



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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CITY OF NORWALK
HURON COUNTY

REGULAR AUDIT

For the Year Ended December 31, 2012
Fiscal Year Audited Under GAGAS: 2012



Dave Yost • Auditor of State

City Council
City of Norwalk
38 Whittlesey Avenue
Norwalk, Ohio 44857

We have reviewed the *Independent Auditor's Report* of the City of Norwalk, Huron County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

August 14, 2013

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**CITY OF NORWALK
HURON COUNTY, OHIO**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet-Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances To Net Position of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget (Non-GAAP Basis) and Actual-General Fund.....	19
Statement of Fund Net Position-Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Funds.....	21
Statement of Cash Flows-Proprietary Funds	22
Statement of Fiduciary Net Position-Fiduciary Funds.....	23
Notes to the Basic Financial Statements	25
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	56



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

City of Norwalk
Huron County
38 Whittlesey Avenue
Norwalk, Ohio 44857

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwalk, Huron County, Ohio (the City), as of and for the year ended December 31, 2012 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwalk, Huron County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2012 the City of Norwalk adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment to GASB statement No. 53*. We did not modify our opinions regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
June 24, 2013

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

The discussion and analysis of the City of Norwalk's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole; along with the review of the basic financial statements for the reader to enhance their understanding of the City's financial performance.

Financial Highlights

The City's key financial highlights for 2012 are as follows:

- The assets of the City exceeded its liabilities at the close of the year ended December 31, 2012, by \$47.8 million (net position). Unrestricted net position in the amount of \$4.9 million is available to meet the City's ongoing obligations to citizens and creditors. The City's net position related to governmental activities amounted to \$29.5 million, while net position related to business-type activities amounted to \$18.3 million.
- Total net position for the year increased by \$594,132 or approximately 1.3%. Net position for business-type activities increased .9% while those related to governmental activities increased 1.5%.
- The City's total revenues amounted to \$18.5 million in 2012, of which \$11.7 million related to governmental activities and \$6.8 million to business-type activities. Program specific revenues in the form of charges for services, grants and contributions accounted for \$9.5 million or 51.4% of total revenues.
- The City had \$17.9 million in expenses in 2012, \$11.0 million of which were for governmental activities and \$6.9 million for business-type activities.
- Among major funds, the General Fund had \$7.1 million in revenues and \$6.1 million in expenditures, excluding transfers out in 2012. \$643,203 was transferred to other funds.
- The General Fund's balance increased to \$3.1 million, an increase of \$410,301 from the beginning 2012 balance. The General Fund balance was 43.5% of total General Fund revenues, which is an increase of 15.2% from 2011. The increase was due to a significant increase in fees, licenses and permits revenue as a result of the institution of a video service provider fee.
- During 2012, the City's total long-term obligations decreased from \$12.7 million to \$12.6 million. The decrease of \$.1 million was due to retirement of principal on notes and bonds and the addition of several capital leases.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City as a financial whole.

The Statement of Net Position and Statement of Activities (referred collectively as the government-wide statements) provide information about the activities of the entire City and present a longer-term view of the City's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. The proprietary funds statements are prepared on the same basis as the government-wide statements. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Reporting the City as a Whole

Statement of Net Position and Statement of Activities

These government-wide statements answer the question, "How did the City as a whole do financially during 2012? They are prepared on the accrual basis of accounting, including all assets and liabilities, much the same way as for a private enterprise. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and the changes in the net position. This change in net position is important as it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as changes in the tax base and the condition of the City's needs will also need to be evaluated.

- *The Statement of Net Position.* This Statement (page 13) reports all assets and liabilities of the City as of December 31, 2012. The difference between total assets and total liabilities is reported as net position. Increases in net position generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.
- *The Statement of Activities.* This Statement (page 14) serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the City for the year ended December 31, 2012. Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expenses of the City's various programs net of related revenues, as well as the separate presentation of revenues available for general purposes.

