

**CITY OF NORWALK  
HURON COUNTY**

**REGULAR AUDIT**

**JANUARY 1, 2016 – DECEMBER 31, 2016**







# Dave Yost • Auditor of State

Members of City Council  
City of Norwalk  
38 Whittlesey Avenue  
P.O. Box 30  
Norwalk, Ohio 44857

We have reviewed the *Independent Auditor's Report* of the City of Norwalk, Huron County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Norwalk is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 15, 2017

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**CITY OF NORWALK  
HURON COUNTY, OHIO**

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City of Norwalk  
Huron County  
38 Whittlesey Avenue  
P.O. Box 30  
Norwalk, Ohio 44857

## INDEPENDENT AUDITOR'S REPORT

To the City Council:

### *Report on the Financial Statements*

We have audited 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, Huron County, Ohio (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
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City of Norwalk  
Huron County  
Independent Auditor's Report

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwalk, Huron County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Wilson, Shuman & Snow, Inc.*

June 16, 2017  
Newark, Ohio

**CITY OF NORWALK  
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

The management's 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, 2016. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for 2016 are as follows:

- The total net position of the City increased \$1,228,340 from 2015 net position. Net position of governmental activities decreased \$392,404 or 2% over the 2015 net position of \$22,174,902 and net position of business-type activities increased \$1,620,744 or 7% from 2015 net position of \$21,646,804.
- General revenues and transfers accounted for \$7,883,845 of total governmental activities revenue. Program specific revenues accounted for \$3,743,473 or 32% of total governmental activities revenue.
- The City had \$12,019,722 in expenses related to governmental activities; \$3,743,473 of these expenses was offset by program specific charges for services and sales, grants or contributions. The remaining expenses of the governmental activities of \$8,276,249 were offset by general revenues and transfers (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$7,883,845.
- The general fund had revenues and other financing sources of \$7,036,624 in 2016. This represents an increase of \$140,587 from 2015 revenues and other financing sources. The expenditures and other financing uses of the general fund, which totaled \$6,972,827 in 2016, decreased \$208,458 from 2015 expenditures and other financing uses. The net increase in fund balance for the general fund was \$64,797 or 2%.
- The general capital improvements fund had revenues and other financing sources of \$1,398,149 in 2016. The expenditures of the general capital improvements fund totaled \$1,192,508 in 2016. The net increase in fund balance was \$205,641 from 2015.
- The capital investment trust fund had revenues of \$13,559 and other financing uses of \$48,432 in 2016 resulting in a net decrease in fund balance was \$34,873.

**CITY OF NORWALK  
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those 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 remains 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.

**Reporting the City as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take 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 changes in net position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

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, street maintenance, parks and recreation, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

**CITY OF NORWALK  
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

***Business-type activities*** - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's sewer, water, sanitation and storm water operations are reported here.

**Reporting the City's Most Significant Funds**

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds.

***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, the general capital improvements fund and the capital investment trust fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

**CITY OF NORWALK  
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

***Proprietary Funds***

The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water sanitation and storm water management functions. All of the enterprise funds are considered major funds with the exception of the storm water fund.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement 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.

**Government-Wide Financial Analysis**

The statement of net position serves as a useful indicator of a government's financial position. The table below provides a summary of the City's net position for 2016 and 2015.

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**CITY OF NORWALK  
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	2016	2015
	2016	2016	2015	2015		
<b>Net Position</b>						
<b>Assets</b>						
Current and other assets	\$ 13,725,512	\$ 6,712,099	\$ 14,223,589	\$ 5,685,481	\$ 20,437,611	\$ 19,909,070
Nondepreciable capital assets	3,507,713	6,413,010	3,346,079	633,632	9,920,723	3,979,711
Depreciable capital assets, net	16,420,116	27,571,527	16,761,831	26,868,643	43,991,643	43,630,474
Capital assets, net	<u>19,927,829</u>	<u>33,984,537</u>	<u>20,107,910</u>	<u>27,502,275</u>	<u>53,912,366</u>	<u>47,610,185</u>
Total assets	<u>33,653,341</u>	<u>40,696,636</u>	<u>34,331,499</u>	<u>33,187,756</u>	<u>74,349,977</u>	<u>67,519,255</u>
<b>Deferred outflows of resources</b>	<u>2,946,060</u>	<u>1,249,930</u>	<u>1,443,915</u>	<u>505,278</u>	<u>4,195,990</u>	<u>1,949,193</u>
<b>Liabilities</b>						
Current and other liabilities	205,989	1,457,107	702,173	525,021	1,663,096	1,227,194
Long-term liabilities:						
Due within one year	571,475	965,121	607,128	964,571	1,536,596	1,571,699
Net pension liability	10,831,388	3,264,668	8,862,146	2,079,408	14,096,056	10,941,554
Due in more than one year	<u>2,056,021</u>	<u>12,925,469</u>	<u>2,277,746</u>	<u>8,437,929</u>	<u>14,981,490</u>	<u>10,715,675</u>
Total liabilities	<u>13,664,873</u>	<u>18,612,365</u>	<u>12,449,193</u>	<u>12,006,929</u>	<u>32,277,238</u>	<u>24,456,122</u>
<b>Deferred inflows of resources</b>	<u>1,152,030</u>	<u>66,653</u>	<u>1,151,319</u>	<u>39,301</u>	<u>1,218,683</u>	<u>1,190,620</u>
<b>Net Position</b>						
Net investment in capital assets	18,698,750	19,430,728	18,762,333	18,733,103	38,129,478	37,495,436
Restricted	8,899,535	-	8,391,454	-	8,899,535	8,391,454
Unrestricted	<u>(5,815,787)</u>	<u>3,836,820</u>	<u>(4,978,885)</u>	<u>2,913,701</u>	<u>(1,978,967)</u>	<u>(2,065,184)</u>
Total net position	<u>\$ 21,782,498</u>	<u>\$ 23,267,548</u>	<u>\$ 22,174,902</u>	<u>\$ 21,646,804</u>	<u>\$ 45,050,046</u>	<u>\$ 43,821,706</u>

Over time, net position can serve as a useful indicator of a government's financial position. At year-end, net position was \$45,050,046 which comprised \$21,782,498 and \$23,267,548 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 54% and 81% of total assets and deferred outflows of resources for the governmental activities and business-type activities, respectively. Capital assets include land, construction in progress, land improvements, buildings, equipment and infrastructure. The City's net investment in capital assets at December 31, 2016, were \$18,698,750 and \$19,430,728 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. A portion of the City's net position, \$8,899,535 represents resources that are subject to external restriction on how they may be used.

The following table shows the changes in net position for 2016 and 2015.

**CITY OF NORWALK  
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

	<b>Change in Net Position</b>					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	Total	Total
	2016	2016	2015	2015	2016	2015
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 1,980,346	\$ 7,473,841	\$ 2,020,050	\$ 6,692,213	\$ 9,454,187	\$ 8,712,263
Operating grants and contributions	1,258,001	-	1,452,858	20,914	1,258,001	1,473,772
Capital grants and contributions	505,126	-	784,920	30,215	505,126	815,135
<b>Total program revenues</b>	<b>3,743,473</b>	<b>7,473,841</b>	<b>4,257,828</b>	<b>6,743,342</b>	<b>11,217,314</b>	<b>11,001,170</b>
General revenues:						
Property and other local taxes	1,092,570	-	1,092,383	-	1,092,570	1,092,383
Income taxes	5,694,846	1,127,910	5,642,702	1,128,331	6,822,756	6,771,033
Shared revenues	207,528	-	198,551	-	207,528	198,551
Payment in lieu of taxes	19,559	-	17,801	-	19,559	17,801
Grants and entitlements	507,583	-	648,355	-	507,583	648,355
Investment earnings	127,627	-	145,395	-	127,627	145,395
Other	233,362	41,665	92,694	106,130	275,027	198,824
<b>Total general revenues</b>	<b>7,883,075</b>	<b>1,169,575</b>	<b>7,837,881</b>	<b>1,234,461</b>	<b>9,052,650</b>	<b>9,072,342</b>
<b>Total revenues</b>	<b>11,626,548</b>	<b>8,643,416</b>	<b>12,095,709</b>	<b>7,977,803</b>	<b>20,269,964</b>	<b>20,073,512</b>
Program Expenses:						
General government	2,520,734	-	2,097,773	-	2,520,734	2,097,773
Security of persons and property	5,119,301	-	5,085,414	-	5,119,301	5,085,414
Public health and welfare	100,583	-	132,151	-	100,583	132,151
Transportation	1,953,324	-	1,997,536	-	1,953,324	1,997,536
Community environment & development	395,706	-	436,165	-	395,706	436,165
Leisure time activity	1,835,834	-	1,725,439	-	1,835,834	1,725,439
Utility services	34,745	-	-	-	34,745	-
Interest and fiscal charges	59,495	-	76,398	-	59,495	76,398
Sanitation	-	1,149,345	-	1,042,509	1,149,345	1,042,509
Sewer	-	2,800,467	-	2,504,335	2,800,467	2,504,335
Water	-	2,928,943	-	2,465,111	2,928,943	2,465,111
Storm water	-	143,147	-	181,097	143,147	181,097
<b>Total expenses</b>	<b>12,019,722</b>	<b>7,021,902</b>	<b>11,550,876</b>	<b>6,193,052</b>	<b>19,041,624</b>	<b>17,743,928</b>
Change in net position before transfers	(393,174)	1,621,514	544,833	1,784,751	1,228,340	2,329,584
Transfers	770	(770)	56,805	(56,805)	-	-
Increase (decrease) in net position	(392,404)	1,620,744	601,638	1,727,946	1,228,340	2,329,584
Net position beginning of year	22,174,902	21,646,804	21,573,264	19,918,858	43,821,706	41,492,122
<b>Net position end of year</b>	<b>\$ 21,782,498</b>	<b>\$ 23,267,548</b>	<b>\$ 22,174,902</b>	<b>\$ 21,646,804</b>	<b>\$ 45,050,046</b>	<b>\$ 43,821,706</b>

**CITY OF NORWALK  
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)

**Governmental Activities**

Governmental activities net position decreased \$392,404 in 2016 which is a result of expenses exceeding revenues.

Security of persons and property, which includes police and fire operations, totaled \$5,119,301 or 43% of total governmental activities expenses and were partially funded by \$67,486 in charges for services and sales and \$341,254 in operating grants and contributions. General government expenses totaled \$2,520,734 and were partially funded by \$846,789 in direct charges to users of the services.

Operating grants and contributions relate to federal, state and local revenues which totaled \$1,258,001. These revenues are restricted for security of persons and property, transportation and community environment and development purposes. Capital grants and contributions of \$505,126 were also received for community environment and development and transportation purposes.

