

**CITY OF NORWALK, OHIO
HURON COUNTY**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

**CITY OF NORWALK, OHIO
HURON COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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BASIC FINANCIAL STATEMENTS

**CERTIFIED PUBLIC ACCOUNTANTS
121 College Street
Wadsworth, Ohio 44281
330/336-1706 Fax 330/334-5118**

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, 2013, 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 30, 2014

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City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
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, 2013. 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 2013 are as follows:

- The assets plus deferred outflows of resources of the City exceeded its liabilities plus deferred inflows at the close of the year ended December 31, 2013, by \$50.4 million (net position). Unrestricted net position in the amount of \$6.1 million is available to meet the City's ongoing obligations to citizens and creditors. The City's net position related to governmental activities amounted to \$29.9 million, while net position related to business-type activities amounted to \$20.5 million.
- Total net position for the year increased by \$2,593,130 or approximately 5.4%. Net position for business-type activities increased 11.8% while those related to governmental activities increased 1.5%.
- The City's total revenues amounted to \$20.4 million in 2013, of which \$11.7 million related to governmental activities and \$8.7 million to business-type activities. Program specific revenues in the form of charges for services, grants and contributions accounted for \$11.2 million or 54.8% of total revenues.
- The City had \$17.9 million in expenses in 2013, \$11.3 million of which were for governmental activities and \$6.6 million for business-type activities.
- Among major funds, the General Fund had \$7.1 million in revenues, excluding other financing sources in and \$6.0 million in expenditures, excluding other financing uses in 2013. \$828,972 was transferred to other funds.
- The General Fund's balance increased to \$3.3 million, an increase of \$232,699 from the beginning 2013 balance. The General Fund balance was 47.4% of total General Fund revenues, which is an increase of 7.6% from 2012. Overall, General Fund revenues were down compared to 2012. However, expenditures were also down compared to 2012, causing an increase in the ending fund balance.
- During 2013, the City's total long-term obligations decreased from \$12.6 million to \$12.4 million. The decrease of \$169,922 was due to retirement of principal on notes and bonds and the addition of several capital leases.

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 Position 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, 2013
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Reporting the City as a Whole

Statement of Net Position and Statement of Activities

These government-wide statements answer the question, "How did the City as a whole do financially during 2013? They are prepared on the accrual basis of accounting, including all assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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 position and the changes in the net position. This change in net position 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 Position.* This Statement (page 11) reports all assets and liabilities of the City as of December 31, 2013. The difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources is reported as net position. Increases in net position 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, 2013. Changes in net position 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 Position 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, Storm Water Utility Fund and Sanitation Fund, which are reported as Business-Type Activity.

Business-Type Activities – The City reports the activities of services (Water, Sewer, Storm Water Utility 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, General Capital Improvements 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
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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, Sanitation Fund, and Storm Water Utility are all considered to be major funds and are displayed separately in the proprietary fund statements on pages 18 through 20.

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 only 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 53 of this report.

City of Norwalk, Ohio
Management's Discussion and Analysis
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The City as a Whole

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Norwalk, assets plus deferred outflows of resources exceed liabilities plus deferred inflows of resources by \$29,905,264 in governmental activities and \$20,516,345 in business-type activities as of December 31, 2013. The largest portion of the City's net position reflects its investment in capital assets (i.e. land, construction in progress, land improvements, buildings, equipment, and infrastructure), less accumulated depreciation and 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 accumulated depreciation and 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.

During 2013, the City's overall financial position was increased by \$2,593,130 as governmental activities net position increased by \$429,221 and those for business-type activities increased by \$2,163,909. Net position is presented in the following table:

Table 1
City of Norwalk
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current Assets	\$14,259,014	\$14,885,187	\$4,713,005	\$3,436,514	\$18,972,019	\$18,321,701
Capital Assets, Net	20,535,265	19,189,557	27,033,651	26,776,430	47,568,916	45,965,987
Total Assets	34,794,279	34,074,744	31,746,656	30,212,944	66,540,935	64,287,688
Deferred Outflows of Resources	0	0	11,000	16,500	11,000	16,500
Liabilities						
Current and Other Liabilities	522,935	845,978	351,410	304,118	874,345	1,150,096
Long-Term Liabilities:						
Due Within One Year	704,566	572,868	1,234,174	1,138,648	1,938,740	1,711,516
Due in More Than One Year	2,729,249	2,172,712	9,655,727	10,434,242	12,384,976	12,606,954
Total Liabilities	3,956,750	3,591,558	11,241,311	11,877,008	15,198,061	15,468,566
Deferred Inflows of Resources	932,265	1,007,143	0	0	932,265	1,007,143
Net Assets						
Invested in Capital Assets, Net of Debt	18,704,887	17,937,054	16,870,865	15,832,335	35,575,752	33,769,389
Restricted	8,700,929	9,095,371	0	0	8,700,929	9,095,371
Unrestricted	2,499,448	2,443,618	3,645,480	2,520,101	6,144,928	4,963,719
Total Net Position	\$29,905,264	\$29,476,043	\$20,516,345	\$18,352,436	\$50,421,609	\$47,828,479

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Table 2 below, indicates the changes in net position for the year ended December 31, 2013.

Table 2
City of Norwalk
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues:						
Charges for Services	\$1,976,380	\$2,199,436	\$6,221,315	\$5,652,558	\$8,197,695	\$7,851,994
Operating Grants and Contributions	1,619,241	1,297,817	0	0	1,619,241	1,297,817
Capital Grants and Contributions	345,299	356,644	1,032,859	0	1,378,158	356,644
General Revenues:						
Property Taxes	1,074,504	1,141,098	0	0	1,074,504	1,141,098
Income Tax	5,479,863	5,265,980	1,096,143	1,053,188	6,576,006	6,319,168
Shared Revenues	440,028	322,718	0	0	440,028	322,718
Payment in Lieu of Taxes	7,631	7,430	0	0	7,631	7,430
Grants and Entitlements Not Restricted to Specific Programs	675,403	753,390	0	0	675,403	753,390
Investment Income	41,168	84,028	0	0	41,168	84,028
Miscellaneous	50,904	280,533	383,190	46,050	434,094	326,583
Total Revenues	11,710,421	11,709,074	8,733,507	6,751,796	20,443,928	18,460,870
Expenses						
Program Expenses:						
General Government	1,975,265	2,079,931	0	0	1,975,265	2,079,931
Security of Persons and Property	4,722,949	4,894,489	0	0	4,722,949	4,894,489
Public Health	124,795	142,536	0	0	124,795	142,536
Leisure Time Services	1,715,681	1,741,278	0	0	1,715,681	1,741,278
Community and Economic	727,082	640,055	0	0	727,082	640,055
Transportation	1,973,154	1,471,826	0	0	1,973,154	1,471,826
Interest and Fiscal Charges	42,274	48,053	0	0	42,274	48,053
Water	0	0	2,697,437	2,857,223	2,697,437	2,857,223
Sewer	0	0	2,692,638	2,791,180	2,692,638	2,791,180
Sanitation	0	0	1,042,146	1,060,733	1,042,146	1,060,733
Storm Water Utility	0	0	137,377	139,434	137,377	139,434
Total Expenses	11,281,200	11,018,168	6,569,598	6,848,570	17,850,798	17,866,738
Increase (Decrease) in Net Assets	429,221	690,906	2,163,909	(96,774)	2,593,130	594,132
Transfers	0	(254,050)	0	254,050	0	0
Increase in Net Assets After Transfers	429,221	436,856	2,163,909	157,276	2,593,130	594,132
Net Assets - Beginning	29,476,043	29,039,187	18,352,436	18,195,160	47,828,479	47,234,347
Net Assets - Ending	<u>\$29,905,264</u>	<u>\$29,476,043</u>	<u>\$20,516,345</u>	<u>\$18,352,436</u>	<u>\$50,421,609</u>	<u>\$47,828,479</u>

Governmental Activities

The City income tax is the largest contributor of revenues sources in government activities accounting for 46.8% of total revenues. Property taxes generate 9.2% and grants and entitlements generate 22.5% of total revenues.