In the Statement of Net Position and the Statement of Activities, the City is divided into two distinct kinds of activities:

Governmental Activities – Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements, and general administration. These services are funded primarily by property and income taxes and intergovernmental revenue including Federal and State grants and other shared revenues. The reporting of services including public safety, administration and all departments, with the exception of the Water Fund, Sewer Fund, Storm Water Utility Fund and Sanitation Fund, which are reported as Business-Type Activity.

Business-Type Activities – The City reports the activities of services (Water, Sewer, Storm Water Utility and Sanitation) where the City charges the user fees to recover the cost of providing the service as well as all capital expenses associated with the facilities.

Reporting the City of Norwalk's Most Significant Funds

Fund Financial Statements

These statements provide financial position and results of the City's major funds. The City's major governmental funds are: the General Fund, General Capital Improvements Fund and the Capital Investment Trust Fund. A fund is an accounting entity created to account for a specific activity or purpose. The creation of some funds is mandated by law and others are created by management to demonstrate financial compliance with budgetary or legal requirements. Funds are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds.

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

- **Governmental Funds.** Governmental funds are used to account for “Government-Type” activities. However, unlike the government-wide financial statements, governmental fund statements use a “flow of financial resources” measurement focus. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Increases in spendable resources are reported in the operating statement as “revenues” or “other financing sources”. Decreases in spendable resources are reported as “expenditures” or “other financing uses”. Income taxes, property taxes, charges for services and state and federal grants finance most of those activities.

The Basic Governmental Fund Financial Statements can be found on pages 15 through 19 of this report.

- **Proprietary Funds.** There are two types of Proprietary funds: enterprise funds and internal service funds.

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

The City of Norwalk’s Water Fund, Sewer Fund, Sanitation Fund, and Storm Water Utility are all considered to be major funds and are displayed separately in the proprietary fund statements on pages 20 through 22.

The City has no internal service funds.

- **Fiduciary Funds.** Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City’s only fiduciary fund type.

Fiduciary fund statements are on page 23 of this report.

Other Information

Notes to the Basic Financial Statements.

The notes provide additional and explanatory data. They are an integral part of the basic financial statements. These notes to the basic financial statements can be found on pages 25 through 55 of this report.

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

The City as a Whole

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Norwalk, assets exceed liabilities by \$29,476,043 in governmental activities and \$18,352,436 in business-type activities as of December 31, 2012. The largest portion of the City's net position reflects its investment in capital assets (i.e. land, construction in progress, land improvements, buildings, equipment, and infrastructure), less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of accumulated depreciation and related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

During 2012, the City's overall financial position was increased by \$594,132 as governmental activities net position increased by \$436,856 and those for business-type activities increased by \$157,276. Net position is presented in the following table:

Table 1
City of Norwalk
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011 Restated	2012	2011	2012	2011 Restated
Assets						
Current Assets	\$14,885,187	\$15,080,795	\$3,436,514	\$4,120,150	\$18,321,701	\$19,200,945
Capital Assets, Net	19,189,557	18,730,373	26,776,430	25,895,995	45,965,987	44,626,368
Total Assets	34,074,744	33,811,168	30,212,944	30,016,145	64,287,688	63,827,313
Liabilities						
Current and Other Liabilities	1,853,121	2,104,632	304,118	274,532	2,157,239	2,379,164
Long-Term Liabilities:						
Due Within One Year	572,868	529,244	1,116,418	1,085,955	1,689,286	1,615,199
Due in More Than One Year	2,172,712	2,138,105	10,439,972	10,460,498	12,612,684	12,598,603
Total Liabilities	4,598,701	4,771,981	11,860,508	11,820,985	16,459,209	16,592,966
Net Position						
Net Investment in Capital						
Assets, Restated	17,937,054	17,482,937	15,802,152	14,904,464	33,739,206	32,387,401
Restricted	9,095,371	9,543,501	0	0	9,095,371	9,543,501
Unrestricted	2,443,618	2,012,749	2,550,284	3,290,696	4,993,902	5,303,445
Total Net Position	\$29,476,043	\$29,039,187	\$18,352,436	\$18,195,160	\$47,828,479	\$47,234,347

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Table 2 below, indicates the changes in net position for the year ended December 31, 2012.