General revenues totaled \$7,883,075 and primarily consist of property and income tax revenue of \$6,787,416. The other primary source of general revenues is unrestricted grants totaling \$507,583.

The statement of activities shows the cost of program services and the charges for services and sales and grants and contributions offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2016 compared to 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

**Governmental Activities - Program Revenues vs. Total Expenses**

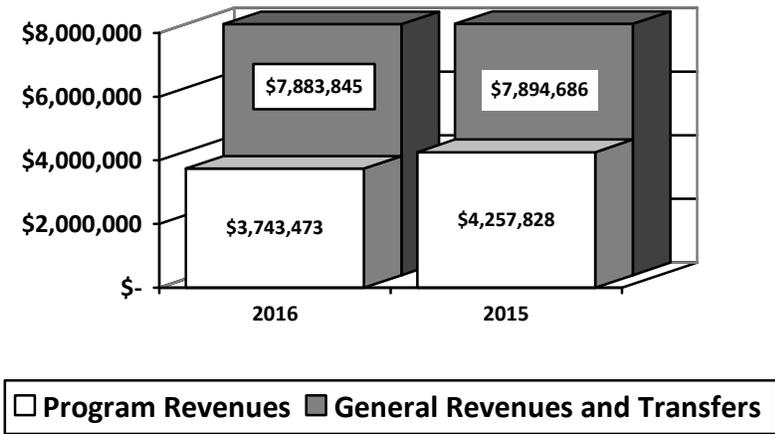
	Governmental Activities			
	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 2,520,734	\$ 1,673,945	\$ 2,097,773	\$ 1,689,400
Security of persons & property	5,119,301	4,710,561	5,085,414	4,266,918
Public health and welfare	100,583	100,583	132,151	94,614
Transportation	1,953,324	748,843	1,997,536	541,755
Community environment & development	395,706	68,412	436,165	(37,087)
Leisure time activity	1,835,834	879,665	1,725,439	661,050
Utility services	34,745	34,745	-	-
Interest and fiscal charges	59,495	59,495	76,398	76,398
	<u>59,495</u>	<u>59,495</u>	<u>76,398</u>	<u>76,398</u>
Total	<u>\$ 12,019,722</u>	<u>\$ 8,276,249</u>	<u>\$ 11,550,876</u>	<u>\$ 7,293,048</u>

**CITY OF NORWALK  
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

The chart below illustrates the City's program revenues versus general revenues for 2016 and 2015.

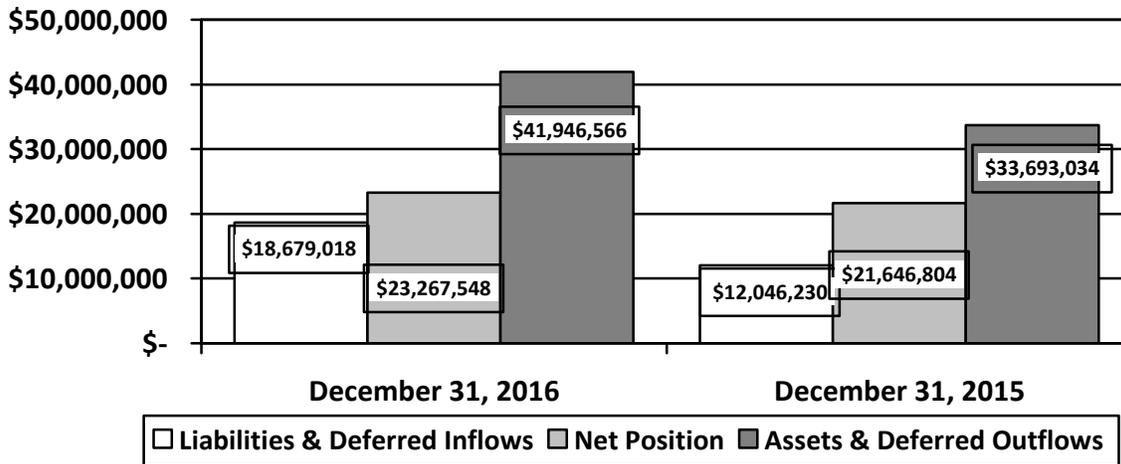
**Governmental Activities – General and Program Revenues**



**Business-type Activities**

Business-type activities include the water, sewer, sanitation and storm water enterprise funds. The graph below shows the business-type activities assets and deferred outflows, liabilities and deferred inflows and net position at year-end.

**Net Position in Business - Type Activities**



**CITY OF NORWALK  
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)

**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, 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 year-end.

The City's governmental funds reported a combined fund balance of \$11,833,045 which is \$8,720 higher than last year's total of \$11,824,325. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2016 for all major and non-major governmental funds.

	Fund Balances 12/31/2016	Fund Balances 12/31/2015	Increase (Decrease)
Major funds:			
General fund	\$ 3,063,303	\$ 2,998,506	\$ 64,797
General capital improvement fund	985,512	779,871	205,641
Capital investment trust fund	4,156,938	4,191,811	(34,873)
Other governmental funds	3,627,292	3,854,137	(226,845)
Total	<u>\$ 11,833,045</u>	<u>\$ 11,824,325</u>	<u>\$ 8,720</u>

**General Fund**

The City's general fund balance increased \$64,797. The table that follows assists in illustrating the revenues of the general fund.

**CITY OF NORWALK  
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)

	2016 <u>Amount</u>	2015 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Property and other taxes	\$ 590,882	\$ 574,298	2.89 %
Income taxes	4,649,055	4,401,330	5.63 %
Shared revenues	66,234	70,859	(6.53) %
Special assessments	4,201	11,905	(64.71) %
Charges for services	68,867	88,870	(22.51) %
Licenses and permits	219,063	220,252	(0.54) %
Fines and forfeitures	559,604	648,491	(13.71) %
Intergovernmental	637,002	731,185	(12.88) %
Investment income	87,514	140,898	(37.89) %
Other	108,795	3,986	2,629.43 %
Total	<u>\$ 6,991,217</u>	<u>\$ 6,892,074</u>	1.44 %

The City's largest revenue source in the general fund was income tax revenue, which represents 66% of all general fund revenue. Income tax revenues increased 5.63% due primarily to an increase in collections as a result of due dates changed regulated by the Ohio State Legislature.

The table that follows assists in illustrating the expenditures of the general fund.

	2016 <u>Amount</u>	2015 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 2,059,576	\$ 2,034,232	1.25 %
Security of persons and property	4,047,334	3,986,100	1.54 %
Public health and welfare	100,583	101,698	(1.10) %
Transportation	35,193	7,995	340.19 %
Community environment and development	9,860	12,593	(21.70) %
Capital outlay	69,196	40,432	71.14 %
Debt service	6,632	27,076	(75.51) %
Total	<u>\$ 6,328,374</u>	<u>\$ 6,210,126</u>	1.90 %

Total general fund expenditures remained flat from the prior year increasing 1.9%.

***Budgeting Highlights***

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

**CITY OF NORWALK  
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)

Budgetary information is presented for the general fund. In the general fund, the actual revenues came in \$910,091 higher than they were in the final budget and actual expenditures and other financing uses were \$360,873 less than the amount in the final budget.

***General Capital Improvements Fund***

The general capital improvements fund had revenues and other financing sources of \$1,398,149 while expenditures totaled \$1,192,508 resulting in an ending fund balance of \$985,512.

***Capital Investment Trust Fund***

The capital investment trust fund had revenues of \$13,559 while other financing uses totaled \$48,432 resulting in an ending fund balance of \$4,156,938.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2016, the City had \$53,912,366 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings, equipment, and infrastructure. Of this total, \$19,927,829 was reported in governmental activities and \$33,984,537 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows 2016 balances compared to 2015.

**Capital Assets at December 31  
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 3,010,927	\$ 3,010,927	\$ 36,807	\$ 36,807	\$ 3,047,734	\$ 3,047,734
Construction in progress	496,786	335,152	6,376,203	596,825	6,872,989	931,977
Land improvements	531,333	539,458	211,605	233,679	742,938	773,137
Buildings	3,920,477	4,005,144	8,079,324	8,371,037	11,999,801	12,376,181
Equipment	1,790,524	1,772,238	2,485,988	1,727,548	4,276,512	3,499,786
Infrastructure	10,177,782	10,444,991	16,794,610	16,536,379	26,972,392	26,981,370
Totals	\$ 19,927,829	\$ 20,107,910	\$ 33,984,537	\$ 27,502,275	\$ 53,912,366	\$ 47,610,185

The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 51% of the City's total governmental activities and 49% of the business-type activity capital assets.

**CITY OF NORWALK  
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)

***Debt Administration***

The City had the following debt obligations outstanding at December 31, 2016 and 2015:

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
OPWC loans	\$ 129,430	\$ 160,503
OWDA loans	390,993	460,532
Capital leases	690,876	724,542
Police and fire pension	354,283	366,722
Total debt obligations	<u>\$ 1,565,582</u>	<u>\$ 1,712,299</u>
	<u>Business-type Activities</u>	
	<u>2016</u>	<u>2015</u>
OPWC loans	\$ 57,800	\$ 72,250
Bond anticipation notes	650,000	-
OWDA loans	13,072,456	8,508,727
Capital leases	84,535	124,194
Total debt obligations	<u>\$ 13,864,791</u>	<u>\$ 8,705,171</u>

See Notes 11 and 12 to the basic financial statements for detail on the City's debt obligations.

**Economic Factors and Next Year's Budget and Rates**

The City continues to closely monitor the revenue and expenditures. Income tax collections, the city's primary source of General Fund revenue, increased by 16% from 2015 to 2016 largely due to withholding collections changing from quarterly to monthly for large withholders as a result of the changes enacted by the Ohio Legislature regarding uniformity of municipal income taxes. Knowing that this will not take place in 2017, the City continued to budget conservatively for 2017. Local Government funding has remained steady over the past three years, after reductions were enacted due to budget shortfalls at the State level and is expected to be consistent in 2017.

In addition, the following items were taken into consideration during preparation of the 2017 budget: 1) Interest rates continue to be lower than historical levels; 2) The cost of repair and replacement of City infrastructure continues to increase; and 3) Income Tax Revenue will not be at levels collected in 2016

The 2017 Budget reflects the city's continued effort to practice conservative budgetary practices in order to preserve a solid financial position in the future

**Contacting the City's Financial Management**

This financial report is designed to provide an overview and accountability of the City's finances. If you have questions about this report or need additional financial information, contact the Finance Director, City of Norwalk, 38 Whittlesey Avenue, P.O. Box 30, Norwalk, Ohio 44857.

