

CITY OF NORWALK, OHIO
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Members of Council
City of Norwalk
P.O. Box 30
Norwalk, Ohio 44857-0030

We have reviewed the Independent Auditor's Report of the City of Norwalk, Huron County, prepared by Gary B. Fink & Associates, Inc., for the audit period January 1, 2001 through December 31, 2001. 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.

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JIM PETRO
Auditor of State

August 29, 2002

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**CITY OF NORWALK, OHIO
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

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INDEPENDENT AUDITOR'S REPORT

Members of Council
City of Norwalk
PO Box 30
Norwalk, Ohio 44857-0030

We have audited the accompanying general purpose financial statements of the City of Norwalk, Ohio (the City), as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Norwalk, Ohio, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the general purpose financial statements, the City adopted Governmental Accounting Standards Board Statements No. 33 and No. 36 as of and for the year ended December 31, 2001. This results in a change to the City's accounting for certain nonexchange revenues.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2002 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

July 31, 2002

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GENERAL PURPOSE FINANCIAL STATEMENTS

City of Norwalk, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
<u>Assets</u>				
Equity in Pooled Cash, Cash Equivalents and Investments	\$2,103,189	\$3,459,898	\$198,957	\$989,889
Equity in Pooled Cash, Cash Equivalents and Investments:				
Nonexpendable Trust Funds	0	0	0	0
Cash in Segregated Accounts	1,606	0	0	0
Cash with Fiscal and Escrow Agent	0	0	17,978	0
Receivables:				
Taxes	1,400,310	610,484	288,614	215,744
Accounts	37,017	801	0	10,468
Special Assessments	0	0	1,860	7,622
Accrued Interest	83,321	0	0	0
Intergovernmental	564,438	312,174	14,972	0
Due from Other Funds	98,293	8,118	0	0
Materials and Supplies Inventory	0	22,944	0	0
Notes Receivable	0	1,089,119	0	0
Unamortized Bond Issue Costs	0	0	0	0
Investments in City of Norwalk Securities	0	0	0	241,791
Fixed Assets, (Net, Where Applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits</u>				
Amount Available in Debt Service Funds for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets	<u>\$4,288,174</u>	<u>\$5,503,538</u>	<u>\$522,381</u>	<u>\$1,465,514</u>
<u>Liabilities</u>				
Accounts Payable	\$75,380	\$62,281	\$0	\$57,074
Accrued Wages and Benefits	13,778	14,186	0	0
Compensated Absences Payable	41,031	9,598	0	0
Due to Other Funds	0	0	0	0
Intergovernmental Payable	64,065	172,599	0	22
Deferred Revenue	928,580	864,505	305,446	7,622
Undistributed Monies	0	0	0	0
Matured Interest Payable	0	0	17,978	0
Accrued Interest Payable	0	0	0	0
Unamortized Discounts on Bonds	0	0	0	0
Unamortized Charges-Refunding Bonds	0	0	0	0
Claims Payable	0	0	0	0
OPWC Loans Payable	0	0	0	0
Police and Fire Past Service Cost	0	0	0	0
Capital Leases Payable	0	0	0	0
OWDA Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>1,122,834</u>	<u>1,123,169</u>	<u>323,424</u>	<u>64,718</u>
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	299,617	335,565	0	365,267
Reserved for Inventory	0	22,944	0	0
Reserved for Notes Receivable	0	1,089,119	0	0
Reserved for Endowments	0	0	0	0
Reserved for Debt Service:				
Principal	0	0	198,957	0
Unreserved:				
Undesignated	2,865,723	2,932,741	0	1,035,529
Total Fund Equity and Other Credits	<u>3,165,340</u>	<u>4,380,369</u>	<u>198,957</u>	<u>1,400,796</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,288,174</u>	<u>\$5,503,538</u>	<u>\$522,381</u>	<u>\$1,465,514</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$2,242,452	\$290,281	\$39,857	\$0	\$0	\$9,324,523
0	0	4,177,546	0	0	4,177,546
0	0	69,324	0	0	70,930
0	0	0	0	0	17,978
215,495	0	0	0	0	2,730,647
340,929	1,746	106,411	0	0	497,372
1,640	0	0	0	0	11,122
0	0	0	0	0	83,321
0	0	0	0	0	891,584
0	0	0	0	0	106,411
23,349	0	0	0	0	46,293
0	0	0	0	0	1,089,119
54,212	0	0	0	0	54,212
0	0	0	0	0	241,791
18,509,090	0	0	14,780,697	0	33,289,787
0	0	0	0	198,957	198,957
0	0	0	0	4,253,626	4,253,626
<u>\$21,387,167</u>	<u>\$292,027</u>	<u>\$4,393,138</u>	<u>\$14,780,697</u>	<u>\$4,452,583</u>	<u>\$57,085,219</u>
\$927,104	\$0	\$0	\$0	\$0	\$1,121,839
15,418	0	0	0	0	43,382
208,750	0	0	0	528,059	787,438
0	0	106,411	0	0	106,411
84,417	0	0	0	100,836	421,939
3,280	0	0	0	0	2,109,433
0	0	85,506	0	0	85,506
0	0	0	0	0	17,978
47,308	0	0	0	0	47,308
(15,565)	0	0	0	0	(15,565)
(391,771)	0	0	0	0	(391,771)
0	119,819	0	0	0	119,819
376,588	0	0	0	340,865	717,453
0	0	0	0	495,589	495,589
138,823	0	0	0	0	138,823
2,693,555	0	0	0	750,443	3,443,998
3,280,000	0	0	0	2,236,791	5,516,791
<u>7,367,907</u>	<u>119,819</u>	<u>191,917</u>	<u>0</u>	<u>4,452,583</u>	<u>14,766,371</u>
0	0	0	14,780,697	0	14,780,697
2,714,189	0	0	0	0	2,714,189
11,305,071	172,208	0	0	0	11,477,279
0	0	0	0	0	1,000,449
0	0	0	0	0	22,944
0	0	0	0	0	1,089,119
0	0	4,177,546	0	0	4,177,546
0	0	0	0	0	198,957
0	0	23,675	0	0	6,857,668
<u>14,019,260</u>	<u>172,208</u>	<u>4,201,221</u>	<u>14,780,697</u>	<u>0</u>	<u>42,318,848</u>
<u>\$21,387,167</u>	<u>\$292,027</u>	<u>\$4,393,138</u>	<u>\$14,780,697</u>	<u>\$4,452,583</u>	<u>\$57,085,219</u>