The City's direct charges to users of governmental services represent 16.9% of total revenue. These charges are from fees for recreational activities, fines and forfeitures related to judicial activity and licenses and permits.

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Security of Persons and Property account for 41.9% of governmental expenses, general government accounts for 17.5% of governmental expenses while transportation costs and leisure time services represent 17.5% and 15.2% of governmental expenses respectively.

Business-Type Activities

The City's business-type activities are the water and sewer departments, the storm water utility 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 71.3% 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 \$3.60 for the first 1,000 gallons of water. The minimum user sewer rate was \$3.70 for the first 1,000 gallons of water. Rates for usage over 1,000 gallons or more for 2013 were \$.72 per hundred gallons for water and \$.74 per hundred gallons for sewer.

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, unassigned 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, 2013, the City's governmental funds reported combined ending fund balances of \$12,206,048, a decrease of \$5,159 in comparison with the prior year. Approximately 26.9% of this total amount of \$12,206,048 is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, committed or assigned 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 or committed 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 unassigned balance was \$3,280,991, while the total fund balance was \$3,340,166. As a measure of the general funds liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 54.6% of total General Fund expenditures, while total fund balance represents 55.6% of that same amount. The General Fund balance increased by \$232,699 or 7.5% over the prior year.

The other major governmental funds of the City, besides the General Fund are the General Capital Improvements Fund and 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 position in the Water, Sewer, Sanitation, and Storm Water Utility funds increased \$658,529 or 8.6%, \$1,327,113 or 14.6%, \$93,536 or 6.1%, \$84,731 or 228.1%, respectively.

City of Norwalk, Ohio
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For the Year Ended December 31, 2013
Unaudited

Budgetary Highlights

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

There was a 5.6% increase in revenue from the final budget to the actual in the General Fund. The increase was primarily due to an increase in income taxes. \$376,517 more was collected than was budgeted. Of that amount, \$255,512 was attributed to income tax receipts. Interest earnings decreased \$119,570 from 2012.

Actual General Fund expenditures compared to the budget reflected approximately \$429,893 remaining in unappropriated funds as of December 31, 2013. Security of persons and property which is largely the Police and Fire Department activity, accounted for \$243,657 of those unappropriated funds and general government accounted for \$182,752. Budgets continued to be tight in 2013. 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 2013, all City personnel were retained with the exception of some positions that were not filled after vacancies that occurred through attrition.

Health care premiums were reduced in 2013 however the participation level between employer and employee remained unchanged at 85/15.

Capital Assets and Debt Administration

Capital Assets

The City's net investment in capital assets for its governmental and business-type activities as of December 31, 2013, amounts to \$47,568,916 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, equipment, and infrastructure. The total increase in the City's net investment in capital assets for the current year was 3.5% (7.0% increase for governmental activities and a 1.0% increase for business-type activities).

Table 3
City of Norwalk
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$3,654,240	\$2,913,883	\$35,297	\$35,297	\$3,689,537	\$2,949,180
Construction in Progress	681,084	151,180	375,488	1,392,604	1,056,572	1,543,784
Land Improvements	596,153	484,612	276,320	288,221	872,473	772,833
Buildings	4,255,203	4,279,003	8,929,009	9,211,882	13,184,212	13,490,885
Equipment	1,761,145	1,015,152	1,626,631	1,679,258	3,387,776	2,694,410
Infrastructure	9,587,440	10,345,727	15,790,906	14,169,168	25,378,346	24,514,895
Total Capital Assets, Net of Depreciation	<u>\$20,535,265</u>	<u>\$19,189,557</u>	<u>\$27,033,651</u>	<u>\$26,776,430</u>	<u>\$47,568,916</u>	<u>\$45,965,987</u>

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

City of Norwalk, Ohio
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Debt

As of December 31, 2013, the City had \$323,801 and \$9,871,489 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 \$807,000 of net indebtedness as of December 31, 2013. 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 \$14,268,084 as of December 31, 2013. 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 \$121,018 leaving the City's overall legal debt margin at \$27,349,085 as of December 31, 2013.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2011	2013	2012
General Obligation Bonds	\$80,000	\$155,000	\$645,000	\$945,000	\$725,000	\$1,100,000
OPWC Loans	222,651	251,305	101,150	115,601	323,801	366,906
OWDA Loans	591,806	653,737	9,279,683	9,847,646	9,871,489	10,501,383
Capital Lease	935,921	179,700	185,168	52,348	1,121,089	232,048
Police and Fire Past Service Costs	390,083	401,047	0	0	390,083	401,047
Total Long Term Debt	\$2,220,461	\$1,640,789	\$10,211,001	\$10,960,595	\$12,431,462	\$12,601,384

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 Position
December 31, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$10,051,458	\$3,777,161	\$13,828,619
Cash and Cash Equivalents in Segregated Accounts	8,964	0	8,964
Receivables:			
Taxes	2,211,911	232,022	2,443,933
Accounts	91,864	608,952	700,816
Accrued Interest	13,045	0	13,045
Intergovernmental	636,139	0	636,139
Special Assessments	48,353	2,798	51,151
Notes	1,114,604	0	1,114,604
Materials and Supplies Inventory	82,676	92,072	174,748
Noncurrent Assets:			
Non-Depreciable Capital Assets	4,335,324	410,785	4,746,109
Depreciable Capital Assets, Net	16,199,941	26,622,866	42,822,807
<i>Total Assets</i>	<u>34,794,279</u>	<u>31,746,656</u>	<u>66,540,935</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	0	11,000	11,000
<i>Total Deferred Outflows of Resources</i>	<u>0</u>	<u>11,000</u>	<u>11,000</u>
Liabilities			
Current Liabilities:			
Accounts Payable	337,933	257,459	595,392
Accrued Wages and Benefits	39,060	32,043	71,103
Intergovernmental Payable	143,019	61,908	204,927
Matured Compensatd Absences	2,923	0	2,923
Noncurrent Liabilities:			
Due Within One Year	704,566	1,234,174	1,938,740
Due In More Than One Year	2,729,249	9,655,727	12,384,976
<i>Total Liabilities</i>	<u>3,956,750</u>	<u>11,241,311</u>	<u>15,198,061</u>
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	932,265	0	932,265
<i>Total Deferred Inflows of Resources</i>	<u>932,265</u>	<u>0</u>	<u>932,265</u>
Net Position			
Net Investment in Capital Assets	18,704,887	16,870,865	35,575,752
Restricted for Debt Service	4,638	0	4,638
Restricted for Capital Projects	5,099,799	0	5,099,799
Restricted for Other Purposes	649,476	0	649,476
Restricted for Police Pension	119,105	0	119,105
Restricted for Fire Pension	38,050	0	38,050
Restricted for Parks and Recreation	111,177	0	111,177
Restricted for Police Levy	17,721	0	17,721
Restricted for Fire Levy	15,368	0	15,368
Restricted for Street Construction, Maint., & Repai	872,542	0	872,542
Restricted for Court Programs	509,298	0	509,298
Restricted for Community Development Programs	608,417	0	608,417
Restricted for Housing Programs	276,172	0	276,172
Restricted for Economic Development	391,579	0	391,579
Unrestricted	2,487,035	3,645,480	6,132,515
<i>Total Net Position</i>	<u>\$29,905,264</u>	<u>\$20,516,345</u>	<u>\$50,421,609</u>