**CITY OF NORWALK  
HURON COUNTY**

STATEMENT OF NET POSITION  
DECEMBER 31, 2016

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and investments	\$ 10,116,951	\$ 5,916,229	\$ 16,033,180
Cash in segregated accounts	1,297	-	1,297
Receivables:			
Income taxes	592,182	118,465	710,647
Property and other taxes	1,089,942	-	1,089,942
Accounts	42,173	569,597	611,770
Payments in lieu of taxes	40,612	-	40,612
Accrued interest	36,168	-	36,168
Special assessments	39,762	11,601	51,363
Due from other governments	682,883	-	682,883
Notes receivable	1,071,873	-	1,071,873
Materials and supplies inventory	11,669	96,207	107,876
Capital assets:			
Nondepreciable capital assets	3,507,713	6,413,010	9,920,723
Depreciable capital assets, net	<u>16,420,116</u>	<u>27,571,527</u>	<u>43,991,643</u>
Total capital assets, net	<u>19,927,829</u>	<u>33,984,537</u>	<u>53,912,366</u>
Total assets	<u>33,653,341</u>	<u>40,696,636</u>	<u>74,349,977</u>
<b>Deferred outflows of resources:</b>			
Pension	2,946,060	1,249,930	4,195,990
Total deferred outflows of resources	<u>2,946,060</u>	<u>1,249,930</u>	<u>4,195,990</u>
Total assets and deferred outflows of resources	<u>36,599,401</u>	<u>41,946,566</u>	<u>78,545,967</u>
<b>Liabilities:</b>			
Accounts payable	49,777	31,818	81,595
Contracts payable	-	397,265	397,265
Retainage payable	17,780	291,752	309,532
Accrued wages and benefits payable	49,738	33,378	83,116
Due to other governments	88,694	42,061	130,755
Accrued interest payable	-	10,833	10,833
Notes payable	-	650,000	650,000
Due within one year	571,475	965,121	1,536,596
Due in more than one year:			
Net pension liability	10,831,388	3,264,668	14,096,056
Other amount due in more than one year	<u>2,056,021</u>	<u>12,925,469</u>	<u>14,981,490</u>
Total liabilities	<u>13,664,873</u>	<u>18,612,365</u>	<u>32,277,238</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year	1,035,718	-	1,035,718
Payment in lieu of tax revenue not available	40,612	-	40,612
Pension	75,700	66,653	142,353
Total deferred inflows of resources	<u>1,152,030</u>	<u>66,653</u>	<u>1,218,683</u>
Total liabilities and deferred inflows of resources	<u>14,816,903</u>	<u>18,679,018</u>	<u>33,495,921</u>
<b>Net position:</b>			
Net investment in capital assets	18,698,750	19,430,728	38,129,478
Restricted for:			
Capital projects	5,341,018	-	5,341,018
Debt service	8,015	-	8,015
Municipal court and programs	622,261	-	622,261
Transportation	808,544	-	808,544
Parks and recreation	65,409	-	65,409
Community development	1,659,393	-	1,659,393
Payroll stabilization	341,515	-	341,515
Other purposes	53,380	-	53,380
Unrestricted	<u>(5,815,787)</u>	<u>3,836,820</u>	<u>(1,978,967)</u>
Total net position	<u>\$ 21,782,498</u>	<u>\$ 23,267,548</u>	<u>\$ 45,050,046</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK  
HURON COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 2,520,734	\$ 846,789	\$ -	\$ -
Security of persons and property	5,119,301	67,486	341,254	-
Public health and welfare	100,583	-	-	-
Transportation	1,953,324	81,336	706,321	416,824
Community environment and development	395,706	28,566	210,426	88,302
Leisure time activity	1,835,834	956,169	-	-
Utility services	34,745	-	-	-
Interest and fiscal charges	59,495	-	-	-
<b>Total governmental activities</b>	<b>12,019,722</b>	<b>1,980,346</b>	<b>1,258,001</b>	<b>505,126</b>
<b>Business-type activities:</b>				
Water	2,928,943	3,454,185	-	-
Sewer	2,800,467	3,791,088	-	-
Sanitation	1,149,345	9,117	-	-
Storm water	143,147	219,451	-	-
<b>Total business-type activities</b>	<b>7,021,902</b>	<b>7,473,841</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 19,041,624</b>	<b>\$ 9,454,187</b>	<b>\$ 1,258,001</b>	<b>\$ 505,126</b>

**General revenues:**

Property and other taxes levied for:

General purposes

Police

Fire

Recreation

Income taxes levied for:

General purposes

Capital outlay

Sanitation

Payments in lieu of taxes

Grants and entitlements not restricted to specific programs

Investment earnings

Shared revenues

Other

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

**Net position at beginning of year**

**Net position at end of year**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue  
and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,673,945)	\$ -	\$ (1,673,945)
(4,710,561)	-	(4,710,561)
(100,583)	-	(100,583)
(748,843)	-	(748,843)
(68,412)	-	(68,412)
(879,665)	-	(879,665)
(34,745)	-	(34,745)
(59,495)	-	(59,495)
<u>(8,276,249)</u>	<u>-</u>	<u>(8,276,249)</u>
-	525,242	525,242
-	990,621	990,621
-	(1,140,228)	(1,140,228)
-	76,304	76,304
-	<u>451,939</u>	<u>451,939</u>
<u>(8,276,249)</u>	<u>451,939</u>	<u>(7,824,310)</u>
574,720	-	574,720
135,350	-	135,350
135,350	-	135,350
247,150	-	247,150
4,566,936	-	4,566,936
1,127,910	-	1,127,910
-	1,127,910	1,127,910
19,559	-	19,559
507,583	-	507,583
127,627	-	127,627
207,528	-	207,528
233,362	41,665	275,027
<u>7,883,075</u>	<u>1,169,575</u>	<u>9,052,650</u>
<u>770</u>	<u>(770)</u>	<u>-</u>
<u>7,883,845</u>	<u>1,168,805</u>	<u>9,052,650</u>
(392,404)	1,620,744	1,228,340
<u>22,174,902</u>	<u>21,646,804</u>	<u>43,821,706</u>
<u>\$ 21,782,498</u>	<u>\$ 23,267,548</u>	<u>\$ 45,050,046</u>

**CITY OF NORWALK  
HURON COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	General	General Capital Improvements	Capital Investment Trust	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and cash equivalents	\$ 2,619,834	\$ 853,860	\$ 4,156,938	\$ 2,486,319	\$ 10,116,951
Cash in segregated accounts	1,297	-	-	-	1,297
Receivables:	-	-	-	-	-
Income taxes	473,717	118,465	-	-	592,182
Property and other taxes	577,343	-	-	512,599	1,089,942
Accounts	37,076	-	-	5,097	42,173
Payments in lieu of taxes	-	-	-	40,612	40,612
Accrued interest	36,168	-	-	-	36,168
Special assessments	10,844	28,918	-	-	39,762
Notes receivable	-	-	-	1,071,873	1,071,873
Due from other governments	202,238	-	-	480,645	682,883
Advances to other funds	-	21,120	-	-	21,120
Materials and supplies inventory	-	-	-	11,669	11,669
<b>Total assets</b>	<u>\$ 3,958,517</u>	<u>\$ 1,022,363</u>	<u>\$ 4,156,938</u>	<u>\$ 4,608,814</u>	<u>\$ 13,746,632</u>
<b>Liabilities:</b>					
Accounts payable	\$ 24,460	\$ 200	\$ -	\$ 25,117	\$ 49,777
Retainage payable	-	-	-	17,780	17,780
Accrued wages and benefits payable	25,668	-	-	24,070	49,738
Advances from other funds	21,120	-	-	-	21,120
Due to other governments	25,968	-	-	62,726	88,694
<b>Total liabilities</b>	<u>97,216</u>	<u>200</u>	<u>-</u>	<u>129,693</u>	<u>227,109</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year	546,968	-	-	488,750	1,035,718
Delinquent property tax revenue not available	27,371	-	-	22,348	49,719
Accrued interest not available	36,056	-	-	-	36,056
Special assessments revenue not available	10,844	28,918	-	-	39,762
Payment in lieu of tax revenue not available	-	-	-	40,612	40,612
Income tax revenue not available	30,922	7,733	-	-	38,655
Nonexchange transactions not available	145,837	-	-	300,119	445,956
<b>Total deferred inflows of resources</b>	<u>797,998</u>	<u>36,651</u>	<u>-</u>	<u>851,829</u>	<u>1,686,478</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>895,214</u>	<u>36,851</u>	<u>-</u>	<u>981,522</u>	<u>1,913,587</u>
<b>Fund balances:</b>					
Nonspendable	-	21,120	-	1,083,542	1,104,662
Restricted	-	-	4,156,938	2,299,141	6,456,079
Committed	-	964,392	-	259,193	1,223,585
Assigned	1,220,203	-	-	-	1,220,203
Unassigned	1,843,100	-	-	(14,584)	1,828,516
<b>Total fund balances</b>	<u>3,063,303</u>	<u>985,512</u>	<u>4,156,938</u>	<u>3,627,292</u>	<u>11,833,045</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 3,958,517</u>	<u>\$ 1,022,363</u>	<u>\$ 4,156,938</u>	<u>\$ 4,608,814</u>	<u>\$ 13,746,632</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK  
HURON COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2016

<b>Total governmental fund balances</b>		\$	11,833,045
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			19,927,829
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds:			
Income taxes receivable	\$	38,655	
Property and other taxes receivable		49,719	
Due from other governments receivable		445,956	
Special assessments receivable		39,762	
Investment income receivable		36,056	
<b>Total</b>		610,148	610,148
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 the governmental funds:			
Deferred outflows - pension		2,946,060	
Deferred inflows - pension		(75,700)	
Net pension liability		(10,831,388)	
<b>Total</b>		(7,961,028)	(7,961,028)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds:			
Compensated absences		(1,061,914)	
OWDA loan payable		(390,993)	
Capital lease payable		(690,876)	
OPWC loans payable		(129,430)	
Police and fire pension		(354,283)	
<b>Total</b>		(2,627,496)	(2,627,496)
<b>Net position of governmental activities</b>		\$	21,782,498