City of Norwalk, Ohio
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Year December 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Revenues</u>				
Municipal Income Tax	\$3,907,834	\$0	\$0	\$975,323
Property and Other Taxes	843,573	562,064	268,472	0
Charges for Services	29,396	746,665	0	16,015
Licenses and Permits	5,399	40,169	0	26,769
Fines and Forfeitures	726,272	98,273	0	0
Intergovernmental	1,036,995	764,474	29,492	409,459
Special Assessments	0	0	39,272	29,175
Investment Income	629,445	99,209	4,668	14,640
Other	18,128	37,386	1,800	0
Total Revenues	7,197,042	2,348,240	343,704	1,471,381
<u>Expenditures</u>				
Current:				
General Government	1,903,211	18,858	6,486	0
Security of Persons and Property	3,287,885	750,706	0	0
Public Health and Welfare	112,388	19,069	0	0
Transportation	0	1,303,376	0	0
Community Environment	18,213	5,716	0	0
Leisure Time Activities	0	1,324,482	0	0
Economic Development and Assistance	62,436	37,941	0	0
Urban Redevelopment and Housing	0	18,275	0	0
Other	0	0	0	1,800
Capital Outlay	490,864	616,529	0	2,949,910
Debt Service:				
Principal Retirement	0	6,366	347,849	0
Interest and Fiscal Charges	0	36	173,749	0
Total Expenditures	5,874,997	4,101,354	528,084	2,951,710
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,322,045	(1,753,114)	(184,380)	(1,480,329)
<u>Other Financing Sources (Uses)</u>				
Proceeds of OWDA Loan	0	0	0	750,443
Sale of Fixed Assets	33	7,919	0	0
Operating Transfers - In	0	1,644,619	85,311	420,000
Operating Transfers - Out	(2,044,619)	(43,660)	0	(61,651)
Total Other Financing Sources (Uses)	(2,044,586)	1,608,878	85,311	1,108,792
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(722,541)	(144,236)	(99,069)	(371,537)
Fund Balances at Beginning of Year (Restated - See Note 3)	3,887,881	4,510,408	298,026	1,772,333
Increase in Reserve for Inventory	0	14,197	0	0
Fund Balances at End of Year	\$3,165,340	\$4,380,369	\$198,957	\$1,400,796

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
\$0	\$4,883,157
0	1,674,109
0	792,076
640	72,977
0	824,545
0	2,240,420
0	68,447
0	747,962
0	57,314
<u>640</u>	<u>11,361,007</u>
0	1,928,555
0	4,038,591
0	131,457
0	1,303,376
0	23,929
0	1,324,482
0	100,377
0	18,275
0	1,800
0	4,057,303
0	354,215
<u>0</u>	<u>173,785</u>
<u>0</u>	<u>13,456,145</u>
<u>640</u>	<u>(2,095,138)</u>
0	750,443
0	7,952
0	2,149,930
<u>0</u>	<u>(2,149,930)</u>
<u>0</u>	<u>758,395</u>
640	(1,336,743)
23,035	10,491,683
<u>0</u>	<u>14,197</u>
<u>\$23,675</u>	<u>\$9,169,137</u>

City of Norwalk, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 2001

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Municipal Income Tax	\$4,240,000	\$3,930,478	(\$309,522)
Property and Other Taxes	671,510	843,573	172,063
Charges for Services	17,500	25,362	7,862
Licenses and Permits	7,200	5,399	(1,801)
Fines and Forfeitures	730,000	728,240	(1,760)
Intergovernmental	979,670	1,013,150	33,480
Special Assessments	0	0	0
Investment Income	715,000	875,542	160,542
Other	2,500	11,596	9,096
Total Revenues	7,363,380	7,433,340	69,960
<u>Expenditures</u>			
Current:			
General Government	2,316,131	2,090,187	225,944
Security of Persons and Property	3,509,438	3,358,109	151,329
Public Health and Welfare	113,128	112,388	740
Transportation	0	0	0
Community Environment	21,931	19,751	2,180
Leisure Time Activities	0	0	0
Economic Development and Assistance	74,858	69,224	5,634
Capital Outlay	582,431	536,121	46,310
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	6,617,917	6,185,780	432,137
Excess (Deficiency) of Revenues Over (Under) Expenditures	745,463	1,247,560	502,097
<u>Other Financing Sources (Uses)</u>			
Other Financing Sources	500	47,309	46,809
Other Financing Uses	0	0	0
Sale of Fixed Assets	0	33	33
Advances - In	0	0	0
Operating Transfers - In	0	0	0
Operating Transfers - Out	(2,044,619)	(2,044,619)	0
Total Other Financing Sources (Uses)	(2,044,119)	(1,997,277)	46,842
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(1,298,656)	(749,717)	548,939
Fund Balances at Beginning of Year	1,817,527	1,817,527	0
Prior Year Encumbrances Appropriated	645,908	645,908	0
Fund Balances at End of Year	\$1,164,779	\$1,713,718	\$548,939

See accompanying notes to the general purpose financial statements

Governmental Fund Types					
Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
585,000	562,064	(22,936)	258,261	268,472	10,211
708,100	746,659	38,559	0	0	0
33,315	39,841	6,526	0	0	0
83,500	104,220	20,720	0	0	0
817,006	784,981	(32,025)	45,550	29,492	(16,058)
0	0	0	36,190	39,272	3,082
50,129	99,209	49,080	0	4,668	4,668
194,242	219,379	25,137	0	0	0
<u>2,471,292</u>	<u>2,556,353</u>	<u>85,061</u>	<u>340,001</u>	<u>341,904</u>	<u>1,903</u>
22,220	21,080	1,140	12,200	6,486	5,714
928,384	872,067	56,317	0	0	0
40,000	33,311	6,689	0	0	0
1,587,466	1,467,658	119,808	0	0	0
14,420	12,341	2,079	0	0	0
1,443,588	1,413,647	29,941	0	0	0
88,800	88,800	0	0	0	0
739,721	693,015	46,706	0	0	0
0	0	0	609,617	598,390	11,227
0	0	0	421,073	421,069	4
<u>4,864,599</u>	<u>4,601,919</u>	<u>262,680</u>	<u>1,042,890</u>	<u>1,025,945</u>	<u>16,945</u>
<u>(2,393,307)</u>	<u>(2,045,566)</u>	<u>347,741</u>	<u>(702,889)</u>	<u>(684,041)</u>	<u>18,848</u>
0	23,377	23,377	0	0	0
0	0	0	0	0	0
2,000	7,919	5,919	0	0	0
0	0	0	1,000	1,000	0
1,647,671	1,644,619	(3,052)	594,605	583,172	(11,433)
(43,665)	(43,660)	5	0	0	0
<u>1,606,006</u>	<u>1,632,255</u>	<u>26,249</u>	<u>595,605</u>	<u>584,172</u>	<u>(11,433)</u>
(787,301)	(413,311)	373,990	(107,284)	(99,869)	7,415
2,862,606	2,862,606	0	298,825	298,825	0
481,236	481,236	0	0	0	0
<u>\$2,556,541</u>	<u>\$2,930,531</u>	<u>\$373,990</u>	<u>\$191,541</u>	<u>\$198,956</u>	<u>\$7,415</u>

(continued)

City of Norwalk, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis) (Continued)
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 2001