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Activities
For the Year Ended December 31, 2013

	Program Revenues				Net (Expense) and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$1,975,265	\$354,358	\$19,486	\$120,148	(\$1,481,273)	\$0	(\$1,481,273)
Security of Persons and Property	4,722,949	635,646	150,869	6,242	(3,930,192)	0	(3,930,192)
Public Health	124,795	31,629	5,682	160	(87,324)	0	(87,324)
Leisure Time Services	1,715,681	922,135	77,601	0	(715,945)	0	(715,945)
Community and Economic Development	727,082	2,154	651,247	21	(73,660)	0	(73,660)
Transportation	1,973,154	30,458	714,356	218,728	(1,009,612)	0	(1,009,612)
Interest and Fiscal Charges	42,274	0	0	0	(42,274)	0	(42,274)
<i>Total Governmental Activities</i>	<u>11,281,200</u>	<u>1,976,380</u>	<u>1,619,241</u>	<u>345,299</u>	<u>(7,340,280)</u>	<u>0</u>	<u>(7,340,280)</u>
Business-Type Activities							
Water	2,697,437	3,026,881	0	0	0	329,444	329,444
Sewer	2,692,638	2,970,560	0	1,032,859	0	1,310,781	1,310,781
Sanitation	1,042,146	1,766	0	0	0	(1,040,380)	(1,040,380)
Storm Water Utility	137,377	222,108	0	0	0	84,731	84,731
<i>Total Business-Type Activities</i>	<u>6,569,598</u>	<u>6,221,315</u>	<u>0</u>	<u>1,032,859</u>	<u>0</u>	<u>684,576</u>	<u>684,576</u>
<i>Totals</i>	<u>\$17,850,798</u>	<u>\$8,197,695</u>	<u>\$1,619,241</u>	<u>\$1,378,158</u>	<u>(7,340,280)</u>	<u>684,576</u>	<u>(6,655,704)</u>

General Revenues:

Property Taxes Levied for:

General Purposes	568,841	0	568,841
Police Pension	72,016	0	72,016
Fire Pension	72,016	0	72,016
Police Levy	61,732	0	61,732
Fire Levy	61,732	0	61,732
Parks and Recreation	238,167	0	238,167
Income Taxes	5,479,863	1,096,143	6,576,006
Shared Revenues	440,028	0	440,028
Payments in Lieu of Taxes	7,631	0	7,631
Grants and Entitlements not Restricted to Specific Programs	675,403	0	675,403
Investment Earnings	41,168	0	41,168
Miscellaneous	50,904	383,190	434,094

Total General Revenues and Transfers 7,769,501 1,479,333 9,248,834

Change in Net Position 429,221 2,163,909 2,593,130

Net Position Beginning of Year 29,476,043 18,352,436 47,828,479

Net Position End of Year \$29,905,264 \$20,516,345 \$50,421,609

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Balance Sheet
Governmental Funds
December 31, 2013

	General	General Capital Improvements	Capital Investment Trust Fund	All Other Governmental Funds	Total Governmental Funds
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$2,509,284	\$837,758	\$4,191,811	\$2,512,605	\$10,051,458
Cash and Cash Equivalents in Segregated Accounts	8,964	0	0	0	8,964
Receivables:					
Taxes	1,498,965	232,022	0	480,924	2,211,911
Accounts	87,983	0	0	3,881	91,864
Accrued Interest	13,045	0	0	0	13,045
Intergovernmental	261,791	0	0	374,348	636,139
Special Assessments	0	48,353	0	0	48,353
Notes	0	0	0	1,114,604	1,114,604
Materials and Supplies Inventory	0	0	0	82,676	82,676
Advances to Other Funds	261	82,285	0	0	82,546
<i>Total Assets</i>	<u>\$4,380,293</u>	<u>\$1,200,418</u>	<u>\$4,191,811</u>	<u>\$4,569,038</u>	<u>\$14,341,560</u>
Liabilities					
Current Liabilities:					
Accounts Payable	\$103,502	116,960	\$0	\$117,471	\$337,933
Accrued Wages and Benefits	21,869	0	0	17,191	39,060
Intergovernmental Payable	109,562	0	0	33,457	143,019
Matured Compensated Absences	0	0	0	2,923	2,923
Advance from Other Funds	82,285	0	0	261	82,546
<i>Total Liabilities</i>	<u>317,218</u>	<u>116,960</u>	<u>0</u>	<u>171,303</u>	<u>605,481</u>
DEFERRED INFLOWS OF RESOURCES:					
Property Taxes not Levied to Finance Current Year Operations	511,269	0	0	420,996	932,265
Unavailable Revenue-Delinquent Property Taxes	59,888	0	0	59,928	119,816
Unavailable Revenue-Other	151,752	48,353	0	277,845	477,950
<i>Total Deferred Inflows of Resources</i>	<u>722,909</u>	<u>48,353</u>	<u>0</u>	<u>758,769</u>	<u>1,530,031</u>
Fund Balances					
Nonspendable:					
Inventories	0	0	0	82,676	82,676
Notes Receivable	0	0	0	1,114,604	1,114,604
Restricted for:					
Court Improvements	0	0	0	360,003	360,003
Debt Service Reserve	0	0	0	4,638	4,638
Economic Development	0	0	0	184,214	184,214
Fire Protection	0	0	0	38,248	38,248
Highways	0	0	0	52,590	52,590
Housing Programs	0	0	0	441,388	441,388
Law Enforcement	0	0	0	365,595	365,595
Other Purposes	0	0	0	200	200
Parks Capital Improvements	0	0	0	4,873	4,873
Capital Improvements	0	0	0	22,351	22,351
Street Repair and Maintenance	0	0	0	680,315	680,315
Committed to:					
Parks and Recreation	0	0	0	256,176	256,176
Parks Capital Improvements	0	0	0	34,673	34,673
Capital Improvements	0	1,035,105	4,191,811	2	5,226,918
Assigned to:					
Encumbrances	59,175	0	0	0	59,175
Unassigned (Deficit)	3,280,991	0	0	(3,580)	3,277,411
<i>Total Fund Balances</i>	<u>3,340,166</u>	<u>1,035,105</u>	<u>4,191,811</u>	<u>3,638,966</u>	<u>12,206,048</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$4,380,293</u>	<u>\$1,200,418</u>	<u>\$4,191,811</u>	<u>\$4,569,038</u>	<u>\$14,341,560</u>

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Reconciliation of Total Governmental Fund Balances to Net Position
of Governmental Activities
For the Year Ended December 31, 2013

Total Governmental Fund Balances \$12,206,048

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	3,654,240	
Construction in Progress	681,084	
Land Improvements (Net of Depreciation)	596,153	
Buildings (Net of Depreciation)	4,255,203	
Equipment (Net of Depreciation)	1,761,145	
Infrastructure (Net of Depreciation)	<u>9,587,440</u>	
Total		20,535,265

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

Property Taxes	119,816	
Intergovernmental	429,597	
Special Assessments	<u>48,353</u>	
Total		597,766

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

General Obligation Bonds	(80,000)	
OWDA Loan	(591,806)	
OPWC Loan	(222,651)	
Police and Fire Past Service Costs	(390,083)	
Capital Leases	(935,921)	
Compensated Absences	<u>(1,213,354)</u>	
		<u>(3,433,815)</u>

