

**CITY OF NORWALK, OHIO
HURON COUNTY**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

**CITY OF NORWALK, OHIO
HURON COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

TABLE OF CONTENTS	PAGE
<i>ACCOUNTANT'S COMPILATION REPORT</i>	1
<i>Management's Discussion and Analysis</i>	3
<i>BASIC FINANCIAL STATEMENTS</i>	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – General Fund	18
Statement of Fund Net Position – Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21
Statement of Fiduciary Net Position – Fiduciary Funds	22
Notes to the Basic Financial Statements	23
<i>REQUIRED SUPPLEMENTARY INFORMATION</i>	
Schedule of the City's Proportionate Share of Net Pension Liability Ohio Public Employees Retire System	64
Schedule of the City's Proportionate Share of the Net Pension Liability Ohio Police and Fire Pension Fund	65
Schedule of City Proportionate Share Net Pension Liability Ohio Police and Fire Pension	66
Schedule of City Proportionate Share of the New Pension Liability Ohio Police and Fire Pension Fund	67

BASIC FINANCIAL STATEMENTS

ACCOUNTANT'S COMPILATION REPORT

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

We have compiled the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwalk, Ohio as of and for the year ended December 31, 2015, 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 18, 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
May 27, 2016

This Page Intentionally Left Blank.

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
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, 2015. 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 2015 are as follows:

- The assets plus deferred outflows of the City exceeded its liabilities plus deferred inflows at the close of the year ended December 31, 2015, by \$43.3 million (net position). The City's net position related to governmental activities amounted to \$22.2 million, while net position related to business-type activities amounted to \$21.1 million.
- Total net position for the year increased by \$1,807,207 or approximately 4.4%. Net position related to governmental activities increased 2.8%. The increase is mainly due to increases in charges for services, operating grants and contributions, capital grants and contributions, and income tax revenues and decreases in leisure time services. Net position for business-type activities increased 6.1%. Increases in charges for services and sales, operating grants and contributions were the main factors in the increase in net position for business-type activities.
- The City's total revenues, excluding transfers-in amounted to \$20.1 million in 2015, of which \$12.1 million related to governmental activities and \$8 million to business-type activities. Program specific revenues in the form of charges for services, grants and contributions accounted for \$11 million or 54.8% of total revenues.
- The City had \$18.3 million in expenses, excluding transfers out in 2015, \$11.6 million of which were for governmental activities and \$6.7 million for business-type activities.
- Among major funds, the General Fund had \$7 million in revenues in 2015 and \$6.2 million in expenditures, excluding other financing uses in 2015. \$971,159 was transferred to other funds.
- The General Fund's balance of \$3.1 million, was a decrease of \$172,207 from the beginning 2015 balance. The General Fund balance was 44.4% of total General Fund revenues.

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, 2015
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 2015?" 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 reports all assets and liabilities of the City as of December 31, 2015. 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 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, 2015. 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, 2015
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.
- **Proprietary Funds.** There are two types of Proprietary funds: enterprise funds and internal service funds.

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

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

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 22 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 63 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 plus deferred outflows of resources exceed liabilities plus deferred inflows of resources by \$22,174,902 in governmental activities and \$21,124,427 in business-type activities as of December 31, 2015. 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, 2015
Unaudited

During 2015, the City's overall financial position was increased by \$1,807,207 as governmental activities net position increased by \$601,638 and those for business-type activities increased by \$1,205,569. Net position is presented in the following table:

Table 1
City of Norwalk
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current Assets	\$14,223,589	\$14,288,374	\$5,685,481	\$5,055,936	\$19,909,070	\$19,344,310
Capital Assets, Net	20,107,910	19,771,171	27,502,275	27,240,188	47,610,185	47,011,359
Total Assets	34,331,499	34,059,545	33,187,756	32,296,124	67,519,255	66,355,669
Deferred Outflows of Resources						
Pension	1,443,915	0	505,278	0	1,949,193	0
Liabilities						
Current and Other Liabilities	702,173	701,524	525,021	506,177	1,227,194	1,207,701
Long-Term Liabilities:						
Due Within One Year	607,128	626,222	984,425	1,297,623	1,591,553	1,923,845
Due in More Than One Year						
Net Pension Liability	8,862,146		2,079,408		10,941,554	0
Other Amounts	2,277,746		8,940,452		11,218,198	0
Total Liabilities	12,449,193	1,327,746	12,529,306	1,803,800	24,978,499	3,131,546
Deferred Inflows of Resources						
Property Taxes	982,555		0		982,555	0
Unavailable Revenue-Other	15,368		0		15,368	0
Pension	153,396		39,301		192,697	0
Total Inflows of Resources	1,151,319	0	39,301	0	1,190,620	0
Net Position						
Net Investment in Capital Assets	18,763,833	18,174,745	18,207,170	17,749,053	36,971,003	35,923,798
Restricted	8,789,816	8,445,762	0	0	8,789,816	8,445,762
Unrestricted	(5,378,747)	2,611,833	2,917,257	3,895,198	(2,461,490)	6,507,031
Total Net Position	\$22,174,902	\$29,232,340	\$21,124,427	\$21,644,251	\$43,299,329	\$50,876,591

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/indentify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As of result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$29,232,340 to \$21,573,624 for governmental activities and from \$21,644,251 to \$19,918,858 for business type activities.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Table 2
City of Norwalk
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2015	2014 Restated	2015	2014 Restated	2015	2014 Restated
Revenues						
Program Revenues:						
Charges for Services	\$2,020,050	\$2,036,631	\$6,692,213	\$6,533,435	\$8,712,263	\$8,570,066
Operating Grants and Contributions	1,452,858	1,322,634	20,914	10,128	1,473,772	1,332,762
Capital Grants and Contributions	784,920	553,122	30,215	0	815,135	553,122
General Revenues:						
Property Taxes	1,092,383	1,090,484	0	0	1,092,383	1,090,484
Income Tax	5,642,702	5,472,569	1,128,331	1,094,513	6,771,033	6,567,082
Shared Revenues	198,551	102,610	0	0	198,551	102,610
Payment in Lieu of Taxes	17,801	8,925	0	0	17,801	8,925
Grants and Entitlements Not Restricted to Specific Programs	648,355	728,243	0	0	648,355	728,243
Investment Income	145,395	70,225	0	0	145,395	70,225
Miscellaneous	92,694	200,015	106,130	148,909	198,824	348,924
Total Revenues	12,095,709	11,585,458	7,977,803	7,786,985	20,073,512	19,372,443
Expenses						
Program Expenses:						
General Government	2,148,294	2,185,069	0	0	2,148,294	2,185,069
Security of Persons and Property	5,044,504	5,133,759	0	0	5,044,504	5,133,759
Public Health	133,916	142,966	0	0	133,916	142,966
Leisure Time Services	1,748,587	1,816,887	0	0	1,748,587	1,816,887
Community and Economic Development	441,991	399,400	0	0	441,991	399,400
Transportation	2,009,956	1,779,707	0	0	2,009,956	1,779,707
Interest and Fiscal Charges	23,628	60,237	0	0	23,628	60,237
Sanitation	0	0	1,042,509	1,029,686	1,042,509	1,029,686
Sewer	0	0	2,504,335	2,356,377	2,504,335	2,356,377
Storm Water Utility	0	0	181,097	185,479	181,097	185,479
Water	0	0	2,987,488	2,879,307	2,987,488	2,879,307
Total Expenses	11,550,876	11,518,025	6,715,429	6,450,849	18,266,305	17,968,874
Increase in Net Position	544,833	67,433	1,262,374	1,336,136	1,807,207	1,403,569
Transfers	56,805	0	(56,805)	0	0	0
Increase (Decrease) in Net Position After Transfers	601,638	67,433	1,205,569	1,336,136	1,807,207	1,403,569
Net Position - Beginning-Restated	21,573,264	29,164,907	19,918,858	20,308,115	41,492,122	49,473,022
Net Position - Ending	\$22,174,902	\$29,232,340	\$21,124,427	\$21,644,251	\$43,299,329	\$50,876,591

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Governmental Activities

The City income tax is the largest contributor of revenues sources in government activities accounting for 46.4% of total revenues. Property taxes generate 9.0% and grants and entitlements generate 23.7% of total revenues.