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Municipal Income Tax	\$1,057,000	\$982,638	(\$74,362)
Property and Other Taxes	0	0	0
Charges for Services	14,500	13,394	(1,106)
Licenses and Permits	70,000	48,610	(21,390)
Fines and Forfeitures	0	0	0
Intergovernmental	428,684	409,459	(19,225)
Special Assessments	20,000	29,175	9,175
Investment Income	0	14,640	14,640
Other	0	0	0
Total Revenues	<u>1,590,184</u>	<u>1,497,916</u>	<u>(92,268)</u>
<u>Expenditures</u>			
Current:			
General Government	0	0	0
Security of Persons and Property	10,389	7,142	3,247
Public Health and Welfare	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Leisure Time Activities	0	0	0
Economic Development and Assistance	0	0	0
Capital Outlay	2,878,310	2,813,719	64,591
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>2,888,699</u>	<u>2,820,861</u>	<u>67,838</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,298,515)</u>	<u>(1,322,945)</u>	<u>(24,430)</u>
<u>Other Financing Sources (Uses)</u>			
Other Financing Sources	0	130,855	130,855
Other Financing Uses	0	0	0
Sale of Fixed Assets	0	0	0
Advances - In	0	0	0
Operating Transfers - In	310,000	420,000	110,000
Operating Transfers - Out	(62,855)	(61,651)	1,204
Total Other Financing Sources (Uses)	<u>247,145</u>	<u>489,204</u>	<u>242,059</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>(1,051,370)</u>	<u>(833,741)</u>	<u>217,629</u>
Fund Balances at Beginning of Year	695,137	695,137	0
Prior Year Encumbrances Appropriated	<u>947,940</u>	<u>947,940</u>	<u>0</u>
Fund Balances at End of Year	<u>\$591,707</u>	<u>\$809,336</u>	<u>\$217,629</u>

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type			Totals		
Expendable Trust Fund			(Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$5,297,000	\$4,913,116	(\$383,884)
0	0	0	1,514,771	1,674,109	159,338
0	0	0	740,100	785,415	45,315
0	2,695	2,695	110,515	96,545	(13,970)
0	0	0	813,500	832,460	18,960
0	0	0	2,270,910	2,237,082	(33,828)
0	0	0	56,190	68,447	12,257
0	0	0	765,129	994,059	228,930
0	0	0	196,742	230,975	34,233
0	2,695	2,695	11,764,857	11,832,208	67,351
0	0	0	2,350,551	2,117,753	232,798
0	0	0	4,448,211	4,237,318	210,893
0	0	0	153,128	145,699	7,429
0	0	0	1,587,466	1,467,658	119,808
0	0	0	36,351	32,092	4,259
0	0	0	1,443,588	1,413,647	29,941
0	0	0	163,658	158,024	5,634
0	0	0	4,200,462	4,042,855	157,607
0	0	0	609,617	598,390	11,227
0	0	0	421,073	421,069	4
0	0	0	15,414,105	14,634,505	779,600
0	2,695	2,695	(3,649,248)	(2,802,297)	846,951
0	0	0	500	201,541	201,041
(5,400)	(2,055)	3,345	(5,400)	(2,055)	3,345
0	0	0	2,000	7,952	5,952
0	0	0	1,000	1,000	0
0	0	0	2,552,276	2,647,791	95,515
0	0	0	(2,151,139)	(2,149,930)	1,209
(5,400)	(2,055)	3,345	399,237	706,299	307,062
(5,400)	640	6,040	(3,250,011)	(2,095,998)	1,154,013
23,035	23,035	0	5,697,130	5,697,130	0
0	0	0	2,075,084	2,075,084	0
<u>\$17,635</u>	<u>\$23,675</u>	<u>\$6,040</u>	<u>\$4,522,203</u>	<u>\$5,676,216</u>	<u>\$1,154,013</u>

City of Norwalk, Ohio
Combined Statement of Revenues,
Expenses and Changes in Fund Equity
All Proprietary Fund Types and Nonexpendable Trust Funds
For the Year Ended December 31, 2001

	Proprietary Fund Types		Fiduciary	Totals
	Enterprise	Internal Service	Fund Type Nonexpendable Trust	(Memorandum Only)
<u>Operating Revenues</u>				
Charges for Services	\$4,055,935	\$801,333	\$0	\$4,857,268
Interest Income	0	0	13	13
Other	10,346	16,309	0	26,655
Total Operating Revenues	4,066,281	817,642	13	4,883,936
<u>Operating Expenses</u>				
Personal Services	2,282,480	0	0	2,282,480
Contractual Services	185,953	148,481	0	334,434
Claims	0	656,142	0	656,142
Materials and Supplies	538,176	0	0	538,176
Depreciation	1,011,214	0	0	1,011,214
Total Operating Expenses	4,017,823	804,623	0	4,822,446
Operating Income	48,458	13,019	13	61,490
<u>Non-Operating Revenues (Expenses)</u>				
Municipal Income Tax	973,576	0	0	973,576
Bond Issuance Costs	(4,091)	0	0	(4,091)
(Loss) on Disposal of Fixed Assets	(120,823)	0	0	(120,823)
Sale of Fixed Assets	2,653	0	79,677	82,330
Interest and Fiscal Charges	(287,652)	0	0	(287,652)
Capital Contributions	729,446	0	0	729,446
Other Non-Operating Revenue	5	0	0	5
Total Non-Operating Revenues (Expenses)	1,293,114	0	79,677	1,372,791
Income Before Operating Transfers	1,341,572	13,019	79,690	1,434,281
Operating Transfers - In	169,045	0	0	169,045
Operating Transfers - Out	(169,045)	0	0	(169,045)
Net Income	1,341,572	13,019	79,690	1,434,281
Retained Earnings/Fund Balances at Beginning of Year (Restated - See Note 4)	9,963,499	159,189	4,097,856	14,220,544
Retained Earnings/Fund Balances at End of Year	11,305,071	172,208	4,177,546	15,654,825
Contributed Capital at Beginning of Year	2,714,189	0	0	2,714,189
Contributed Capital at End of Year	2,714,189	0	0	2,714,189
Total Fund Equity at End of Year	\$14,019,260	\$172,208	\$4,177,546	\$18,369,014

See accompanying notes to the general purpose financial statements

City of Norwalk, Ohio
Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Funds
For the Year Ended December 31, 2001