Net Position of Governmental Activities \$29,905,264

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General	General Capital Improvements	Capital Investment Trust Fund	All Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$565,639	\$0	\$0	\$502,254	\$1,067,893
Income Taxes	4,383,862	1,096,001	0	0	5,479,863
Payments in Lieu of Taxes	0	0	0	7,631	7,631
Shared Revenues	260,868	0	0	179,160	440,028
Special Assessments	9,568	69,737	0	35,880	115,185
Charges for Services	108,008	10,071	0	950,789	1,068,868
Licenses and Permits	227,977	0	0	12,711	240,688
Fines and Forfeitures	607,975	0	0	58,849	666,824
Intergovernmental	838,240	0	0	1,739,223	2,577,463
Interest	34,573	5,845	0	750	41,168
Contributions and Donations	12,931	0	0	41,220	54,151
Other	4,031	0	997	45,876	50,904
<i>Total Revenues</i>	<u>7,053,672</u>	<u>1,181,654</u>	<u>997</u>	<u>3,574,343</u>	<u>11,810,666</u>
Expenditures:					
Current:					
General Government	1,969,765	0	0	17,799	1,987,564
Security of Persons and Property	3,908,266	0	0	740,159	4,648,425
Public Health	101,883	0	0	28,145	130,028
Leisure Time Services	0	0	0	1,550,832	1,550,832
Community and Economic Development	13,328	0	0	622,021	635,349
Transportation	6,887	0	0	849,366	856,253
Capital Outlay	0	1,214,389	0	583,711	1,798,100
Debt Service:					
Principal Retirement	0	122,089	0	79,689	201,778
Interest and Fiscal Charges	5,845	33,191	0	3,238	42,274
<i>Total Expenditures</i>	<u>6,005,974</u>	<u>1,369,669</u>	<u>0</u>	<u>4,474,960</u>	<u>11,850,603</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>1,047,698</u>	<u>(188,015)</u>	<u>997</u>	<u>(900,617)</u>	<u>(39,937)</u>
Other Financing Sources (Uses):					
Transfers In	398	0	0	828,972	829,370
Proceeds of Loans	0	0	0	21,203	21,203
Proceeds of Sale of Capital Assets	13,575	0	0	0	13,575
Transfers Out	(828,972)	0	0	(398)	(829,370)
<i>Total Other Financing Sources (Uses)</i>	<u>(814,999)</u>	<u>0</u>	<u>0</u>	<u>849,777</u>	<u>34,778</u>
<i>Net Change in Fund Balances</i>	232,699	(188,015)	997	(50,840)	(5,159)
<i>Fund Balances Beginning of Year</i>	<u>3,107,467</u>	<u>1,223,120</u>	<u>4,190,814</u>	<u>3,689,806</u>	<u>12,211,207</u>
<i>Fund Balances End of Year</i>	<u>\$3,340,166</u>	<u>\$1,035,105</u>	<u>\$4,191,811</u>	<u>\$3,638,966</u>	<u>\$12,206,048</u>

See accompanying notes to the basic financial statements.

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, 2013

Net Change in Fund Balances - Total Governmental Funds (\$5,159)

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 outlay exceeded depreciation expense in the current period.

Capital Outlay	3,085,787	
Depreciation Expense	(1,345,871)	
Total	1,739,916	1,739,916

The net effect of adjustments of Capital Assets.
Adjustments (244,620)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a loss is reported as a direct expense of the related function or program.

Loss on Disposal of Capital Assets (149,588)

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

Property Taxes	6,611	
Special Assessments	11,397	
Intergovernmental	(110,016)	
Grants	(121,085)	
Total	(213,093)	(213,093)

Inception of Capital Lease is an other financing source in the governmental funds, but increases liabilities in governmental activities.

OPWC Note Issued	(11,203)	
Inception of Capital Lease	(825,533)	
Total	(836,736)	(836,736)

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 Position.

General Obligation Payments	75,000	
OWDA Loan Payable	61,930	
OPWC Loan Payments	29,856	
Police and Fire Past Service Costs Payments	10,964	
Capital Lease Payment	69,314	
Total	247,064	247,064

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

Compensated Absences (108,563)

Change in Net Position of Governmental Activities \$429,221

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Property Taxes	\$573,431	\$573,431	\$567,796	(\$5,635)
Income Taxes	4,145,000	4,145,000	4,400,512	255,512
Shared Revenues	151,000	151,000	260,868	109,868
Special Assessments	4,000	4,000	9,568	5,568
Charges for Services	68,820	68,820	90,073	21,253
Licenses and Permits	239,200	239,200	227,977	(11,223)
Fines and Forfeitures	743,500	743,500	628,705	(114,795)
Intergovernmental	727,375	727,375	780,082	52,707
Interest	42,000	42,000	33,506	(8,494)
Contributions and Donations	0	0	12,931	12,931
Reimbursements	14,000	14,000	72,458	58,458
Other	300	300	667	367
Total Revenues	6,708,626	6,708,626	7,085,143	376,517
EXPENDITURES:				
Current:				
General Government	2,258,173	2,314,129	2,131,377	182,752
Security of Persons and Property	4,174,719	4,206,287	3,962,630	243,657
Public Health	110,625	110,625	109,008	1,617
Community and Economic Development	14,275	14,084	13,784	300
Transportation	14,575	8,631	7,069	1,562
Interest and Fiscal Charges	5,850	5,850	5,845	5
Total Expenditures	6,578,217	6,659,606	6,229,713	429,893
Excess of Revenues Over Expenditures	130,409	49,020	855,430	806,410
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	398	398
Proceeds from Sale of Capital Assts	0	0	13,575	13,575
Transfers Out	(604,100)	(829,167)	(828,972)	195
Advances Out	(17,825)	(17,825)	(18,076)	(251)
Total Other Financing Sources (Uses)	(621,925)	(846,992)	(833,075)	13,917
Net Change in Fund Balance	(491,516)	(797,972)	22,355	820,327
Fund Balance at Beginning of Year	1,982,509	1,982,509	1,982,509	0
Prior Year Encumbrances Appropriated	236,517	236,517	236,517	0
Fund Balance at End of Year	\$1,727,510	\$1,421,054	\$2,241,381	\$820,327

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Fund Net Position
Proprietary Funds
December 31, 2013