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK  
HURON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General</u>	<u>General Capital Improvements</u>	<u>Capital Investment Trust</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Income taxes	\$ 4,649,055	\$ 1,152,486	\$ -	\$ -	\$ 5,801,541
Property and other taxes	590,882	-	-	517,850	1,108,732
Charges for services	68,867	7,450	-	975,170	1,051,487
Licenses and permits	219,063	-	-	1,310	220,373
Fines and forfeitures	559,604	-	-	73,541	633,145
Payments in lieu of taxes	-	-	-	19,559	19,559
Intergovernmental	637,002	69,481	-	1,471,351	2,177,834
Special assessments	4,201	60,195	-	6,641	71,037
Investment income	87,514	2,539	-	1,518	91,571
Shared revenues	66,234	-	-	141,294	207,528
Other	108,795	5,144	13,559	105,864	233,362
<b>Total revenues</b>	<u>6,991,217</u>	<u>1,297,295</u>	<u>13,559</u>	<u>3,314,098</u>	<u>11,616,169</u>
<b>Expenditures:</b>					
Current:					
General government	2,059,576	200	-	28,465	2,088,241
Security of persons and property	4,047,334	-	-	865,341	4,912,675
Public health and welfare	100,583	-	-	-	100,583
Transportation	35,193	-	-	847,832	883,025
Community environment and development	9,860	-	-	356,581	366,441
Leisure time activity	-	-	-	1,495,355	1,495,355
Utility services	-	-	-	34,745	34,745
Capital outlay	69,196	897,799	-	553,947	1,520,942
Debt service:					
Principal retirement	5,094	254,455	-	48,270	307,819
Interest and fiscal charges	1,538	40,054	-	17,903	59,495
<b>Total expenditures</b>	<u>6,328,374</u>	<u>1,192,508</u>	<u>-</u>	<u>4,248,439</u>	<u>11,769,321</u>
Excess (deficiency) of revenues over (under) expenditures	<u>662,843</u>	<u>104,787</u>	<u>13,559</u>	<u>(934,341)</u>	<u>(153,152)</u>
<b>Other financing sources (uses):</b>					
Capital lease transaction	46,407	100,854	-	13,841	161,102
Transfers in	-	-	-	693,893	693,893
Transfers (out)	(644,453)	-	(48,432)	(238)	(693,123)
<b>Total other financing sources (uses)</b>	<u>(598,046)</u>	<u>100,854</u>	<u>(48,432)</u>	<u>707,496</u>	<u>161,872</u>
Net change in fund balances	64,797	205,641	(34,873)	(226,845)	8,720
<b>Fund balances at beginning of year</b>	<u>2,998,506</u>	<u>779,871</u>	<u>4,191,811</u>	<u>3,854,137</u>	<u>11,824,325</u>
<b>Fund balances at end of year</b>	<u>\$ 3,063,303</u>	<u>\$ 985,512</u>	<u>\$ 4,156,938</u>	<u>\$ 3,627,292</u>	<u>\$ 11,833,045</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK  
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, 2016

<b>Net change in fund balances - total governmental funds</b>	\$	8,720
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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 depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 1,233,044	
Current year depreciation	<u>(1,601,491)</u>	
Total		(368,447)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		188,366
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		(89,020)
Proceeds of notes and capital leases are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(161,102)
Repayment of loan and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		307,819
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		805,862
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,195,263)
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.		
		<u>110,661</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>(392,404)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK  
HURON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Income taxes	\$ 4,628,998	\$ 4,325,000	\$ 5,092,008	\$ 767,008
Property and other taxes	646,776	574,734	585,050	10,316
Charges for services	63,688	66,500	84,469	17,969
Licenses, permits and fees	165,170	214,800	219,063	4,263
Intergovernmental	544,506	697,100	722,172	25,072
Special assessments	3,167	9,000	4,201	(4,799)
Investment income	61,682	89,950	121,829	31,879
Shared revenues	32,013	57,400	63,230	5,830
Fines and forfeitures	470,099	623,500	623,487	(13)
Other	50,944	15,000	67,566	52,566
<b>Total revenues</b>	<u>6,667,043</u>	<u>6,672,984</u>	<u>7,583,075</u>	<u>910,091</u>
<b>Expenditures:</b>				
Current:				
General government	2,224,730	2,399,882	2,173,201	226,681
Security of persons and property	4,291,885	4,390,016	4,263,222	126,794
Public health and welfare	103,500	110,625	107,708	2,917
Transportation	32,505	36,530	35,813	717
Community environment and development	71,220	16,289	12,525	3,764
Capital outlay	-	22,789	22,789	-
Debt service:				
Principal retirement	-	718	718	-
Interest and fiscal charges	-	152	152	-
<b>Total expenditures</b>	<u>6,723,840</u>	<u>6,977,001</u>	<u>6,616,128</u>	<u>360,873</u>
Excess of revenues over expenditures	<u>(56,797)</u>	<u>(304,017)</u>	<u>966,947</u>	<u>1,270,964</u>
<b>Other financing sources (uses):</b>				
Transfers (out)	<u>(353,600)</u>	<u>(644,453)</u>	<u>(644,453)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(353,600)</u>	<u>(644,453)</u>	<u>(644,453)</u>	<u>-</u>
Net change in fund balances	(410,397)	(948,470)	322,494	1,270,964
<b>Fund balance at beginning of year</b>	1,877,804	1,877,804	1,877,804	-
<b>Prior year encumbrances appropriated</b>	227,239	227,239	227,239	-
<b>Fund balance at end of year</b>	<u>\$ 1,694,646</u>	<u>\$ 1,156,573</u>	<u>\$ 2,427,537</u>	<u>\$ 1,270,964</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK  
HURON COUNTY**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2016

	<b>Business-type Activities - Enterprise Funds</b>				
	<b>Major</b>			<b>Non-Major</b>	<b>Total</b>
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Storm Water</b>	
<b>Assets:</b>					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 2,081,913	\$ 2,417,178	\$ 1,236,630	\$ 180,508	\$ 5,916,229
Receivables:					
Income taxes	-	-	118,465	-	118,465
Accounts	258,219	292,363	-	19,015	569,597
Special assessments	-	11,601	-	-	11,601
Materials and supplies inventory	77,598	18,609	-	-	96,207
<b>Total current assets</b>	<b>2,417,730</b>	<b>2,739,751</b>	<b>1,355,095</b>	<b>199,523</b>	<b>6,712,099</b>
Noncurrent assets:					
Capital assets:					
Land and construction in progress	21,645	6,363,358	28,007	-	6,413,010
Depreciable capital assets, net	10,894,523	15,852,780	675,223	149,001	27,571,527
<b>Total capital assets, net</b>	<b>10,916,168</b>	<b>22,216,138</b>	<b>703,230</b>	<b>149,001</b>	<b>33,984,537</b>
<b>Total assets</b>	<b>13,333,898</b>	<b>24,955,889</b>	<b>2,058,325</b>	<b>348,524</b>	<b>40,696,636</b>
<b>Deferred outflows of resources:</b>					
Pension	498,391	457,550	249,283	44,706	1,249,930
<b>Total deferred outflows of resources</b>	<b>498,391</b>	<b>457,550</b>	<b>249,283</b>	<b>44,706</b>	<b>1,249,930</b>
<b>Total assets and deferred outflows of resources</b>	<b>13,832,289</b>	<b>25,413,439</b>	<b>2,307,608</b>	<b>393,230</b>	<b>41,946,566</b>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	12,937	13,991	4,635	255	31,818
Contracts payable	-	397,265	-	-	397,265
Retainage payable	21,645	270,107	-	-	291,752
Accrued wages and benefits payable	9,015	10,388	11,622	2,353	33,378
Compensated absences payable - current	82,196	83,997	30,471	7,673	204,337
Due to other governments	16,646	14,693	9,140	1,582	42,061
Accrued interest payable	10,833	-	-	-	10,833
OWDA loans payable	122,074	574,168	-	-	696,242
OPWC loans payable	-	14,450	-	-	14,450
Capital lease obligations payable	23,394	23,394	689	2,615	50,092
Notes payable	650,000	-	-	-	650,000
<b>Total current liabilities</b>	<b>948,740</b>	<b>1,402,453</b>	<b>56,557</b>	<b>14,478</b>	<b>2,422,228</b>
Long-term liabilities:					
Compensated absences payable	176,366	195,902	83,644	15,550	471,462
OWDA loans payable	2,293,531	10,082,683	-	-	12,376,214
OPWC loans payable	-	43,350	-	-	43,350
Capital lease obligations payable	12,912	12,912	2,998	5,621	34,443
Net pension liability	1,303,770	1,193,860	650,609	116,429	3,264,668
<b>Total long-term liabilities</b>	<b>3,786,579</b>	<b>11,528,707</b>	<b>737,251</b>	<b>137,600</b>	<b>16,190,137</b>
<b>Total liabilities</b>	<b>4,735,319</b>	<b>12,931,160</b>	<b>793,808</b>	<b>152,078</b>	<b>18,612,365</b>
<b>Deferred inflows of resources:</b>					
Pension	26,362	24,526	13,345	2,420	66,653
<b>Total deferred inflows of resources</b>	<b>26,362</b>	<b>24,526</b>	<b>13,345</b>	<b>2,420</b>	<b>66,653</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>4,761,681</b>	<b>12,955,686</b>	<b>807,153</b>	<b>154,498</b>	<b>18,679,018</b>
<b>Net position:</b>					
Net investment in capital assets	7,792,612	10,797,808	699,543	140,765	19,430,728
Unrestricted	1,277,996	1,659,945	800,912	97,967	3,836,820
<b>Total net position</b>	<b>\$ 9,070,608</b>	<b>\$ 12,457,753</b>	<b>\$ 1,500,455</b>	<b>\$ 238,732</b>	<b>\$ 23,267,548</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK  
HURON COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**Business-type Activities - Enterprise Funds**

	<b>Major</b>			<b>Non-Major Storm Water</b>	<b>Total</b>
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>		
<b>Operating revenues:</b>					
Charges for services	\$ 3,454,185	\$ 3,779,487	\$ 9,117	\$ 219,451	\$ 7,462,240
Other operating revenues	2,987	27,326	11,146	206	41,665
Total operating revenues	<u>3,457,172</u>	<u>3,806,813</u>	<u>20,263</u>	<u>219,657</u>	<u>7,503,905</u>
<b>Operating expenses:</b>					
Personal services	1,415,407	1,328,893	693,202	128,182	3,565,684
Contract services	428,454	168,130	291,733	2,267	890,584
Materials and supplies	542,923	276,817	63,608	1,922	885,270
Depreciation	442,577	791,925	100,680	9,823	1,345,005
Total operating expenses	<u>2,829,361</u>	<u>2,565,765</u>	<u>1,149,223</u>	<u>142,194</u>	<u>6,686,543</u>
Operating income (loss)	<u>627,811</u>	<u>1,241,048</u>	<u>(1,128,960)</u>	<u>77,463</u>	<u>817,362</u>
<b>Nonoperating revenues (expenses):</b>					
Income taxes	-	-	1,127,910	-	1,127,910
Interest and fiscal charges	(99,582)	(234,702)	(122)	(953)	(335,359)
Special assessments	-	11,601	-	-	11,601
Total nonoperating revenues (expenses)	<u>(99,582)</u>	<u>(223,101)</u>	<u>1,127,788</u>	<u>(953)</u>	<u>804,152</u>
Income before transfers	528,229	1,017,947	(1,172)	76,510	1,621,514
Transfer out	(770)	-	-	-	(770)
Change in net position	527,459	1,017,947	(1,172)	76,510	1,620,744
<b>Net position at beginning of year</b>	<u>8,543,149</u>	<u>11,439,806</u>	<u>1,501,627</u>	<u>162,222</u>	<u>21,646,804</u>
<b>Net position at end of year</b>	<u>\$ 9,070,608</u>	<u>\$ 12,457,753</u>	<u>\$ 1,500,455</u>	<u>\$ 238,732</u>	<u>\$ 23,267,548</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK  
HURON COUNTY**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