	Proprietary Fund Types		Fiduciary Fund	Totals
	Enterprise	Internal Service	Type Nonexpendable Trust	(Memorandum Only)
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$4,055,671	\$801,286	\$0	\$4,856,957
Cash Payments to Suppliers for Goods and Services	(710,044)	(148,481)	0	(858,525)
Cash Payments to Employees for Services and Benefits	(2,268,417)	0	0	(2,268,417)
Cash Payments for Claims	0	(660,859)	0	(660,859)
Other Operating Revenues	19,884	16,712	0	36,596
Net Cash Provided by Operating Activities	1,097,094	8,658	0	1,105,752
<u>Cash Flows from Noncapital Financing Activities:</u>				
Operating Transfers In	169,045	0	0	169,045
Operating Transfers Out	(169,045)	0	0	(169,045)
Repayment of Loans to Other Funds	(1,000)	0	0	(1,000)
Other Non-Operating Revenues	5	0	0	5
Municipal Income Tax	980,269	0	0	980,269
Net Cash Provided by Noncapital Financing Activities	979,274	0	0	979,274
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Proceeds from Loans	1,886,551	0	0	1,886,551
Proceeds from Sale of Capital Assets	2,653	0	79,677	82,330
Payments for Capital Acquisitions	(3,219,388)	0	0	(3,219,388)
Principal Payments	(250,541)	0	0	(250,541)
Interest Payments	(247,320)	0	0	(247,320)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,828,045)	0	79,677	(1,748,368)
<u>Cash Flows from Investing Activities:</u>				
Interest on Investments	0	0	13	13
Net Cash Provided by Investing Activities	0	0	13	13
Net Increase in Cash and Cash Equivalents	248,323	8,658	79,690	336,671
Cash and Cash Equivalents at Beginning of Year	1,994,129	281,623	4,097,856	6,373,608
Cash and Cash Equivalents at End of Year	\$2,242,452	\$290,281	\$4,177,546	\$6,710,279
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>				
Operating Income	\$48,458	\$13,019	\$13	\$61,490
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>				
Depreciation	1,011,214	0	0	1,011,214
Interest on Investments	0	0	(13)	(13)
<u>Changes in Assets and Liabilities:</u>				
(Increase)/Decrease in Accounts Receivable	9,274	356	0	9,630
(Increase)/Decrease in Materials and Supplies Inventory	7,898	0	0	7,898
Increase/(Decrease) in Accounts Payable	(3,905)	0	0	(3,905)
Increase/(Decrease) in Accrued Wages and Benefits	1,940	0	0	1,940
Increase/(Decrease) in Compensated Absences Payable	10,940	0	0	10,940
Increase/(Decrease) in Claims Payable	0	(4,717)	0	(4,717)
Increase/(Decrease) in Intergovernmental Payable	11,275	0	0	11,275
Total Adjustments	1,048,636	(4,361)	(13)	1,044,262
Net Cash Provided by Operating Activities	\$1,097,094	\$8,658	\$0	\$1,105,752

See accompanying notes to the general purpose financial statements

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

A. Description of the Entity

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

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

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

B. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is then divided into various fund types. The following are the fund types and account groups utilized by the City:

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (continued)

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities, except those accounted for in proprietary and fiduciary funds, are accounted for through governmental funds. The measurement focus is based upon determination of financial position and changes in financial position. The following are the City's governmental fund types:

General Fund - This fund is used to account for 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.

Special Revenue Funds - These funds are used to account for proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

PROPRIETARY FUNDS

The proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following are the City's proprietary fund types:

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund - This fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (continued)

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the City's fiduciary funds:

Expendable Trust Fund - This fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. The expendable trust fund accounts for assets where both the principal and interest may be spent.

Nonexpendable Trust Funds - These funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. Nonexpendable trust funds account for assets of which the principal may not be spent.

Agency Funds - These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - The general fixed assets account group is used to account for all fixed assets of the City, other than those fixed assets accounted for in the proprietary funds.

General Long-Term Obligations Account Group - The general long-term obligations account group is used to account for all long-term obligations of the City, except those accounted for in the proprietary funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these general purpose financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The City applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989 to proprietary activity provided they do not conflict with Governmental Accounting Standards Board Statements and Interpretations.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the Combined Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and the nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the Combined Balance Sheet. Fund equity is segregated into contributed capital and retained earnings components. The operating statement of these funds presents increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

The modified accrual basis of accounting is used for reporting purposes by all governmental fund types, the expendable trust fund and agency funds. Under this basis of accounting, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is considered to be 60 days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: municipal income taxes, earnings on investments, federal, state, county and township grants and other distributions, charges for current services and fines and forfeitures. Major revenue sources not susceptible to accrual include licenses and permits, which are not considered measurable until received.

The City reports deferred revenue on its Combined Balance Sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the Combined Balance Sheet and revenue is recognized. Property taxes measurable as of December 31, 2001, delinquent property taxes, grants and entitlements, and delinquent special assessments, whose availability is indeterminable and which are not intended to finance the current year operations, have been recorded as deferred revenue.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The measurement focus of governmental and expendable trust fund accounting is on decreases in net financial resources (expenditures) rather than on expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental or expendable trust funds.

Proprietary funds and nonexpendable trust funds are reported using the accrual basis of accounting. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end.

B. 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 Annual Appropriation Measure, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Annual Appropriation Measure are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, legally are required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund and program or department for all funds. Budgetary modifications may only be made by resolution of the City Council.

Tax Budget:

A budget of estimated revenue and expenditures is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The budget includes proposed expenditures and the means of financing all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The 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 revenue of each fund.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the Annual Appropriation Measure. On or about January 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The Certificate may be amended further during the year if it is determined by the City, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official Certificate of Estimated Resources issued during 2001.

Appropriations:

A temporary appropriation measure to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. The Annual Appropriation Measure must be passed by April 1 of each year for the period January 1 to December 31. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriations at any level of control. Any revisions that alter the appropriations among object levels within programs or departments and programs or departments within a fund must first be approved by City Council. Council may pass supplemental appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources.

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. Appropriation amounts are as originally adopted, or as amended by City Council, throughout the year by supplemental appropriations which either reallocate or increase the original appropriated amounts. During the year, supplemental appropriation measures were legally enacted; however, none of these amendments were significant. The budgetary figures which appear in the statement of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances:

As part of the formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the object level within each program or department. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and are reported in the notes to the general purpose financial statements for proprietary funds.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lapsing of Appropriations:

At the close of each 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 year and need not be reappropriated.

C. Cash, Cash Equivalents and Investments

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

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2001.

Following Ohio statutes, the City has, by ordinance, specified the funds to receive an allocation of interest earnings. The following funds received more interest earnings during the year 2001 than they would have received based on their average share of investments.

<u>Fund</u>	<u>Actual Interest Revenue Credited</u>	<u>Amount Assigned From Other City Funds</u>
General	\$629,445	\$513,510
Special Revenue		
Municipal Court Capital Improvement	73,315	66,193
RLF - EDA	19,160	3,039
Debt Service		
Downtown Revitalization Bond Retirement	4,668	3,992

The City has segregated bank accounts for monies held separate from the City's cash management pool. These depository accounts are presented on the Combined Balance Sheet as "Cash in Segregated Accounts" since they are not required to be deposited into the City treasury.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City has monies held by a fiscal and escrow agent, which are held separate from the City's cash management pool. The City utilizes this fiscal and escrow agent to service bonded debt as principal and interest payments come due. This account is presented on the Combined Balance Sheet as "Cash with Fiscal and Escrow Agent".