	Business-Type Activities Enterprise Funds				Totals
	Water	Sewer	Sanitation	Storm Water Utility	
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$1,302,263	\$1,357,461	\$989,583	\$127,854	\$3,777,161
Receivables:					
Taxes	0	0	232,022	0	232,022
Accounts	282,188	301,874	1,341	23,549	608,952
Special Assessments	1,483	1,315	0	0	2,798
Materials and Supplies Inventory	74,702	17,370	0	0	92,072
Total Current Assets	1,660,636	1,678,020	1,222,946	151,403	4,713,005
Noncurrent Assets:					
Non-Depreciable Capital Assets	124,019	260,269	26,497	0	410,785
Depreciable Capital Assets, Net	9,297,654	16,727,407	544,485	53,320	26,622,866
Total Noncurrent Assets	9,421,673	16,987,676	570,982	53,320	27,033,651
<i>Total Assets</i>	<i>11,082,309</i>	<i>18,665,696</i>	<i>1,793,928</i>	<i>204,723</i>	<i>31,746,656</i>
Deferred Outflows of Resources					
Deferred Charge on Refunding	11,000	0	0	0	11,000
<i>Total Deferred Outflows of Resources</i>	<i>11,000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>11,000</i>
Liabilities					
Current Liabilities:					
Accounts Payable	156,912	52,830	26,231	21,486	257,459
Accrued Wages and Benefits	11,298	10,061	9,221	1,463	32,043
Intergovernmental Payable	24,565	22,310	13,111	1,922	61,908
Compensated Absences Payable	66,251	72,617	32,286	5,460	176,614
General Obligation Bonds Payable	315,000	0	0	0	315,000
Capital Leases Payable	17,419	17,419	0	12,881	47,719
OPWC Loans Payable	0	14,450	0	0	14,450
OWDA Loans Payable	79,805	600,586	0	0	680,391
Total Current Liabilities	671,250	790,273	80,849	43,212	1,585,584
Noncurrent Liabilities:					
Compensated Absences Payable - Net of Current Portion	185,037	223,880	81,714	11,655	502,286
General Obligation Bonds Payable - Net of Current Portio	330,000	0	0	0	330,000
Capital Leases Payable - Net of Current Portion	55,239	55,239	0	26,971	137,449
OPWC Loans Payable - Net of Current Portion	0	86,700	0	0	86,700
OWDA Loans Payable - Net of Current Portion	1,528,252	7,071,040	0	0	8,599,292
Total Noncurrent Liabilities	2,098,528	7,436,859	81,714	38,626	9,655,727
<i>Total Liabilities</i>	<i>2,769,778</i>	<i>8,227,132</i>	<i>162,563</i>	<i>81,838</i>	<i>11,241,311</i>
Net Position					
Net Investment in Capital Assets	7,135,972	9,142,241	570,982	21,670	16,870,865
Unrestricted	1,187,559	1,296,323	1,060,383	101,215	3,645,480
Total Net Position	\$8,323,531	\$10,438,564	\$1,631,365	\$122,885	\$20,516,345

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2013

	Business-Type Activities				Totals
	Enterprise Funds				
	Water	Sewer	Sanitation	Storm Water Utility	
Operating Revenues:					
Charges for Services	\$3,026,881	\$2,970,560	\$1,766	\$222,108	\$6,221,315
Other Operating Revenue	329,085	16,332	0	0	345,417
<i>Total Operating Revenues</i>	<u>3,355,966</u>	<u>2,986,892</u>	<u>1,766</u>	<u>222,108</u>	<u>6,566,732</u>
Operating Expenses:					
Personal Services	1,144,339	1,061,625	575,487	89,203	2,870,654
Contractual Services	548,482	282,927	300,707	35,834	1,167,950
Materials and Supplies	381,507	257,809	89,997	2,521	731,834
Depreciation	482,957	758,937	75,955	8,202	1,326,051
Other	0	1,905	0	0	1,905
<i>Total Operating Expenses</i>	<u>2,557,285</u>	<u>2,363,203</u>	<u>1,042,146</u>	<u>135,760</u>	<u>6,098,394</u>
<i>Operating Income (Loss)</i>	<u>798,681</u>	<u>623,689</u>	<u>(1,040,380)</u>	<u>86,348</u>	<u>468,338</u>
Non-Operating Revenues (Expenses):					
Municipal Income Tax	0	0	1,096,143	0	1,096,143
Other Non-Operating Revenues	0	0	37,773	0	37,773
Interest and Fiscal Charges	(71,683)	(255,451)	0	(1,617)	(328,751)
Loss on Sale of Capital Assets	(68,469)	(73,984)	0	0	(142,453)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(140,152)</u>	<u>(329,435)</u>	<u>1,133,916</u>	<u>(1,617)</u>	<u>662,712</u>
<i>Income Before Contributions</i>	658,529	294,254	93,536	84,731	1,131,050
Capital Contributions from Other Funds	0	1,032,859	0	0	1,032,859
<i>Change in Net Position</i>	658,529	1,327,113	93,536	84,731	2,163,909
<i>Net Position at Beginning of Year</i>	<u>7,665,002</u>	<u>9,111,451</u>	<u>1,537,829</u>	<u>38,154</u>	<u>18,352,436</u>
<i>Net Position at End of Year</i>	<u>\$8,323,531</u>	<u>\$10,438,564</u>	<u>\$1,631,365</u>	<u>\$122,885</u>	<u>\$20,516,345</u>

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	Business-Type Activities				
	Enterprise Funds				
	Water	Sewer	Sanitation	Storm Water Utility	Totals
Cash Flows from Operating Activities					
Cash Received from Customers	\$3,003,674	\$2,972,862	\$13,832	\$221,812	\$6,212,180
Cash Payments to Employees for Services	(1,126,208)	(1,041,241)	(561,559)	(85,830)	(2,814,838)
Cash Payments for Goods and Services	(834,824)	(468,447)	(384,790)	(17,002)	(1,705,063)
Other Operating Revenues	329,085	16,332	0	0	345,417
Other Operating Expenses	0	(1,905)	0	0	(1,905)
Net Cash Provided by (Used in) Operating Activities	<u>1,371,727</u>	<u>1,477,601</u>	<u>(932,517)</u>	<u>118,980</u>	<u>2,035,791</u>
Cash Flows from Noncapital Financing Activities					
Municipal Income Tax	0	0	1,100,129	0	1,100,129
Other Non-Operating Revenue	0	0	36,432	0	36,432
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>1,136,561</u>	<u>0</u>	<u>1,136,561</u>
Cash Flows from Capital and Related Financing Activities					
Proceeds from Loans	90,546	0	0	0	90,546
Acquisition of Capital Assets	(500,266)	(192,600)	0	0	(692,866)
Principal Payments	(377,228)	(595,731)	0	(12,496)	(985,455)
Interest Payments	(66,183)	(255,451)	0	(1,617)	(323,251)
Net Cash (Used in) Capital and Related Financing Activities	<u>(853,131)</u>	<u>(1,043,782)</u>	<u>0</u>	<u>(14,113)</u>	<u>(1,911,026)</u>
Net Increase in Cash and Cash Equivalents	518,596	433,819	204,044	104,867	1,261,326
Cash and Cash Equivalents Beginning of Year	783,667	923,642	785,559	22,987	2,515,855
Cash and Cash Equivalents End of Year	<u>\$1,302,263</u>	<u>\$1,357,461</u>	<u>\$989,603</u>	<u>\$127,854</u>	<u>\$3,777,181</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	\$890,703	\$715,711	(\$1,040,380)	\$86,348	\$652,382
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Depreciation	482,957	758,937	75,955	8,202	1,326,051
(Increase) Decrease in Operating Assets:					
Accounts Receivable	(23,879)	1,706	12,066	(296)	(10,403)
Special Assessments Receivable	672	596	0	0	1,268
Materials and Supplies Inventory	(28,725)	(18,679)	0	0	(47,404)
Increase (Decrease) in Operating Liabilities:					
Accounts Payable	62,080	(1,025)	3,899	20,872	85,826
Accrued Wages and Benefits	3,416	2,201	1,925	408	7,950
Compensated Absences Payable	20,829	26,634	15,568	3,574	66,605
Intergovernmental Payable	(6,143)	(8,480)	(1,550)	(128)	(16,301)
Retainage Payable	(30,183)	0	0	0	(30,183)
Total Adjustments	<u>481,024</u>	<u>761,890</u>	<u>107,863</u>	<u>32,632</u>	<u>1,383,409</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$1,371,727</u>	<u>\$1,477,601</u>	<u>(\$932,517)</u>	<u>\$118,980</u>	<u>\$2,035,791</u>
Noncash Capital Activities					
Capital Assets Contributed by Developers	\$0	\$1,032,859	\$0	\$0	\$1,032,859

The Water & Sewer Funds each entered into a \$92,022 capital lease for a street sweeper.