<b>Business-Type Activities - Enterprise Funds</b>					
	<b>Major</b>			<b>Non-Major</b>	<b>Total</b>
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Storm Water</b>	
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 3,460,308	\$ 3,794,324	\$ 9,117	\$ 223,968	\$ 7,487,717
Cash received from other operations	8,830	32,508	21,146	206	62,690
Cash payments for personal services	(1,263,346)	(1,165,568)	(616,460)	(113,399)	(3,158,773)
Cash payments for contract services	(492,110)	(62,205)	(319,448)	(3,116)	(876,879)
Cash payments for materials and supplies	(537,726)	(222,338)	(59,409)	(13,450)	(832,923)
Net cash provided by (used in) operating activities	<u>1,175,956</u>	<u>2,376,721</u>	<u>(965,054)</u>	<u>94,209</u>	<u>2,681,832</u>
<b>Cash flows from noncapital financing activities:</b>					
Cash received from income taxes	-	-	1,272,162	-	1,272,162
Cash used in transfers out	(770)	-	-	-	(770)
Net cash provided by (used in) noncapital financing activities	<u>(770)</u>	<u>-</u>	<u>1,272,162</u>	<u>-</u>	<u>1,271,392</u>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets	(1,658,233)	(5,826,122)	-	(61,417)	(7,545,772)
Bond anticipation notes	650,000	-	-	-	650,000
Loan proceeds - OWDA	483,231	4,804,612	-	-	5,287,843
Principal retirement on capital lease	(22,130)	(22,130)	(384)	(16,182)	(60,826)
Principal retirement on OWDA loans	(125,859)	(598,255)	-	-	(724,114)
Principal retirement on OPWC loans	-	(14,450)	-	-	(14,450)
Interest and fiscal charges	(86,477)	(232,853)	-	-	(319,330)
Net cash used in capital and related financing activities	<u>(759,468)</u>	<u>(1,889,198)</u>	<u>(384)</u>	<u>(77,599)</u>	<u>(2,726,649)</u>
Net increase in cash and cash equivalents	415,718	487,523	306,724	16,610	1,226,575
<b>Cash and cash equivalents at beginning of year</b>	<u>1,666,195</u>	<u>1,929,655</u>	<u>929,906</u>	<u>163,898</u>	<u>4,689,654</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 2,081,913</u>	<u>\$ 2,417,178</u>	<u>\$ 1,236,630</u>	<u>\$ 180,508</u>	<u>\$ 5,916,229</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ 627,811	\$ 1,241,048	\$ (1,128,960)	\$ 77,463	\$ 817,362
Adjustments:					
Depreciation	442,577	791,925	100,680	9,823	1,345,005
Changes in assets, deferred outflows, liabilities and deferred inflows:					
(Increase) decrease in accounts receivable	6,123	14,837	10,000	4,517	35,477
Decrease (increase) in materials and supplies inventory	(4,715)	(652)	-	-	(5,367)
(Increase) decrease in special assessments receivable	5,843	(6,419)	-	-	(576)
Decrease in accrued wages and benefits	(11,811)	(8,829)	(1,540)	(618)	(22,798)
Increase (decrease) in accounts payable	(65,555)	(213,708)	(25,056)	(12,995)	(317,314)
Increase (decrease) in contracts payable	-	397,265	-	-	397,265
Increase (decrease) in compensated absences payable	5,657	(11,290)	(13,811)	(2,087)	(21,531)
(Increase) decrease in deferred outflows of resources - pension	(293,097)	(274,892)	(149,339)	(27,324)	(744,652)
Increase (decrease) in net pension liability	458,907	442,154	239,302	44,897	1,185,260
Increase (decrease) in deferred inflows of resources - pension	10,394	10,318	5,571	1,069	27,352
(Decrease) increase in due to other governments	(6,178)	(5,036)	(1,901)	(536)	(13,651)
Net cash provided by (used in) operating activities	<u>\$ 1,175,956</u>	<u>\$ 2,376,721</u>	<u>\$ (965,054)</u>	<u>\$ 94,209</u>	<u>\$ 2,681,832</u>
<b>Non-cash capital transactions:</b>					

During 2016, the water, sewer and sanitation enterprise funds entered into capital lease purchase obligations of \$8,548, \$8,548 and \$4,071, respectively.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK  
HURON COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
DECEMBER 31, 2016

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 96,123
Cash in segregated accounts	<u>22,020</u>
Total assets	<u><u>\$ 118,143</u></u>
<b>Liabilities:</b>	
Due to others	<u>\$ 118,143</u>
Total liabilities	<u><u>\$ 118,143</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 1 - DESCRIPTION OF THE CITY**

The City of Norwalk, Huron County, Ohio (the City) was incorporated in 1887 and chartered in 1972 under the laws of the State of Ohio.

The City operates under a Council-Mayor form of government and provides the following services: police and fire protection, water, sewer sanitation and storm water utility services, park operations, street maintenance and repair, as well as general governmental services. The City also includes the operations of a municipal court with jurisdiction extending beyond the boundaries of the City and is included as part of the primary government.

Management believes the financial statements included in this report represent all of the funds of the City over which the City officials are financially accountable.

**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. Reporting Entity**

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 the GASB, exists if the City appoints a voting majority of an organization's Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete.

The City has no component units.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Basis of Presentation - Fund Accounting**

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.

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 functions are self-financing or draw from the general revenues of the City.

**Fund Financial Statements** - Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating transactions from nonoperating transactions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating transactions of the City's proprietary funds are charges for sales and services, and include personnel and other expenses related to the operations of the enterprise activity. All other revenues and expenses not meeting these definitions are reported as nonoperating transactions.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. Fund Accounting**

The City uses funds to maintain its financial records during the year. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific revenues and expenses. The transactions of each fund are reflected in a self-balancing group of accounts. The City classifies each fund as either governmental, proprietary or 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 and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

General fund - This fund is used to account for and report all financial resources of the City 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 general laws of Ohio.

General capital improvements fund - This fund accounts for capital improvements and is funded by a 0.25% of income taxes collected by the City.

Capital investment trust fund - This capital projects fund is used to account for the proceeds from the sale of public utilities or real estate the City owns or has financial interest. The money may only be used to construct or acquire permanent improvements upon the approval of the majority of the City's electors.

Other governmental funds of the City are used to account for (a) financial resources that are restricted to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted to an expenditure for specified purposes other than debt service or capital projects.

**Proprietary Funds** - These funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The following are the City's major enterprise funds:

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Sewer fund - This fund accounts for the user charges and expenses of maintaining the sewer lines and facilities of the City.

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

Sanitation fund - This fund accounts for the operations of collecting and disposing of refuse and recyclables within the City and is primarily funded by income taxes collected by the City.

Other utility funds include the City's storm water utility fund.

**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 City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has three agency funds which account for the City's Municipal Court, street openings, and unclaimed funds.

**D. Measurement Focus and Basis of Accounting**

**Government-wide Financial Statements** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, all deferred outflows, all liabilities and all deferred inflows associated with the operation of the City are included on the statement of net position.

**Fund Financial Statements** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows, current liabilities and current deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus.

All assets, deferred outflows, liabilities and deferred inflows 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.

**E. 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 funds 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 inflows and outflows in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), interest, fines and forfeitures, fees, licenses and permits, and special assessments.

***Deferred Inflows of Resources and Deferred Outflows of Resources*** - A deferred inflow of resources is an acquisition of net assets by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets by the City that is applicable to a future reporting period.

For the City, deferred outflows of resources have been reported for the following items related to the City's net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the City's contributions to the pension systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions. The City also reports deferred outflows of resources for current and advance refunding which result in a defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt.

Property taxes for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance year 2016 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. 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, 2016, are recorded as deferred inflows on the governmental fund financial statements.

The City also reports deferred inflow of resources for the following items related to the City's net pension liability: (1) the City's contributions to the pension systems subsequent to the measurement date and (2) differences between projected and actual investment earnings on pension plan assets. These deferred inflows of resources are only reported on the government-wide statement of net position.

***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.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**F. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, except agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department within each fund. Any budgetary modifications at this level may only be made by resolution of the City's Council.

*Estimated Resources:*

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the City determined that receipts collected will be greater than or less than the prior estimate and the Budget Commission finds the revised estimate to be reasonable.

On or before December 31, the City must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The amounts reported within the budgetary statements reflect the original and final estimated resources as certified by the County Budget Commission.

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The City legally adopted appropriation amendments during 2016. The budgetary statement reflects the original and final appropriations as approved by Council.

*Encumbrances:*

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**G. Cash and Cash Equivalents**

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. Interest earnings are allocated as authorized by State statute.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The City invested in STAR Ohio during 2016. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2016 amounted to \$87,514, which included \$73,312 assigned from other funds of the City.

**H. Materials and Supplies 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. Inventories are accounted for using the consumption method.

**I. 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 capital assets are recorded at their fair values as of the date received. The City maintains a capitalization threshold of \$5,000.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The City’s infrastructure consists of 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 intangibles. Improvements are depreciated over the remaining useful lives of the related capital assets.

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
Infrastructure	10 to 50 years	10 to 50 years

**J. Compensated Absences**

Compensated absences of the City consist of vacation leave, sick leave, comp time and personal leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In conformity with 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 attributable 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. A vacation liability is recorded for accumulated unused vacation time for all 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.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates. The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**K. 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, claims and judgments and 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, long-term notes, loans and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

**L. Interfund Activity**

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers.

Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

On fund financial statements, receivables and payables to cover deficit cash balances are classified as “interfund receivables/payables.” On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as “advances to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net position.

**M. Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority).

Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**N. Estimates**

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

**O. Net Position**

Net position represents the difference between assets plus deferred outflows less liabilities plus deferred inflows. Net investment in capital assets 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 also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**P. Prepayments**

Payments made to vendors for services that will benefit beyond December 31, 2016 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed. Prepayments were not reported at December 31, 2016.

**Q. 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 2016.

**R. Fair Market Value**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**S. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction and from contributions from governmental funds.

**T. Unamortized Bond Discounts/Accounting Gain or Loss**

Bond discounts are amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a reduction to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction from the face amount of the new debt.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

On the governmental fund financial statements bond discounts and net gains or losses from refunding are recognized in the current period.

**U. 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.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2016, the City has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the City.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the City.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the City.

