

**CITY OF NORWALK, OHIO**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**





**Auditor of State  
Betty Montgomery**

City 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, 2002 through December 31, 2002. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

October 20, 2003

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**CITY OF NORWALK, OHIO  
GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

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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, 2002, 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, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2003 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

August 28, 2003

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*GENERAL PURPOSE FINANCIAL STATEMENTS*

**City of Norwalk, Ohio  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 December 31, 2002**

	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	\$2,233,619	\$3,789,642	\$207,412	\$369,027
Equity in Pooled Cash, Cash Equivalents and Investments:				
Nonexpendable Trust Funds	0	0	0	0
Cash in Segregated Accounts	3,181	0	0	0
Cash with Fiscal and Escrow Agent	0	0	7,722	0
Receivables:				
Taxes	1,451,624	598,767	283,632	220,815
Accounts	5,855	4,791	0	0
Special Assessments	31,187	0	0	10,853
Accrued Interest	36,265	0	0	0
Intergovernmental	424,181	261,746	0	0
Due from Other Funds	48,419	12,489	0	0
Materials and Supplies Inventory	0	23,238	0	0
Notes Receivable	0	839,382	0	0
Unamortized Bond Issue Costs	0	0	0	0
Investments in City of Norwalk Securities	0	0	0	232,244
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>\$4,234,331</u>	<u>\$5,530,055</u>	<u>\$498,766</u>	<u>\$832,939</u>
<u>Liabilities</u>				
Accounts Payable	\$84,050	\$103,576	\$3,125	\$28,224
Accrued Wages and Benefits	36,238	30,447	0	0
Compensated Absences Payable	27,544	2,268	0	0
Due to Other Funds	0	0	0	0
Intergovernmental Payable	123,711	204,050	0	107
Deferred Revenue	845,255	817,311	283,632	10,853
Undistributed Monies	0	0	0	0
Matured Interest Payable	0	0	7,722	0
Accrued Interest Payable	0	0	0	0
Notes 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>1,116,798</u>	<u>1,157,652</u>	<u>294,479</u>	<u>39,184</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	184,928	195,122	0	243,482
Reserved for Inventory	0	23,238	0	0
Reserved for Notes Receivable	0	839,382	0	0
Reserved for Endowments	0	0	0	0
Reserved for Debt Service:				
Principal	0	0	204,287	0
Unreserved:				
Undesignated	2,932,605	3,314,661	0	550,273
Total Fund Equity and Other Credits	<u>3,117,533</u>	<u>4,372,403</u>	<u>204,287</u>	<u>793,755</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,234,331</u>	<u>\$5,530,055</u>	<u>\$498,766</u>	<u>\$832,939</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	
\$3,645,082	\$375,373	\$43,061	\$0	\$0	\$10,663,216
0	0	4,177,554	0	0	4,177,554
0	0	29,457	0	0	32,638
0	0	0	0	0	7,722
220,658	0	0	0	0	2,775,496
341,002	278	60,908	0	0	412,834
3,428	0	0	0	0	45,468
0	0	0	0	0	36,265
0	0	0	0	0	685,927
0	0	0	0	0	60,908
15,613	0	0	0	0	38,851
0	0	0	0	0	839,382
50,121	0	0	0	0	50,121
0	0	0	0	0	232,244
19,793,003	0	0	14,916,989	0	34,709,992
