

**CITY OF NORWALK, OHIO  
HURON COUNTY**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**



**CITY OF NORWALK, OHIO  
HURON COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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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, 2014, which collectively comprise the City's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Reviews Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, on pages 3 through 10 and page 17, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. We have compiled such information without audit or review and accordingly, we do not express an opinion or provide any assurance on it.

*Varney, Fink & Associates*

Varney, Fink & Associates, Inc.  
Certified Public Accountants  
June 5, 2015

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**City of Norwalk, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*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, 2014. 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 2014 are as follows:

- The assets of the City exceeded its liabilities plus deferred inflows at the close of the year ended December 31, 2014, by \$50.9 million (net position). Unrestricted net position in the amount of \$6.3 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 \$29.2 million, while net position related to business-type activities amounted to \$21.7 million.
- Total net position for the year increased by \$1,403,569 or approximately 2.8%. Net position related to governmental activities increased .2%. The increase is mainly due to increases in charges for services, capital grants and contributions, and property tax revenues and decreases in leisure time services, community and economic development, and transportation expenses. Net position for business-type activities increased 6.6% while those related to governmental activities increased .2%. Increases in charges for services and sales, operating grants and contributions, and miscellaneous revenues were the main factors in the increase in net position for business-type activities.
- The City's total revenues, excluding transfers in amounted to \$19.4 million in 2014, of which \$11.6 million related to governmental activities and \$7.8 million to business-type activities. Program specific revenues in the form of charges for services, grants and contributions accounted for \$10.5 million or 54.0% of total revenues.
- The City had \$18.0 million in expenses, excluding transfers out in 2014, \$11.5 million of which were for governmental activities and \$6.5 million for business-type activities.
- Among major funds, the General Fund had \$6.9 million in revenues, excluding other financing sources in 2014 and \$6.2 million in expenditures, excluding other financing uses in 2014. \$835,703 was transferred to other funds.
- The General Fund's balance remained at \$3.3 million, with a slight decrease of \$56,412 from the beginning 2014 balance. The General Fund balance was 47.4% of total General Fund revenues, which is approximately the same from 2013.
- During 2014, the City's total long-term obligations decreased from \$12.4 million to \$11.4 million. The decrease of \$997,331 was due to retirement of principal on notes, bonds, and 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, 2014*  
*Unaudited*

**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 2014? 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, 2014. 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, 2014. 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*  
*For the Year Ended December 31, 2014*  
*Unaudited*

- **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 54 of this report.

### **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 exceed liabilities plus deferred inflows of resources by \$29,232,340 in governmental activities and \$21,644,251 in business-type activities as of December 31, 2014. 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.

**City of Norwalk, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

During 2014, the City's overall financial position was increased by \$1,403,569 as governmental activities net position increased by \$67,433 and those for business-type activities increased by \$1,336,136. Net position is presented in the following table:

**Table 1**  
**City of Norwalk**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current Assets	\$14,288,374	\$14,259,014	\$5,055,936	\$4,713,005	\$19,344,310	\$18,972,019
Capital Assets, Net	19,771,171	19,794,908	27,240,188	26,836,421	47,011,359	46,631,329
<b>Total Assets</b>	<b>34,059,545</b>	<b>34,053,922</b>	<b>32,296,124</b>	<b>31,549,426</b>	<b>66,355,669</b>	<b>65,603,348</b>
<b>Liabilities</b>						
Current and Other Liabilities	701,524	522,935	506,177	351,410	1,207,701	874,345
Long-Term Liabilities:						
Due Within One Year	626,222	704,566	1,297,623	1,234,174	1,923,845	1,938,740
Due in More Than One Year	2,521,476	2,729,249	8,848,073	9,655,727	11,369,549	12,384,976
<b>Total Liabilities</b>	<b>3,849,222</b>	<b>3,956,750</b>	<b>10,651,873</b>	<b>11,241,311</b>	<b>14,501,095</b>	<b>15,198,061</b>
<b>Deferred Inflows of Resources</b>						
	977,983	932,265	0	0	977,983	932,265
<b>Net Position</b>						
Net Investment in Capital Assets	18,174,745	17,964,530	17,749,053	16,625,420	35,923,798	34,589,950
Restricted	8,662,803	8,713,342	0	0	8,662,803	8,713,342
Unrestricted	2,394,792	2,487,035	3,895,198	3,682,695	6,289,990	6,169,730
<b>Total Net Position</b>	<b>\$29,232,340</b>	<b>\$29,164,907</b>	<b>\$21,644,251</b>	<b>\$20,308,115</b>	<b>\$50,876,591</b>	<b>\$49,473,022</b>

**City of Norwalk, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

Table 2 below, indicates the changes in net position for the year ended December 31, 2014.

**Table 2**  
**City of Norwalk**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$2,036,631	\$1,976,380	\$6,533,435	\$6,221,315	\$8,570,066	\$8,197,695
Operating Grants and Contributions	1,322,634	1,619,241	10,128	0	1,332,762	1,619,241
Capital Grants and Contributions	553,122	345,299	0	0	553,122	345,299
General Revenues:						
Property Taxes	1,090,484	1,074,504	0	0	1,090,484	1,074,504
Income Tax	5,472,569	5,479,863	1,094,513	1,096,143	6,567,082	6,576,006
Shared Revenues	102,610	440,028	0	0	102,610	440,028
Payment in Lieu of Taxes	8,925	7,631	0	0	8,925	7,631
Grants and Entitlements Not Restricted to Specific Programs	728,243	675,403	0	0	728,243	675,403
Lawsuit Settlement	0	0	0	327,780	0	327,780
Investment Income	70,225	41,168	0	0	70,225	41,168
Miscellaneous	200,015	50,904	148,909	55,410	348,924	106,314
<b>Total Revenues</b>	<b>11,585,458</b>	<b>11,710,421</b>	<b>7,786,985</b>	<b>7,700,648</b>	<b>19,372,443</b>	<b>19,411,069</b>
<b>Expenses</b>						
Program Expenses:						
General Government	2,185,069	1,962,381	0	0	2,185,069	1,962,381
Security of Persons and Property	5,133,759	4,692,145	0	0	5,133,759	4,692,145
Public Health	142,966	123,982	0	0	142,966	123,982
Leisure Time Services	1,816,887	1,704,490	0	0	1,816,887	1,704,490
Community and Economic Development	399,400	722,341	0	0	399,400	722,341
Transportation	1,779,707	2,040,926	0	0	1,779,707	2,040,926
Interest and Fiscal Charges	60,237	42,274	0	0	60,237	42,274
Water	0	0	2,879,307	2,594,161	2,879,307	2,594,161
Sewer	0	0	2,356,377	2,704,303	2,356,377	2,704,303
Sanitation	0	0	1,029,686	1,042,146	1,029,686	1,042,146
Storm Water Utility	0	0	185,479	137,377	185,479	137,377
<b>Total Expenses</b>	<b>11,518,025</b>	<b>11,288,539</b>	<b>6,450,849</b>	<b>6,477,987</b>	<b>17,968,874</b>	<b>17,766,526</b>
Increase in Net Position	67,433	421,882	1,336,136	1,222,661	1,403,569	1,644,543
Transfers	0	(733,018)	0	733,018	0	0
Increase (Decrease) in Net Position						
After Transfers	67,433	(311,136)	1,336,136	1,955,679	1,403,569	1,644,543
Net Position - Beginning	29,164,907	29,476,043	20,308,115	18,352,436	49,473,022	47,828,479
Net Position - Ending	<b>\$29,232,340</b>	<b>\$29,164,907</b>	<b>\$21,644,251</b>	<b>\$20,308,115</b>	<b>\$50,876,591</b>	<b>\$49,473,022</b>