GASB Statement No. 77 requires certain tax abatement disclosure information about the government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the City.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The City incorporated the corresponding GASB 79 guidance into its 2016 financial statements; however, there was no effect on beginning net position/fund balance.

**B. Deficit Fund Balance**

Fund balances at December 31, 2016 included deficits of \$360 and \$14,224 in the 2015 community development block grant formula and the federal highway route 250 other governmental funds. The General fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - 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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Inactive deposits are public deposits that the City 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.

Interim monies may be deposited or invested in the following securities:

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

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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 Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At year end, the City had \$1,270 in undeposited cash on hand which is included on the financial statements of the City as part of "equity in pooled cash and investments".

**B. Cash in Segregated Accounts**

At year end, \$23,317 was on deposit for the City's furtherance of justice account and municipal court account and was held outside of the City's treasury. This amount is included in the total amount of deposits reported below and is reported on the financial statements as "cash in segregated accounts".

**C. Deposits with Financial Institutions**

At December 31, 2016, the carrying amount of all City deposits was \$5,692,179. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2016, \$6,082,776 of the City's bank balance of \$6,583,902 was exposed to custodial credit risk as discussed below, while \$501,126 was covered by the FDIC.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits.

Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all 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.

**D. Investments**

As of December 31, 2016, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLMC	\$ 1,890,429	\$ -	\$ -	\$ -	\$ -	\$ 1,890,429
FNMA	496,990	-	-	-	-	496,990
Negotiable CD's	2,993,314	-	994,443	249,451	496,480	1,252,940
Commercial paper	4,331,163	3,735,423	595,740	-	-	-
STAR Ohio	738,644	738,644	-	-	-	-
U.S. Government money market	8,631	8,631	-	-	-	-
Total	<u>\$ 10,459,171</u>	<u>\$ 4,482,698</u>	<u>\$ 1,590,183</u>	<u>\$ 249,451</u>	<u>\$ 496,480</u>	<u>\$ 3,640,359</u>

The weighted average maturity of investments is 1.41 years. The City's investments in federal securities, commercial paper, U.S. Government money market mutual funds and negotiable CD's are valued using quoted market prices (Level 2 inputs). Star Ohio is valued at cost.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio and U.S. Government money market mutual funds carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The federal agency securities carry a rating of AA+ and Aaa by Standard & Poor's and Moody, respectively.

**CITY OF NORWALK  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

The negotiable CDs are not rated. The City's investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, 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 securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

*Concentration of Credit Risk:* The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC	\$ 1,890,429	18.00
FNMA	496,990	4.70
Commercial paper	4,331,163	41.40
Negotiable CD's	2,993,314	28.60
STAR Ohio	738,644	7.00
U.S. Government money market	<u>8,631</u>	<u>0.30</u>
 Total	 <u>\$ 10,459,171</u>	 <u>100.00</u>

**E. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,692,179
Investments	10,459,171
Cash on hand	<u>1,270</u>
Total	<u>\$ 16,152,620</u>

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

<u>Cash and investments per statement of position</u>	
Governmental activities	\$ 10,118,248
Business-type activities	5,916,229
Agency fund	<u>118,143</u>
Total	<u>\$ 16,152,620</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at December 31, 2016, as reported on the fund statements as advances to/from other funds consist of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General capital improvement	General	\$ 21,120

The primary purpose of the advances to/from other funds relates to long-term interfund loans. These interfund balances will be repaid once the anticipated revenues are received. The interfund balances are not expected to be repaid within one year.

- B.** Interfund transfers for the fiscal year ended December 31, 2016, consisted of the following, as reported on the fund financial statements:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 644,453
Capital investment trust fund	Other governmental funds	48,432
Other governmental funds	Other governmental funds	238
Water fund	Other governmental funds	770

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers from the general fund to other governmental funds are were used to supplement operations. Transfers from the general investment trust fund to other governmental funds are for the purpose of constructing a new fire station. Transfers between other governmental funds and the water fund relate to funding the City's payroll stabilization fund. All transfers made in fiscal year 2016 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, 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.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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 property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2016 operations and the collection of delinquent taxes has been offset by a deferred inflow since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The assessed values of real and public utility property upon which 2016 property tax receipts were based are as follows:

Real property tax	\$ 238,700,350
Public utility tangible personal property	<u>8,902,130</u>
Total assessed value	<u><u>\$ 247,602,480</u></u>

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 7 - LOCAL INCOME TAX**

This locally levied tax of 1.5% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of nonresidents (except certain transients) earned in the City. The City gives a 100% credit to the tax paid to another municipality to the maximum of the total amount assessed. It also applies to the net income of business organizations located within the City. Income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 2016 and is allocated to the general fund, sanitation fund and general capital improvements fund. Income tax revenue for 2016 was \$6,822,756 as reported in the statement of activities.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2016, consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services), accrued interest, notes, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue.

All intergovernmental receivables have been classified as "due from other governments" on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2016. A summary of the principal items of receivables reported on the statement of net position follows:

Income taxes	\$ 592,182
Property and other taxes	1,089,942
Payments in lieu of taxes	40,612
Accounts	42,173
Special assessments	39,762
Accrued interest	36,168
Notes	1,071,873
Due from other governments	682,883

**Business-type activities:**

Accounts	569,597
Income taxes	118,465
Special assessments	11,601

Receivables have been disaggregated on the face of the basic financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 9 - CAPITAL ASSETS**

A. Governmental activities capital asset activity at December 31, 2016 was as follows:

<b><u>Governmental activities:</u></b>	Balance 12/31/15	Additions	Deductions	Balance 12/31/2016
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,010,927	\$ -	\$ -	\$ 3,010,927
Construction in progress	335,152	496,786	(335,152)	496,786
Total capital assets, not being depreciated	<u>3,346,079</u>	<u>496,786</u>	<u>(335,152)</u>	<u>3,507,713</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,722,444	46,302	-	1,768,746
Buildings	7,680,150	85,932	-	7,766,082
Equipment	7,247,133	366,748	(142,472)	7,471,409
Infrastructure	23,519,377	572,428	(184,783)	23,907,022
Total capital assets, being depreciated	<u>40,169,104</u>	<u>1,071,410</u>	<u>(327,255)</u>	<u>40,913,259</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,182,986)	(54,427)	-	(1,237,413)
Buildings	(3,675,006)	(170,599)	-	(3,845,605)
Equipment	(5,474,895)	(319,099)	113,109	(5,680,885)
Infrastructure	(13,074,386)	(1,057,366)	402,512	(13,729,240)
Total accumulated depreciation	<u>(23,407,273)</u>	<u>(1,601,491)</u>	<u>515,621</u>	<u>(24,493,143)</u>
Total capital assets, being depreciated net	<u>16,761,831</u>	<u>(530,081)</u>	<u>188,366</u>	<u>16,420,116</u>
Governmental activities, net	<u>\$ 20,107,910</u>	<u>\$ (33,295)</u>	<u>\$ (146,786)</u>	<u>\$ 19,927,829</u>

Depreciation expense was charged to governmental activities as follows:

<b><u>Governmental activities:</u></b>	
General government	\$ 178,731
Security persons and property	269,148
Leisure time activity	163,708
Community environment and development	7,800
Transportation	982,104
Total depreciation expense - governmental activities	<u>\$ 1,601,491</u>

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 9 - CAPITAL ASSETS - (Continued)**

**B.** Business-type activities capital asset activity at December 31, 2016 was as follows:

<b><u>Business-type activities:</u></b>	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/2016</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 36,807	\$ -	\$ -	\$ 36,807
Construction in progress	596,825	5,837,208	(57,830)	6,376,203
Total capital assets, not being depreciated	<u>633,632</u>	<u>5,837,208</u>	<u>(57,830)</u>	<u>6,413,010</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,142,719	-	-	1,142,719
Buildings	13,869,214	-	-	13,869,214
Equipment	10,262,276	1,048,833	-	11,311,109
Infrastructure	34,201,442	999,056	-	35,200,498
Total capital assets, being depreciated	<u>59,475,651</u>	<u>2,047,889</u>	<u>-</u>	<u>61,523,540</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(909,040)	(22,074)	-	(931,114)
Buildings	(5,498,177)	(291,713)	-	(5,789,890)
Equipment	(8,534,728)	(290,393)	-	(8,825,121)
Infrastructure	(17,665,063)	(740,825)	-	(18,405,888)
Total accumulated depreciation	<u>(32,607,008)</u>	<u>(1,345,005)</u>	<u>-</u>	<u>(33,952,013)</u>
Total capital assets, being depreciated, net	<u>26,868,643</u>	<u>702,884</u>	<u>-</u>	<u>27,571,527</u>
Business-type activities capital assets, net	<u>\$ 27,502,275</u>	<u>\$ 6,540,092</u>	<u>\$ (57,830)</u>	<u>\$ 33,984,537</u>

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 10 – CAPITAL LEASES**

In years 2012, 2013, 2015 and 2016 the City entered into lease purchase agreements for a street sweeper, fire ladder truck, police cruisers, a mini excavator, sewer jet cleaner and a new phone system.

General capital assets acquired by agreement have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. For the City, a corresponding liability was recorded in the government-wide and business-type activity financial statements. Principal payments in 2016 totaled \$255,594. Principal and interest payments are made from the state highway fund, street fund, parks and recreation fund, aquatics fund, (nonmajor governmental funds), the general fund, capital improvement fund, water fund, sewer fund, sanitation fund and the storm water fund.

New and existing equipment is being used by both governmental activities and business-type activities.

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2016:

Year Ending <u>December 31,</u>	Governmental <u>Activities</u>	Water <u>Fund</u>	Sewer <u>Fund</u>	Sanitation <u>Fund</u>	Storm Water <u>Fund</u>
2017	\$ 161,754	\$ 25,040	\$ 25,040	\$ 1,011	\$ 3,021
2018	156,053	5,678	5,678	1,011	3,021
2019	122,510	5,677	5,677	1,011	3,021
2020	114,868	2,124	2,124	1,011	-
2021	107,387	1,061	1,061	506	-
2022	99,903	-	-	-	-
	<u>762,475</u>	<u>39,580</u>	<u>39,580</u>	<u>4,550</u>	<u>9,063</u>
Total minimum lease payments	762,475	39,580	39,580	4,550	9,063
Less: interest	<u>(71,599)</u>	<u>(3,275)</u>	<u>(3,275)</u>	<u>(863)</u>	<u>(825)</u>
Present value of future lease payments	<u>\$ 690,876</u>	<u>\$ 36,305</u>	<u>\$ 36,305</u>	<u>\$ 3,687</u>	<u>\$ 8,238</u>

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 11 - SHORT-TERM OBLIGATIONS**

The City's short-term note activity for the year ended December 31, 2016, was as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/16</u>
<b>Water Fund:</b>						
Bond anticipation note	3/1/2016	5.00%	\$ -	\$ 650,000	\$ -	\$ 650,000
Total			<u>\$ -</u>	<u>\$ 650,000</u>	<u>\$ -</u>	<u>\$ 650,000</u>

The City's bond anticipation notes are backed by the full faith and credit of the City and have a maturity of one year.