0	0	0	0	204,287	204,287
0	0	0	0	4,320,350	4,320,350
<u>\$24,068,907</u>	<u>\$375,651</u>	<u>\$4,310,980</u>	<u>\$14,916,989</u>	<u>\$4,524,637</u>	<u>\$59,293,255</u>
\$290,654	\$0	\$0	\$0	\$0	\$509,629
25,971	0	0	0	0	92,656
219,663	0	0	0	479,431	728,906
0	0	60,908	0	0	60,908
116,563	0	0	0	81,196	525,627
3,428	0	0	0	0	1,960,479
0	0	47,403	0	0	47,403
0	0	0	0	0	7,722
43,499	0	0	0	0	43,499
1,035,000	0	0	0	0	1,035,000
(14,390)	0	0	0	0	(14,390)
(353,658)	0	0	0	0	(353,658)
0	132,166	0	0	0	132,166
339,463	0	0	0	346,261	685,724
0	0	0	0	488,685	488,685
161,884	0	0	0	0	161,884
3,215,010	0	0	0	1,146,820	4,361,830
3,120,000	0	0	0	1,982,244	5,102,244
<u>8,203,087</u>	<u>132,166</u>	<u>108,311</u>	<u>0</u>	<u>4,524,637</u>	<u>15,576,314</u>
0	0	0	14,916,989	0	14,916,989
2,714,189	0	0	0	0	2,714,189
13,151,631	243,485	0	0	0	13,395,116
0	0	0	0	0	623,532
0	0	0	0	0	23,238
0	0	0	0	0	839,382
0	0	4,177,554	0	0	4,177,554
0	0	0	0	0	204,287
0	0	25,115	0	0	6,822,654
<u>15,865,820</u>	<u>243,485</u>	<u>4,202,669</u>	<u>14,916,989</u>	<u>0</u>	<u>43,716,941</u>
<u>\$24,068,907</u>	<u>\$375,651</u>	<u>\$4,310,980</u>	<u>\$14,916,989</u>	<u>\$4,524,637</u>	<u>\$59,293,255</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 Ended December 31, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Revenues</u>				
Municipal Income Tax	\$3,954,161	\$0	\$0	\$986,282
Property and Other Taxes	829,382	593,546	278,825	0
Charges for Services	51,231	793,363	0	7,395
Licenses and Permits	7,393	37,014	0	0
Fines and Forfeitures	731,293	99,073	0	0
Intergovernmental	1,024,645	737,008	33,050	269,096
Special Assessments	0	0	36,301	46,675
Investment Income	365,860	102,599	2,842	14,114
Other	26,369	17,545	0	0
<b>Total Revenues</b>	<b>6,990,334</b>	<b>2,380,148</b>	<b>351,018</b>	<b>1,323,562</b>
<u>Expenditures</u>				
Current:				
General Government	1,913,069	23,399	10,133	0
Security of Persons and Property	3,309,483	801,549	0	5,559
Public Health and Welfare	110,216	17,863	0	0
Transportation	0	1,361,246	0	0
Community Environment	7,894	3,936	0	0
Leisure Time Activities	0	1,400,297	0	0
Economic Development and Assistance	15,869	11,693	0	0
Urban Redevelopment and Housing	0	4,800	0	0
Capital Outlay	47,733	394,322	0	2,192,801
Debt Service:				
Principal Retirement	0	0	310,325	0
Interest and Fiscal Charges	0	0	199,458	0
<b>Total Expenditures</b>	<b>5,404,264</b>	<b>4,019,105</b>	<b>519,916</b>	<b>2,198,360</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,586,070	(1,638,957)	(168,898)	(874,798)
<u>Other Financing Sources (Uses)</u>				
Proceeds of Notes	0	0	0	438,326
Sale of Fixed Assets	479	0	0	0
Operating Transfers - In	0	1,664,358	174,228	10,000
Operating Transfers - Out	(1,634,356)	(33,661)	0	(180,569)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,633,877)</b>	<b>1,630,697</b>	<b>174,228</b>	<b>267,757</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(47,807)	(8,260)	5,330	(607,041)
Fund Balances at Beginning of Year	3,165,340	4,380,369	198,957	1,400,796
Increase in Reserve for Inventory	0	294	0	0
<b>Fund Balances at End of Year</b>	<b>\$3,117,533</b>	<b>\$4,372,403</b>	<b>\$204,287</b>	<b>\$793,755</b>