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

Security of Persons and Property account for 43.7% of governmental expenses, general government accounts for 18.6% of governmental expenses while transportation costs and leisure time services represent 17.4% and 15.1% 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 83.9% 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 2015 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, 2015, the City's governmental funds reported combined ending fund balances of \$11,969,675, a decrease of \$63,129 in comparison with the prior year. Approximately 25.6% of this total amount of \$11,969,675 is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not readily available for new spending since it has already been committed to liquidate contracts and purchase commitments, to pay debt service or for a variety of other restricted, committed, or assigned purposes.

The major governmental funds of the City are the General Fund, General Capital Improvements Fund, and Capital Investment Trust Fund.

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 \$3,061,539 and the total fund balance was 3,111,547. 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 and total fund balances represent 42.7% and 43.4%, respectively of total General Fund expenditures, including transfers out. The General Fund balance decreased by \$172,207 or .5% over the prior year.

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

The General Capital Improvement Fund accounts for capital improvements in the City. The committed fund balance at the end of the year was \$812,180. The fund balance decreased \$390,019 or 32.4% over the prior year.

The Capital Investment Trust Fund accounts 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 restricted fund balance was \$4,191,811 at the end of the year. There was no change in the fund balance from the prior year.

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 \$216,025 or 2.80%, \$817,506 or 7.7%, \$110,607 or 8.0%, \$61,431 or 60.9%, respectively.

Budgetary Highlights

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

There was a 3.8% increase in revenue from the final budget to the actual in the General Fund. \$247,796 more was collected than was budgeted.

Actual General Fund expenditures compared to the budget reflected approximately \$316,222 remaining in unappropriated funds as of December 31, 2015. Security of persons and property which is largely the Police and Fire Department activity, accounted for \$125,403 of those unappropriated funds and general government accounted for \$187,479. Budgets continued to be tight in 2015. Management was committed to maintaining the level of services expected by the citizens of the community.

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, 2015, amounts to \$47,610,185 (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 1.3% (1.7% increase for governmental activities and a .9% increase for business-type activities).

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$3,010,927	\$3,010,927	\$36,807	\$36,807	\$3,047,734	\$3,047,734
Construction in Progress	335,152	1,265,076	596,825	1,401,263	931,977	2,666,339
Land Improvements	539,458	575,567	233,679	254,999	773,137	830,566
Buildings	4,005,144	4,143,060	8,371,037	8,634,895	12,376,181	12,777,955
Equipment	1,772,238	1,808,454	1,727,548	1,776,731	3,499,786	3,585,185
Infrastructure	10,444,991	8,968,087	16,536,379	15,135,493	26,981,370	24,103,580
Total Capital Assets, Net of Depreciation	<u>\$20,107,910</u>	<u>\$19,771,171</u>	<u>\$27,502,275</u>	<u>\$27,240,188</u>	<u>\$47,610,185</u>	<u>\$47,011,359</u>

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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

Debt

As of December 31, 2015, the City had \$232,753 and \$9,491,636 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, 2015. 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, 2015. 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, 2015.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$0	\$0	\$0	\$330,000	\$0	\$330,000
OPWC Loans	160,503	191,577	72,250	86,700	232,753	278,277
OWDA Loans	460,532	527,436	9,031,104	8,927,360	9,491,636	9,454,796
Capital Lease	724,542	855,061	124,194	137,349	848,736	992,410
Police and Fire Past Service Costs	366,722	378,648	0	0	366,722	378,648
Total Long Term Debt	\$1,712,299	\$1,952,722	\$9,227,548	\$9,481,409	\$10,939,847	\$11,434,131

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, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$9,729,607	\$4,689,654	\$14,419,261
Cash and Cash Equivalents in Segregated Accounts	2,628	0	2,628
Receivables:			
Taxes	2,386,049	262,844	2,648,893
Accounts	111,452	605,074	716,526
Accrued Interest	34,315	0	34,315
Intergovernmental	760,687	26,044	786,731
Special Assessments	35,458	11,025	46,483
Notes	1,100,117	0	1,100,117
Materials and Supplies Inventory	63,276	90,840	154,116
Noncurrent Assets:			
Non-Depreciable Capital Assets	3,346,079	633,632	3,979,711
Depreciable Capital Assets, Net	16,761,831	26,868,643	43,630,474
<i>Total Assets</i>	<u>34,331,499</u>	<u>33,187,756</u>	<u>67,519,255</u>
Deferred Outflows of Resources			
Ohio Public Employees Retirement System	551,347	505,278	1,056,625
Ohio Police & Fire Pension Fund	892,568	0	892,568
<i>Total Deferred Outflows of Resources</i>	<u>1,443,915</u>	<u>505,278</u>	<u>1,949,193</u>
Liabilities			
Current Liabilities:			
Accounts Payable	478,180	349,132	827,312
Accrued Wages and Benefits	92,748	56,176	148,924
Intergovernmental Payable	131,245	55,712	186,957
Retainage Payable	0	64,001	64,001
Noncurrent Liabilities:			
Due Within One Year	607,128	984,425	1,591,553
Due In More Than One Year:			
Net Pension Liability	8,862,146	2,079,408	10,941,554
Other Amounts Due in More Than One Year	2,277,746	8,940,452	11,218,198
<i>Total Liabilities</i>	<u>12,449,193</u>	<u>12,529,306</u>	<u>24,978,499</u>
Deferred Inflows of Resources			
Property Taxes not Levied			
to Finance Current Year Operations	982,555	0	982,555
Unavailable Revenue - Other	15,368	0	15,368
Ohio Public Employees Retirement System	42,884	39,301	82,185
Ohio Police & Fire Pension Fund	110,512	0	110,512
<i>Total Deferred Inflows of Resources</i>	<u>1,151,319</u>	<u>39,301</u>	<u>1,190,620</u>
Net Position			
Net Investment in Capital Assets	18,763,833	18,207,170	36,971,003
Restricted for Debt Service	1,374	0	1,374
Restricted for Capital Projects	4,931,607	0	4,931,607
Restricted for Other Purposes	825,698	0	825,698
Restricted for Police Pension	126,348	0	126,348
Restricted for Fire Pension	32,021	0	32,021
Restricted for Parks and Recreation	298,538	0	298,538
Restricted for Police Levy	21,089	0	21,089
Restricted for Fire Levy	18,736	0	18,736
Restricted for Street Construction, Maint., & Repair	757,789	0	757,789
Restricted for Court Programs	436,096	0	436,096
Restricted for Community Development Programs	505,503	0	505,503
Restricted for Housing Programs	225,029	0	225,029
Restricted for Economic Development	395,423	0	395,423
Restricted for Payroll Stabilization	214,565	0	214,565
Unrestricted (Deficit)	(5,378,747)	2,917,257	(2,461,490)
<i>Total Net Position</i>	<u>\$22,174,902</u>	<u>\$21,124,427</u>	<u>\$43,299,329</u>

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Activities
For the Year Ended December 31, 2015