**NOTE 12 - LONG-TERM OBLIGATIONS**

**A. Governmental Activities**

During 2016, the following changes occurred in the governmental activities long-term obligations:

<b>Governmental activities:</b>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/16</u>	<u>Amounts Due in One Year</u>
<u>OPWC loans</u>							
Memorial reservoir spillway.	0.00%	12/31/18	\$ 41,485	\$ -	\$ (13,829)	\$ 27,656	\$ 13,829
East/west parkway construction	0.00%	07/01/22	40,625	-	(6,250)	34,375	6,250
Woodlawn avenue paving project phase III	0.00%	01/01/21	7,300	-	(1,460)	5,840	1,460
Woodlawn avenue paving project phase IV	0.00%	01/01/22	40,719	-	(6,786)	33,933	6,786
Bridge rehabilitation	0.00%	01/01/27	13,071	-	(1,188)	11,883	1,188
East main phase III	0.00%	07/01/23	7,500	-	(1,000)	6,500	1,000
Concrete street repair project	0.00%	07/01/33	9,803	-	(560)	9,243	560
Total OPWC loans			<u>160,503</u>	<u>-</u>	<u>(31,073)</u>	<u>129,430</u>	<u>31,073</u>
<u>Other long-term obligations</u>							
Police and fire pension	4.25%	11/1/2035	366,722	-	(12,439)	354,283	12,973
OWDA milan/chatham sewer project	3.90%	1/1/2022	460,532	-	(69,539)	390,993	72,278
Net pension liability			8,862,146	1,969,242	-	10,831,388	-
Compensated absences			1,172,575	398,470	(509,131)	1,061,914	315,913
Capital lease agreements			724,542	161,102	(194,768)	690,876	139,238
Total other long-term obligations			<u>11,586,517</u>	<u>2,528,814</u>	<u>(785,877)</u>	<u>13,329,454</u>	<u>540,402</u>
Total governmental activities			<u>\$ 11,747,020</u>	<u>\$ 2,528,814</u>	<u>\$ (816,950)</u>	<u>\$ 13,458,884</u>	<u>\$ 571,475</u>

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Compensated Absences:

Compensated absences are reported in the statement of net position and will be paid from the fund from which the employees' salaries are paid which will primarily be the general fund and other governmental funds.

OPWC Loans:

Ohio Public Works Commission Loans (OPWC) have been issued for various infrastructure improvements throughout the City and will be repaid from income taxes, special assessments and gasoline taxes as it relates to the fund that received the original loan proceeds.

The following is a summary of the City's future annual debt service principal requirements for the OPWC loans:

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>
2017	\$ 31,073
2018	31,071
2019	17,245
2020	17,245
2021	15,785
2022-2026	13,368
2027-2031	2,801
2032-2034	<u>842</u>
Total	<u>\$ 129,430</u>

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2016, the City's total debt margin was \$25,356,275 and the unvoted debt margin was \$12,968,136.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

OWDA Loans:

Ohio Water Development Authority Loans (OWDA) have been issued for Milan/Chatham improvements will be repaid from income taxes it relates to the fund that received the original loan proceeds at an interest rate of 3.90%. The following is a summary of the City's future annual debt service principal and interest requirements for the OWDA loans:

Year Ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 72,278	\$ 14,551	\$ 86,829
2018	75,124	11,705	86,829
2019	78,082	8,746	86,828
2020	81,157	5,671	86,828
2021	84,352	2,475	86,827
Total	<u>\$ 390,993</u>	<u>\$ 43,148</u>	<u>\$ 434,141</u>

Police and Fire Pension Service Cost:

The liability for police and fire pension service cost relates to the City's liability to previous employees 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 2035. The liability is collateralized by the full faith and credit of the City. The following is a summary of the City's future and annual debt service principal and interest requirements for Police and Fire Pension Service Cost:

Year Ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 12,973	\$ 14,921	\$ 27,894
2018	13,530	14,363	27,893
2019	14,111	13,782	27,893
2020	14,717	13,176	27,893
2021	15,350	12,545	27,895
2022-2026	87,202	65,246	152,448
2027-2031	107,654	31,834	139,488
2032-2035	88,746	7,626	96,372
Total	<u>\$ 354,283</u>	<u>\$ 173,493</u>	<u>\$ 527,776</u>

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Business-Type Activities**

During 2016, the following changes occurred in the business-type long-term obligations:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/16</u>	<u>Due in One Year</u>
<u>OPWC Loan</u>							
Pleasant street pump	0.00%	12/01/2024	\$ 72,250	\$ -	\$ (14,450)	\$ 57,800	\$ 14,450
Total OPWC loan			<u>72,250</u>	<u>-</u>	<u>(14,450)</u>	<u>57,800</u>	<u>14,450</u>
<u>OWDA loans</u>							
Southside sewer separation	3.85%	07/01/16	42,114	-	(42,114)	-	-
Ward/parsons sewer construction	3.75%	07/01/19	143,502	-	(39,114)	104,388	40,595
Milan/chatham sewer project	3.90%	01/01/22	690,800	-	(104,309)	586,491	108,416
Wastewater treatment plant improve.	3.25%	01/01/27	5,166,440	-	(383,643)	4,782,797	395,005
Corwin street sewer improve.	3.67%	07/01/27	407,638	-	(29,075)	378,563	30,152
Water treatment improvement	2.94%	07/01/27	436,691	-	(33,614)	403,077	34,715
West main waterline replacement	2.82%	07/01/32	768,655	-	(37,167)	731,488	38,222
Norwood avenue waterline	4.78%	07/01/28	240,434	-	(14,450)	225,984	15,149
Old state route waterline	3.79%	07/01/34	620,335	-	(22,983)	597,352	24,599
Pleasant street combined overflow	2.24%	01/01/37	-	4,804,612	-	4,804,612	-
Milan avenue waterline replacement	2.95%	07/01/35	(7,882)	483,231	(17,645)	457,704	9,389
Total OWDA loans			<u>8,508,727</u>	<u>5,287,843</u>	<u>(724,114)</u>	<u>13,072,456</u>	<u>696,242</u>
<u>Other long-term obligations:</u>							
Capital lease obligation			124,194	21,167	(60,826)	84,535	50,092
Net pension liability			2,079,408	1,185,260	-	3,264,668	-
Compensated absences			<u>697,329</u>	<u>302,325</u>	<u>(323,855)</u>	<u>675,799</u>	<u>204,337</u>
Total business-type activities			<u>\$ 11,481,908</u>	<u>\$ 6,796,595</u>	<u>\$ (1,123,245)</u>	<u>\$ 17,155,258</u>	<u>\$ 965,121</u>

Compensated Absences:

Compensated absences will be paid from the water, sewer, sanitation and stormwater enterprise funds.

OPWC Loans:

An OPWC loans was issued for improvements to the City's Pleasant street pump station. Principal and interest payments are due in semi-annual installments at 0% interest rate.

The following is a summary of the City's future annual debt service principal requirements for the OPWC loans:

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

<u>Year Ended December 31,</u>	<u>OPWC Loans Payable Principal</u>
2017	\$ 14,450
2018	14,450
2019	14,450
2020	<u>14,450</u>
Total	<u>\$ 57,800</u>

OWDA Loans:

The City has entered into debt financing arrangements through the Ohio Water Department Authority (OWDA) to fund various water and sewer related construction projects. The amounts due to the OWDA are payable solely from sewer and water revenues. The loan agreements function similar to a line-of-credit agreement. The loan agreements require semi-annual payments based on the permissible borrowings rather than the actual amount loaned. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down.

The City has pledged future water and sewer revenues to repay OWDA loans. The loans are payable solely from water and sewer fund revenues and are payable through 2037. The annual requirements to retire OWDA principal and interest, excluding the Pleasant street combined overflow project, as follows:

<u>Year Ended December 31,</u>	<u>OWDA Loans Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 696,242	\$ 286,846	\$ 983,088
2018	728,567	272,713	1,001,280
2019	730,344	228,934	959,278
2020	731,666	184,190	915,856
2021	755,411	160,680	916,091
2022-2026	3,450,280	484,551	3,934,831
2027-2031	914,368	99,977	1,014,345
2032-2035	<u>260,966</u>	<u>14,968</u>	<u>275,934</u>
Total	<u>\$ 8,267,844</u>	<u>\$ 1,732,859</u>	<u>\$ 10,000,703</u>

**CITY OF NORWALK  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

The City's Pleasant street combined overflow project has not been finalized. Once this project is completed, OWDA will finalize the terms and provide an amortization schedule for future principal and interest repayment.

**NOTE 13 - 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 package 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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 accrued wages and benefits on both the accrual and modified accrual bases of accounting.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - City employees 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.

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 provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**CITY OF NORWALK  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13- DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Final average Salary (FAS) represents the average of the three highest years of earnings 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. 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 a 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>
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

**CITY OF NORWALK  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$532,751 for 2016. Of this amount, \$21,992 is reported as due to other governments.

***Plan Description – Ohio Police & Fire Pension Fund (OPF)***

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF 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 of 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 OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Members retiring under normal service retirement, 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 a statutory authority for member and employer contributions as follows:

	Police	Fire
<b>2016 Statutory Maximum Contribution Rates</b>		
Employer	19.5 %	24.0 %
Employee	12.25 %	12.25 %
 <b>2016 Actual Contribution Rates</b>		
Employer:		
Pension	19.0 %	23.5 %
Post-employment Health Care Benefits	0.5	0.5
Total Employer	19.5 %	24.0 %
Employee	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 \$552,583 for 2016. Of this amount, \$44,997 is reported as an due to other governments.

***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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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:

**CITY OF NORWALK  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.036343%	0.127268%	
Proportion of the net pension liability current measurement date	<u>0.035929%</u>	<u>0.122379%</u>	
Change in proportionate share	<u>0.000414%</u>	<u>-0.004889%</u>	
Proportionate share of the net pension liability	\$ 6,223,356	\$ 7,872,700	\$ 14,096,056
Pension expense	669,445	907,368	1,576,813

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$1,829,278	\$1,281,378	\$3,110,656
City contributions subsequent to the measurement date	<u>532,751</u>	<u>552,583</u>	<u>1,085,334</u>
Total Deferred Outflows of Resources	<u>\$2,362,029</u>	<u>\$1,833,961</u>	<u>\$4,195,990</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	<u>\$120,247</u>	<u>\$22,106</u>	<u>\$142,353</u>

\$1,085,334 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Year Ending December 31:			
2017	\$ 400,842	\$ 330,441	\$ 731,283
2018	421,088	308,226	729,314
2019	470,623	352,657	823,280
2020	416,478	289,193	705,671
2021	-	(17,853)	(17,853)
Thereafter	<u>-</u>	<u>(3,392)</u>	<u>(3,392)</u>
Total	<u>\$ 1,709,031</u>	<u>\$ 1,259,272</u>	<u>\$ 2,968,303</u>

**CITY OF NORWALK  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***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.