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
\$0	\$4,940,443
0	1,701,753
0	851,989
1,440	45,847
0	830,366
0	2,063,799
0	82,976
0	485,415
0	43,914
<u>1,440</u>	<u>11,046,502</u>
0	1,946,601
0	4,116,591
0	128,079
0	1,361,246
0	11,830
0	1,400,297
0	27,562
0	4,800
0	2,634,856
0	310,325
<u>0</u>	<u>199,458</u>
<u>0</u>	<u>12,141,645</u>
<u>1,440</u>	<u>(1,095,143)</u>
0	438,326
0	479
0	1,848,586
<u>0</u>	<u>(1,848,586)</u>
<u>0</u>	<u>438,805</u>
1,440	(656,338)
23,675	9,169,137
<u>0</u>	<u>294</u>
<u>\$25,115</u>	<u>\$8,513,093</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, 2002**

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues</u>			
Municipal Income Tax	\$4,300,000	\$3,941,274	(\$358,726)
Property and Other Taxes	712,011	829,382	117,371
Charges for Services	23,300	50,694	27,394
Licenses and Permits	7,200	7,393	193
Fines and Forfeitures	747,500	735,514	(11,986)
Intergovernmental	982,881	1,085,880	102,999
Special Assessments	0	0	0
Investment Income	585,000	412,770	(172,230)
Other	2,500	6,914	4,414
<b>Total Revenues</b>	<b>7,360,392</b>	<b>7,069,821</b>	<b>(290,571)</b>
<u>Expenditures</u>			
Current:			
General Government	2,295,653	2,072,674	222,979
Security of Persons and Property	3,640,160	3,347,614	292,546
Public Health and Welfare	121,376	119,986	1,390
Transportation	0	0	0
Community Environment	13,269	8,335	4,934
Leisure Time Activities	0	0	0
Economic Development and Assistance	20,180	16,605	3,575
Capital Outlay	69,703	64,818	4,885
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>6,160,341</b>	<b>5,630,032</b>	<b>530,309</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,200,051	1,439,789	239,738
<u>Other Financing Sources (Uses)</u>			
Other Financing Sources	500	21,315	20,815
Other Financing Uses	(25,000)	(5,000)	20,000
Sale of Fixed Assets	0	479	479
Operating Transfers - In	0	0	0
Operating Transfers - Out	(1,634,359)	(1,634,356)	3
<b>Total Other Financing Sources (Uses)</b>	<b>(1,658,859)</b>	<b>(1,617,562)</b>	<b>41,297</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(458,808)	(177,773)	281,035
Fund Balances at Beginning of Year	1,713,718	1,713,718	0
Prior Year Encumbrances Appropriated	365,094	365,094	0
<b>Fund Balances at End of Year</b>	<b>\$1,620,004</b>	<b>\$1,901,039</b>	<b>\$281,035</b>

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
556,867	593,546	36,679	267,008	278,825	11,817
705,500	793,363	87,863	0	0	0
31,150	37,593	6,443	0	0	0
83,500	99,748	16,248	0	0	0
716,373	746,727	30,354	29,492	33,050	3,558
0	0	0	36,640	36,301	(339)
82,499	106,173	23,674	0	2,842	2,842
246,200	249,273	3,073	0	0	0
<u>2,422,089</u>	<u>2,626,423</u>	<u>204,334</u>	<u>333,140</u>	<u>351,018</u>	<u>17,878</u>
23,773	23,720	53	9,075	7,008	2,067
966,812	924,728	42,084	0	0	0
53,263	22,208	31,055	0	0	0
1,640,321	1,471,951	168,370	0	0	0
19,280	17,016	2,264	0	0	0
1,529,829	1,471,266	58,563	0	0	0
63,599	63,599	0	0	0	0
444,891	406,696	38,195	0	0	0
0	0	0	644,091	643,485	606
0	0	0	<u>507,751</u>	<u>506,720</u>	<u>1,031</u>
<u>4,741,768</u>	<u>4,401,184</u>	<u>340,584</u>	<u>1,160,917</u>	<u>1,157,213</u>	<u>3,704</u>
<u>(2,319,679)</u>	<u>(1,774,761)</u>	<u>544,918</u>	<u>(827,777)</u>	<u>(806,195)</u>	<u>21,582</u>
0	5,212	5,212	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1,633,339	1,664,358	31,019	816,290	814,650	(1,640)
(33,665)	(33,661)	4	0	0	0
<u>1,599,674</u>	<u>1,635,909</u>	<u>36,235</u>	<u>816,290</u>	<u>814,650</u>	<u>(1,640)</u>
(720,005)	(138,852)	581,153	(11,487)	8,455	19,942
2,930,531	2,930,531	0	198,956	198,956	0
529,369	529,369	0	0	0	0
<u>\$2,739,895</u>	<u>\$3,321,048</u>	<u>\$581,153</u>	<u>\$187,469</u>	<u>\$207,411</u>	<u>\$19,942</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, 2002**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Municipal Income Tax	\$1,075,000	\$981,211	(\$93,789)
Property and Other Taxes	0	0	0
Charges for Services	10,000	17,863	7,863
Licenses and Permits	0	0	0
Fines and Forfeitures	0	0	0
Intergovernmental	264,225	264,225	0
Special Assessments	23,000	46,675	23,675
Investment Income	0	14,114	14,114
Other	0	0	0
<b>Total Revenues</b>	<b>1,372,225</b>	<b>1,324,088</b>	<b>(48,137)</b>
<u>Expenditures</u>			
Current:			
General Government	0	0	0
Security of Persons and Property	8,440	5,606	2,834
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	2,108,933	2,051,774	57,159
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>2,117,373</b>	<b>2,057,380</b>	<b>59,993</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(745,148)	(733,292)	11,856
<u>Other Financing Sources (Uses)</u>			
Other Financing Sources	0	4,871	4,871
Other Financing Uses	0	0	0
Sale of Fixed Assets	0	0	0
Operating Transfers - In	10,000	10,000	0
Operating Transfers - Out	(181,213)	(180,569)	644
<b>Total Other Financing Sources (Uses)</b>	<b>(171,213)</b>	<b>(165,698)</b>	<b>5,515</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(916,361)	(898,990)	17,371
Fund Balances at Beginning of Year	809,336	809,336	0
Prior Year Encumbrances Appropriated	403,116	403,116	0
<b>Fund Balances at End of Year</b>	<b>\$296,091</b>	<b>\$313,462</b>	<b>\$17,371</b>