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

D. Inventory of Supplies

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported supplies inventory is equally offset by a fund balances reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

E. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from/to Other Funds".

F. Property, Plant, Equipment and Depreciation

General Fixed Assets Account Group:

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group at historical cost or estimated historical cost.

Assets in the general fixed assets account group are not depreciated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the City.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Fixed Assets:

Property, plant and equipment reflected in the enterprise funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings	6 to 45 years
Equipment	5 to 45 years
Underground Piping	20 to 45 years

Valuation:

The City's fixed asset values were determined using original acquisition costs when such information was available. In cases when original costs were not practicably determinable, estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at estimated fair market value on the date donated.

G. Compensated Absences

Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences," specifies the methods used to accrue liabilities for leave benefits. Vacation and personal leave 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 employer will compensate employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment 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.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is recorded in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Revenues – Exchange and Non-Exchange Transactions

Exchange transactions are those in which each party to a transaction gives and receives essentially something of equal value. Proprietary funds, where the full accrual basis of accounting is used, record revenue when the exchange takes place. Governmental funds, where the modified accrual basis of accounting is used, record revenue in the year in which the resources are both measurable and available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include municipal income taxes, property and other local taxes, special assessments, fines and forfeitures, grants, entitlements and donations.

Municipal income taxes are recognized as revenue in the year when the underlying exchange transaction has occurred and the resources are both measurable and available.

Generally, property and other local taxes, special assessments and fines and forfeitures are recognized as revenue in the year when an enforceable legal claim has arisen and the resources are both measurable and available. Revenue from property and other local taxes, net of refunds and uncollectible amounts, is recognized in the year for which the taxes are levied, even if the enforceable legal claim arises or the due date for payment occurs in a different year. Special assessments and fines and forfeitures are recognized in the year when an enforceable legal claim has arisen unless the enabling legislation includes timing requirements. If the enabling legislation includes timing requirements, special assessments and fines and forfeitures are recognized in the year when the resources are required to be used or when use is first permitted.

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied and the revenues are both measurable and available. 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 specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

I. Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available resources. In general, payments made more than sixty days after year end are considered not to have been made with current available financial resources. Bonds, long-term past service costs and long-term loans are recognized as a liability of the general long-term obligations account group until due.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

J. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These private sources were recorded at their fair market value on the date contributed. Tap-in fees were recorded as contributed capital to the extent they exceed the actual costs of the connection to the wastewater system.

K. Reserves of Fund Balances

The City records reservations for portions of fund balances which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriations for expenditures. Unreserved fund balances indicates that portion of fund balances which are available for appropriation in future periods. Fund balances reserves have been established for encumbrances, inventory, notes receivable, endowments and debt service principal payments.

L. Interfund Transactions

During the course of normal operations, the City makes numerous transactions between funds. The most significant include operating transfers and reimbursements.

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

M. Estimates

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

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned “(Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For the year ended December 31, 2001, the City has implemented GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36 “Recipient Reporting for Certain Shared Nonexchange Revenues”. This change had the following effect on fund balances on the GAAP basis as previously stated as of December 31, 2000.

	General Fund	Special Revenue Funds
	<u> </u>	<u> </u>
Fund Balances as Stated at December 31, 2000	\$3,720,893	\$4,438,105
Restatement	166,988	72,303
Fund Balances as Restated at January 1, 2001	<u>\$3,887,881</u>	<u>\$4,510,408</u>

NOTE 4 – RESTATEMENTS OF PRIOR YEAR EQUITY

The City restated the beginning retained earnings of the enterprise funds for a portion of an OPWC loan that had not been recorded as such in 1999. The restatement to retained earnings on the GAAP basis is as follows:

	<u>Enterprise</u>
Retained Earnings as Stated at December 31, 2000	\$9,984,942
Restatement	<u>(21,443)</u>
Retained Earnings as Restated at January 1, 2001	<u>\$9,963,499</u>

Also, the City restated the beginning retained earnings of the internal service fund due to “Claims Payable” being overstated in 2000. The restatement to retained earnings on the GAAP basis is as follows:

	<u>Internal Service</u>
Retained Earnings as Stated at December 31, 2000	\$85,732
Restatement	<u>73,457</u>
Retained Earnings as Restated at January 1, 2001	<u>\$159,189</u>

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 5 – ACCOUNTABILITY AND COMPLIANCE

The following funds had a deficit fund balance caused by the recognition of expenditures and/or nonrecognition of revenues on the modified accrual basis of accounting which substantially differ from those recognized on the cash basis of accounting:

<u>Fund</u>	<u>Deficit</u>
Special Revenue Funds	
FY2002 Intensive Supervised Probation	\$(1,346)
FY2000 Formula Grant	(1,758)

NOTE 6 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types and Expendable Trust 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:

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

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 6 - BUDGETARY BASIS OF ACCOUNTING (continued)

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses) All Governmental Fund Types and Expendable Trust Fund				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$722,541)	(\$144,236)	(\$99,069)	(\$371,537)	\$640
Net Adjustment for Revenue Accruals	283,607	231,486	497,061	(593,053)	2,055
Net Adjustment for Expenditure Accruals	54,311	28,808	(497,861)	553,190	(2,055)
Encumbrances	(365,094)	(529,369)	0	(422,341)	0
Budget Basis	<u>(\$749,717)</u>	<u>(\$413,311)</u>	<u>(\$99,869)</u>	<u>(\$833,741)</u>	<u>\$640</u>

NOTE 7 - DEPOSITS AND INVESTMENTS

Deposits and investments are restricted by provisions of the Ohio Revised Code.

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.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 7 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 7 - DEPOSITS AND INVESTMENTS (continued)

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

Cash on Hand - At year end, the City had \$2,705 in undeposited cash on hand, of which \$1,100 is included on the Combined Balance Sheet as part of "Equity in Pooled Cash, Cash Equivalents and Investments" and \$1,606 is included on the Combined Balance Sheet as "Cash in Segregated Accounts".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements".

Deposits - At year end, the carrying amount of the City's deposits was \$5,472,101 and the bank balance was \$5,972,089. Of the bank balance:

1. \$672,089 was covered by federal depository insurance or by collateral held by the City's agent in the City's name;
2. \$4,400,000 was covered under surety bonds for collateral held in the pledging financial institution's trust department in the City's name; and
3. \$900,000 was held by the pledging financial institution in a collateral pool not in the City's name in accordance with the Ohio Revised Code, which is considered uninsured and uncollateralized as defined by GASB Statement No. 3.