**City of Norwalk, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

***Governmental Activities***

The City income tax is the largest contributor of revenues sources in government activities accounting for 47.2% of total revenues. Property taxes generate 9.4% and grants and entitlements generate 22.5% of total revenues.

The City's direct charges to users of governmental services represent 17.6% of total revenue. These charges are from fees for recreational activities, fines and forfeitures related to judicial activity and licenses and permits.

Security of Persons and Property account for 44.6% of governmental expenses, general government accounts for 19.0% of governmental expenses while transportation costs and leisure time services represent 15.5% and 15.8% 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 84.0% 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 \$4.05 for the first 1,000 gallons of water. Rates for usage over 1,000 gallons or more for 2014 were \$.72 per hundred gallons for water and \$.81 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, 2014, the City's governmental funds reported combined ending fund balances of \$12,032,804, a decrease of \$173,244 in comparison with the prior year. Approximately 25.4% of this total amount of \$12,032,804 is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted or committed 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 \$3,283,754, the same as the total fund balance. 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 & total fund balances both represent 53.3% of total General Fund expenditures, including transfers out. The General Fund balance decreased by \$56,412 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 \$246,089 or 3.0%, \$951,850 or 9.2%, \$100,938 or 6.2%, \$37,259 or 30.3%, respectively.

**City of Norwalk, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

***Budgetary Highlights***

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

There was a 4.4% increase in revenue from the final budget to the actual in the General Fund. The increase was primarily due to an increase in income tax receipts. \$186,928 more was collected than was budgeted. Interest earnings increased \$14,922 from 2013.

Actual General Fund expenditures compared to the budget reflected approximately \$354,450 remaining in unappropriated funds as of December 31, 2014. Security of persons and property which is largely the Police and Fire Department activity, accounted for \$106,189 of those unappropriated funds and general government accounted for \$240,220. Budgets continued to be tight in 2014. 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 2014, 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 2014, 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, 2014, amounts to \$46,631,329 (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 .8% (.1% decrease for governmental activities and a 1.5% increase for business-type activities).

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$3,010,927	\$2,913,883	\$36,807	\$35,297	\$3,047,734	\$2,949,180
Construction in Progress	1,265,076	681,084	1,401,263	375,488	2,666,339	1,056,572
Land Improvements	575,567	596,153	254,999	276,320	830,566	872,473
Buildings	4,143,060	4,255,203	8,634,895	8,929,009	12,777,955	13,184,212
Equipment	1,808,453	1,761,145	1,776,731	1,626,631	3,585,184	3,387,776
Infrastructure	8,968,086	9,587,440	15,135,493	15,593,676	24,103,579	25,181,116
Total Capital Assets, Net of Depreciation	\$19,771,169	\$19,794,908	\$27,240,188	\$26,836,421	\$47,011,357	\$46,631,329

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**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

**Debt**

As of December 31, 2014, the City had \$278,277 and \$9,454,796 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 \$393,000 of net indebtedness as of December 31, 2014. 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 \$14,206,533 as of December 31, 2014. 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 \$63,431 leaving the City's overall legal debt margin at \$27,179,227 as of December 31, 2014.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2012	2014	2013
General Obligation Bonds	\$0	\$80,000	\$330,000	\$645,000	\$330,000	\$725,000
OPWC Loans	191,577	222,651	86,700	101,150	278,277	323,801
OWDA Loans	527,436	591,806	8,927,360	9,279,683	9,454,796	9,871,489
Capital Lease	855,061	935,921	137,349	185,168	992,410	1,121,089
Police and Fire Past Service Costs	378,648	390,083	0	0	378,648	390,083
<b>Total Long Term Debt</b>	<b>\$1,952,722</b>	<b>\$2,220,461</b>	<b>\$9,481,409</b>	<b>\$10,211,001</b>	<b>\$11,434,131</b>	<b>\$12,431,462</b>

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, 2014**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$9,923,939	\$4,059,441	\$13,983,380
Cash and Cash Equivalents in Segregated Accounts	7,569	0	7,569
Receivables:			
Taxes	2,196,341	226,052	2,422,393
Accounts	110,456	672,664	783,120
Accrued Interest	24,842	0	24,842
Intergovernmental	703,530	9,456	712,986
Special Assessments	43,801	2,245	46,046
Notes	1,219,558	0	1,219,558
Materials and Supplies Inventory	58,338	86,078	144,416
Noncurrent Assets:			
Non-Depreciable Capital Assets	4,276,003	1,438,070	5,714,073
Depreciable Capital Assets, Net	15,495,168	25,802,118	41,297,286
<i>Total Assets</i>	<u>34,059,545</u>	<u>32,296,124</u>	<u>66,355,669</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	452,335	383,004	835,339
Accrued Wages and Benefits	38,330	33,038	71,368
Intergovernmental Payable	188,507	80,409	268,916
Retainage Payable	22,352	9,726	32,078
Noncurrent Liabilities:			
Due Within One Year	626,222	1,297,623	1,923,845
Due In More Than One Year	2,521,476	8,848,073	11,369,549
<i>Total Liabilities</i>	<u>3,849,222</u>	<u>10,651,873</u>	<u>14,501,095</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes not Levied to Finance Current Year Operations	977,983	0	977,983
<i>Total Deferred Inflows of Resources</i>	<u>977,983</u>	<u>0</u>	<u>977,983</u>
<b>Net Position</b>			
Net Investment in Capital Assets	18,174,745	17,749,053	35,923,798
Restricted for Debt Service	1,375	0	1,375
Restricted for Capital Projects	5,114,383	0	5,114,383
Restricted for Other Purposes	753,567	0	753,567
Restricted for Police Pension	181,650	0	181,650
Restricted for Fire Pension	32,804	0	32,804
Restricted for Parks and Recreation	124,001	0	124,001
Restricted for Police Levy	18,790	0	18,790
Restricted for Fire Levy	16,437	0	16,437
Restricted for Street Construction, Maint., & Repair	697,830	0	697,830
Restricted for Court Programs	489,224	0	489,224
Restricted for Community Development Programs	567,317	0	567,317
Restricted for Housing Programs	272,001	0	272,001
Restricted for Economic Development	393,424	0	393,424
Unrestricted	2,394,792	3,895,198	6,289,990
<i>Total Net Position</i>	<u>\$29,232,340</u>	<u>\$21,644,251</u>	<u>\$50,876,591</u>

See Accompanying Notes and Accountants' Report.