	Program Revenues				Net (Expense) and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$2,148,294	\$359,043	\$42,281	\$7,049	(\$1,739,921)	\$0	(\$1,739,921)
Security of Persons and Property	5,044,504	650,869	97,323	70,304	(4,226,008)	0	(4,226,008)
Public Health	133,916	30,832	6,510	195	(96,379)	0	(96,379)
Leisure Time Services	1,748,587	944,553	79,202	40,634	(684,198)	0	(684,198)
Community and Economic Development	441,991	1,943	471,285	24	31,261	0	31,261
Transportation	2,009,956	32,810	756,257	666,714	(554,175)	0	(554,175)
Interest and Fiscal Charges	23,628	0	0	0	(23,628)	0	(23,628)
<i>Total Governmental Activities</i>	<u>11,550,876</u>	<u>2,020,050</u>	<u>1,452,858</u>	<u>784,920</u>	<u>(7,293,048)</u>	<u>0</u>	<u>(7,293,048)</u>
Business-Type Activities							
Sanitation	1,042,509	9,544	0	0	0	(1,032,965)	(1,032,965)
Sewer	2,504,335	3,287,425	2,004	30,215	0	815,309	815,309
Storm Water Utility Non-Major	181,097	227,491	224	0	0	46,618	46,618
Water	2,987,488	3,167,753	18,686	0	0	198,951	198,951
<i>Total Business-Type Activities</i>	<u>6,715,429</u>	<u>6,692,213</u>	<u>20,914</u>	<u>30,215</u>	<u>0</u>	<u>27,913</u>	<u>27,913</u>
<i>Totals</i>	<u>\$18,266,305</u>	<u>\$8,712,263</u>	<u>\$1,473,772</u>	<u>\$815,135</u>	<u>(7,293,048)</u>	<u>27,913</u>	<u>(7,265,135)</u>

General Revenues:

Property Taxes Levied for:

General Purposes	574,968	0	574,968
Police Pension	71,083	0	71,083
Fire Pension	71,083	0	71,083
Police Levy	64,635	0	64,635
Fire Levy	64,635	0	64,635
Parks and Recreation	245,979	0	245,979
Income Taxes	5,642,702	1,128,331	6,771,033
Shared Revenues	198,551	0	198,551
Payments in Lieu of Taxes	17,801	0	17,801
Grants and Entitlements not Restricted to Specific Programs	648,355	0	648,355
Investment Earnings	145,395	0	145,395
Miscellaneous	92,694	106,130	198,824

Total General Revenues 7,837,881 1,234,461 9,072,342

Transfers 56,805 (56,805) 0

Total General Revenues and Transfers 7,894,686 1,177,656 9,072,342

Change in Net Position 601,638 1,205,569 1,807,207

Net Position Beginning of Year (Restated) 21,573,264 19,918,858 41,492,122

Net Position End of Year \$22,174,902 \$21,124,427 \$43,299,329

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Balance Sheet
Governmental Funds
December 31, 2015

	General	General Capital Improvements	Capital Investment Trust Fund	All Other Governmental Funds	Total Governmental Funds
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$2,105,047	\$700,084	\$4,191,811	\$2,732,665	\$9,729,607
Cash and Cash Equivalents in Segregated Accounts	2,628	0	0	0	2,628
Receivables:					
Taxes	1,619,025	262,844	0	504,180	2,386,049
Accounts	99,414	0	0	12,038	111,452
Accrued Interest	34,315	0	0	0	34,315
Intergovernmental	270,591	0	0	490,096	760,687
Special Assessments	0	35,458	0	0	35,458
Notes	0	0	0	1,100,117	1,100,117
Materials and Supplies Inventory	0	0	0	63,276	63,276
Advances to Other Funds	0	43,474	0	0	43,474
Total Assets	\$4,131,020	\$1,041,860	\$4,191,811	\$4,902,372	\$14,267,063
Liabilities					
Current Liabilities:					
Accounts Payable	\$124,177	\$194,222	\$0	\$159,781	\$478,180
Accrued Wages and Benefits	66,749	0	0	25,999	92,748
Intergovernmental Payable	65,305	0	0	65,940	131,245
Advance from Other Funds	43,474	0	0	0	43,474
Total Liabilities	299,705	194,222	0	251,720	745,647
Deferred Inflows of Resources					
Property Taxes not Levied to Finance Current Year Operations	524,430	0	0	458,125	982,555
Unavailable Revenue-Delinquent Property Taxes	43,533	0	0	46,055	89,588
Unavailable Revenue-Other	151,805	35,458	0	292,335	479,598
Total Deferred Inflows of Resources	719,768	35,458	0	796,515	1,551,741
Fund Balances					
Nonspendable:					
Inventories	0	0	0	63,276	63,276
Notes Receivable	0	0	0	1,100,117	1,100,117
Restricted for:					
Court Improvements	0	0	0	304,843	304,843
Debt Service Reserve	0	0	0	1,374	1,374
Economic Development	0	0	0	144,662	144,662
Fire Protection	0	0	0	30,179	30,179
Highways	0	0	0	63,748	63,748
Housing Programs	0	0	0	507,388	507,388
Law Enforcement	0	0	0	379,010	379,010
Other Purposes	0	0	0	214,765	214,765
Parks Capital Improvements	0	0	0	4,873	4,873
Capital Improvements	0	0	4,191,811	23,713	4,215,524
Street Repair and Maintenance	0	0	0	554,189	554,189
Committed to:					
Parks and Recreation	0	0	0	356,843	356,843
Parks Capital Improvements	0	0	0	105,717	105,717
Capital Improvements	0	812,180	0	0	812,180
Assigned to:					
Encumbrances	50,008	0	0	0	50,008
Unassigned (Deficit)	3,061,539	0	0	(560)	3,060,979
Total Fund Balances	3,111,547	812,180	4,191,811	3,854,137	11,969,675
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$4,131,020	\$1,041,860	\$4,191,811	\$4,902,372	\$14,267,063

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Reconciliation of Total Governmental Fund Balances to Net Position
of Governmental Activities
For the Year Ended December 31, 2015

Total Governmental Fund Balances \$11,969,675

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	335,152	
Land Improvements (Net of Depreciation)	539,458	
Buildings (Net of Depreciation)	4,005,144	
Equipment (Net of Depreciation)	1,772,238	
Infrastructure (Net of Depreciation)	<u>10,444,991</u>	
Total		20,107,910

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

Property Taxes	89,588	
Intergovernmental	428,772	
Special Assessments	<u>35,458</u>	
Total		553,818

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds

Deferred Outflows - Pension	1,443,915	
Deferred Inflows - Pension	(153,396)	
Net Pension Liability	(8,862,146)	
Total		(7,571,627)

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

OWDA Loan	(460,532)	
OPWC Loan	(160,503)	
Police and Fire Past Service Costs	(366,722)	
Capital Leases	(724,542)	
Compensated Absences	<u>(1,172,575)</u>	
		<u>(2,884,874)</u>

