenues to repay the Sewer OWDA loans. The loans are payable solely from revenues generated by the ownership and operation of the sewer utility system and are payable through 2028. Revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments of the loans are expected to require 95 percent of net sewer revenues. The total principal and interest remaining to be paid on the loans is \$11,812,796. Principal and interest paid for the current year were \$770,499 and total net revenues were \$1,053,600.

The City has pledged future revenues to repay the Water OWDA loans. The loans are payable solely from revenues generated by the ownership and operation of the water utility system and are payable through 2028. Revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments of the loans are expected to require 12 percent of the net water revenues. The total principal and interest remaining to be paid on the loans is \$1,215,461. Principal and interest paid for the current year were \$54,954 and total net revenues were \$108,559.

The governmental portion of the OWDA Milan/Chatham Sewers Project Loan will be paid from the general capital improvements fund with income tax monies.

Compensated absences will be paid from the fund from which the employee is paid.

Outstanding general obligation bonds consist of sewer system construction and improvement, waterworks improvement, street improvement and parking improvement issues. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged. The general obligation bonds consisting of sewer system construction and improvement issues will be repaid with taxes levied on all taxable property in the City. The general obligation bonds consisting of the waterworks improvement will be repaid with revenues of the water utility. The general obligation bonds consisting of parking improvement issues will be repaid with proceeds from parking meters, parking permit sales and fines from parking violations. The general obligation bonds consisting of the street improvement issue will be repaid with income tax monies and special assessments.

During 1997, the City approved an ordinance providing for the issuance and sale of \$185,000 in bonds for the purpose of paying the cost of acquiring real property in the downtown area to be used as a parking lot. Also, during 1997, the City approved an ordinance providing for the issuance and sale of \$90,000 in bonds for the purpose of paying a portion of the cost of constructing a public parking lot in the downtown area. These bonds were subsequently purchased by the capital projects funds, with the proceeds being received into the special revenue funds. As of December 31, 2010, these debt issues are recorded as "Investment in Norwalk Securities" in the capital projects funds in the amount of \$147,863. All interest income arising from these transactions is credited to the capital projects funds.

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The annual requirements to amortize all debt outstanding as of December 31, 2010, including interest payments of \$73,606 for the general long-term obligations bonds, \$225,823 for the waterworks general obligation bonds, and \$2,935,632 for the OWDA loans are as follows:

Governmental Activities

| | <u>OWDA Loans</u> | | <u>General Obligation Bonds</u> | | <u>OPWC Loans</u> |
|-----------|-------------------|------------------|---------------------------------|-----------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> |
| 2011 | \$57,327 | \$29,502 | \$85,903 | \$23,701 | \$37,888 |
| 2012 | 59,584 | 27,244 | 91,832 | 19,133 | 37,888 |
| 2013 | 61,931 | 24,898 | 92,815 | 14,139 | 37,889 |
| 2014 | 64,370 | 22,459 | 98,855 | 9,085 | 28,326 |
| 2015 | 66,904 | 19,924 | 19,956 | 3,704 | 28,326 |
| 2016-2020 | 376,180 | 57,962 | 43,475 | 3,844 | 113,968 |
| 2021-2025 | 84,353 | 2,475 | 0 | 0 | 16,158 |
| Total | <u>\$770,649</u> | <u>\$184,463</u> | <u>\$432,836</u> | <u>\$73,606</u> | <u>\$300,443</u> |

Business-Type Activities

| | <u>OWDA Loans</u> | | <u>General Obligation Bonds</u> | | <u>OPWC Loans</u> |
|-----------|---------------------|--------------------|---------------------------------|------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> |
| 2011 | \$584,561 | \$325,478 | \$260,000 | \$78,765 | \$14,450 |
| 2012 | 604,116 | 305,925 | 280,000 | 62,835 | 14,450 |
| 2013 | 624,337 | 285,701 | 290,000 | 46,020 | 14,450 |
| 2014 | 645,249 | 264,790 | 305,000 | 28,468 | 14,450 |
| 2015 | 666,879 | 243,164 | 330,000 | 9,735 | 14,450 |
| 2016-2020 | 3,200,722 | 896,957 | 0 | 0 | 72,251 |
| 2021-2025 | 2,980,943 | 398,376 | 0 | 0 | 0 |
| 2026-2030 | 970,080 | 30,777 | 0 | 0 | 0 |
| Total | <u>\$10,276,887</u> | <u>\$2,751,169</u> | <u>\$1,465,000</u> | <u>\$225,823</u> | <u>\$144,501</u> |

NOTE 14 - DEBT DEFEASANCE

In 1996, the City defeased the 1990 series revenue bonds by purchasing U.S. government securities with the proceeds of new bonds and placing these securities in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 series revenue bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's basic financial statements.