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2013

	<u>Agency</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$90,139
Cash and Cash Equivalents in Segregated Accounts	<u>36,210</u>
<i>Total Assets</i>	<u><u>\$126,349</u></u>
Liabilities	
Current Liabilities:	
Undistributed Monies	<u>126,349</u>
<i>Total Liabilities</i>	<u><u>\$126,349</u></u>

See accompanying notes to the basic financial statements.

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**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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 basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting-body for establishing governmental accounting and financial principles. The most significant of the City's accounting policies are described below:

A. *Basis of Presentation*

The City’s basic financial statements consist of government-wide statements, including a statement of net position 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 position 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, 2013**

The statement of net position 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. Non-major 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.

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

General Capital Improvements Fund – The general capital improvements fund accounts for capital improvements in the City and is funded by 1/4% of the City’s income tax collected.

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.

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 position, 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.

Storm Water Utility Fund – The storm water utility fund accounts for the provision of regulating the discharge, distribution and treatment of storm water within the City.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

C. *Measurement Focus*

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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.

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, shared revenues (estate tax and guest tax), payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes (See Note 8), shared revenues and payment in lieu of taxes are recognized in the period in which the income is earned. 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 non-exchange 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, intergovernmental (homestead and rollback, grants, MVL and gas taxes) fines and forfeitures, interest, fees, rentals and special assessments.

Deferred Inflows/Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

Property taxes for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance year 2014 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as deferred inflows of resources not levied to finance current year. 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, 201, are recorded as deferred inflows of resources unavailable revenue.

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

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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.

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year 2013. 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 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, 2013.

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 2013 amounted to \$34,573, which includes \$27,783 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 position/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. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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, 2013, 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. The City had no prepaid items in 2013.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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 position 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 position 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.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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.

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 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

Fund balance is divided into five classifications based primarily on the extent to which the City must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The City classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The nonspendable criterion includes items that are not expected to be converted to cash.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation (City ordinances). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

3. Committed

Council can *commit* amounts via formal action (ordinance or resolution). The City must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by City Council or a City official delegated that authority by City Charter, or by Ordinance.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. *Net Position*

Net position represents assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. Net investment in capital assets component of net positions 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included. Net position is reported as restricted when there are limitations imposed on its 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 positions are available.

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, 2013**

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 non-operating 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 2013.

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 fund had a deficit in fund balance at December 31, 2013:

Fund	Deficit
Capital Projects Funds:	
State Issue II E Main	(\$3,580)

This fund 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.

B. *Change in Accounting Principles*

For fiscal year 2013, the City has implemented GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities.”

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB 65 had no material effect on the financial statements of the City.

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:

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.

Net Changes in Fund Balance

	General Fund
GAAP Basis	\$232,699
Net Adjustment for Revenue Accruals	31,471
Net Adjustment for Expenditure Accruals	(509,714)
Encumbrances	267,899
Budget Basis	<u>\$22,355</u>

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FOR THE YEAR ENDED DECEMBER 31, 2013**

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.

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

**CITY OF NORWALK, OHIO
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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 \$10,064 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 \$8,964 is included on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts".

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, 2013, \$11,490,745 of the City's bank balance of \$12,762,625, was exposed to custodial risk as discussed above, while \$1,271,880 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.

**CITY OF NORWALK, OHIO
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Investments

As of December 31, 2013, the City had the following investments and maturities:

Investment Type	Investment Maturities (in years)	
	Fair Value	Less Than 1
STAR Ohio	\$234,724	\$234,724
	\$234,724	\$234,724

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

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, and City of Norwalk Bond. The City’s policy places no limit on the amount that may be invested in any one issuer.

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 consisted 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, 2013.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2013, 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.

**CITY OF NORWALK, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 2013 for real and public utility property taxes represents collections of the 2012 taxes. Property tax payments received during 2013 for tangible personal property (other than public utility property) is for 2012 taxes.

2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35% of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 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 2011 represent delinquent collections. 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 was 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 was be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out.

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The full tax rate for all City operations for the year ended December 31, 2013, was \$6.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

	Total Assessed	
	<u>Value</u>	<u>%</u>
Real Property Valuation:		
Residential/Agriculture	\$ 189,348,390	72.25%
Commercial/Industrial/Mineral	64,449,310	24.59%
Public Utilities	14,210	0.01%
Tangible Personal Property Valuation:		
Public Utilities	<u>8,262,730</u>	<u>3.15%</u>
Total Valuation	<u>\$ 262,074,640</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, 2013 and for which there is an enforceable legal claim. In the governmental fund financial statements, the entire receivable is offset by deferred inflows of resources since the current taxes were not levied to finance 2013 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 recorded as deferred inflows of resources.

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 2012 was distributed to the general fund (66.66%), sanitation enterprise fund (16.67%) and general capital improvements fund (16.67%).

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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 Jefferson Health Plan is the consortium that administers the provision of medical, hospitalization, and prescription drug benefits for all claims incurred during membership in the Jefferson Health Plan. A third party administrator chosen by the City then provides administrative services to the Jefferson Health Plan in connection with the processing and payment of claims. The City of Norwalk is responsible for the first \$50,000 in claims, the Jefferson Health Plan pool is responsible for claims from \$50,000 to \$500,000 and claims over \$500,000 are covered with stop-loss insurance coverage with a carrier chosen by the consortium. Fixed premiums for the calendar year are determined by the Jefferson Health Plan and paid to the third party administrator. The insurance plan for the City provides an \$800.00 family and \$400.00 single deductible.

CITY OF NORWALK, OHIO
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In 2013, the City share of the family coverage was \$1,156.10 for the month of January while the employee contribution was \$95.20 per pay for January. The City share of the single coverage was \$412.78 per month while the employee contribution was \$33.99 per pay for January. A five month moratorium on premiums was taken for the months of February thru June. From July 2013 through December of 2013, the City share of the family coverage was \$867.07 while the employee contribution was \$70.62 per pay. The City share of the single coverage was \$297.93 per month from July through December while the employee contribution was \$24.27 per pay.

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance 1/1/20113	Additions	Deletions	Balance 12/31/2013
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$2,913,883	\$740,357	\$0	\$3,654,240
Construction in Progress	151,180	662,270	(132,366)	681,084
Total Capital Assets, Not Being Depreciated	3,065,063	1,402,627	(132,366)	4,335,324
Capital Assets, Being Depreciated:				
Land Improvements	1,489,529	178,403	0	1,667,932
Buildings	7,439,457	153,711	0	7,593,168
Equipment	6,325,262	1,005,320	(540,671)	6,789,911
Infrastructure	21,056,612	485,613	(605,458)	20,936,767
Total Capital Assets, Being Depreciated	36,310,860	1,823,047	(1,146,129)	36,987,778
Less Accumulated Depreciation:				
Land Improvements	(1,004,917)	(66,862)	0	(1,071,779)
Buildings	(3,160,454)	(177,511)	0	(3,337,965)
Equipment	(5,310,110)	(244,233)	525,577	(5,028,766)
Infrastructure	(10,710,885)	(857,265)	218,823	(11,349,327)
Total Accumulated Depreciation	(20,186,366)	(1,345,871) *	744,400	(20,787,837)
Total Capital Assets, Being Depreciated, net	16,124,494	477,176	(401,729)	16,199,941
Governmental Activities Capital Assets, net	<u>\$19,189,557</u>	<u>\$1,879,803</u>	<u>(\$534,095)</u>	<u>\$20,535,265</u>

During 2013 the governmental funds purchased \$3,093,308 of capital assets, which excludes completed CIP of \$132,366.