City of Norwalk, Ohio  
Huron County  
Statement of Activities  
For the Year Ended December 31, 2014

	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
<b>Governmental Activities</b>							
General Government	\$2,185,069	\$345,572	\$47,433	\$40,507	(\$1,751,557)	\$0	(\$1,751,557)
Security of Persons and Property	5,133,759	644,003	244,403	51,212	(4,194,141)	0	(4,194,141)
Public Health	142,966	35,075	11,230	163	(96,498)	0	(96,498)
Leisure Time Services	1,816,887	974,686	53,336	32,200	(756,665)	0	(756,665)
Community and Economic Development	399,400	2,325	185,034	16	(212,025)	0	(212,025)
Transportation	1,779,707	34,970	781,198	429,024	(534,515)	0	(534,515)
Interest and Fiscal Charges	60,237	0	0	0	(60,237)	0	(60,237)
<i>Total Governmental Activities</i>	<u>11,518,025</u>	<u>2,036,631</u>	<u>1,322,634</u>	<u>553,122</u>	<u>(7,605,638)</u>	<u>0</u>	<u>(7,605,638)</u>
<b>Business-Type Activities</b>							
Sanitation	1,029,686	14,353	143	0	0	(1,015,190)	(1,015,190)
Sewer	2,356,377	3,215,693	252	0	0	859,568	859,568
Storm Water Utility	185,479	222,738	0	0	0	37,259	37,259
Water	2,879,307	3,080,651	9,733	0	0	211,077	211,077
<i>Total Business-Type Activities</i>	<u>6,450,849</u>	<u>6,533,435</u>	<u>10,128</u>	<u>0</u>	<u>0</u>	<u>92,714</u>	<u>92,714</u>
<i>Totals</i>	<u>\$17,968,874</u>	<u>\$8,570,066</u>	<u>\$1,332,762</u>	<u>\$553,122</u>	<u>(7,605,638)</u>	<u>92,714</u>	<u>(7,512,924)</u>

**General Revenues:**

Property Taxes Levied for:

General Purposes	572,930	0	572,930
Police Pension	72,176	0	72,176
Fire Pension	72,176	0	72,176
Police Levy	64,094	0	64,094
Fire Levy	64,094	0	64,094
Parks and Recreation	245,014	0	245,014
Income Taxes	5,472,569	1,094,513	6,567,082
Shared Revenues	102,610	0	102,610
Payments in Lieu of Taxes	8,925	0	8,925
Grants and Entitlements not Restricted to Specific Programs	728,243	0	728,243
Investment Earnings	70,225	0	70,225
Miscellaneous	200,015	148,909	348,924

*Total General Revenues* 7,673,071 1,243,422 8,916,493

Change in Net Position 67,433 1,336,136 1,403,569

*Net Position Beginning of Year* 29,164,907 20,308,115 49,473,022

*Net Position End of Year* \$29,232,340 \$21,644,251 \$50,876,591

See Accompanying Notes and Accountants' Report.



**City of Norwalk, Ohio**  
**Huron County**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2014**

	General	General Capital Improvements	Capital Investment Trust Fund	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$2,392,203	\$935,294	\$4,191,811	\$2,404,631	\$9,923,939
Cash and Cash Equivalents in Segregated Accounts	7,569	0	0	0	7,569
Receivables:					
Taxes	1,469,947	226,052	0	500,342	2,196,341
Accounts	99,119	0	0	11,337	110,456
Accrued Interest	24,842	0	0	0	24,842
Intergovernmental	254,568	0	0	448,962	703,530
Special Assessments	0	43,801	0	0	43,801
Notes	0	0	0	1,219,558	1,219,558
Materials and Supplies Inventory	0	0	0	58,338	58,338
Advances to Other Funds	1,760	63,430	0	0	65,190
<i>Total Assets</i>	<u>\$4,250,008</u>	<u>\$1,268,577</u>	<u>\$4,191,811</u>	<u>\$4,643,168</u>	<u>\$14,353,564</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	\$70,715	225	\$0	\$381,395	\$452,335
Accrued Wages and Benefits	16,579	0	0	21,751	38,330
Intergovernmental Payable	107,098	0	0	81,409	188,507
Retainage Payable	0	22,352	0	0	22,352
Advance from Other Funds	63,430	0	0	1,760	65,190
<i>Total Liabilities</i>	<u>257,822</u>	<u>22,577</u>	<u>0</u>	<u>486,315</u>	<u>766,714</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Property Taxes not Levied to Finance Current Year Operations	523,148	0	0	454,835	977,983
Unavailable Revenue-Delinquent Property Taxes	42,863	0	0	45,507	88,370
Unavailable Revenue-Other	142,421	43,801	0	301,471	487,693
<i>Total Deferred Inflows of Resources</i>	<u>708,432</u>	<u>43,801</u>	<u>0</u>	<u>801,813</u>	<u>1,554,046</u>
<b>Fund Balances</b>					
Nonspendable:					
Inventories	0	0	0	58,338	58,338
Notes Receivable	0	0	0	1,219,558	1,219,558
Restricted for:					
Court Improvements	0	0	0	348,218	348,218
Debt Service Reserve	0	0	0	1,375	1,375
Economic Development	0	0	0	176,140	176,140
Fire Protection	0	0	0	28,768	28,768
Highways	0	0	0	55,768	55,768
Housing Programs	0	0	0	469,639	469,639
Law Enforcement	0	0	0	426,935	426,935
Other Purposes	0	0	0	200	200
Parks Capital Improvements	0	0	0	4,873	4,873
Capital Improvements	0	0	4,191,811	4,266	4,196,077
Street Repair and Maintenance	0	0	0	472,967	472,967
Committed to:					
Parks and Recreation	0	0	0	262,053	262,053
Parks Capital Improvements	0	0	0	53,996	53,996
Capital Improvements	0	1,202,199	0	2	1,202,201
Unassigned (Deficit)	3,283,754	0	0	(228,056)	3,055,698
<i>Total Fund Balances</i>	<u>3,283,754</u>	<u>1,202,199</u>	<u>4,191,811</u>	<u>3,355,040</u>	<u>12,032,804</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$4,250,008</u>	<u>\$1,268,577</u>	<u>\$4,191,811</u>	<u>\$4,643,168</u>	<u>\$14,353,564</u>