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	\$5,375,000	\$4,922,485	(\$452,515)
0	0	0	1,535,886	1,701,753	165,867
0	0	0	738,800	861,920	123,120
0	2,425	2,425	38,350	47,411	9,061
0	0	0	831,000	835,262	4,262
0	0	0	1,992,971	2,129,882	136,911
0	0	0	59,640	82,976	23,336
0	0	0	667,499	535,899	(131,600)
0	0	0	248,700	256,187	7,487
0	2,425	2,425	11,487,846	11,373,775	(114,071)
0	0	0	2,328,501	2,103,402	225,099
0	0	0	4,615,412	4,277,948	337,464
0	0	0	174,639	142,194	32,445
0	0	0	1,640,321	1,471,951	168,370
0	0	0	32,549	25,351	7,198
0	0	0	1,529,829	1,471,266	58,563
0	0	0	83,779	80,204	3,575
0	0	0	2,623,527	2,523,288	100,239
0	0	0	644,091	643,485	606
0	0	0	507,751	506,720	1,031
0	0	0	14,180,399	13,245,809	934,590
0	2,425	2,425	(2,692,553)	(1,872,034)	820,519
0	0	0	500	31,398	30,898
(5,000)	(985)	4,015	(30,000)	(5,985)	24,015
0	0	0	0	479	479
0	0	0	2,459,629	2,489,008	29,379
0	0	0	(1,849,237)	(1,848,586)	651
(5,000)	(985)	4,015	580,892	666,314	85,422
(5,000)	1,440	6,440	(2,111,661)	(1,205,720)	905,941
23,675	23,675	0	5,676,216	5,676,216	0
0	0	0	1,297,579	1,297,579	0
<u>\$18,675</u>	<u>\$25,115</u>	<u>\$6,440</u>	<u>\$4,862,134</u>	<u>\$5,768,075</u>	<u>\$905,941</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, 2002**

	Proprietary Fund Types		Fiduciary	Totals (Memorandum Only)
	Enterprise	Internal Service	Fund Type Nonexpendable Trust	
<u>Operating Revenues</u>				
Charges for Services	\$4,168,698	\$904,231	\$0	\$5,072,929
Interest Income	0	0	8	8
Other	9,640	0	0	9,640
Total Operating Revenues	4,178,338	904,231	8	5,082,577
<u>Operating Expenses</u>				
Personal Services	2,131,727	0	0	2,131,727
Contractual Services	302,659	171,796	0	474,455
Claims	0	662,300	0	662,300
Materials and Supplies	757,704	0	0	757,704
Depreciation	1,047,204	0	0	1,047,204
Repairs and Maintenance	2,024	0	0	2,024
Total Operating Expenses	4,241,318	834,096	0	5,075,414
Operating Income (Loss)	(62,980)	70,135	8	7,163
<u>Non-Operating Revenues (Expenses)</u>				
Municipal Income Tax	994,382	0	0	994,382
Bond Issuance Costs	(4,091)	0	0	(4,091)
(Loss) on Disposal of Fixed Assets	(59,897)	0	0	(59,897)
Interest and Fiscal Charges	(404,654)	0	0	(404,654)
Capital Contributions	1,380,696	0	0	1,380,696
Interest Income	3,104	0	0	3,104
Other Non-Operating Revenue	0	1,142	0	1,142
Total Non-Operating Revenues (Expenses)	1,909,540	1,142	0	1,910,682
Net Income	1,846,560	71,277	8	1,917,845
Retained Earnings/Fund Balances at Beginning of Year	11,305,071	172,208	4,177,546	15,654,825
Retained Earnings/Fund Balances at End of Year	13,151,631	243,485	4,177,554	17,572,670
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	<u>\$15,865,820</u>	<u>\$243,485</u>	<u>\$4,177,554</u>	<u>\$20,286,859</u>