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	Beginning Balance 01/01/2013	Additions	Deletions	Balance 12/31/2013
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$35,297	\$0	\$0	\$35,297
Construction in Progress	1,392,604	164,493	(1,181,609)	375,488
Total Capital Assets, Not Being Depreciated	1,427,901	164,493	(1,181,609)	410,785
Capital Assets, Being Depreciated:				
Land Improvements	1,133,529	9,190	0	1,142,719
Buildings	13,827,612	13,439	0	13,841,051
Equipment	9,769,790	334,244	(169,106)	9,934,928
Infrastructure	29,667,118	2,385,968	(76,931)	31,976,155
Total Capital Assets, Being Depreciated	54,398,049	2,742,841	(246,037)	56,894,853
Less Accumulated Depreciation:				
Land Improvements	(845,308)	(21,091)	0	(866,399)
Buildings	(4,615,730)	(296,312)	0	(4,912,042)
Equipment	(8,090,532)	(312,887)	95,122	(8,308,297)
Underground Piping	(15,497,950)	(695,761)	8,462	(16,185,249)
Total Accumulated Depreciation	(29,049,520)	(1,326,051)	103,584	(30,271,987)
Total Capital Assets, Being Depreciated, net	25,348,529	1,416,790	(142,453)	26,622,866
Business-Type Activities Capital Assets, net	<u>\$26,776,430</u>	<u>\$1,581,283</u>	<u>(\$1,324,062)</u>	<u>\$27,033,651</u>

*Depreciation expense was charged to governmental functions as follows:

General Government	\$40,789
Security of Persons and Property	201,686
Transportation	898,924
Leisure Time Activities	204,472
Total	<u>\$1,345,871</u>

NOTE 12 – CAPITAL LEASES

The City entered into a lease agreement for a utility tractor with mower and a snow blower in 2011. In 2012, the City entered into a lease agreement for a street sweeper and three police cruisers. The City entered into lease agreements in 2013 for a Fire Department command vehicle and a ladder truck. These leases met the criteria of a capital lease as defined by GASB 62. Accordingly, these leases have been recorded at the present value of their future minimum lease payments, as of the inception date. The utility tractor with mower and the snow blower have been recorded in the parks and recreation fund. The street sweeper has been split between the state highway, streets, and the storm water utility funds. The police cruisers and the fire department ladder truck have been recorded in the general capital improvements fund. The command vehicle has been recorded in the general fund.

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The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of December 31, 2013:

<u>Governmental Activities Lease Payments</u>		
Year Ending December 31,	Equipment	Vehicles
2014	\$34,596	\$142,006
2015	34,596	110,860
2016	28,229	99,905
2017	0	99,905
2018	0	99,905
2019-2022	0	399,620
Total minimum lease payments	97,421	952,201
Less: Amount representing interest	(5,402)	(108,296)
Present value of net minimum lease payments	<u>\$92,019</u>	<u>\$843,905</u>

<u>Business-Type Activities Lease Payments</u>	
Year Ending December 31,	Equipment
2014	\$14,114
2015	14,114
2016	14,114
Total minimum lease payments	42,342
Less: Amount representing interest	(2,490)
Present value of net minimum lease payments	<u>\$39,852</u>

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NOTE 13 – LONG-TERM OBLIGATIONS

	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
Parking Improvement Bonds	5.50%	90,000	12/1/2017
Parking Improvement Bonds	6.00%	185,000	12/1/2017
Street Improvement Bonds	3.85%-5.3%	875,000	12/1/2014
East Main Street Roadway Improvement Phase III	0.00%	10,000	7/1/2023
OPWC Memorial Reservoir Spillway	0.00%	276,578	12/31/2018
OPWC East/West Parkway Construction	0.00%	125,000	7/1/2022
OPWC Woodlawn Avenue Paving Project	0.00%	21,900	1/1/2021
OPWC West Monroe/CaseStreet Improvements	0.00%	95,621	12/31/2013
OPWC Woodlawn Ave Paving Project Phase IV	0.00%	101,799	1/1/2022
OPWC Bridge Rehabilitation	0.00%	17,824	1/1/2027
OPWC Street Repair	0.00%	11,203	7/1/2033
Police and Fire Past Service Cost	4.25%	541,508	11/1/2035
OWDA Milan/Chatham Sewers Project	3.90%	1,198,098	1/1/2022

	Interest Rate	Original Issue Amount	Date of Maturity
Business -Type Activity:			
Waterworks Refunding Bonds, Series 2012	2.00%	945,000	10/1/2015
OPWC Pleasant St. Pumping Station	0.00%	289,001	12/31/2020
OWDA Southside Sewer Separation	3.85%	1,189,817	7/1/2016
OWDA Ward/Parsons Sewer Construction	3.75%	617,079	7/1/2019
OWDA Milan/Chatham Sewers Project	3.90%	1,797,148	1/1/2022
OWDA Water Treatment Plant Project	3.25%	695,073	1/1/2027
OWDA Wastewater Treatment Plant Improve	2.94%	8,012,446	7/1/2027
OWDA Corwin Street Sewer Project	3.67%	616,386	7/1/2027
OWDA Norwood Ave Waterline Replacement	4.78%	329,555	7/1/2028
OWDA West Main Street Waterline Replacement	2.82%	890,839	07/01/32

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Changes in the long-term obligations of the City during 2013 were as follows:

	Balance			Amount	
	01/01/2013	Additions	Deletions	Balance 12/31/2013	Due In One Year
Governmental Activities:					
Street Improvement Bonds	\$155,000	\$0	(\$75,000)	\$80,000	\$80,000
Total General Obligation Bonds	<u>155,000</u>	<u>0</u>	<u>(75,000)</u>	<u>80,000</u>	<u>80,000</u>
OPWC Memorial Reservoir Spillway	82,972	0	(13,829)	69,143	13,829
OPWC East/West Parkway Construction	59,375	0	(6,250)	53,125	6,250
OPWC West Monroe/Case Street Improvements	9,563	0	(9,563)	0	0
OPWC Woodlawn Ave Paving Project Phase III	11,680	0	(1,460)	10,220	1,460
OPWC Woodlawn Ave Paving Project Phase IV	61,079	0	(6,787)	54,292	6,786
OPWC Bridge Rehabilitation	16,636	0	(1,188)	15,448	1,188
OPWC East Main Phase III	10,000	0	(500)	9,500	1,000
OPWC Concrete Street Repair Project	0	11,203	(280)	10,923	560
Total OPWC Loans	<u>251,305</u>	<u>11,203</u>	<u>(39,857)</u>	<u>222,651</u>	<u>31,073</u>
Police and Fire Past Service Cost	401,047	0	(10,964)	390,083	11,435
OWDA Milan/Chatham Sewers Project	653,737	0	(61,931)	591,806	64,370
Capital Leases	179,700	825,533	(69,312)	935,921	147,908
Compensated Absences	1,104,791	436,105	(327,542)	1,213,354	369,780
Total Governmental Activities	<u>\$2,745,580</u>	<u>\$1,272,841</u>	<u>(\$584,606)</u>	<u>\$3,433,815</u>	<u>\$704,566</u>
Business -Type Activity:					
Waterworks Refunding Bonds, Series 2015	\$945,000	\$0	(\$300,000)	\$645,000	\$315,000
Unamortized Charge-Refunding Bonds	(16,500)	0	5,500	(11,000)	(5,500)
Total General Obligation Bonds	<u>928,500</u>	<u>0</u>	<u>(294,500)</u>	<u>634,000</u>	<u>309,500</u>
OPWC Pleasant Street Pumping Station	115,601	0	(14,451)	101,150	14,450
OWDA Southside Sewer Separation	278,610	0	(75,846)	202,764	78,794
OWDA Ward/Parsons Sewer Construction	252,492	0	(34,989)	217,503	36,313
OWDA Milan/Chatham Sewers Project	980,607	0	(92,896)	887,711	96,554
OWDA Water Treatment Improvement Note	531,269	0	(30,515)	500,754	31,515
OWDA Wastewater Treatment Improvement Note	6,252,418	0	(351,480)	5,900,938	361,890
OWDA Corwin Street Sewer Project	488,780	0	(26,070)	462,710	27,035
OWDA West Main Street Waterline Replacement	783,563	90,546	(34,172)	839,937	35,142
OWDA Norwood Ave Waterline Replacement	279,907	0	(12,541)	267,366	13,148
Total OWDA Loans	<u>9,847,646</u>	<u>90,546</u>	<u>(658,509)</u>	<u>9,279,683</u>	<u>680,391</u>
Capital Leases	52,348	184,044	(51,224)	185,168	47,719
Compensated Absences	612,295	232,238	(165,633)	678,900	176,614
Total Business-Type Activity	<u>\$11,556,390</u>	<u>\$506,828</u>	<u>(\$1,184,317)</u>	<u>\$10,878,901</u>	<u>\$1,228,674</u>