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

Investments - The City's investments are required to be categorized to give an indication of the level of custodial credit risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 7 - DEPOSITS AND INVESTMENTS (continued)

At year end, the City's investment balances were as follows:

	<u>1</u>	Category <u>2</u>	<u>3</u>	Carrying Amount	Fair Value
Overnight Repurchase Agreements	\$0	\$0	\$1,027,000	\$1,027,000	\$1,027,000
City of Norwalk Bonds	241,791	0	0	241,791	241,791
FHLB Bonds	1,262,424	0	0	1,262,424	1,262,424
FHLMC Debentures	500,000	0	0	500,000	500,000
FFCB Bonds	522,500	0	0	522,500	522,500
Total	<u>\$2,526,715</u>	<u>\$0</u>	<u>\$1,027,000</u>		
STAR Ohio				4,804,247	4,804,247
Total Investments				<u>\$8,357,962</u>	<u>\$8,357,962</u>

The classifications of cash, cash equivalents and investments on the general purpose financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash, cash equivalents and investments on the general purpose financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$13,590,977	\$241,791
Investments of Cash Management Pool:		
Overnight Repurchase Agreements	(1,027,000)	1,027,000
Cash on Hand	(2,705)	0
FFCB Bonds	(522,500)	522,500
STAR Ohio	(4,804,247)	4,804,247
FHLB Bonds	(1,262,424)	1,262,424
FHLMC Debentures	(500,000)	500,000
GASB Statement No. 3	<u>\$5,472,101</u>	<u>\$8,357,962</u>

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values 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 revalued every six years. Real property taxes are payable annually or semiannually. If paid annually, payment is due January 20; if paid semiannually, the first payment is due January 20, with the remainder payable June 20, unless extended.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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. Certain public utility tangible personal property is currently assessed at 80 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 2001. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, 2001 and are not intended to finance 2001 operations. The receivable is therefore offset by a credit to deferred revenue.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 8 - PROPERTY TAXES (continued)

The full tax rate for all City operations for the year ended December 31, 2001 was \$7.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

<u>Category</u>	<u>Total Assessed Value</u>	<u>%</u>
Real Property Valuation:		
Residential/Agriculture	\$149,828,890	58.18%
Commercial/Industrial/Mineral	54,150,700	21.03%
Public Utilities	28,980	0.01%
Tangible Personal Property Valuation:		
General	44,382,840	17.23%
Public Utilities	9,132,120	3.55%
Total Valuation	<u>\$257,523,530</u>	<u>100.00%</u>

NOTE 9 - INCOME TAX

The City levies and collects an income tax on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% for the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Withheld income taxes and other various income tax collections for 2001 received 60 days after year end have been recognized as revenue in 2001.

Corporations and other individual taxpayers are also required to pay their estimated taxes at least quarterly and to file a final return annually.

The income tax collected in 2001 was distributed to the general fund (66.66%), sanitation enterprise fund (16.67%) and general capital improvements fund (16.67%).

NOTE 10 - RECEIVABLES

Receivables at December 31, 2001 consisted of taxes, accrued interest, special assessments, accounts (which include billed and unbilled charged services) and intergovernmental arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

NOTE 11 - SPECIAL ASSESSMENTS

Special assessments include annually assessed service assessments. Service-type special assessments are levied against all property owners which benefit from the provided service. Special assessments are payable by the time and in the manner stipulated in the assessing ordinance and are a lien from the date of the passage of the ordinance.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 11 - SPECIAL ASSESSMENTS (continued)

The City's special assessments include sidewalk construction/repair which are billed by the County Auditor and collected by the County Treasurer. The County Auditor periodically remits these collections to the City. Special assessments collected in one calendar year are levied and certified in the preceding calendar year.

NOTE 12 - FIXED ASSETS

A summary of the changes in general fixed assets during 2001 follows:

	<u>Balance</u> <u>01/01/2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2001</u>
Land and Improvements	\$2,780,578	\$93,545	(\$41,246)	\$2,832,877
Buildings	6,914,578	169,297	0	7,083,875
Equipment	4,588,018	539,260	(285,273)	4,842,005
Construction in Progress	12,466	21,940	(12,466)	21,940
Total	<u>\$14,295,640</u>	<u>\$824,042</u>	<u>(\$338,985)</u>	<u>\$14,780,697</u>

A summary of the enterprise funds' fixed assets at December 31, 2001 follows:

Land and Improvements	\$773,401
Buildings	7,651,100
Equipment	7,595,027
Underground Piping	16,975,415
Construction in Progress	<u>2,082,068</u>
	35,077,011
Less: Accumulated Depreciation	<u>(16,567,921)</u>
Net Fixed Assets	<u>\$18,509,090</u>

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System of Ohio

All employees of the City, with the exclusion of City police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)466-2085 or 1-800-222-7377.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 8.5% of their annual covered salary to fund pension benefit obligations and the City is required to contribute 13.55%; 9.25% was the portion used to fund pension obligations. Contributions are authorized by state statute. The contribution rates are determined actuarially. The City's contributions for pension obligations to PERS for the years ending December 31, 2001, 2000 and 1999 were \$398,699, \$276,517 and \$379,284, respectively. The full amount has been contributed for 2000 and 1999. 63.18% has been contributed for 2001 with the remainder being recorded as a liability in the respective funds and the general long-term obligations account group.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters; 12.00% and 16.50% were portions used to fund pension obligations respectively for police officers and firefighters. The City's contributions for pension obligations to the OP&F for the years ending December 31, 2001, 2000 and 1999 were \$306,671, \$289,124 and \$319,070, respectively. The full amount has been contributed for 2000 and 1999. 62.94% has been contributed in 2001 with the remainder being recorded as a liability in the respective funds and the general long-term obligations account group.

NOTE 14 - POST-EMPLOYMENT BENEFITS

A. Public Employees Retirement System of Ohio

The Public Employees Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Post-Employment Benefits by State and Local Governmental Employers". A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2001 employer contribution rate was 13.55% of covered payroll; 4.3% was the portion that was used to fund health care for the year 2001. The City's actual contributions for 2001 which were used to fund post-employment benefits were \$185,341.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 14 - POST-EMPLOYMENT BENEFITS (continued)

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to PERS.

The following assumptions and calculations were based on PERS' latest actuarial review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2000 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

OPEB's are advance-funded on an actuarially determined basis. As of December 31, 2000 (the latest information available), the actuarial value of PERS' net assets available for OPEB was \$11,735.9 million. The number of active contributing participants statewide at December 31, 2000 was 411,076. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll. The City's actual contributions for 2001 which were used to fund post-employment benefits were \$169,830.

The Ohio Revised Code provides the statutory authority allowing the OP&F's Board of Trustees to provide health care coverage to all eligible individuals.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 14 - POST-EMPLOYMENT BENEFITS (continued)

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.25% and 7.5% of covered payroll in 2000 and 2001, respectively. The allocation is 7.75% in 2002. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. The number of participants eligible statewide to receive health care benefits as of December 31, 2000, the date of the last actuarial valuation available, are 12,853 for police officers and 10,037 for firefighters. The OP&F's total health care expense for the year ending December 31, 2000, the date of the last actuarial valuation available, was \$106,160,054, which was net of member contributions of \$5,657,431.