See Accompanying Notes and Accountants' Report

**City of Norwalk, Ohio**  
**Huron County**  
**Reconciliation of Total Governmental Fund Balances to Net Position**  
**of Governmental Activities**  
**For the Year Ended December 31, 2014**

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**Total Governmental Fund Balances** \$12,032,804

*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	3,010,927	
Construction in Progress	1,265,076	
Land Improvements (Net of Depreciation)	575,567	
Buildings (Net of Depreciation)	4,143,060	
Equipment (Net of Depreciation)	1,808,453	
Infrastructure (Net of Depreciation)	<u>8,968,088</u>	
Total		19,771,171

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

Property Taxes	88,370	
Intergovernmental	442,825	
Special Assessments	43,801	
Grants	<u>1,067</u>	
Total		576,063

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

OWDA Loan	(527,436)	
OPWC Loan	(191,577)	
Police and Fire Past Service Costs	(378,647)	
Capital Leases	(855,061)	
Compensated Absences	<u>(1,194,977)</u>	
		<u>(3,147,698)</u>

*Net Position of Governmental Activities* \$29,232,340

See Accompanying Notes and Accountants' Report

**City of Norwalk, Ohio**  
**Huron County**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2014**

	General	General Capital Improvements	Capital Investment Trust Fund	All Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$589,955	\$0	\$0	\$531,418	\$1,121,373
Income Taxes	4,378,056	1,094,513	0	0	5,472,569
Payments in Lieu of Taxes	0	0	0	8,925	8,925
Shared Revenues	72,281	0	0	30,329	102,610
Special Assessments	9,919	53,728	0	32,817	96,464
Charges for Services	134,109	15,016	0	1,008,734	1,157,859
Licenses and Permits	211,506	0	0	12,216	223,722
Fines and Forfeitures	596,258	0	0	58,792	655,050
Intergovernmental	870,719	0	0	1,615,685	2,486,404
Interest	60,225	4,805	0	5,195	70,225
Contributions and Donations	6,390	0	0	5,555	11,945
Other	750	0	0	199,265	200,015
<i>Total Revenues</i>	<u>6,930,168</u>	<u>1,168,062</u>	<u>0</u>	<u>3,508,931</u>	<u>11,607,161</u>
<b>Expenditures:</b>					
Current:					
General Government	2,034,606	32,177	0	25,746	2,092,529
Security of Persons and Property	3,994,164	0	0	730,756	4,724,920
Public Health	101,737	0	0	36,756	138,493
Leisure Time Services	0	0	0	1,593,907	1,593,907
Community and Economic Development	10,280	0	0	360,421	370,701
Transportation	8,031	0	0	848,171	856,202
Capital Outlay	0	740,247	0	999,563	1,739,810
Debt Service:					
Principal Retirement	9,569	283,554	0	67,569	360,692
Interest and Fiscal Charges	6,191	49,378	0	4,668	60,237
<i>Total Expenditures</i>	<u>6,164,578</u>	<u>1,105,356</u>	<u>0</u>	<u>4,667,557</u>	<u>11,937,491</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>765,590</u>	<u>62,706</u>	<u>0</u>	<u>(1,158,626)</u>	<u>(330,330)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	0	0	0	835,705	835,705
Proceeds of Sale of Capital Assets	13,701	0	0	38,997	52,698
Inception of Capital Lease	0	104,388	0	0	104,388
Transfers Out	(835,703)	0	0	(2)	(835,705)
<i>Total Other Financing Sources (Uses)</i>	<u>(822,002)</u>	<u>104,388</u>	<u>0</u>	<u>874,700</u>	<u>157,086</u>
<i>Net Change in Fund Balances</i>	<u>(56,412)</u>	<u>167,094</u>	<u>0</u>	<u>(283,926)</u>	<u>(173,244)</u>
<i>Fund Balances Beginning 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>
<i>Fund Balances End of Year</i>	<u>\$3,283,754</u>	<u>\$1,202,199</u>	<u>\$4,191,811</u>	<u>\$3,355,040</u>	<u>\$12,032,804</u>

See Accompanying Notes and Accountants' Report

**City of Norwalk, Ohio**  
**Huron County**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2014**

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**Net Change in Fund Balances - Total Governmental Funds** (\$173,244)

*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	1,381,624	
Depreciation Expense	(1,376,179)	
Total	5,445	5,445

The net effect of adjustments of Capital Assets.  
Adjustments (15,962)

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 (13,220)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  
Property Taxes (31,446)  
Special Assessments (4,552)  
Intergovernmental 14,295  
Total (21,703)

Inception of Capital Lease is an other financing source in the governmental funds, but increases liabilities in governmental activities.  
Inception of Capital Lease (104,388)  
Total (104,388)

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 80,000  
OWDA Loan Payments 64,370  
OPWC Loan Payments 31,074  
Police and Fire Past Service Costs Payments 11,435  
Capital Lease Payment 185,248  
Total 372,127

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 18,378

*Change in Net Position of Governmental Activities* \$67,433

See Accompanying Notes and Accountants' Report

**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, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over
				(Under)
<b>REVENUES:</b>				
Property Taxes	\$568,758	\$568,578	\$589,955	\$21,377
Income Taxes	4,215,000	4,215,000	4,401,928	186,928
Shared Revenues	51,000	51,000	72,281	21,281
Special Assessments	6,000	6,000	9,919	3,919
Charges for Services	68,820	68,820	100,193	31,373
Licenses and Permits	238,200	238,200	211,506	(26,694)
Fines and Forfeitures	637,500	673,500	587,183	(86,317)
Intergovernmental	714,724	714,724	805,338	90,614
Interest	30,000	30,000	48,428	18,428
Contributions and Donations	27,817	27,817	6,390	(21,427)
Reimbursements	43,000	43,000	95,982	52,982
Other	300	300	1,291	991
<b>Total Revenues</b>	<b>6,601,119</b>	<b>6,636,939</b>	<b>6,930,394</b>	<b>293,455</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General Government	2,360,091	2,349,959	2,109,739	240,220
Security of Persons and Property	4,197,214	4,205,573	4,099,384	106,189
Public Health	110,625	110,625	108,862	1,763
Community and Economic Development	11,637	11,439	10,677	762
Transportation	13,484	13,468	7,972	5,496
Principal Retirement	9,574	9,574	9,569	5
Interest and Fiscal Charges	6,466	6,206	6,191	15
<b>Total Expenditures</b>	<b>6,709,091</b>	<b>6,706,844</b>	<b>6,352,394</b>	<b>354,450</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(107,972)</b>	<b>(69,905)</b>	<b>578,000</b>	<b>647,905</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Sale of Capital Assts	0	0	13,701	13,701
Advances In	0	0	261	261
Transfers Out	(629,100)	(836,100)	(835,703)	397
Advances Out	(18,855)	(18,855)	(20,615)	(1,760)
<b>Total Other Financing Sources (Uses)</b>	<b>(647,955)</b>	<b>(854,955)</b>	<b>(842,356)</b>	<b>12,599</b>
<b>Net Change in Fund Balance</b>	<b>(755,927)</b>	<b>(924,860)</b>	<b>(264,356)</b>	<b>660,504</b>
Fund Balance at Beginning of Year	2,241,381	2,241,381	2,241,381	0
Prior Year Encumbrances Appropriated	267,899	267,899	267,899	0
<b>Fund Balance at End of Year</b>	<b>\$1,753,353</b>	<b>\$1,584,420</b>	<b>\$2,244,924</b>	<b>\$660,504</b>