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, 2015, 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 COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation 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.

**CITY OF NORWALK  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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 2015.

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 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.27 %</u>

**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:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$9,914,967	\$6,223,356	\$3,109,296

***Actuarial Assumptions – OP&F***

OP&F's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F'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, 2015, are presented below:

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.

**CITY OF NORWALK  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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, 2015 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return **</u>	<u>30 Year Expected Real Rate of Return **</u>
Cash and Cash Equivalents	0.00 %	0.00 %	0.00 %
Domestic Equity	16.00	4.47	7.80
Non-US Equity	16.00	4.47	8.00
Core Fixed Income *	20.00	1.62	5.35
Global Inflation			
Protected Securities *	20.00	1.33	4.73
High Yield	15.00	3.39	7.21
Real Estate	12.00	3.93	7.43
Private Markets	8.00	6.98	10.73
Timber	5.00	4.92	7.35
Master Limited Partnerships	8.00	7.03	10.75
Total	<u>120.00 %</u>		

\* levered 2x

\*\* numbers include inflation

OPF's Board of Trustees has incorporated the "risk parity" concept into OP&F'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.

**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.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**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	\$ 10,383,072	\$ 7,872,700	\$ 5,746,217

**NOTE 14 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 14 - POSTRETIREMENT BENEFIT PLANS – (Continued)**

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2016, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2016 was 2.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$88,792, \$94,914, and \$95,950, respectively; 92.26% has been contributed for 2016 and 100% has been contributed for 2015 and 2014. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

**B. Ohio Police and Fire Pension Fund**

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment 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-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The 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 is codified in Chapter 742 of the Ohio Revised Code.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - POSTRETIREMENT BENEFIT PLANS – (Continued)**

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OPF, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at [www.op-f.org](http://www.op-f.org).

Funding Policy - 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 as 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 account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 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 into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2015, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the 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 which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$22,205 and \$22,916 for the year ended December 31, 2016, \$36,424 and \$25,670 for the year ended December 31, 2015, and \$37,635 and \$33,050, for the year ended December 31, 2014. 100% has been contributed for 2015 and 2014. 92.1% has been contributed for police and for firefighters for 2016. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

**CITY OF NORWALK  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - 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, Finance Director, Municipal Court Judge and Clerk of Courts have a \$100,000 position bond. The Law Director has a \$5,000 position bond. All other City employees are covered by a \$50,000 blanket bond.

**C. Workers Compensation**

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

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for the general fund:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 322,494
Net adjustment for revenue accruals	(591,858)
Net adjustment for expenditure accruals	73,107
Net adjustment for other sources/uses	46,407
Adjustment for encumbrances	214,647
GAAP basis	\$ 64,797

**NOTE 17 – TAX ABATEMENTS**

The City provides tax abatements under the following programs which meet the criteria set forth under the requirements of GASB Statement No. 77: the Industrial/Commercial Community Reinvestment Area Program and the Economic Development Job Creation and Retention Program.

***Real Estate Tax Abatements***

Pursuant to Ohio Revised Code Section 5709, the City has established Community Reinvestment Areas (CRA) for any industrial or commercial property project improvements made to parcel(s) following specific return-on-investment formulas and guidelines approved by City Council. No taxes were abated at December 31, 2016.

***Income Tax Abatement Programs***

The City has created an Economic Development and Job Creation and Retention Program and Enterprise Zone Agreements for purposes of retaining the City’s competitiveness in local job creation. The City provides an incentive to the company’s gross annual payroll, the amount of income tax generated annually and the number of jobs created or retained by the business.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 17 – TAX ABATEMENTS – (Continued)**

The abatement is administered as a refund or credit based upon the company’s payroll taxes. Also, the time period of the incentive in years, is determined by how many new jobs are to be created by the respective businesses.

***City Council’s Incentive Criteria for Decision Making***

The City has offered tax incentives and CRA abatements to various businesses based upon substantial project investment into the City. The City has created a return on investment formula it considers before entering into any such agreements. This return on investment formula considers the financial impact not only to the City but also other local governments in surrounding counties that may be impacted. Below is the information relevant to the disclosure of these programs for the year ended December 31, 2016:

<b>Tax Abatement Program</b>	<b>Total Amount of Taxes Abated (Incentives Abated) for 2016 (In Actual Dollars)</b>
<i>Income Tax Abatement Programs</i>	
- Manufacturing	\$6,613

Pursuant to Section 5709.82 of the Ohio Revised Code, the City of Norwalk and the Norwalk City School District and Edison Local School District in line with section 5709.82 of the Ohio Revised Code, created various compensation agreements. These agreements state various reimbursement percentages which require municipal income tax sharing when new income tax collections meet stipulations within the compensation agreements. Based on these agreements, the City compensated the Norwalk City School District \$5,321 and the Edison Local School District \$6,773 for the year ended December 31, 2016.

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2016.

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 18 – CONTINGENCIES – (Continued)**

**B. Litigation**

The City is involved in no material litigation as either plaintiff or defendant.

**NOTE 19 - OTHER COMMITMENTS**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City’s cash basis commitments for encumbrances as follows:

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 214,647
General capital improvement	284,984
Other governmental	<u>860,768</u>
Total governmental funds	<u>1,360,399</u>
Water	279,038
Sewer	2,106,089
Sanitation	79,500
Storm Water	<u>17,991</u>
Total proprietary funds	<u>2,482,618</u>
Total	<u><u>\$ 3,843,017</u></u>

**NOTE 20 - FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**CITY OF NORWALK  
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 20 - FUND BALANCE--** (Continued)

Fund balance	General	General Capital Improvements	Capital Investment Trust	Other Governmental	Total Governmental Funds
Nonspendable:					
Notes	\$ -	\$ -	\$ -	\$ 1,071,873	\$ 1,071,873
Long-term loans	-	21,120	-	-	21,120
Materials & supplies inventory	-	-	-	11,669	11,669
Total nonspendable	-	21,120	-	1,083,542	1,104,662
Restricted:					
Capital improvements	-	-	4,156,938	43,253	4,200,191
Debt service	-	-	-	8,015	8,015
Economic development	-	-	-	601,308	601,308
Police and fire protection	-	-	-	70,872	70,872
Courts	-	-	-	605,749	605,749
Transportation	-	-	-	621,280	621,280
Payroll stabilization	-	-	-	341,515	341,515
Other purposes	-	-	-	7,149	7,149
Total restricted	-	-	4,156,938	2,299,141	6,456,079
Committed:					
Capital improvements	-	964,392	-	118,664	1,083,056
Parks and recreation	-	-	-	140,529	140,529
Total committed	-	964,392	-	259,193	1,223,585
Community environment	100	-	-	-	100
Security persons & property	113,343	-	-	-	113,343
Transportation	424	-	-	-	424
Subsequent year appropriations	1,021,635	-	-	-	1,021,635
General government	84,701	-	-	-	84,701
Total assigned	1,220,203	-	-	-	1,220,203
Unassigned	1,843,100	-	-	(14,584)	1,828,516
Total fund balances	<u>\$ 3,063,303</u>	<u>\$ 985,512</u>	<u>\$ 4,156,938</u>	<u>\$ 3,627,292</u>	<u>\$ 11,833,045</u>

**NOTE 21 – SUBSEQUENT EVENTS**

On April 26, 2016, the City issued \$650,000 bond anticipation notes for purposes of water system improvements which matures on April 26, 2017. The City issued bond anticipation note for \$300,000 for the remaining balance which matures on April 26, 2018.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF NORWALK**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST THREE YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability	0.035929%	0.036343%	0.036343%
City's proportionate share of the net pension liability	\$ 6,223,356	\$ 4,348,406	\$ 4,279,741
City's covered-employee payroll	\$ 6,033,217	\$ 5,102,750	\$ 5,190,523
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	103.15%	85.22%	82.45%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	100.64%	95.35%

Note: Information prior to 2013 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The schedule is reported as of the measurement date of the net pension liability.

**CITY OF NORWALK**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST THREE YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability	0.122379%	0.127268%	0.127268%
City's proportionate share of the net pension liability	\$ 7,872,700	\$ 6,593,148	\$ 6,198,478
City's covered-employee payroll	\$ 2,487,940	\$ 2,676,671	\$ 2,495,305
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	316.43%	246.32%	248.41%
Plan fiduciary net position as a percentage of the total pension liability	66.77%	72.20%	73.00%

Note: Information prior to 2013 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The schedule is reported as of the measurement date of the net pension liability.

**CITY OF NORWALK**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST FOUR YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 532,751	\$ 723,986	\$ 612,330	\$ 674,768
Contributions in relation to the contractually required contribution	<u>(532,751)</u>	<u>(723,986)</u>	<u>(612,330)</u>	<u>(674,768)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,439,592	\$ 6,033,217	\$ 5,102,750	\$ 5,190,523
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%

**CITY OF NORWALK**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS  
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST FOUR YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Police:</i>				
Contractually required contribution	\$ 271,348	\$ 254,802	\$ 282,264	\$ 262,406
Contributions in relation to the contractually required contribution	<u>(271,348)</u>	<u>(254,802)</u>	<u>(282,264)</u>	<u>(262,406)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,428,147	\$ 1,306,677	\$ 1,447,508	\$ 1,345,672
Contributions as a percentage of covered-employee payroll	19.00%	19.50%	19.50%	19.50%
<i>Fire:</i>				
Contractually required contribution	\$ 281,235	\$ 283,503	\$ 294,999	\$ 275,912
Contributions in relation to the contractually required contribution	<u>(281,235)</u>	<u>(283,503)</u>	<u>(294,999)</u>	<u>(275,912)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,196,745	\$ 1,181,263	\$ 1,229,163	\$ 1,149,633
Contributions as a percentage of covered-employee payroll	23.50%	24.00%	24.00%	24.00%

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Norwalk  
Huron County  
38 Whittlesey Avenue  
P.O. Box 30  
Norwalk, Ohio 44857

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwalk, Huron County, (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 16, 2017.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635

***Compliance and Other Matters***

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wilson, Shuman & Snow, Inc.*

June 16, 2017  
Newark, Ohio

**CITY OF NORWALK  
HURON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2015-001	Financial Reporting – material weakness related to the compilation and presentation of the financial statements and the related footnotes.	Yes	N/A

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# Dave Yost • Auditor of State

CITY OF NORWALK

HURON COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
AUGUST 29, 2017