Table 2
City of Norwalk
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011 Restated	2012	2011	2012	2011 Restated
Revenues						
Program Revenues:						
Charges for Services	\$2,199,436	\$1,918,586	\$5,652,558	\$5,485,846	\$7,851,994	\$7,404,432
Operating Grants and Contributions	1,297,817	2,082,617	0	0	1,297,817	2,082,617
Capital Grants and Contributions	356,644	552,884	0	0	356,644	552,884
General Revenues:						
Property Taxes	1,141,098	1,178,456	0	0	1,141,098	1,178,456
Income Tax	5,265,980	5,139,179	1,053,188	1,027,141	6,319,168	6,166,320
Shared Revenues	322,718	393,742	0	0	322,718	393,742
Payment in Lieu of Taxes	7,430	7,270	0	0	7,430	7,270
Grants and Entitlements Not Restricted to Specific Programs	753,390	1,037,212	0	0	753,390	1,037,212
Investment Income	84,028	154,868	0	0	84,028	154,868
Miscellaneous	280,533	104,845	46,050	54,439	326,583	159,284
Total Revenues	11,709,074	12,569,659	6,751,796	6,567,426	18,460,870	19,137,085
Expenses						
Program Expenses:						
General Government	2,079,931	2,300,766	0	0	2,079,931	2,300,766
Security of Persons and Property	4,894,489	4,898,444	0	0	4,894,489	4,898,444
Public Health	142,536	166,546	0	0	142,536	166,546
Leisure Time Services	1,741,278	1,792,184	0	0	1,741,278	1,792,184
Community and Economic Development	640,055	1,111,244	0	0	640,055	1,111,244
Transportation	1,471,826	1,677,668	0	0	1,471,826	1,677,668
Interest and Fiscal Charges	48,053	53,203	0	0	48,053	53,203
Water	0	0	2,857,223	2,881,147	2,857,223	2,881,147
Sewer	0	0	2,791,180	3,095,333	2,791,180	3,095,333
Sanitation	0	0	1,060,733	1,020,237	1,060,733	1,020,237
Storm Water Utility	0	0	139,434	0	139,434	0
Total Expenses	11,018,168	12,000,055	6,848,570	6,996,717	17,866,738	18,996,772
Increase (Decrease) in Net Position	690,906	569,604	(96,774)	(429,291)	594,132	140,313
Transfers	(254,050)	0	254,050	0	0	0
Increase in Net Position After Transfers	436,856	569,604	157,276	(429,291)	594,132	140,313
Net Position - Beginning Restated	29,039,187	28,469,583	18,195,160	18,624,451	47,234,347	47,094,034
Net Position - Ending Restated	\$29,476,043	\$29,039,187	\$18,352,436	\$18,195,160	\$47,828,479	\$47,234,347

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Governmental Activities

The City income tax is the largest contributor of revenues sources in government activities accounting for 45.0% of total revenues. Property taxes generate 9.7% and grants and entitlements generate 20.6% of total revenues.

The City's direct charges to users of governmental services represent 18.8% of total revenue. These charges are from fees for recreational activities, fines and forfeitures related to judicial activity and licenses and permits.

Security of Persons and Property account for 44.4% of governmental expenses, general government accounts for 18.9% of governmental expenses while transportation costs and leisure time services represent 13.4% and 15.8% of governmental expenses respectively.

Business-Type Activities

The City's business-type activities are the water and sewer departments, the storm water utility and the sanitation services. The City provides curbside trash pick-up as well as yard waste pick-up. Income to provide sanitation services is derived from a specific one quarter of one percent income tax passed by voters in 1991.

Charges for services generated 83.7% of all revenues in the business-type activities.