See Accompanying Notes and Accountants' Report

**City of Norwalk, Ohio**  
**Huron County**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**December 31, 2014**

	Business-Type Activities				Totals
	Enterprise Funds				
	Water	Sewer	Sanitation	Storm Water Utility	
<b>Assets</b>					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$1,619,647	\$1,522,431	\$795,570	\$121,793	\$4,059,441
Receivables:					
Taxes	0	0	226,052	0	226,052
Accounts	295,849	340,753	11,481	24,581	672,664
Intergovernmental	9,456	0	0	0	9,456
Special Assessments	1,190	1,055	0	0	2,245
Materials and Supplies Inventory	71,655	14,423	0	0	86,078
<b>Total Current Assets</b>	<b>1,997,797</b>	<b>1,878,662</b>	<b>1,033,103</b>	<b>146,374</b>	<b>5,055,936</b>
Noncurrent Assets:					
Non-Depreciable Capital Assets	504,963	892,230	28,007	12,870	1,438,070
Depreciable Capital Assets, Net	8,847,363	16,058,803	842,857	53,095	25,802,118
<b>Total Noncurrent Assets</b>	<b>9,352,326</b>	<b>16,951,033</b>	<b>870,864</b>	<b>65,965</b>	<b>27,240,188</b>
<i>Total Assets</i>	<i>11,350,123</i>	<i>18,829,695</i>	<i>1,903,967</i>	<i>212,339</i>	<i>32,296,124</i>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	316,568	42,209	20,732	3,495	383,004
Accrued Wages and Benefits	11,322	9,767	10,705	1,244	33,038
Intergovernmental Payable	31,877	29,406	16,879	2,247	80,409
Retainage Payable	0	9,726	0	0	9,726
Compensated Absences Payable	68,448	69,552	33,282	6,447	177,729
General Obligation Bonds Payable	330,000	0	0	0	330,000
Capital Leases Payable	17,925	17,925	0	13,280	49,130
OPWC Loans Payable	0	14,450	0	0	14,450
OWDA Loans Payable	105,768	620,546	0	0	726,314
<b>Total Current Liabilities</b>	<b>881,908</b>	<b>813,581</b>	<b>81,598</b>	<b>26,713</b>	<b>1,803,800</b>
Noncurrent Liabilities:					
Compensated Absences Payable - Net of Current Portion	174,625	210,076	90,066	11,791	486,558
Capital Leases Payable - Net of Current Portion	37,264	37,264	0	13,691	88,219
OPWC Loans Payable - Net of Current Portion	0	72,250	0	0	72,250
OWDA Loans Payable - Net of Current Portion	1,750,552	6,450,494	0	0	8,201,046
<b>Total Noncurrent Liabilities</b>	<b>1,962,441</b>	<b>6,770,084</b>	<b>90,066</b>	<b>25,482</b>	<b>8,848,073</b>
<i>Total Liabilities</i>	<i>2,844,349</i>	<i>7,583,665</i>	<i>171,664</i>	<i>52,195</i>	<i>10,651,873</i>
<b>Net Position</b>					
Net Investment in Capital Assets	7,110,817	9,728,378	870,864	38,994	17,749,053
Unrestricted	1,394,957	1,517,652	861,439	121,150	3,895,198
<b>Total Net Position</b>	<b>\$8,505,774</b>	<b>\$11,246,030</b>	<b>\$1,732,303</b>	<b>\$160,144</b>	<b>\$21,644,251</b>

See Accompanying Notes and Accountants' Report

**City of Norwalk, Ohio**  
**Huron County**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2014**

	Business-Type Activities				Totals
	Enterprise Funds				
	Water	Sewer	Sanitation	Storm Water Utility	
<b>Operating Revenues:</b>					
Charges for Services	\$3,080,651	\$3,215,693	\$14,353	\$222,738	\$6,533,435
Other Operating Revenue	32,690	90,467	11,618	0	134,775
<i>Total Operating Revenues</i>	<u>3,113,341</u>	<u>3,306,160</u>	<u>25,971</u>	<u>222,738</u>	<u>6,668,210</u>
<b>Operating Expenses:</b>					
Personal Services	1,172,008	993,625	592,380	94,251	2,852,264
Contractual Services	605,124	241,845	318,227	0	1,165,196
Materials and Supplies	551,407	99,567	36,106	81,373	768,453
Depreciation	440,743	781,352	82,973	8,623	1,313,691
Other	0	1,946	0	0	1,946
<i>Total Operating Expenses</i>	<u>2,769,282</u>	<u>2,118,335</u>	<u>1,029,686</u>	<u>184,247</u>	<u>6,101,550</u>
<i>Operating Income (Loss)</i>	<u>344,059</u>	<u>1,187,825</u>	<u>(1,003,715)</u>	<u>38,491</u>	<u>566,660</u>
<b>Non-Operating Revenues (Expenses):</b>					
Intergovernmental	9,733	252	143	0	10,128
Municipal Income Tax	0	0	1,094,513	0	1,094,513
Other Non-Operating Revenues	2,322	1,815	9,997	0	14,134
Interest and Fiscal Charges	(67,748)	(238,042)	0	(1,232)	(307,022)
Loss on Sale of Capital Assets	(42,277)	0	0	0	(42,277)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(97,970)</u>	<u>(235,975)</u>	<u>1,104,653</u>	<u>(1,232)</u>	<u>769,476</u>
<i>Change in Net Position</i>	246,089	951,850	100,938	37,259	1,336,136
<i>Net Position at Beginning of Year</i>	<u>8,259,685</u>	<u>10,294,180</u>	<u>1,631,365</u>	<u>122,885</u>	<u>20,308,115</u>
<i>Net Position at End of Year</i>	<u><u>\$8,505,774</u></u>	<u><u>\$11,246,030</u></u>	<u><u>\$1,732,303</u></u>	<u><u>\$160,144</u></u>	<u><u>\$21,644,251</u></u>