Net Position of Governmental Activities \$22,174,902

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	General	General Capital Improvements	Capital Investment Trust Fund	All Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$574,298	\$0	\$0	\$516,867	\$1,091,165
Income Taxes	4,514,371	1,128,331	0	0	5,642,702
Payments in Lieu of Taxes	0	0	0	17,801	17,801
Shared Revenues	70,859	0	0	127,692	198,551
Special Assessments	11,905	67,334	0	0	79,239
Charges for Services	88,870	6,865	0	975,560	1,071,295
Licenses and Permits	220,252	0	0	570	220,822
Fines and Forfeitures	648,491	0	0	79,442	727,933
Intergovernmental	731,185	6,691	0	2,070,793	2,808,669
Interest	140,898	3,704	0	793	145,395
Contributions and Donations	2,820	0	0	18,868	21,688
Other	1,166	0	0	91,528	92,694
<i>Total Revenues</i>	<u>7,005,115</u>	<u>1,212,925</u>	<u>0</u>	<u>3,899,914</u>	<u>12,117,954</u>
Expenditures:					
Current:					
General Government	2,057,604	975	0	35,574	2,094,153
Security of Persons and Property	3,986,100	20,000	0	716,015	4,722,115
Public Health	101,698	0	0	29,861	131,559
Leisure Time Services	0	0	0	1,641,507	1,641,507
Community and Economic Development	12,593	0	0	432,070	444,663
Transportation	7,995	0	0	1,079,066	1,087,061
Capital Outlay	36,469	1,465,627	0	493,128	1,995,224
Debt Service:					
Principal Retirement	0	96,418	0	1,560	97,978
Interest and Fiscal Charges	3,704	19,924	0	0	23,628
<i>Total Expenditures</i>	<u>6,206,163</u>	<u>1,602,944</u>	<u>0</u>	<u>4,428,781</u>	<u>12,237,888</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>798,952</u>	<u>(390,019)</u>	<u>0</u>	<u>(528,867)</u>	<u>(119,934)</u>
Other Financing Sources (Uses):					
Transfers In	0	0	0	1,065,804	1,065,804
Transfers Out	(971,159)	0	0	(37,840)	(1,008,999)
<i>Total Other Financing Sources (Uses)</i>	<u>(971,159)</u>	<u>0</u>	<u>0</u>	<u>1,027,964</u>	<u>56,805</u>
<i>Net Change in Fund Balances</i>	(172,207)	(390,019)	0	499,097	(63,129)
<i>Fund Balances Beginning 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>
<i>Fund Balances End of Year</i>	<u>\$3,111,547</u>	<u>\$812,180</u>	<u>\$4,191,811</u>	<u>\$3,854,137</u>	<u>\$11,969,675</u>

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2015

Net Change in Fund Balances - Total Governmental Funds (\$63,129)

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	1,783,712	
Depreciation Expense	(1,433,818)	
Total	349,894	349,894

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	(13,155)	
------------------------------------	----------	--

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

Property Taxes	1,218	
Special Assessments	(8,343)	
Intergovernmental	(15,120)	
Total	(22,245)	(22,245)

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

Inception of Capital Lease	(34,777)	
Total	(34,777)	(34,777)

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.

OWDA Loan Payments	66,904	
OPWC Loan Payments	31,074	
Police and Fire Past Service Costs Payments	11,926	
Capital Lease Payment	165,296	
Total	275,200	275,200

Contractually required pension contributions are reported as expenditures in governmental funds; however, the Statement of Activities reports these amounts as deferred outflows.

	986,185	
--	---------	--

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities.

	(898,736)	
--	-----------	--

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	22,401	
----------------------	--------	--

Change in Net Position of Governmental Activities \$601,638

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Property Taxes	\$569,961	\$569,961	\$574,298	\$4,337
Income Taxes	4,285,000	4,285,000	4,367,245	82,245
Shared Revenues	51,000	51,000	70,859	19,859
Special Assessments	9,000	9,000	11,905	2,905
Charges for Services	76,500	76,500	76,909	409
Licenses and Permits	213,800	213,800	220,252	6,452
Fines and Forfeitures	623,500	623,500	640,879	17,379
Intergovernmental	682,575	682,575	703,038	20,463
Interest	68,150	68,150	131,425	63,275
Contributions and Donations	0	0	2,820	2,820
Reimbursements	14,000	14,000	40,022	26,022
Other	300	300	1,930	1,630
Total Revenues	6,593,786	6,593,786	6,841,582	247,796
EXPENDITURES:				
Current:				
General Government	2,284,280	2,339,963	2,152,484	187,479
Security of Persons and Property	4,194,804	4,205,006	4,079,603	125,403
Public Health	110,625	110,625	108,823	1,802
Community and Economic Development	14,459	14,359	13,369	990
Transportation	8,733	9,177	8,639	538
Principal Retirement	19,960	19,960	19,956	4
Interest and Fiscal Charges	3,710	3,710	3,704	6
Total Expenditures	6,636,571	6,702,800	6,386,578	316,222
Excess (Deficiency) of Revenues Over (Under) Expenditures	(42,785)	(109,014)	455,004	564,018
OTHER FINANCING SOURCES (USES):				
Advances In	0	0	1,760	1,760
Transfers Out	(574,100)	(971,220)	(971,159)	61
Total Other Financing Sources (Uses)	(574,100)	(971,220)	(969,399)	1,821
Net Change in Fund Balance	(616,885)	(1,080,234)	(514,395)	565,839
Fund Balance at Beginning of Year	2,244,924	2,244,924	2,244,924	0
Prior Year Encumbrances Appropriated	147,275	147,275	147,275	0
Fund Balance at End of Year	\$1,775,314	\$1,311,965	\$1,877,804	\$565,839

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Fund Net Position
Proprietary Funds
December 31, 2015

	Business-Type Activities Enterprise Funds				Totals
	Major		Non-Major		
	Water	Sewer	Sanitation	Storm Water Utility	
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$1,666,195	\$1,929,655	\$929,906	\$163,898	\$4,689,654
Receivables:					
Taxes	0	0	262,844	0	262,844
Accounts	264,342	307,200	10,000	23,532	605,074
Intergovernmental	26,044	0	0	0	26,044
Special Assessments	5,843	5,182	0	0	11,025
Materials and Supplies Inventory	72,883	17,957	0	0	90,840
Total Current Assets	2,035,307	2,259,994	1,202,750	187,430	5,685,481
Noncurrent Assets:					
Non-Depreciable Capital Assets	19,221	573,534	28,007	12,870	633,632
Depreciable Capital Assets, Net	9,627,325	16,384,001	771,827	85,490	26,868,643
Total Noncurrent Assets	9,646,546	16,957,535	799,834	98,360	27,502,275
Total Assets	11,681,853	19,217,529	2,002,584	285,790	33,187,756
Deferred Outflows of Resources					
Ohio Public Employees Retirement System	205,294	182,658	99,944	17,382	505,278
Total Deferred Outflows of Resources	205,294	182,658	99,944	17,382	505,278
Liabilities					
Current Liabilities:					
Accounts Payable	78,492	227,699	29,691	13,250	349,132
Accrued Wages and Benefits	20,826	19,217	13,162	2,971	56,176
Intergovernmental Payable	22,824	19,729	11,041	2,118	55,712
Retainage Payable	0	64,001	0	0	64,001
Compensated Absences Payable	70,195	72,201	33,371	8,741	184,508
Capital Leases Payable	21,324	21,324	0	16,183	58,831
OPWC Loans Payable	0	14,450	0	0	14,450
OWDA Loans Payable	128,380	598,256	0	0	726,636
Total Current Liabilities	342,041	1,036,877	87,265	43,263	1,509,446
Noncurrent Liabilities:					
Compensated Absences Payable - Net of Current Portion	182,710	218,987	94,555	16,569	512,821
Capital Leases Payable - Net of Current Portion	28,564	28,564	0	8,235	65,363
OPWC Loans Payable - Net of Current Portion	0	57,800	0	0	57,800
OWDA Loans Payable - Net of Current Portion	2,452,229	5,852,239	0	0	8,304,468
Net Pension Liability	844,863	751,706	411,307	71,532	2,079,408
Total Noncurrent Liabilities	3,508,366	6,909,296	505,862	96,336	11,019,860
Total Liabilities	3,850,407	7,946,173	593,127	139,599	12,529,306
Deferred Inflows of Resources					
Ohio Public Employees Retirement System	15,968	14,208	7,774	1,351	39,301
Total Deferred Outflows of Resources	15,968	14,208	7,774	1,351	39,301
Net Position					
Net Investment in Capital Assets	7,012,495	10,320,901	799,834	73,940	18,207,170
Unrestricted	1,008,277	1,118,905	701,793	88,282	2,917,257
Total Net Position	\$8,020,772	\$11,439,806	\$1,501,627	\$162,222	\$21,124,427