NOTE 15 – COMPENSATED ABSENCES

City employees earn vacation and sick leave at varying rates depending on length of service and departmental policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the City. Forty percent of the accumulated, unused sick leave is paid to a retiring employee or, upon the death of the employee, to the employee's estate, up to a maximum of six hundred hours, provided the employee has ten or more years service with the City prior to the date of retirement or death. As of December 31, 2001, the liability for compensated absences was \$787,438 for the entire City.

NOTE 16 - RISK MANAGEMENT

A. Liability Insurance

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

B. Fidelity Bonds

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

C. Workers' Compensation

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

**CITY OF NORWALK, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 16 - RISK MANAGEMENT (continued)

D. Employee Health Insurance

The City has elected to provide employee medical and prescription benefits through a self-insurance program. The City maintains a self-insurance internal service fund to account for and finance its uninsured risk of loss in this program. This plan provides a medical plan with a \$200.00 family and \$100.00 single deductible. A third party administrator, Klais and Company, located in Akron, Ohio, reviews all claims which are then paid by the City. The City purchased stop-loss coverage of \$50,000 per individual and \$1,000,000 in the aggregate. The City paid into the self-insurance internal service fund \$508.76 for each full-time employee with family coverage and \$220.00 per month for each full-time employee with single coverage for the period January 1, 2001 through March 31, 2001. The premium for family coverage was \$6.88 per month and there were no premium for single coverage for full-time employees for the period January 1, 2001 through March 31, 2001. The City paid into the self-insurance internal service fund \$543.16 for each full-time employee with family coverage and \$241.19 per month for each full-time employee with single coverage for the period April 1, 2001 through December 31, 2001. The premiums for family coverage was \$48.16 per pay and \$21.19 per pay for each full-time employee with single coverage for the period April 1, 2001 through December 31, 2001. The premium is paid by the fund that pays the salary for the employee.

The claims liability of \$119,819 reported in the self-insurance internal service fund at December 31, 2001 is based on the requirements of GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the City's third party administrator. A summary of the fund's claims liability during the past two years are as follows:

	Beginning of Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2000	\$247,221	\$690,242	(\$812,927)	\$124,536
2001	\$124,536	\$656,142	(\$660,859)	\$119,819

NOTE 17 – CAPITAL LEASES

During the year ended December 31, 2000, the City entered into a lease agreement for a sewer jet cleaner. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards Board No. 13, "Accounting for Leases". Accordingly, this lease has been recorded at the present value of its future minimum lease payments, as of the inception date, in the sewer enterprise fund.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 17 – CAPITAL LEASES (continued)

The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of December 31, 2001:

<u>Year Ending December 31,</u>	<u>Lease Payments</u>
2002	\$51,979
2003	51,978
2004	<u>51,979</u>
Total minimum lease payments	155,936
Less: Amount representing interest	<u>(17,113)</u>
Present value of net minimum lease payments	<u><u>\$138,823</u></u>

NOTE 18 - DEBT OBLIGATIONS

Debt outstanding at December 31, 2001, consisted of the following issues:

	<u>Balance</u> <u>01/01/01</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/01</u>
ENTERPRISE FUNDS				
0.00%, OPWC Loans, Due through 2020	\$403,270	\$10,444	(\$37,126)	\$376,588
3.8% - 5.9%, Waterworks General Obligation Bonds, Due through 2015	3,435,000	0	(155,000)	3,280,000
3.75%, OWDA Ward/Parsons Sewer Construction Project Loan, Due through 2019	631,191		(10,421)	620,770
3.85%, OWDA Southside Sewer Separation Project Loan, Due through 2016	995,116	0	(47,995)	947,121
3.90%, OWDA Milan/Chatham Sewers Project Loan Due through 2022	<u>0</u>	<u>1,125,664</u>	<u>0</u>	<u>1,125,664</u>
Total Enterprise Debt	<u>5,464,577</u>	<u>1,136,108</u>	<u>(250,542)</u>	<u>6,350,143</u>

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 18 - DEBT OBLIGATIONS (continued)

	Balance 01/01/01	Additions	Retirements	Balance 12/31/01
<u>GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP</u>				
6.0%, Parking Improvement Bonds, Due through 2017	168,989	0	(5,990)	162,999
5.5%, Parking Improvement Bonds, Due through 2017	81,823	0	(3,031)	78,792
5.125%, Sewer Construction Bonds	80,000	0	(80,000)	0
5.25% - 8.20% Sewer System Improvement Bonds, Due through 2007	1,400,000	0	(200,000)	1,200,000
3.85% - 5.30% Street Improvement Bonds, Due through 2014	840,000	0	(45,000)	795,000
3.90% OWDA Milan/Chatham Sewers Project Loan Due through 2022	0	750,443	0	750,443
0.00%, OPWC Memorial Reservoir Spillway Improvements Due through 2018	248,919	0	(13,829)	235,090
0.00%, OPWC East/West Parkway Construction Due through 2022	0	105,775	0	105,775

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 18 - DEBT OBLIGATIONS (continued)

	Balance 01/01/01	Additions	Retirements	Balance 12/31/01
4.25%, Liability for Police and Fire Past Service Cost	502,208	0	(6,619)	495,589
Total General Long-Term Obligations	3,321,939	856,218	(354,469)	3,823,688
TOTAL DEBT OBLIGATIONS	<u>\$8,786,516</u>	<u>\$1,992,326</u>	<u>(\$605,011)</u>	<u>\$10,173,831</u>

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

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

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 18 - DEBT OBLIGATIONS (continued)

During 1997, the City approved an ordinance providing for the issuance and sale of \$185,000 in bonds for the purpose of paying the cost of acquiring real property in the downtown area to be used as a parking lot. Also, during 1997, the City approved an ordinance providing for the issuance and sale of \$90,000 in bonds for the purpose of paying a portion of the cost of constructing a public parking lot in the downtown area. These bonds were subsequently purchased by the capital projects funds, with the proceeds being received into the special revenue funds. As of December 31, 2001, these debt issues are recorded as "General Obligation Bonds Payable" in the general long-term obligations account group and as "Investments in City of Norwalk Securities" in the capital projects funds in the amount of \$241,791. All interest income arising from these transactions is credited to the capital projects funds.