The City's water and sewer departments continued to operate with moderate rates. The minimum user water rate was \$1.60 for the first 1,000 gallons of water. The minimum user sewer rate was \$1.95 for the first 1,000 gallons of water. Rates for usage of 2,000 gallons or more for 2012 were \$6.00 per thousand gallons for water and \$7.00 per thousand gallons for sewer.

Individual Funds Summary and Analysis

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

Governmental Funds – The focus of the City's governmental funds is to provide information on near term outflows, inflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of December 31, 2012, the City's governmental funds reported combined ending fund balances of \$12,211,207, an increase of \$49,777 in comparison with the prior year. Approximately 24.5% of this total amount of \$12,211,207 is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it is not readily available for new spending since it has already been committed to liquidate contracts and purchase commitments, to pay debt service or for a variety of other restricted or committed purposes.

The General Fund is the primary operating fund of the City of Norwalk. At the end of the current year, the General Fund's unassigned balance was \$3,038,077, while the total fund balance was \$3,107,467. As a measure of the general funds liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 49.9% of total General Fund expenditures, while total fund balance represents 51.1% of that same amount. The General Fund balance increased by \$410,301 or 15.2% over the prior year.

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

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

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide business-type activity financial statements, but in more detail. Net position in the Water, Sewer, Sanitation , and Storm Water Utility funds increased/(decreased) (\$211,376) or (2.7%), \$297,515 or 3.4%, \$32,983 or 2.2%, \$38,154 or 100.0%, respectively.

Budgetary Highlights

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

There was a 2.0% increase in revenue from the original budget to the final budget in the General Fund. The increase was primarily due to an increase in shared revenues. \$434,849 more was collected than was budgeted. Of that amount, \$153,077 was attributed to income tax receipts. Interest earnings increased \$61,574 from 2011.

Actual General Fund expenditures compared to the budget reflected approximately \$308,855 remaining in unappropriated funds as of December 31, 2012. Security of persons and property which is largely the Police and Fire Department activity, accounted for \$161,044 of those unappropriated funds and general government accounted for \$143,509. Budgets remained tight in 2012. Management was committed to maintaining the level of services expected by the citizens of the community. With the exception of two police officers on military leave intermittently throughout 2012, all City personnel were retained with the exception of some positions that were not filled after vacancies that occurred through attrition.

Health care premiums did not increase in 2012 with the participation level between employer and employee unchanged at 85/15.

Capital Assets and Debt Administration

Capital Assets

The City's net investment in capital assets for its governmental and business-type activities as of December 31, 2012, amounts to \$45,965,987 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, equipment, and infrastructure. The total increase in the City's net investment in capital assets for the current year was 3.0% (2.5% increase for governmental activities and a 3.4% increase for business-type activities).

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Table 3
 Capital Assets
 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$2,913,883	\$2,270,570	\$35,297	\$35,297	\$2,949,180	\$2,305,867
Construction in Progress	151,180	15,870	1,392,604	307,975	1,543,784	323,845
Land Improvements	484,612	473,215	288,221	309,082	772,833	782,297
Buildings	4,279,003	4,437,652	9,211,882	9,063,448	13,490,885	13,501,100
Equipment	1,015,152	782,175	1,679,258	1,659,781	2,694,410	2,441,956
Infrastructure	10,345,727	10,750,891	14,169,168	14,520,412	24,514,895	25,271,303
Total Capital Assets, Net of Depreciation	<u>\$19,189,557</u>	<u>\$18,730,373</u>	<u>\$26,776,430</u>	<u>\$25,895,995</u>	<u>\$45,965,987</u>	<u>\$44,626,368</u>

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

Debt

As of December 31, 2012, the City had \$366,906 and \$10,501,383 in outstanding OPWC and OWDA loans, respectively.