On December 31, 2010, \$1,465,000 of bonds outstanding were considered defeased.

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NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. *Public Employees Retirement System*

All employees of the City, with the exclusion of City police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), which administers three separate pension plans as described below:

1. The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The OPERS issues a stand-alone financial report that may be obtained by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2010 member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1% respectively. The 2010 employer contribution rate for state and local employers was 14.00% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2010 was 17.87%.

The City's contributions for pension obligations to the OPERS for the years ending December 31, 2010, 2009, and 2008 were \$575,809, \$590,193, and \$446,779 respectively. The full amount has been contributed for 2009 and 2008. 77.33% has been contributed for 2010.

B. *Ohio Police and Fire Pension Fund*

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. The OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

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Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.5% for police officers and 24.0% for firefighters. The City's contributions to the fund for police and firefighters was \$202,892 and \$213,553 for the year ended December 31, 2010, \$184,819 and \$221,832 for the year ended December 31, 2009, and \$191,862 and \$201,973 for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 60.15% and 55.00%, respectively, have been contributed for 2010 with the remainder being reported as a liability.

C. *Social Security System*

All volunteer firefighters and Council members, not otherwise covered by another retirement system, are covered by Social Security. The City's liability is 6.2% of wages paid.

NOTE 16 – POSTEMPLOYMENT BENEFITS

A. *Public Employees Retirement System*

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010 state and local employers contributed 14.00% of covered payroll, and public safety and law enforcement employers contributed 17.87%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

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OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's actual contributions to fund post-employment benefits were \$48,756 for January 1 through February 28 and \$221,619 for March 1 through December 31, 2010; \$299,461 and \$223,389 for the years ending December 31, 2009 and 2008, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post employment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan.) Participating employers are required to contribute to the pension plan at rates expressed by percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The city's contributions to OP&F for the years ending December 31, 2010, 2009, and 2008 were \$310,305, \$282,665 and \$293,457, respectively, of which \$107,413, \$97,846 and \$101,595, respectively, was allocated to the healthcare plan for police and \$297,117, \$308,636 and \$281,025, respectively, of which \$83,564, \$86,804, and \$79,052, respectively, was allocated to the healthcare plan for fire fighters.

NOTE 17 - COMPENSATED ABSENCES

Full-time City employees who have completed at least one full year of continuous full-time service with the City shall be entitled to vacation with pay. Vacation hours and maximums are based upon hours scheduled and worked based upon the length of service. Employees earn vacation at rates varying from two weeks to five weeks per year. Part-time, seasonal, temporary, intermittent employees and interim employees of six months or less are not eligible for paid vacation leave. An employee who has completed one year of continuous full-time service with the City is entitled to compensation at his or her current rate of pay for the pro-rated portion of any earned, but unused, vacation leave for the current year at the time of separation, retirement or death.

Full-time City employees earn sick leave at the rate of .05769 hours for every paid service hour completed for the City. Sick leave to be paid for time away from work due to illness may be accumulated without limit. An employee, at the time of retirement from active service with the City, or a legal representative of the employee upon death of the employee, may elect to be paid in cash or have paid to his or her estate 50% of the value of his or her earned but unused sick leave credit up to a maximum of 2,200 hours. The maximum of such payment shall not exceed 1,100 hours.

Full-time police officers and firefighters are entitled to three days compensatory time in lieu of any other compensation for working regular schedules on the designated holidays.

As of December 31, 2010, the liability for compensated absences was \$1,582,401 for the entire City.

NOTE 18 - CONTINGENT LIABILITIES

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, City management believes such disallowances, if any, will be immaterial.

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NOTE 19 - INTERFUND TRANSACTIONS

Interfund transfers for the year ending December 31, 2010 consisted of the following:

| Transfers Out: | <u>Transfers In:</u> |
|---------------------|---|
| <u>General Fund</u> | <u>All Other Governmental Funds</u> |
| | \$897,148 |

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

NOTE 20 – CONSTRUCTION COMMITMENTS

As of December 31, 2010, the City had contractual commitments as follows:

| <u>Project</u> | <u>Remaining Commitment</u> |
|---|---------------------------------|
| Pleasant Street Sewer Construction | \$28,500 |
| East/West Connector Road from Rt. 250 | \$25,918 |
| Soccer Park Development | \$7,995 |
| Monroe St. Handicap Accessibility Project | \$73,435 |
| Land Acquisition Sofios Park | \$108,278 |
| Water Street Sewer Improvement | \$23,123 |
| Linwood Bridge/Gallup Guardrail | \$266,551 |
| Suhr Park Project | \$6,416 |
| Handicap Ramps – Urban Paving Project | \$121,220 |
| Seminary/Case Waterline | \$36,950 |