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, 2002**

	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	\$4,166,374	\$904,278	\$0	\$5,070,652
Cash Payments to Suppliers for Goods and Services	(1,209,126)	(171,796)	0	(1,380,922)
Cash Payments to Employees for Services and Benefits	(2,474,153)	0	0	(2,474,153)
Cash Payments for Claims	0	(649,953)	0	(649,953)
Other Operating Revenues	10,251	0	0	10,251
Net Cash Provided by Operating Activities	493,346	82,529	0	575,875
<u>Cash Flows from Noncapital Financing Activities:</u>				
Other Non-Operating Revenues	0	2,563	0	2,563
Municipal Income Tax	989,219	0	0	989,219
Net Cash Provided by Noncapital Financing Activities	989,219	2,563	0	991,782
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Proceeds from Sale of Notes	1,692,490	0	0	1,692,490
Payments for Capital Acquisitions	(1,010,317)	0	0	(1,010,317)
Principal Payments	(443,344)	0	0	(443,344)
Interest Payments	(321,868)	0	0	(321,868)
Net Cash (Used for) Capital and Related Financing Activities	(83,039)	0	0	(83,039)
<u>Cash Flows from Investing Activities:</u>				
Interest on Investments	3,104	0	8	3,112
Net Cash Provided by Investing Activities	3,104	0	8	3,112
Net Increase in Cash and Cash Equivalents	1,402,630	85,092	8	1,487,730
Cash and Cash Equivalents at Beginning of Year	2,242,452	290,281	4,177,546	6,710,279
Cash and Cash Equivalents at End of Year	\$3,645,082	\$375,373	\$4,177,554	\$8,198,009
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>				
Operating Income (Loss)	(\$62,980)	\$70,135	\$8	\$7,163
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>				
Depreciation	1,047,204	0	0	1,047,204
Interest on Investments	0	0	(8)	(8)
<u>Changes in Assets and Liabilities:</u>				
(Increase)/Decrease in Accounts Receivable	(1,713)	47	0	(1,666)
(Increase)/Decrease in Materials and Supplies Inventory	7,736	0	0	7,736
Increase/(Decrease) in Accounts Payable	(636,450)	0	0	(636,450)
Increase/(Decrease) in Accrued Wages and Benefits	10,553	0	0	10,553
Increase/(Decrease) in Compensated Absences Payable	10,913	0	0	10,913
Increase/(Decrease) in Claims Payable	0	12,347	0	12,347
Increase/(Decrease) in Capital Lease	85,937	0	0	85,937
Increase/(Decrease) in Intergovernmental Payable	32,146	0	0	32,146
Total Adjustments	556,326	12,394	(8)	568,712
Net Cash Provided by Operating Activities	\$493,346	\$82,529	\$0	\$575,875

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, 2002**

**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 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, 2002**

**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, 2002**

**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, 2002**

**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, 2002, 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, 2002**

**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, 2002**

**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 2002.

**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 legal level of budgetary control. 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, 2002**

**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 2002. 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, 2002.

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 2002 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	\$365,860	\$310,865
Special Revenue		
RLF Housing Rehab	415	5
RLF - Community Development Block Grant	14,584	352
Debt Service		
Downtown Revitalization Bond Retirement	2,842	2,436

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, 2002**

**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, 2002**

**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, 2002**

**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, 2002**

**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.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

**J. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds prior to January 1, 2001, 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 water system. Depreciation on those assets acquired or constructed with contributed resources is expended and closed to unreserved retained earnings at year end.

**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.

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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

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.

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 – 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:

Fund	Deficit
Special Revenue Funds	
FY2003 Intensive Supervised Probation	\$(25,431)

**NOTE 4 - 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).

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)**

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).

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	(\$47,807)	(\$8,260)	\$5,330	(\$607,041)	\$1,440
Net Adjustment for Revenue Accruals	100,802	251,487	640,422	(432,929)	985
Net Adjustment for Expenditure Accruals	77,289	(17,058)	(637,297)	384,462	(985)
Encumbrances	<u>(308,057)</u>	<u>(365,021)</u>	<u>0</u>	<u>(243,482)</u>	<u>0</u>
Budget Basis	<u><u>(\$177,773)</u></u>	<u><u>(\$138,852)</u></u>	<u><u>\$8,455</u></u>	<u><u>(\$898,990)</u></u>	<u><u>\$1,440</u></u>

**NOTE 5 - 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.



**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 5 - DEPOSITS AND INVESTMENTS (continued)**

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

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

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

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

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 5 - DEPOSITS AND INVESTMENTS (continued)**

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

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

**Cash on Hand** - At year end, the City had \$4,281 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 \$3,181 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 \$10,301,664 and the bank balance was \$10,675,713. Of the bank balance:

1. \$429,560 was covered by federal depository insurance; and
2. \$10,246,153 was held in collateral pools with no specifications for whom such funds are held which is considered to be 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.

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 5 - DEPOSITS AND INVESTMENTS (continued)**

**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.

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

	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Fair Value</u>
Overnight Repurchase Agreements	\$0	\$0	\$1,064,000	\$1,064,000
City of Norwalk Bonds	232,244	0	0	232,244
FNMA Bonds	2,008,437	0	0	2,008,437
FFCB Bonds	500,780	0	0	500,780
Total	<u>\$2,741,461</u>	<u>\$0</u>	<u>\$1,064,000</u>	
STAR Ohio				1,001,968
Total Investments				<u>\$4,807,429</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:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$14,881,130	\$232,244
Investments of Cash Management Pool:		
Overnight Repurchase Agreements	(1,064,000)	1,064,000
Cash on Hand	(4,281)	0
FFCB Bonds	(500,780)	500,780
STAR Ohio	(1,001,968)	1,001,968
FNMA Bonds	(2,008,437)	2,008,437
GASB Statement No. 3	<u>\$10,301,664</u>	<u>\$4,807,429</u>