See Accompanying Notes and Accountants' Report

**City of Norwalk, Ohio**  
**Huron County**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2014**

Business-Type Activities  
Enterprise Funds

	Enterprise Funds				Totals
	Water	Sewer	Sanitation	Storm Water Utility	
<b>Cash Flows from Operating Activities</b>					
Cash Received from Customers	\$3,102,572	\$3,279,334	\$25,971	\$221,706	\$6,629,583
Cash Payments to Employees for Services	(1,173,349)	(1,052,283)	(577,780)	(93,022)	(2,896,434)
Cash Payments for Goods and Services	(993,366)	(302,441)	(359,832)	(99,364)	(1,755,003)
Net Cash Provided by (Used in) Operating Activities	<u>935,857</u>	<u>1,924,610</u>	<u>(911,641)</u>	<u>29,320</u>	<u>1,978,146</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Municipal Income Tax	0	0	1,100,483	0	1,100,483
Principal Payments	0	0	0	(12,881)	(12,881)
Interest Payments	0	0	0	(1,232)	(1,232)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>1,100,483</u>	<u>(14,113)</u>	<u>1,086,370</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from Loans	339,392	0	0	0	339,392
Acquisition of Capital Assets	(466,519)	(889,093)	(382,855)	(21,268)	(1,759,735)
Principal Payments	(423,598)	(632,505)	0	0	(1,056,103)
Interest Payments	(67,748)	(238,042)	0	0	(305,790)
Net Cash (Used in) Capital and Related Financing Activities	<u>(618,473)</u>	<u>(1,759,640)</u>	<u>(382,855)</u>	<u>(21,268)</u>	<u>(2,782,236)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	317,384	164,970	(194,013)	(6,061)	282,280
Cash and Cash Equivalents Beginning of Year	<u>1,302,263</u>	<u>1,357,461</u>	<u>989,583</u>	<u>127,854</u>	<u>3,777,161</u>
Cash and Cash Equivalents End of Year	<u>\$1,619,647</u>	<u>\$1,522,431</u>	<u>\$795,570</u>	<u>\$121,793</u>	<u>\$4,059,441</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>					
Operating Income (Loss)	\$344,059	\$1,187,825	(\$1,003,715)	\$38,491	\$566,660
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>					
Depreciation	440,743	781,352	82,973	8,623	1,313,691
<b>(Increase) Decrease in Operating Assets:</b>					
Accounts Receivable	(11,062)	(36,812)	0	(1,032)	(48,906)
Special Assessments Receivable	293	260	0	0	553
Materials and Supplies Inventory	3,047	2,947	0	0	5,994
<b>Increase (Decrease) in Operating Liabilities:</b>					
Accounts Payable	159,656	(10,621)	(5,499)	(17,991)	125,545
Accrued Wages and Benefits	24	(294)	1,484	(219)	995
Compensated Absences Payable	(8,215)	(16,869)	9,348	1,123	(14,613)
Intergovernmental Payable	7,312	7,096	3,768	325	18,501
Retainage Payable	0	9,726	0	0	9,726
Total Adjustments	<u>591,798</u>	<u>736,785</u>	<u>92,074</u>	<u>(9,171)</u>	<u>1,411,486</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$935,857</u>	<u>\$1,924,610</u>	<u>(\$911,641)</u>	<u>\$29,320</u>	<u>\$1,978,146</u>

See Accompanying Notes and Accountants' Report



**City of Norwalk, Ohio**  
**Huron County**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2014**

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	<u>Agency</u>
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$86,973
Cash and Cash Equivalents in Segregated Accounts	<u>33,904</u>
<i>Total Assets</i>	<u><u>\$120,877</u></u>
<b>Liabilities</b>	
Current Liabilities:	
Undistributed Monies	<u>\$120,877</u>
<i>Total Liabilities</i>	<u><u>\$120,877</u></u>

See Accompanying Notes and Accountants' Report

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**CITY OF NORWALK, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**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, 2014**

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:

**CITY OF NORWALK, OHIO**  
**HURON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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.

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.

**CITY OF NORWALK, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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.

**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.

**CITY OF NORWALK, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

***D. Basis of Accounting***

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

Revenues - Exchange and Non-Exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, shared revenues (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.

**CITY OF NORWALK, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Property taxes for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance year 2015 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, 2014, 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.

**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.



**CITY OF NORWALK, OHIO**  
**HURON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

***F. Cash, Cash Equivalents and Investments***

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

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year 2014. 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, 2014.

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 2014 amounted to \$60,225, which includes \$48,901 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.

**CITY OF NORWALK, OHIO**  
**HURON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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, 2014, 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 2014.

**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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
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

**CITY OF NORWALK, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

**K. *Compensated Absences***

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

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

**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.

**CITY OF NORWALK, OHIO  
HURON COUNTY  
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**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.

**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.

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***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 the 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 are 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. The City had no contributions of capital assets in 2014.

***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.

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**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 2014.

**S. Estimates**

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

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances**

The following funds had a deficit in fund balance at December 31, 2014:

Fund	Deficit
<b>Special Revenue Funds:</b>	
FY13 CDBG Chip	(\$29,585)
FY13 Home Investment	(\$23,417)
<b>Capital Projects Funds:</b>	
State Issue II E Main	(\$175,054)

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

**B. Change in Accounting Principles**

For 2014, the City has implemented GASB Statement No. 69, “*Government Combinations and Disposals of Government Operations*” and GASB Statement No. 70, “*Accounting and Financial Reporting for Nonexchange Financial Guarantees*”.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the City.

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GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an 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	(\$56,412)
Net Adjustment for Revenue Accruals	487
Net Adjustment for Expenditure Accruals	(355,706)
Encumbrances	147,275
Budget Basis	<u>(\$264,356)</u>

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**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;



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6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

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

**Cash on Hand** - At year end, the City had \$8,669 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 \$7,569 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, 2014, \$10,151,150 of the City's bank balance of \$11,600,291, was exposed to custodial risk as discussed above, while \$1,449,141 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.

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**Investments**

As of December 31, 2014, the City had the following investments and maturities:

Investment Type	Investment Maturities (in years)	
	Fair Value	Less Than 1
STAR Ohio	\$234,801	\$234,801

**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, 2014.

**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2014, consisted of taxes, accounts (billings for user charged services, rents and royalties), accrued interest, special assessments, notes, 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.

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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 2014 for real and public utility property taxes represents collections of the 2013 taxes. Property tax payments received during 2014 for tangible personal property (other than public utility property) is for 2013 taxes.