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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. An OPWC loan was received for the Bridge Rehabilitation Project and will be paid from the capital projects fund, OPWC bridge rehab fund. An OPWC loan was received for improvements of West Monroe/Case Street. The loan will be paid with income tax monies. An OPWC loan will be received for the East Main Street Roadway Improvements. A loan from OPWC was received for a street repair project. The loan will be paid from motor vehicle license and gas taxes.

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 \$9,286,140. Principal and interest paid for the current year were \$836,732 and total net revenues were \$1,382,626.

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 \$1,608,057. Principal and interest paid for the current year were \$77,228 and total net revenues were \$1,281,638.

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.

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The annual requirements to amortize the remaining debt outstanding as of December 31, 2013, including interest payments of \$102,820 and \$4,280 for the Governmental Activities OWDA loans and general long-term obligations bonds, respectively, \$9,069 for the Business-Type Activities general obligation bonds, and \$2,116,852 for the OWDA loans are as follows:

	Governmental Activities				
	OWDA Loans		General Obligation Bonds		OPWC Loans
	Principal	Interest	Principal	Interest	Principal
2014	\$64,370	\$22,459	\$80,000	\$4,280	\$31,073
2015	66,904	19,924	0	0	31,074
2016	69,539	17,289	0	0	31,074
2017	72,278	14,551	0	0	31,073
2018	75,124	11,705	0	0	31,074
2019-2023	243,591	16,892	0	0	58,397
2024-2028	0	0	0	0	6,366
2029	0	0	0	0	2,520
Total	<u>\$591,806</u>	<u>\$102,820</u>	<u>\$80,000</u>	<u>\$4,280</u>	<u>\$222,651</u>

	Business-Type Activities				
	OWDA Loans		General Obligation Bonds		OPWC Loans
	Principal	Interest	Principal	Interest	Principal
2014	\$680,391	\$288,231	\$315,000	\$6,784	\$14,450
2015	703,019	265,606	330,000	2,285	14,450
2016	683,484	246,205	0	0	14,450
2017	662,255	220,517	0	0	14,450
2018	683,833	198,942	0	0	14,450
2019-2023	3,286,439	703,101	0	0	28,900
2024-2028	2,386,315	183,158	0	0	0
2029	193,947	11,092	0	0	0
Total	<u>\$9,279,683</u>	<u>\$2,116,852</u>	<u>\$645,000</u>	<u>\$9,069</u>	<u>\$101,150</u>

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NOTE 14 - 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to 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 2013, 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 2013 member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members contributed 12.0% and 12.6% respectively. Effective January 1, 2014, the member contribution rates for public safety and law enforcement members increased to 12.0% and 13.0% respectively.

The 2013 employer contribution rate for state and local employers was 14.0% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.1% of covered payroll.

The City's contributions for pension obligations to the OPERS for the years ending December 31, 2013, 2012, and 2011 were \$674,768, \$470,816, and \$485,685 respectively. The full amount has been contributed for 2012 and 2011. 98.54 % has been contributed for 2013.

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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.

From January 1, 2013 through July 1, 2013, plan members were required to contribute 10% of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013, the City was 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 \$262,406 and \$275,912 for the year ended December 31, 2013, \$165,296 and \$198,608 for the year ended December 31, 2012, and \$176,462 and \$195,858 for the year ended December 31, 2011. The full amount has been contributed for 2012 and 2011. 99.46 % and 99.8%, respectively, have been contributed for 2013 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 15 – 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.

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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 visiting <https://www.opers.org/investments/cafr.shtml>, by writing to 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 coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013 state and local employers contributed 14.00% of covered payroll, and public safety and law enforcement employers contributed 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees 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 1.00% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.00% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. 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 \$51,905 at December 31, 2013, \$188,326 at December 31, 2012, and \$194,274 at December 31, 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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 for 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 45.

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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. That report is also available on OP&F's website at www.op-f.org.

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. 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. The portion of the employer contributions allocated to the health care plan was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013. 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, 2013, 2012, and 2011 were \$275,912, \$252,806, and \$269,883, respectively, of which \$44,877, \$87,510, and \$93,421, respectively, was allocated to the healthcare plan for police and \$275,912, \$276,325, and \$272,498, respectively, of which \$44,323, \$77,716, \$76,640, respectively, was allocated to the healthcare plan for fire fighters.

NOTE 16 - 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.

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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, 2013, the liability for compensated absences was \$1,892,254 for the entire City.

NOTE 17 - 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.

NOTE 18 - INTERFUND TRANSACTIONS

Interfund transfers for the year ending December 31, 2013 consisted of the following:

	Transfers In:		
	General Fund	All Other Governmental Funds	Total Transfers
Transfers Out:			Out
General Fund	\$0	\$828,972	\$828,972
All Other Governmental Funds	398	0	398
Total Transfers In	<u>\$398</u>	<u>\$828,972</u>	<u>\$829,370</u>

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.

Advances to/from other funds for the year ending December 31, 2013 consisted of the following:

Advance from Other Funds:	Advance to Other Funds:
Governmental Funds:	General Fund
Non-Major Governmental Funds	<u>\$82,285</u>

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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. At December 31, 2013, these debt issues are recorded as “Advance from another fund” in the capital projects funds in the amount of \$82,285. All interest income arising from these transactions is credited to the capital projects funds.

NOTE 19 – CONSTRUCTION COMMITMENTS

As of December 31, 2013, the City had contractual commitments as follows:

Project	Remaining Commitment
Sidewalk Program	\$1,366
Pleasant Street CSO	\$105,861
Downtown Revitalization	\$1,873
Benedict Avenue Waterline	\$2,545
West Main Street Waterline	\$873
Benedict/Elm Intersection Widening	\$18,133
Water Plant Roof	\$16,263
Sewer Building Roof	\$18,446
Westwind/Route 250 Widening	\$119,783
Marshall/Wooster Sewer Sepaation	\$747
Monroe Street Lobby/Restroom	\$16,744
Urban Paving Project	\$7,000
East Main Street Roadway Improvement Phase 4	\$32,382
Shingles/Painting Clubhouse	\$2,000