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2015

	Business-Type Activities				Totals
	Enterprise Funds				
	Major		Non-Major		
Water	Sewer	Sanitation	Storm Water Utility		
Operating Revenues:					
Charges for Services	\$3,167,753	\$3,287,425	\$9,544	\$227,491	\$6,692,213
Other Operating Revenue	29,174	46,010	15,241	14,813	105,238
<i>Total Operating Revenues</i>	<u>3,196,927</u>	<u>3,333,435</u>	<u>24,785</u>	<u>242,304</u>	<u>6,797,451</u>
Operating Expenses:					
Personal Services	1,186,545	1,067,926	572,534	114,339	2,941,344
Contractual Services	479,200	375,682	298,828	4,321	1,158,031
Materials and Supplies	796,405	54,432	70,127	51,312	972,276
Depreciation	443,270	787,915	101,020	10,290	1,342,495
Other	0	2,193	0	0	2,193
<i>Total Operating Expenses</i>	<u>2,905,420</u>	<u>2,288,148</u>	<u>1,042,509</u>	<u>180,262</u>	<u>6,416,339</u>
<i>Operating Income (Loss)</i>	<u>291,507</u>	<u>1,045,287</u>	<u>(1,017,724)</u>	<u>62,042</u>	<u>381,112</u>
Non-Operating Revenues (Expenses):					
Intergovernmental	18,686	2,004	0	224	20,914
Municipal Income Tax	0	0	1,128,331	0	1,128,331
Special Assessments	0	30,215	0	0	30,215
Other Non-Operating Revenues	0	892	0	0	892
Interest and Fiscal Charges	(82,068)	(216,187)	0	(835)	(299,090)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(63,382)</u>	<u>(183,076)</u>	<u>1,128,331</u>	<u>(611)</u>	<u>881,262</u>
<i>Income Before Transfers</i>	228,125	862,211	110,607	61,431	1,262,374
Transfers Out	(12,100)	(44,705)	0	0	(56,805)
<i>Change in Net Position</i>	216,025	817,506	110,607	61,431	1,205,569
<i>Net Position at Beginning of Year (Restated)</i>	<u>7,804,747</u>	<u>10,622,300</u>	<u>1,391,020</u>	<u>100,791</u>	<u>19,918,858</u>
<i>Net Position at End of Year</i>	<u>\$8,020,772</u>	<u>\$11,439,806</u>	<u>\$1,501,627</u>	<u>\$162,222</u>	<u>\$21,124,427</u>

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015

	Business-Type Activities				
	Enterprise Funds				
	Major		Non-Major		Totals
Water	Sewer	Sanitation	Storm Water Utility		
Cash Flows from Operating Activities					
Cash Received from Customers	\$3,223,368	\$3,356,031	\$26,266	\$243,353	\$6,849,018
Cash Payments to Employees for Services	(1,220,657)	(1,095,971)	(593,483)	(109,521)	(3,019,632)
Cash Payments for Goods and Services	(979,175)	(192,747)	(359,996)	(48,431)	(1,580,349)
Net Cash Provided by (Used in) Operating Activities	<u>1,023,536</u>	<u>2,067,313</u>	<u>(927,213)</u>	<u>85,401</u>	<u>2,249,037</u>
Cash Flows from Noncapital Financing Activities					
Transfers Out	(12,100)	(44,705)	0	0	(56,805)
Municipal Income Tax	0	0	1,091,539	0	1,091,539
Intergovernmental Revenue	0	0	0	224	224
Principal Payments	0	0	0	(13,278)	(13,278)
Interest Payments	0	0	0	(835)	(835)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(12,100)</u>	<u>(44,705)</u>	<u>1,091,539</u>	<u>(13,889)</u>	<u>1,020,845</u>
Cash Flows from Capital and Related Financing Activities					
Proceeds from Loans	315,563	0	0	0	315,563
Acquisition of Capital Assets	(737,490)	(794,417)	(29,990)	(29,407)	(1,591,304)
Special Assessments	0	30,215	0	0	30,215
Intergovernmental Revenue	2,511	0	0	0	2,511
Principal Payments	(463,404)	(634,995)	0	0	(1,098,399)
Interest Payments	(82,068)	(216,187)	0	0	(298,255)
Net Cash (Used in) Capital and Related Financing Activities	<u>(964,888)</u>	<u>(1,615,384)</u>	<u>(29,990)</u>	<u>(29,407)</u>	<u>(2,639,669)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	46,548	407,224	134,336	42,105	630,213
Cash and Cash Equivalents Beginning 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>
Cash and Cash Equivalents End of Year	<u>\$1,666,195</u>	<u>\$1,929,655</u>	<u>\$929,906</u>	<u>\$163,898</u>	<u>\$4,689,654</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	\$291,507	\$1,045,287	(\$1,017,724)	\$62,042	\$381,112
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Depreciation	443,270	787,915	101,020	10,290	1,342,495
(Increase) Decrease in Operating Assets:					
Accounts Receivable	27,218	36,449	1,481	1,049	66,197
Special Assessments Receivable	(4,653)	(4,127)	0	0	(8,780)
Materials and Supplies Inventory	(1,228)	(3,534)	0	0	(4,762)
Deferred Outflows of Resources	462,362	(66,552)	(36,415)	(6,333)	353,062
Increase (Decrease) in Operating Liabilities:					
Accounts Payable	(238,076)	185,490	8,959	9,755	(33,872)
Accrued Wages and Benefits	9,504	9,450	2,457	1,727	23,138
Compensated Absences Payable	9,832	11,560	4,578	7,072	33,042
Intergovernmental Payable	(9,053)	(9,677)	(5,838)	(129)	(24,697)
Retainage Payable	0	54,275	0	0	54,275
Capital Lease	3,544	(5,301)	0	(2,553)	(4,310)
Net Pension Liability	13,341	11,870	6,495	1,130	32,836
Increase/(Decrease) in Deferred Inflows of Resources - Pension	15,968	14,208	7,774	1,351	39,301
Total Adjustments	<u>732,029</u>	<u>1,022,026</u>	<u>90,511</u>	<u>23,359</u>	<u>1,867,925</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$1,023,536</u>	<u>\$2,067,313</u>	<u>(\$927,213)</u>	<u>\$85,401</u>	<u>\$2,249,037</u>

Noncash Capital Activities:

Capital lease obligation of \$80,880 was incurred when the City entered into a lease for Bobcat Mini Excavator. Of that amount, \$16,178 is allocated to the Water Fund, \$16,178 is allocated to the Sewer Fund, and \$13,747 is allocated to the Storm Water Fund.

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

	<u>Agency</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$91,577
Cash and Cash Equivalents in Segregated Accounts	<u>20,625</u>
<i>Total Assets</i>	<u><u>\$112,202</u></u>
Liabilities	
Current Liabilities:	
Undistributed Monies	<u>\$112,202</u>
<i>Total Liabilities</i>	<u><u>\$112,202</u></u>

See accompanying notes to the basic financial statements.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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,” Statement No. 39, Determining Whether Certain Organizations Are Component Units, and Statement No. 61, The Financial Reporting Entity: Omnibus, 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. There were no component units in 2015.

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, 2015**

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, 2015

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.

Fiduciary Funds

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

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

C. *Measurement Focus*

Government-wide Financial Statements

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

Fund Financial Statements

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

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

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

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

D. *Basis of Accounting*

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

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

Property taxes for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance year 2016 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, 2015, are recorded as deferred inflows of resources unavailable revenue.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

F. 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, 2015

G. *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 2015. 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, 2015.

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 2015 amounted to \$140,898, which includes \$118,189 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.

H. *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.

I. *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, 2015

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.

J. *Prepaid Items*

Payments made to vendors for services that will benefit periods beyond December 31, 2015, 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 2015.