2014 real property taxes are levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35% of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014, was \$6.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

	Total Assessed	
	Value	%
Real Property Valuation:		
Residential/Agriculture	\$189,605,120	72.22%
Commercial/Industrial/Mineral	64,208,450	24.45%
Public Utilities	28,360	0.01%
Tangible Personal Property Valuation:		
Public Utilities	8,716,780	3.32%
Total Valuation	<u>\$262,558,710</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.

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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, 2014 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 2014 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 2014 was distributed to the general fund (66.66%), sanitation enterprise fund (16.67%) and general capital improvements fund (16.67%).

**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.

**CITY OF NORWALK, OHIO  
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**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.

In 2014, the City share of the family coverage was \$1,018.80 while the employee contribution was \$82.98 per pay. The City share of the single coverage was \$350.07 per month while the employee contribution was \$28.51 per pay. A two month moratorium on insurance premiums was taken for the months of November and December.

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**NOTE 11 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance 01/01/2014	Transfers	Additions	Deletions	Balance 12/31/2014
<b>Governmental Activities</b>					
Capital Assets, Not Being Depreciated:					
Land	\$2,913,883	\$0	\$97,044	\$0	\$3,010,927
Construction in Progress	681,084	0	583,992	0	1,265,076
Total Capital Assets, Not Being Depreciated	3,594,967	0	681,036	0	4,276,003
Capital Assets, Being Depreciated:					
Land Improvements	1,667,932	0	39,000	0	1,706,932
Buildings	7,593,168	0	55,810	0	7,648,978
Equipment	6,789,911	(10,905)	358,541	(135,513)	7,002,034
Infrastructure	20,936,767	0	247,237	(32,088)	21,151,916
Total Capital Assets, Being Depreciated	36,987,778	(10,905)	700,588	(167,601)	37,509,860
Less Accumulated Depreciation:					
Land Improvements	(1,071,779)	0	(59,586)	0	(1,131,365)
Buildings	(3,337,965)	0	(167,953)	0	(3,505,918)
Equipment	(5,028,766)	10,905	(296,474)	120,755	(5,193,580)
Infrastructure	(11,349,327)	0	(852,166)	17,664	(12,183,829)
Total Accumulated Depreciation	(20,787,837)	10,905	(1,376,179) *	138,419	(22,014,692)
Total Capital Assets, Being Depreciated, net	16,199,941	0	(675,591)	(29,182)	15,495,168
Governmental Activities Capital Assets, net	\$19,794,908	\$0	\$5,445	(\$29,182)	\$19,771,171
<b>Business-type Activities</b>					
Capital Assets, Not Being Depreciated:					
Land	\$35,297	\$0	\$1,510	\$0	\$36,807
Construction in Progress	375,488	0	1,025,775	0	1,401,263
Total Capital Assets, Not Being Depreciated	410,785	0	1,027,285	0	1,438,070
Capital Assets, Being Depreciated:					
Land Improvements	1,142,719	0	0	0	1,142,719
Buildings	13,841,051	0	0	0	13,841,051
Equipment	9,934,928	10,905	465,614	(383,284)	10,028,163
Infrastructure	31,662,665	0	392,033	0	32,054,698
Total Capital Assets, Being Depreciated	56,581,363	10,905	857,647	(383,284)	57,066,631
Less Accumulated Depreciation:					
Land Improvements	(866,399)	0	(21,321)	0	(887,720)
Buildings	(4,912,042)	0	(294,114)	0	(5,206,156)
Equipment	(8,308,297)	(10,905)	(273,237)	341,007	(8,251,432)
Underground Piping	(16,068,989)	0	(850,216)	0	(16,919,205)
Total Accumulated Depreciation	(30,155,727)	(10,905)	(1,438,888)	341,007	(31,264,513)
Total Capital Assets, Being Depreciated, net	26,425,636	0	(581,241)	(42,277)	25,802,118
Business-Type Activities Capital Assets, net	\$26,836,421	\$0	\$446,044	(\$42,277)	\$27,240,188

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\*Depreciation expense was charged to governmental functions as follows:

General Government	\$41,118
Security of Persons and Property	254,994
Transportation	895,253
Community and Economic Development	3,359
Leisure Time Activities	181,455
Total	<u>\$1,376,179</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. The City entered into a lease agreement in 2014 for three police cruisers. 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.

The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of December 31, 2014:

<u>Governmental Activities Lease Payments</u>		
<u>Year Ending</u>	<u>Equipment</u>	<u>Vehicles</u>
<u>December 31,</u>		
2015	\$34,596	\$148,200
2016	28,229	137,245
2017	0	99,905
2018	0	99,905
2019	0	99,905
2020-2022	0	299,715
Total minimum lease payments	62,825	884,875
Less: Amount representing interest	(2,589)	(90,050)
Present value of net minimum lease payments	<u>\$60,236</u>	<u>\$794,825</u>

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Business-Type Activities Lease Payments	
Year Ending December 31,	Equipment
2015	\$52,842
2016	52,842
2017	38,728
Total minimum lease payments	144,412
Less: Amount representing interest	(7,063)
resent value of net minimum lease payments	<u>\$137,349</u>

**NOTE 13 – LONG-TERM OBLIGATIONS**

	Interest Rate	Original Issue Amount	Date of Maturity
<b>Governmental Activities:</b>			
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
OPWC 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 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



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	Interest Rate	Original Issue Amount	Date of Maturity
<b>Business -Type Activity:</b>			
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
OWDA Old State Road Waterline Replacement	3.79%	\$668,650	07/01/34

Changes in the long-term obligations of the City during 2014 were as follows:

	Balance 01/01/2014	Additions	Deletions	Balance 12/31/2014	Amount Due In One Year
<b>Governmental Activities:</b>					
Street Improvement Bonds	\$80,000	\$0	(\$80,000)	\$0	\$0
OPWC Memorial Reservoir Spillway	69,143	0	(13,829)	55,314	13,829
OPWC East/West Parkway Construction	53,125	0	(6,250)	46,875	6,250
OPWC Woodlawn Ave Paving Project Phase III	10,220	0	(1,460)	8,760	1,460
OPWC Woodlawn Ave Paving Project Phase IV	54,292	0	(6,787)	47,505	6,787
OPWC Bridge Rehabilitation	15,448	0	(1,188)	14,260	1,188
OPWC East Main Phase III	9,500	0	(1,000)	8,500	1,000
OPWC Concrete Street Repair Project	10,923	0	(560)	10,363	560
Total OPWC Loans	222,651	0	(31,074)	191,577	31,074
Police and Fire Past Service Cost	390,083	0	(11,435)	378,648	11,926
OWDA Milan/Chatham Sewers Project	591,806	0	(64,370)	527,436	66,904
Capital Leases	935,921	104,388	(185,248)	855,061	157,657
Compensated Absences	1,213,354	351,402	(369,780)	1,194,976	358,661
Total Governmental Activities	\$3,433,815	\$455,790	(\$741,907)	\$3,147,698	\$626,222