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 6 - 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% 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% 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% 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, 2002. 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, 2002 and are not intended to finance 2002 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, 2002**

**NOTE 6 - PROPERTY TAXES (continued)**

The full tax rate for all City operations for the year ended December 31, 2002 was \$7.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

<u>Category</u>	<u>Total Assessed Value</u>	<u>%</u>
Real Property Valuation:		
Residential/Agriculture	\$151,369,530	59.17%
Commercial/Industrial/Mineral	56,015,680	21.90%
Public Utilities	28,090	0.01%
Tangible Personal Property Valuation:		
General	41,416,860	16.19%
Public Utilities	<u>7,001,540</u>	<u>2.74%</u>
Total Valuation	<u><u>\$255,831,700</u></u>	<u><u>100.00%</u></u>

**NOTE 7 - 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 2002 received 60 days after year end have been recognized as revenue in 2002.

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 2002 was distributed to the general fund (66.66%), sanitation enterprise fund (16.67%) and general capital improvements fund (16.67%).

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2002 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 9 - SPECIAL ASSESSMENTS**

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

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 9 - 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 10 - FIXED ASSETS**

A summary of the changes in general fixed assets during 2002 follows:

	<u>Balance</u> <u>01/01/2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2002</u>
Land and Improvements	\$2,832,877	\$117,679	\$0	\$2,950,556
Buildings	7,083,875	30,176	(224,160)	6,889,891
Equipment	4,842,005	347,798	(155,154)	5,034,649
Construction in Progress	21,940	19,953	0	41,893
Total	<u>\$14,780,697</u>	<u>\$515,606</u>	<u>(\$379,314)</u>	<u>\$14,916,989</u>

A summary of the enterprise funds' fixed assets at December 31, 2002 follows:

Land and Improvements	\$773,401
Buildings	7,729,064
Equipment	7,673,604
Underground Piping	20,675,281
Construction in Progress	<u>530,791</u>
	37,382,141
Less: Accumulated Depreciation	<u>(17,589,138)</u>
Net Fixed Assets	<u>\$19,793,003</u>

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

A. Ohio Public Employees Retirement System

All employees of the City, with the exclusion of City police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. OPERS 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. OPERS 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 Ohio 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, 2002**

**NOTE 11 - 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%; 8.55% 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 OPERS for the years ending December 31, 2002, 2001 and 2000 were \$378,174, \$364,710 and \$269,773, respectively. The full amount has been contributed for 2001 and 2000. 64.12% has been contributed for 2002 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 Ohio), a cost-sharing, multiple-employer defined benefit pension plan administered by the OP&F Ohio's Board of Trustees. The OP&F Ohio 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. OP&F Ohio 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 OP&F Ohio, 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. Contributions are authorized by State statute. The City's required contributions for pension obligations to the OP&F Ohio for the years ended December 31, 2002, 2001 and 2000 were \$293,870, \$289,311 and \$277,180, respectively. The full amount has been contributed for 2001 and 2000. 67.71% has been contributed in 2002.

**NOTE 12 - POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirants 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 Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2002 employer contribution rate was 13.55% of covered payroll; 5.0% was the portion that was used to fund health care for the year 2002. The City's actual contributions for 2002 which were used to fund post-employment benefits were \$221,151.

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 12 - POST-EMPLOYMENT BENEFITS (continued)**

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

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.0%, an annual increase in active employee total payroll of 4.0% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 402,041. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

In December, 2001, the board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.



**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 12 - POST-EMPLOYMENT BENEFITS (continued)**

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

The Ohio Police and Fire Pension Fund (OP&F Ohio) 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 Ohio 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 2002 which were used to fund post-employment benefits were \$165,369.

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 7.50% and 7.75% of covered payroll in 2001 and 2002, respectively. 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, 2001, the date of the last actuarial valuation available, are 13,174 for police officers and 10,239 for firefighters. The OP&F Ohio's total health care expense for the year ending December 31, 2001, the date of the last actuarial valuation available, was \$122,298,771, which was net of member contributions of \$6,874,699.

**NOTE 13 – 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, 2002, the liability for compensated absences was \$728,906 for the entire City.

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 14 - RISK MANAGEMENT**

A. Liability Insurance

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

B. Fidelity Bonds

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

C. Workers' Compensation

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

D. Employee Health Insurance

The City has elected to provide employee medical and prescription benefits 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 \$543.16 per month for each full-time employee with family coverage and \$241.19 per month for each full-time employee with single coverage for the period January 1, 2002 through March 31, 2002. The premium for family coverage was \$22.23 per pay and the premium for single coverage was \$9.78 per pay for full-time employees for the period January 1, 2002 through March 31, 2002. The City paid into the self-insurance internal service fund \$605.08 per month for each full-time employee with family coverage and \$268.45 per month for each full-time employee with single coverage for the period April 1, 2002 through December 31, 2002. The premiums for family coverage was \$50.81 per pay and \$22.36 per pay for each full-time employee with single coverage for the period April 1, 2002 through December 31, 2002. The premium is paid by the fund that pays the salary for the employee.