K. *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
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

L. 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.

M. 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.

N. 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
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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). The City must adhere to these commitments unless the Council amends the ordinance. 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.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

O. 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.

P. 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.

Q. 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 2015.

R. 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.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

S. *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 2015.

T. *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, 2015:

Fund	Deficit
Special Revenue Funds:	
FY16 Intensive Supervision Grant	(\$560)

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 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>
Net Position December 31, 2014	\$29,232,340	\$21,644,251
Adjustments:		
Net Pension Liability	(8,431,647)	(2,046,572)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>772,571</u>	<u>321,179</u>
Restated Net Position December 31, 2014	<u>\$21,573,264</u>	<u>\$19,918,858</u>

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Storm Water Utility</u>	<u>Total Enterprise</u>
Net Position December 31, 2014	\$8,505,774	\$11,246,030	\$1,732,303	\$160,144	\$21,644,251
Adjustments:					
Net Pension Liability	(831,522)	(739,836)	(404,812)	(70,402)	(\$2,046,572)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>130,495</u>	<u>116,106</u>	<u>63,529</u>	<u>11,049</u>	<u>\$321,179</u>
Restated Net Position December 31, 2014	<u>\$7,804,747</u>	<u>\$10,622,300</u>	<u>\$1,391,020</u>	<u>\$100,791</u>	<u>\$19,918,858</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these statements was not available.

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).

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

- 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	(\$172,207)
Net Adjustment for Revenue Accruals	(161,773)
Net Adjustment for Expenditure Accruals	(130,407)
Encumbrances	(50,008)
Budget Basis	<u>(\$514,395)</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

- 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.
- 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.
- 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:

- 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;

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

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

Cash on Hand - At year end, the City had \$3,748 in undeposited cash on hand, of which \$1,120 is included on the balance sheet as part of "Equity in Pooled Cash and Cash Equivalents" and \$2,628 is included on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts".

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Deposits – Custodial credit risk is the risk that, in the event of bank failure, the City’s deposits may not be returned. The City places deposits in banks allowable per Ohio Revised Code 135.03. 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, 2015, \$9,832,118 of the City’s bank balance of \$11,000,755, was exposed to custodial risk as discussed above, while \$1,168,637 was covered by FDIC. Of the uninsured bank balance, all was collateralized with securities held by the pledging institution’s trust department, but not in the City’s name.

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

Investments

As of December 31, 2015, the City had the following investments and maturities:

Investment Type	Investment Maturities (in years)		
	Fair Value	Less Than 1	1-5
STAR Ohio	\$235,050	\$235,050	\$0
FHLMC	2,242,747	0	2,242,747
FFCB	501,070	0	501,070
FNMA	752,767	0	752,767
	<u>\$3,731,634</u>	<u>\$235,050</u>	<u>\$3,496,584</u>

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

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments had the following ratings by Standard & Poors. The City has no investment policy that would further limit its investment choices.

STAR Ohio	AAAm
FHLMC	AA+
FFCB	AA+
FNMA	AA+

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, FHLMC, and FNMA. The City's policy places no limit on the amount that may be invested in any one issuer.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2015, 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.

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 2015 for real and public utility property taxes represents collections of the 2014 taxes. Property tax payments received during 2015 for tangible personal property (other than public utility property) is for 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35% of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 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. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2015, was \$6.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

	Total Assessed	
	Value	%
Real Property Valuation:		
Residential/Agriculture	\$190,683,100	72.10%
Commercial/Industrial/Mineral	64,835,860	24.51%
Public Utilities	22,630	0.01%
Tangible Personal Property Valuation:		
Public Utilities	8,938,250	3.38%
Total Valuation	<u>\$264,479,840</u>	<u>100.00%</u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Norwalk. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2015 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 2015 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 2015 was distributed to the general fund (66.66%), sanitation enterprise fund (16.67%) and general capital improvements fund (16.67%).

NOTE 9 - SPECIAL ASSESSMENTS

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

The County Auditor periodically remits these collections to the City.

Special assessments collected in one calendar year are levied and certified in the preceding calendar year.

NOTE 10 – RISK MANAGEMENT

A. Liability Insurance

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

B. Fidelity Bonds

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

C. Workers' Compensation

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

D. Employee Health Insurance

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 2015, the City share of the family coverage was \$1,032.64 while the employee contribution was \$91.12 per pay. The City share of the single coverage was \$354.82 per month while the employee contribution was \$31.31 per pay. A two month moratorium on insurance premiums was taken for the months of November and December.

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance 01/01/2015	Additions	Deletions	Balance 12/31/2015
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$3,010,927	\$0	\$0	\$3,010,927
Construction in Progress	1,265,076	200,474	(1,130,398)	335,152
Total Capital Assets, Not Being Depreciated	4,276,003	200,474	(1,130,398)	3,346,079
Capital Assets, Being Depreciated:				
Land Improvements	1,706,932	15,512	0	1,722,444
Buildings	7,648,978	31,172	0	7,680,150
Equipment	7,002,034	273,612	(28,513)	7,247,133
Infrastructure	21,151,916	2,461,959	(94,498)	23,519,377
Total Capital Assets, Being Depreciated	37,509,860	2,782,255	(123,011)	40,169,104
Less Accumulated Depreciation:				
Land Improvements	(1,131,365)	(51,621)	0	(1,182,986)
Buildings	(3,505,918)	(169,088)	0	(3,675,006)
Equipment	(5,193,580)	(304,828)	23,513	(5,474,895)
Infrastructure	(12,183,829)	(908,281)	17,724	(13,074,386)
Total Accumulated Depreciation	(22,014,692)	(1,433,818) *	41,237	(23,407,273)
Total Capital Assets, Being Depreciated, net	15,495,168	1,348,437	(81,774)	16,761,831
Governmental Activities Capital Assets, net	<u>\$19,771,171</u>	<u>\$1,548,911</u>	<u>(\$1,212,172)</u>	<u>\$20,107,910</u>

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Beginning Balance 01/01/2015	Additions	Deletions	Balance 12/31/2015
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$36,807	\$0	\$0	\$36,807
Construction in Progress	1,401,263	111,987	(916,425)	596,825
Total Capital Assets, Not Being Depreciated	1,438,070	111,987	(916,425)	633,632
Capital Assets, Being Depreciated:				
Land Improvements	1,142,719	0	0	1,142,719
Buildings	13,841,051	28,163	0	13,869,214
Equipment	10,028,163	234,113	0	10,262,276
Infrastructure	32,054,698	2,146,744	0	34,201,442
Total Capital Assets, Being Depreciated	57,066,631	2,409,020	0	59,475,651
Less Accumulated Depreciation:				
Land Improvements	(887,720)	(21,320)	0	(909,040)
Buildings	(5,206,156)	(292,021)	0	(5,498,177)
Equipment	(8,251,432)	(283,296)	0	(8,534,728)
Underground Piping	(16,919,205)	(745,858)	0	(17,665,063)
Total Accumulated Depreciation	(31,264,513)	(1,342,495)	0	(32,607,008)
Total Capital Assets, Being Depreciated, net	25,802,118	1,066,525	0	26,868,643
Business-Type Activities Capital Assets, net	\$27,240,188	\$1,178,512	(\$916,425)	\$27,502,275

*Depreciation expense was charged to governmental functions as follows:

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

NOTE 12 – CAPITAL LEASES

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. In 2015, the City entered into a lease agreement for a Bobcat mini excavator. 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 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 Bobcat mini excavator has been recorded in the general, state highway, parks and recreation, streets, water, sewer, and storm water utility funds.