The annual requirements to amortize all bonded debt outstanding as of December 31, 2001, including interest payments of \$789,791 for the general long-term obligations account group, \$1,480,619 for the waterworks general obligation bonds, and \$297,692 for the OWDA loans are as follows:

Year Ending December 31,	General Long- Term Obligations Account Group	Enterprise General Obligation Bonds	Enterprise OPWC Loans	Enterprise OWDA Loans	Total
2002	\$419,432	\$338,392	\$37,125	\$85,849	\$880,798
2003	406,497	340,222	37,125	85,849	869,693
2004	388,097	341,382	37,125	85,849	852,453
2005	369,447	341,948	37,125	85,849	834,369
2006	355,746	341,902	25,788	85,849	809,285
Thereafter	1,322,453	3,056,773	202,300	815,568	5,397,094
Total	<u>\$3,261,672</u>	<u>\$4,760,619</u>	<u>\$376,588</u>	<u>\$1,244,813</u>	<u>\$9,643,692</u>

The City has entered into contractual agreements for the Ward/Parsons Sewer Construction Project from the OWDA, The East/West Parkway Construction Project from the OPWC and the Milan/Chatham Sewers Project from the OWDA. Under the terms of these agreements, the OWDA and the OPWC will loan the construction/improvements costs of these approved projects. These loans will not have accurate repayment schedules until the loans are finalized, and therefore, are not included in the schedule of future annual debt service requirements.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 18 - DEBT OBLIGATIONS (continued)

During the year ended December 31, 2001, the following changes occurred in liabilities reported in the general long-term obligations account group:

	<u>Balance</u> <u>01/01/2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2001</u>
Compensated Absences Payable	\$412,857	\$115,202	\$0	\$528,059
Police and Fire Past Service Cost	502,208	0	(6,619)	495,589
General Obligation Bonds Payable	2,570,812	0	(334,021)	2,236,791
OPWC Loans Payable	248,919	105,775	(13,829)	340,865
OWDA Loans Payable	0	750,443	0	750,443
Intergovernmental Payable	66,635	100,836	(66,635)	100,836
Capital Leases Payable	6,366	0	(6,366)	0
Total	<u>\$3,807,797</u>	<u>\$1,072,256</u>	<u>(\$427,470)</u>	<u>\$4,452,583</u>

“Compensated Absences Payable” and “Intergovernmental Payable” will be paid from the fund from which the employee is paid.

NOTE 19 - DEBT DEFEASANCE

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

On December 31, 2001, \$2,690,799 of bonds outstanding are considered defeased.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 20 - INTERFUND ASSETS AND LIABILITIES

A summary of amounts owed for goods or services rendered by a particular fund to another fund follows:

Fund	Due From Other Funds	Due to Other Funds
General	\$98,293	\$0
Special Revenue:		
Municipal Probation Services	1,212	0
Municipal Court Capital Improvement	4,580	0
Municipal Court Computerization	1,547	0
Indigent Drivers Alcohol	575	0
DUI Enforcement/Education	204	0
Total Special Revenue	8,118	0
Agency:		
Municipal Court	0	106,411
Total All Funds	\$106,411	\$106,411

NOTE 21 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The government maintains three enterprise funds which are intended to be self-supported through user fees charged for services provided to consumers. Financial information, as of and for the year ended December 31, 2001, is as follows:

	Sanitation	Water	Sewer	Totals
Operating Revenue	\$5,537	\$2,162,286	\$1,898,458	\$4,066,281
Operating Expenses Before Depreciation	786,807	1,289,819	929,983	3,006,609
Depreciation Expense	82,624	395,176	533,414	1,011,214
Operating Income (Loss)	(863,894)	477,291	435,061	48,458
Municipal Income Tax Non-Operating Revenue	973,576	0	0	973,576
Operating Transfers - In	0	100,000	69,045	169,045
Operating Transfers - Out	0	(100,000)	(69,045)	(169,045)
Net Income	109,682	195,576	1,036,314	1,341,572
Property, Plant and Equipment Additions	170,372	466,766	3,365,275	4,002,413
Property, Plant and Equipment Deletions	46,440	114,283	70,289	231,012
Net Working Capital	636,339	920,858	189,141	1,746,338
Total Assets	1,360,974	8,578,153	11,448,040	21,387,167
Total Equity	1,292,585	5,376,993	7,349,682	14,019,260
Encumbrances at December 31, 2001	33,727	182,872	393,676	610,275

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 22 – CONSTRUCTION COMMITMENTS

The City had the following construction commitments at December 31, 2001:

Project	Total Authorized Cost	Expended to 12/31/2001	Balance at 12/31/2001
Bob Evans Culvert	20,000	5,880	14,120
Bridge Repairs	109,055	66,980	42,075
Chlorinated Inspection and Repair	13,500	0	13,500
Ditchwork-Williams/Ontario Street	14,975	0	14,975
Downtown Revitalization	1,174,990	1,164,686	10,304
East/West Parkway	1,243,711	1,115,475	128,236
Franklin Restroom/Office	22,951	16,640	6,311
Grand/Fruen Sewer Project	118,852	113,626	5,226
Hunters Glen Storm Sewer	15,000	12,000	3,000
Hunters Glen Waterline Upgrade	19,000	14,250	4,750
Lion's Park Improvements	15,000	5,300	9,700
Long-Term CSO Control Plan	69,500	0	69,500
Mahahan Street	10,000	5,462	4,538
Milan/Chatham Sewer Project	2,963,426	1,940,483	1,022,943
Pleasant Street Pumping Station	723,424	715,744	7,680
Reservoir Engineering	33,981	32,281	1,700
School Flashers	11,765	2,475	9,290
Scottwood St. Mary's Waterline	24,850	0	24,850
Shady Lane Drive Improvements	329,789	207,525	122,264
South Reservoir Restrooms	20,550	8,550	12,000
St. Mary's Waterline Replacement	41,780	0	41,780
Street Lighting - Laural Lane	16,300	0	16,300
Street Resurfacing	364,804	315,865	48,939
Traffic Signal - Whittlesey Avenue	9,333	0	9,333
Wastewater Treatment Plant Improvements	31,500	17,437	14,063
Water Chemical System Improvement	93,500	40,274	53,226
Whittlesey Avenue - CDBG	9,900	8,265	1,635
Whittlesey Avenue - State Issue II	28,333	15,130	13,203
Whittlesey Waterline Replacement	161,761	161,667	94
Willard/Ward Improvements	14,730	0	14,730
Total	<u>\$7,726,260</u>	<u>\$5,985,995</u>	<u>\$1,740,265</u>

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 23 - CONTINGENT LIABILITIES

Two lawsuits are pending against the City. It is management's opinion that the ultimate liability will be covered by insurance, and/or will not have a material effect on the general purpose financial statements.

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

NOTE 24 – SUBSEQUENT EVENT

On July 3, 2002, the City issued and sold \$1,035,000 of notes, in anticipation of the issuance of bonds, to pay for improvements to the water treatment plant.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of Council
City of Norwalk
PO Box 30
Norwalk, Ohio 44857-0030

We have audited the general purpose financial statements of the City of Norwalk, Ohio (the City), as of and for the year ended December 31, 2001, and have issued our report thereon dated July 31, 2002. As discussed in Note 3 to the general purpose financial statements, the City adopted Governmental Accounting Standards Board Statements No. 33 and No. 36 as of and for the year ended December 31, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

This report is intended solely for the information and use of management and the members of Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "G. B. Fink", written in a cursive style.

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

July 31, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
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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
SEPTEMBER 12, 2002**