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 14 - RISK MANAGEMENT (continued)**

The claims liability of \$132,166 reported in the self-insurance internal service fund at December 31, 2002 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
2001	\$124,536	\$656,142	(\$660,859)	\$119,819
2002	\$119,819	\$662,300	(\$649,953)	\$132,166

**NOTE 15 – CAPITAL LEASES**

In prior fiscal years, the City entered into a lease agreement for a sewer jet cleaner and a sewer camera truck. These leases met the criteria of a capital lease as defined by Statement of Financial Accounting Standards Board No. 13, "Accounting for Leases". Accordingly, these leases have been recorded at the present value of their future minimum lease payments, as of the inception date, in the sewer enterprise fund.

The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of December 31, 2002:

Year Ending December 31,	Lease Payments
2003	\$77,482
2004	77,482
2005	25,502
Total minimum lease payments	180,466
Less: Amount representing interest	(18,582)
Present value of net minimum lease payments	<u>\$161,884</u>

**NOTE 16 – NOTE DEBT**

The City's note activity, including amount outstanding, interest rate and maturity date, is as follows:

	Balance 01/01/2002	Additions	Deletions	Balance 12/31/2002
2002 Water Treatment Plant Improvement 2.25%, Due 7/2003	<u>\$0</u>	<u>\$1,035,000</u>	<u>\$0</u>	<u>\$1,035,000</u>
Total Notes	<u>\$0</u>	<u>\$1,035,000</u>	<u>\$0</u>	<u>\$1,035,000</u>

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 16 – NOTE DEBT (continued)**

This note is backed by the full faith and credit of the City of Norwalk. This note was issued in the anticipation of long-term bond financing.

**NOTE 17 - DEBT OBLIGATIONS**

Debt outstanding at December 31, 2002, consisted of the following issues:

	<u>Balance</u> <u>01/01/02</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/02</u>
<b><u>ENTERPRISE FUNDS</u></b>				
0.00%, OPWC Loans, Due through 2019	\$376,588	\$0	(\$37,125)	\$339,463
3.8% - 5.9%, Waterworks General Obligation Bonds, Due through 2015	3,280,000	0	(160,000)	3,120,000
3.75%, OWDA Ward/Parsons Sewer Construction Project Loan, Due through 2019	620,770		(23,251)	597,519
3.85%, OWDA Southside Sewer Separation Project Loan, Due through 2016	947,121	0	(49,860)	897,261
3.90%, OWDA Milan/Chatham Sewers Project Loan Due through 2023	<u>1,125,664</u>	<u>657,490</u>	<u>(62,924)</u>	<u>1,720,230</u>
Total Enterprise Debt	<u>6,350,143</u>	<u>657,490</u>	<u>(333,160)</u>	<u>6,674,473</u>
<b><u>GENERAL LONG-TERM</u></b>				
<b><u>OBLIGATIONS ACCOUNT</u></b>				
<b><u>GROUP</u></b>				
6.0%, Parking Improvement Bonds, Due through 2017	162,999	0	(6,349)	156,650
5.5%, Parking Improvement Bonds, Due through 2017	78,792	0	(3,198)	75,594

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 17 - DEBT OBLIGATIONS (continued)**

	<u>Balance</u> 01/01/02	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 12/31/02
5.25% - 8.20% Sewer System Improvement Bonds, Due through 2007	1,200,000	0	(200,000)	1,000,000
3.85% - 5.30% Street Improvement Bonds, Due through 2014	795,000	0	(45,000)	750,000
3.90% OWDA Milan/Chatham Sewers Project Loan Due through 2023	750,443	438,326	(41,949)	1,146,820
0.00%, OPWC Memorial Reservoir Spillway Improvements Due through 2018	235,090	0	(13,829)	221,261
0.00%, OPWC East/West Parkway Construction Due through 2022	105,775	19,225	0	125,000
4.25%, Liability for Police and Fire Past Service Cost	<u>495,589</u>	<u>0</u>	<u>(6,904)</u>	<u>488,685</u>
Total General Long-Term Obligations	<u>3,823,688</u>	<u>457,551</u>	<u>(317,229)</u>	<u>3,964,010</u>
TOTAL DEBT OBLIGATIONS	<u>\$10,173,831</u>	<u>\$1,115,041</u>	<u>(\$650,389)</u>	<u>\$10,638,483</u>

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 17 - DEBT OBLIGATIONS (continued)**

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.