The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of December 31, 2015:

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Governmental Activities Lease Payments</u>		
Year Ending December 31,	Equipment	Vehicles
2016	\$35,869	\$137,245
2017	7,640	99,905
2018	7,640	99,905
2019	7,640	99,905
2020	0	99,905
2021-2022	0	199,810
Total minimum lease payments	58,789	736,675
Less: Amount representing interest	(4,272)	(66,650)
Present value of net minimum lease payments	<u>\$54,517</u>	<u>\$670,025</u>

<u>Business-Type Activities Lease Payments</u>	
Year Ending December 31,	Equipment
2016	\$62,970
2017	48,856
2018	10,128
2019	10,128
Total minimum lease payments	132,082
Less: Amount representing interest	(7,888)
Present value of net minimum lease payments	<u>\$124,194</u>

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 13 – LONG-TERM OBLIGATIONS

	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
Parking Improvement Bonds	5.50%	\$90,000	12/1/2017
Parking Improvement Bonds	6.00%	\$185,000	12/1/2017
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

	Interest Rate	Original Issue Amount	Date of Maturity
Business -Type Activity:			
Waterworks Refunding Bonds, Series 2012	2.00%	\$945,000	10/1/2015
OPWC Pleasant St. Pumping Station	0.00%	\$289,001	12/31/2020
OWDA Southside Sewer Separation	3.85%	\$1,189,817	7/1/2016
OWDA Ward/Parsons Sewer Construction	3.75%	\$617,079	7/1/2019
OWDA Milan/Chatham Sewers Project	3.90%	\$1,797,148	1/1/2022
OWDA Water Treatment Plant Project	3.25%	\$695,073	1/1/2027
OWDA Wastewater Treatment Plant Improve	2.94%	\$8,012,446	7/1/2027
OWDA Corwin Street Sewer Project	3.67%	\$616,386	7/1/2027
OWDA Norwood Ave Waterline Replacement	4.78%	\$329,555	7/1/2028
OWDA West Main Street Waterline Replacement	2.82%	\$890,839	7/1/2032
OWDA Old State Road Waterline Replacement	3.79%	\$668,650	7/1/2034
OWDA Milan Ave Waterline Replacement	2.95%	\$524,205	7/1/2035

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Changes in the long-term obligations of the City during 2015 were as follows:

	Balance			Amount	
	01/01/2015	Additions	Deletions	Balance 12/31/2015	Due In One Year
Governmental Activities:					
OPWC Memorial Reservoir Spillway	55,314	0	(13,829)	41,485	13,829
OPWC East/West Parkway Construction	46,875	0	(6,250)	40,625	6,250
OPWC Woodlawn Ave Paving Project Phase III	8,760	0	(1,460)	7,300	1,460
OPWC Woodlawn Ave Paving Project Phase IV	47,505	0	(6,786)	40,719	6,787
OPWC Bridge Rehabilitation	14,260	0	(1,189)	13,071	1,188
OPWC East Main Phase III	8,500	0	(1,000)	7,500	1,000
OPWC Concrete Street Repair Project	10,363	0	(560)	9,803	560
Total OPWC Loans	<u>191,577</u>	<u>0</u>	<u>(31,074)</u>	<u>160,503</u>	<u>31,074</u>
Police and Fire Past Service Cost	378,648	0	(11,926)	366,722	12,439
OWDA Milan/Chatham Sewers Project	527,436	0	(66,904)	460,532	69,539
Capital Leases	855,061	34,777	(165,296)	724,542	152,692
Compensated Absences	1,194,976	336,260	(358,661)	1,172,575	341,384
Total Governmental Activities	<u>\$3,147,698</u>	<u>\$371,037</u>	<u>(\$633,861)</u>	<u>\$2,884,874</u>	<u>\$607,128</u>

	Balance			Amount	
	01/01/2015	Additions	Deletions	Balance 12/31/2015	Due In One Year
Business -Type Activity:					
Waterworks Refunding Bonds, Series 2015	\$330,000	\$0	(\$330,000)	\$0	\$0
Total General Obligation Bonds	<u>330,000</u>	<u>0</u>	<u>(330,000)</u>	<u>0</u>	<u>0</u>
OPWC Pleasant Street Pumping Station	86,700	0	(14,450)	72,250	14,450
OWDA Southside Sewer Separation	123,970	0	(81,856)	42,114	42,114
OWDA Ward/Parsons Sewer Construction	181,190	0	(37,688)	143,502	39,114
OWDA Milan/Chatham Sewers Project	791,157	0	(100,357)	690,800	104,309
OWDA Wastewater Treatment Improvement Note	5,539,048	0	(372,608)	5,166,440	383,643
OWDA Corwin Street Sewer Project	435,675	0	(28,037)	407,638	29,075
OWDA Water Treatment Improvement Note	469,239	0	(32,548)	436,691	33,614
OWDA West Main Street Waterline Replacement	804,795	0	(36,140)	768,655	37,167
OWDA Norwood Ave Waterline Replacement	254,218	0	(13,784)	240,434	14,450
OWDA Old State Road Waterline Replacement	328,068	315,563	(23,296)	620,335	23,296
OWDA Milan Ave Waterline Replacement	0	524,205	(9,710)	514,495	19,854
Total OWDA Loans	<u>8,927,360</u>	<u>839,768</u>	<u>(736,024)</u>	<u>9,031,104</u>	<u>726,636</u>
Capital Leases	137,349	46,103	(59,258)	124,194	58,831
Compensated Absences	664,287	210,771	(177,729)	697,329	184,508
Total Business-Type Activity	<u>\$10,145,696</u>	<u>\$1,096,642</u>	<u>(\$1,317,461)</u>	<u>\$9,924,877</u>	<u>\$984,425</u>

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 2027. 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 \$7,612,676. Principal and interest paid for the current year were \$818,696 and total net revenues were \$1,272,896.

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. 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 \$3,401,002. Principal and interest paid for the current year were \$196,108 and total net revenues were \$288,557.

In September 2015, the City signed a loan agreement with OWDA in the amount of \$6,800,424 for the Pleasant Street combined sewer overflow project. No loan proceeds were received in 2015. The City has pledged future revenues to repay the loan. The loan will be payable solely from revenues generated by the ownership and operation of the sewer utility system. The total principal and interest to be paid on the loan will be \$8,474,465. No principal and interest were paid for the current year. The date of the initial loan payment is July 1, 2017.

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.

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

The annual requirements to amortize the debt outstanding as of December 31, 2015, including interest payments of \$80,361 for the Governmental Activities OWDA loans and \$2,285 for the Business-Type Activities general obligation bonds, and \$1,789,6756 for the OWDA loans are as follows:

	Governmental Activities		
	OWDA Loans		OPWC Loans
	Principal	Interest	Principal
2016	\$69,539	\$17,289	\$31,073
2017	72,278	14,551	31,074
2018	75,124	11,705	31,073
2019	78,082	8,746	17,245
2020	81,157	5,671	17,246
2021-2025	84,352	2,475	27,403
2026-2030	0	0	3,989
2031-2035	0	0	1,400
Total	<u>\$460,532</u>	<u>\$60,437</u>	<u>\$160,503</u>

	Business-Type Activities		
	OWDA Loans		OPWC Loans
	Principal	Interest	Principal
2016	\$727,525	\$285,040	\$14,450
2017	707,811	257,836	14,450
2018	730,958	234,694	14,450
2019	732,808	210,774	14,450
2020	860,740	191,021	14,450
2021-2025	3,360,138	631,188	0
2026-2030	1,537,334	146,583	0
2031-2035	373,790	25,440	0
	<u>\$9,031,104</u>	<u>\$1,982,576</u>	<u>\$72,250</u>

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred-payment basis - as part of the total compensation packet offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description -- Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table proves age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information).

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final Average Salary (FAS) represents the average of the three highest years of earning over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2015 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2015 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$723,986 for 2015. Of this amount, \$50,700 is reported as intergovernmental payable.