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	Balance 01/01/2014	Additions	Deletions	Balance 12/31/2014	Amount Due In One Year
<b>Business -Type Activity:</b>					
Waterworks Refunding Bonds, Series 2015	\$645,000	\$0	(\$315,000)	\$330,000	\$330,000
OPWC Pleasant Street Pumping Station	101,150	0	(14,450)	86,700	14,450
OWDA Southside Sewer Separation	202,764	0	(78,794)	123,970	81,857
OWDA Ward/Parsons Sewer Construction	217,503	0	(36,313)	181,190	37,688
OWDA Milan/Chatham Sewers Project	887,711	0	(96,554)	791,157	100,357
OWDA Water Treatment Improvement Note	500,754	0	(31,515)	469,239	32,548
OWDA Wastewater Treatment Improvement Note	5,900,938	0	(361,890)	5,539,048	372,607
OWDA Corwin Street Sewer Project	462,710	0	(27,035)	435,675	28,037
OWDA West Main Street Waterline Replacement	839,937	0	(35,142)	804,795	36,140
OWDA Norwood Ave Waterline Replacement	267,366	0	(13,148)	254,218	13,784
OWDA Old State Road Waterline Replacement	0	339,392	(11,324)	328,068	23,296
Total OWDA Loans	9,279,683	339,392	(691,715)	8,927,360	726,314
Capital Leases	185,168	0	(47,819)	137,349	49,130
Compensated Absences	678,900	162,001	(176,614)	664,287	177,729
Total Business-Type Activity	\$10,889,901	\$501,393	(\$1,245,598)	\$10,145,696	\$1,297,623

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 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 \$8,449,408. Principal and interest paid for the current year were \$836,732 and total net revenues were \$1,969,429.

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 2034.

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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 \$1,978,500. Principal and interest paid for the current year were \$149,984 and total net revenues were \$794,535.

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 waterworks improvements. 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 the waterworks improvement will be repaid with revenues of the water utility.

The amortization schedule for the OWDA Old State Road Waterline Replacement will not be available until the loan is fully disbursed or closed by OWDA. The annual requirements to amortize the remaining debt outstanding as of December 31, 2014, including interest payments of \$80,361 for the Governmental Activities OWDA loans and \$2,285 for the Business-Type Activities general obligation bonds, and \$1,828,616 for the OWDA loans are as follows:

	Governmental Activities		
	OWDA Loans		OPWC Loans
	Principal	Interest	Principal
2015	\$66,904	\$19,924	\$31,074
2016	69,539	17,289	31,073
2017	72,278	14,551	31,074
2018	75,124	11,705	31,071
2019	78,082	8,746	17,245
2020-2024	165,509	8,146	42,898
2025-2029	0	0	5,179
2030-2033	0	0	1,963
Total	<u>\$527,436</u>	<u>\$80,361</u>	<u>\$191,577</u>

	Business-Type Activities				
	OWDA Loans		General Obligation Bonds		OPWC Loans
	Principal	Interest	Principal	Interest	Principal
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	684,061	176,646	0	0	14,450
2020-2024	3,236,901	600,429	0	0	14,450
2025-2029	1,805,180	114,274	0	0	0
2030-2032	140,559	5,997	0	0	0
Total	<u>\$8,599,292</u>	<u>\$1,828,616</u>	<u>\$330,000</u>	<u>\$2,285</u>	<u>\$86,700</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 OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, 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 2014, 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 2014 member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members contributed 12.0% and 13.0% respectively.

The 2014 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, 2014, 2013, and 2012 were \$612,330, \$674,768, and \$470,816 respectively. The full amount has been contributed for 2013 and 2012. 91.17 % has been contributed for 2014.

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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 pension 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. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.5% of their annual covered salary. Throughout 2014, 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 \$282,264 and \$294,999 for the year ended December 31, 2014, \$262,406 and \$275,912 for the year ended December 31, 2013, and \$165,296 and \$198,608 for the year ended December 31, 2012. The full amount has been contributed for 2013 and 2012. 92.76% and 92.74%, respectively, have been contributed for 2014 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.

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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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

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 earnable salary of active members. In 2014 state and local employers contributed at a rate of 14.00% earnable salary 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 Pension Plan and Combined Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0% percent for both plans, as recommended by 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 \$95,950 at December 31, 2014, \$51,905 at December 31, 2013, and \$188,326 at December 31, 2012.

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 passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0% of the employer contributions toward the health care fund after the end of the transition period.

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***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 statutory survivor benefit 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.

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](http://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 .5% of covered payroll from January 1, 2014 through December 31, 2014. 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.

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The City's contributions to OP&F for the years ending December 31, 2014, 2013, and 2012 were \$282,264, \$262,406, and \$252,806, respectively, of which \$37,635, \$44,877 and \$87,510, respectively, was allocated to the healthcare plan for police and \$294,999, \$275,912, and \$276,325, respectively, of which \$33,050, \$44,323, \$77,716, 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.

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, 2014, the liability for compensated absences was \$1,859,263 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.



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**NOTE 18 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ending December 31, 2014 consisted of the following:

<b>Fund Basis:</b>			
Governmental Funds:			
	Transfers In:		
	General Fund	All Other Governmental Funds	Total Transfers Out
Transfers Out:			
General Fund	\$0	\$835,703	\$835,703
All Other Governmental Funds	2	0	2
Total Transfers In	<u>\$2</u>	<u>\$835,703</u>	<u>\$835,705</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. Transfers are also used to record the movement of capital assets between various enterprise funds and between governmental activity and business-type activity.

Advances to/from other funds for the year ending December 31, 2014 consisted of the following:

	<b>Advances to Other Funds:</b>		
	General Fund	All Other Governmental Funds	Total Advances to Other Funds
Governmental Funds:			
General Fund	\$0	\$1,760	\$1,760
All Other Governmental Funds	63,430	0	63,430
Total Advances from Other Funds:	<u>\$63,430</u>	<u>\$1,760</u>	<u>\$65,190</u>

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, 2014, these debt issues are recorded as “Advance from another fund” in the capital projects funds in the amount of \$63,430. All interest income arising from these transactions is credited to the capital projects funds.

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**NOTE 19 – CONSTRUCTION COMMITMENTS**

As of December 31, 2014, the City had contractual commitments as follows:

Project	Remaining Commitment
Street Resurfacing Program	\$9,446
Pleasant Street CSO	\$2,280
Benedict Avenue Waterline	\$2,545
Benedict/Elm Intersection Widening	\$155,501
Westwind/Route 250 Widening	\$18,837
Marshall/Wooster Sewer Sepaation	\$14,044
Urban Paving Project	\$7,000
East Main Street Roadway Improvement Phase 5	\$206,345
Sofios Park Shelter	\$6,484