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, 2002, 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 \$232,244. All interest income arising from these transactions is credited to the capital projects funds.

The annual requirements to amortize all debt outstanding as of December 31, 2002, including interest payments of \$638,734 for the general long-term obligations bonds, \$1,302,226 for the waterworks general obligation bonds, and \$450,536 for the OWDA loans are as follows:

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 17 - DEBT OBLIGATIONS (continued)**

Year Ending December 31,	General Long- Term Obligations Bonds	Enterprise General Obligation Bonds	Enterprise OPWC Loans	Enterprise OWDA Loans	Total
2003	\$412,748	\$340,223	\$37,125	\$129,981	\$920,077
2004	394,346	341,383	37,125	129,981	902,835
2005	375,697	341,948	37,125	129,981	884,751
2006	361,996	341,903	25,788	129,981	859,668
2007	343,012	341,085	14,450	129,981	828,528
Thereafter	<u>1,079,441</u>	<u>2,715,686</u>	<u>187,850</u>	<u>1,237,235</u>	<u>5,220,212</u>
Total	<u>\$2,967,240</u>	<u>\$4,422,228</u>	<u>\$339,463</u>	<u>\$1,887,140</u>	<u>\$9,616,071</u>

The City entered into a contractual agreement for the Milan/Chatham Sewers Project from the OWDA. Under the terms of this agreement, the OWDA will loan the construction/improvement costs of this approved project. This loan will not have an accurate repayment schedule until the loan is finalized, and therefore, is not included in the schedule of future annual debt service requirements.

During the year ended December 31, 2002, the following changes occurred in liabilities reported in the general long-term obligations account group:

	Balance 01/01/2002	Additions	Reductions	Balance 12/31/2002
Compensated Absences Payable	\$528,059	\$0	(\$48,628)	\$479,431
Police and Fire Past Service Cost	495,589	0	(6,904)	488,685
General Obligation Bonds Payable	2,236,791	0	(254,547)	1,982,244
OPWC Loans Payable	340,865	19,225	(13,829)	346,261
OWDA Loans Payable	750,443	438,326	(41,949)	1,146,820
Intergovernmental Payable	100,836	81,196	(100,836)	81,196
Total	<u>\$4,452,583</u>	<u>\$538,747</u>	<u>(\$466,693)</u>	<u>\$4,524,637</u>

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

**NOTE 18 - 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.

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 18 - DEBT DEFEASANCE (continued)**

On December 31, 2002, \$2,615,772 of bonds outstanding are considered defeased.

**NOTE 19 - 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	\$48,419	\$0
Special Revenue:		
Municipal Probation Services	633	0
Municipal Court Capital Improvement	3,833	0
Municipal Court Computerization	1,290	0
Indigent Drivers Alcohol	6,498	0
DUI Enforcement/Education	235	0
Total Special Revenue	12,489	0
Agency:		
Municipal Court	0	60,908
Total All Funds	\$60,908	\$60,908

**NOTE 20 - 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, 2002, is as follows:

	Sanitation	Water	Sewer	Totals
Operating Revenue	\$1,637	\$2,132,914	\$2,043,787	\$4,178,338
Operating Expenses Before Depreciation	816,791	1,102,331	1,274,992	3,194,114
Depreciation Expense	76,641	402,710	567,853	1,047,204
Operating Income (Loss)	(891,795)	627,873	200,942	(62,980)
Municipal Income Tax Non-Operating Revenue	994,382	0	0	994,382
Current Capital Contributions	0	0	1,380,696	1,380,696
All Other Non-Operating Revenue (Expenses)	0	(282,142)	(183,396)	(465,538)
Net Income	102,587	345,731	1,398,242	1,846,560
Property, Plant and Equipment Additions	5,000	795,859	209,459	1,010,318
Property, Plant and Equipment Deletions	0	(44,869)	(41,142)	(86,011)
Net Working Capital	802,384	713,104	1,102,409	2,617,897
Total Assets	1,483,326	9,997,022	12,588,559	24,068,907
Total Equity	1,395,172	5,722,724	8,747,924	15,865,820
Encumbrances at December 31, 2002	57,341	1,000,591	204,580	1,262,512



**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 21 - CONTINGENT LIABILITIES**

One lawsuit is 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 22 – NEW ACCOUNTING PRONOUNCEMENTS**

In June, 1999, GASB issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". Statement No. 34 is implemented in three phases, with the last phase beginning after June 15, 2003. The City of Norwalk must implement GASB Statement No. 34 no later than for the year ending December 31, 2003.

**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, 2002, and have issued our report thereon dated August 28, 2003. 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated August 28, 2003.

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

August 28, 2003





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
NOVEMBER 6, 2003**