Plan Description - Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. 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 and detailed information about OP&F's fiduciary net position. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Upon attaining a qualified age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service credit, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Police</u>	<u>Firefighters</u>
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$608,409 for 2015. Of this amount, \$40,443 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2015, the specific liability of the City was \$366,722 payable in semi-annual payments through the year 2035.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,348,406	\$6,593,148	\$10,941,554
Proportion of the Net Pension Liability	0.036169%	0.0353826%	
Pension Expense	\$489,853	\$643,131	\$1,132,984

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

At December 31, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$234,919	\$284,159	\$519,078
Changes in proportion and differences between City contributions and proportionate share of contributions	97,720	0	97,720
City contributions subsequent to the measurement date	<u>723,986</u>	<u>608,409</u>	<u>1,332,395</u>
Total Deferred Outflows of Resources	<u><u>\$1,056,625</u></u>	<u><u>\$892,568</u></u>	<u><u>\$1,949,193</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$82,185	\$0	\$82,185
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>0</u>	<u>110,512</u>	<u>110,512</u>
Total Deferred Inflows of Resources	<u><u>\$82,185</u></u>	<u><u>\$110,512</u></u>	<u><u>\$192,697</u></u>

\$1,332,395 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2016	\$62,613	\$43,411	\$106,024
2017	62,613	43,412	106,025
2018	62,614	43,412	106,026
2019	<u>62,614</u>	<u>43,412</u>	<u>106,026</u>
Total	<u><u>\$250,454</u></u>	<u><u>\$173,647</u></u>	<u><u>\$424,101</u></u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease 7.00%	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$8,066,351	\$4,348,406	\$1,251,105

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$9,119,321	\$6,593,148	\$4,454,247

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 – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment healthcare trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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. Please see the Plan Statement in the OPERS 2014 CAFR for details.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board 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/financial/reports/shtml#CAFR>, 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 health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015 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 member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trusts and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. 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 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

The City's actual contributions to fund post-employment benefits were \$94,914 at December 31, 2015, \$95,950 at December 31, 2014, and \$51,905 at December 31, 2013.

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.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of the employer contributions allocated to the health care plan was .5% of covered payroll from January 1, 2015 through December 31, 2015. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F for the years ending December 31, 2015, 2014, and 2013 were \$273,178, \$282,264, and \$262,406, respectively, of which \$36,424, \$37,635 and \$44,877, respectively, was allocated to the healthcare plan for police and \$293,375, \$294,999, and \$275,912, respectively, of which \$25,670, \$33,050, \$44,323, respectively, was allocated to the healthcare plan for fire fighters.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2015, the liability for compensated absences was \$1,869,904 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.

There are currently no matters in litigation with the City as defendant.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 18 - INTERFUND TRANSACTIONS

Interfund transfers for the year ending December 31, 2015 consisted of the following:

Fund Basis:	
Governmental Funds:	
	Transfers In:
	All Other
	Governmental
Transfers Out:	Funds
General Fund	\$971,159
All Other Governmental Funds	37,840
Total Transfers In	\$1,008,999
Proprietary Funds:	
	Transfers In:
	All Other
	Governmental
Transfers Out:	Funds
Water Fund	\$12,100
Sewer Fund	44,705
Total Transfers In	\$56,805
Entity Wide Statements:	
	Transfers In:
	Governmental
Transfers Out:	Activities
Business-Type Activities	\$56,805

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.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Advances to/from other funds for the year ending December 31, 2015 consisted of the following:

	Advances to Other Funds:
	General
	Capital
	Improvements
Advances from Other Funds:	
Governmental Funds:	
General Fund	<u>\$43,474</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, 2015, these debt issues are recorded as “Advance from another fund” in the capital projects funds in the amount of \$43,474. All interest income arising from these transactions is credited to the capital projects funds.

NOTE 19 – CONSTRUCTION COMMITMENTS

As of December 31, 2015, the City had contractual commitments as follows:

Project	Remaining Commitment
Street Resurfacing Program	\$372
Pleasant Street CSO	\$6,864,002
Milan Avenue Waterline	\$524,205
Westwind/Route 250 Widening	\$42,433
Urban Paving Project	\$7,000
Milan Avenue Corridor Project	\$239,860

City of Norwalk, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Public Employees Retirement System
 Last Two Years (1)

	<u>2014</u>	<u>2013</u>
Traditional Plan		
City's Proportion of the Net Pension Liability	0.036343%	0.036343%
City's Proportionate Share of the Net Pension Liability	\$4,383,372	\$4,284,366
Combined Plan		
City's Proportion of the Net Pension Liability	0.044063%	0.044063%
City's Proportionate Share of the Net Pension Liability	(\$16,965)	(\$4,624)
Total City's Proportionate Share of the Net Pension Liability	\$4,366,407	\$4,279,742
City's Covered-Employee Payroll	\$5,102,750	\$5,623,067
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	85.57%	76.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.64%	95.35%

(1) Information prior to 2013 is not available.

City of Norwalk, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Two Years (1)

	<u>2014</u>	<u>2013</u>
Police		
City's Proportion of the Net Pension Liability	0.060884%	0.060884%
City's Proportionate Share of the Net Pension Liability	\$3,154,050	\$2,965,247
City's Covered-Employee Payroll	\$1,447,508	\$1,345,672
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	217.90%	220.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%
Fire		
City's Proportion of the Net Pension Liability	0.066384%	0.066384%
City's Proportionate Share of the Net Pension Liability	\$3,439,098	\$3,233,231
City's Covered-Employee Payroll	\$1,229,163	\$1,149,633
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	279.79%	281.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information prior to 2013 is not available.

City of Norwalk, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Three Years (1)

<u>Contractually Required Contributions</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Required Contributions	\$723,986	\$612,330	\$674,768
Contributions in relation to the Contractually Required Contribution	(\$723,986)	(\$612,330)	(\$674,768)
Contribution Deficiency/(Excess)	\$0	\$0	\$0
City's Covered-Employee Payroll	\$6,033,217	\$5,102,750	\$5,623,067
Pension Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%

(1) Information prior to 2013 is not available.

City of Norwalk, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Ten Years

	2015	2014	2013
Contractually Required Contribution			
Police	\$254,802	\$282,264	\$262,406
Fire	\$283,503	\$294,999	\$275,912
Total Required Contributions	<u>\$538,305</u>	<u>\$577,263</u>	<u>\$538,318</u>
Contributions in Relation to the Contractually Required Contribution	(\$538,305)	(\$577,263)	(\$538,318)
Contribution Deficiency/(Excess)	\$0	\$0	\$0
City Covered-Employee Payroll			
Police	\$1,306,679	\$1,447,508	\$1,345,672
Fire	\$1,181,262	\$1,229,163	\$1,149,633
Contributions as a Percentage of Covered Employee Payroll:			
Police	19.50%	19.50%	19.50%
Fire	24.00%	24.00%	24.00%

2012	2011	2010	2009	2008	2007	2006
\$165,296	\$176,462	\$202,892	\$184,819	\$191,862	\$196,190	\$178,927
\$198,608	\$195,858	\$213,553	\$221,832	\$201,973	\$198,959	\$186,723
\$363,904	\$372,320	\$416,445	\$406,651	\$393,835	\$395,149	\$365,650
(\$363,904)	(\$372,320)	(\$416,445)	(\$406,651)	(\$393,835)	(\$395,149)	(\$365,650)
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$847,672	\$904,933	\$1,040,472	\$947,790	\$983,908	\$1,006,103	\$917,574
\$827,533	\$816,075	\$889,804	\$924,300	\$841,554	\$828,996	\$778,013
19.50%	19.50%	19.50%	19.50%	19.50%	19.50%	19.50%
24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%