The general obligation indebtedness of the City is subject to two statutory debt limitations referred to as the direct debt limitation: (Section 133.05 ORC). Certain debt with a repayment source, other than general tax revenues, is excluded from the definition of net indebtedness. Under that definition, the City has approximately \$1,200,100 of net indebtedness as of December 31, 2012. The aggregate principal amount of unvoted net indebtedness may not exceed 5.5% of the assessed valuation for property tax purposes of all real and personal property located within the City. The legal unvoted debt margin was \$15,351,087 as of December 31, 2012. The total principal amount of voted and unvoted nonexempt net indebtedness of the City may not exceed 10.5% of its assessed value of real and personal property. Total net indebtedness for both voted and unvoted issues was \$175,143 leaving the City's overall legal debt margin at \$29,465,842 as of December 31, 2012.

City of Norwalk, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011 Restated	2012	2011	2012	2011 Restated
General Obligation Bonds	\$155,000	\$230,000	\$945,000	\$1,205,000	\$1,100,000	\$1,435,000
OPWC Loans	251,305	280,380	115,601	130,051	366,906	410,431
OWDA Loans	653,737	713,322	9,847,646	9,692,325	10,501,383	10,405,647
Capital Lease	179,700	23,734	52,348	42,364	232,048	66,098
Police and Fire Past Service Costs	401,047	411,560	0	0	401,047	411,560
Total Long Term Debt Restated	<u>\$1,640,789</u>	<u>\$1,658,996</u>	<u>\$10,960,595</u>	<u>\$11,069,740</u>	<u>\$12,601,384</u>	<u>\$12,728,736</u>

Additional information regarding the City's Long-Term Obligations can be found in Note 13 of this report.

Contacting the City Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with an overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Diane Eschen, Director of Finance, 38 Whittlesey Avenue, Norwalk, Ohio 44857, 419-663-6710.

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City of Norwalk, Ohio
Huron County
Statement of Net Position
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$10,030,545	\$2,515,835	\$12,546,380
Cash and Cash Equivalents in Segregated Accounts	5,600	0	5,600
Receivables:			
Taxes	2,300,283	236,008	2,536,291
Accounts	273,449	597,208	870,657
Accrued Interest	11,978	0	11,978
Intergovernmental	954,267	0	954,267
Special Assessments	36,956	4,066	41,022
Notes	1,199,425	0	1,199,425
Materials and Supplies Inventory	72,684	83,397	156,081
Noncurrent Assets:			
Non-Depreciable Capital Assets	3,065,063	1,427,901	4,492,964
Depreciable Capital Assets, Net	16,124,494	25,348,529	41,473,023
<i>Total Assets</i>	<u>34,074,744</u>	<u>30,212,944</u>	<u>64,287,688</u>
Liabilities			
Current Liabilities:			
Accounts Payable	535,706	171,633	707,339
Accrued Wages and Benefits	33,849	24,093	57,942
Intergovernmental Payable	253,662	78,209	331,871
Retainage Payable	22,761	30,183	52,944
Unearned Revenue	1,007,143	0	1,007,143
Noncurrent Liabilities:			
Due Within One Year	572,868	1,116,418	1,689,286
Due In More Than One Year	2,172,712	10,439,972	12,612,684
<i>Total Liabilities</i>	<u>4,598,701</u>	<u>11,860,508</u>	<u>16,459,209</u>
Net Position			
Net Investment in Capital Assets	17,937,054	15,802,152	33,739,206
Restricted for Debt Service	22,675	0	22,675
Restricted for Capital Projects	5,330,823	0	5,330,823
Restricted for Other Purposes	766,048	0	766,048
Restricted for Police Pension	100,064	0	100,064
Restricted for Fire Pension	58,268	0	58,268
Restricted for Parks and Recreation	2,860	0	2,860
Restricted for Police Levy	20,436	0	20,436
Restricted for Fire Levy	18,083	0	18,083
Restricted for Street Construction, Maint., & Repair	879,211	0	879,211
Restricted for Court Programs	536,305	0	536,305
Restricted for Community Development Programs	679,532	0	679,532
Restricted for Housing Programs	292,219	0	292,219
Restricted for Economic Development	388,847	0	388,847
Unrestricted	2,443,618	2,550,284	4,993,902
<i>Total Net Position</i>	<u>\$29,476,043</u>	<u>\$18,352,436</u>	<u>\$47,828,479</u>

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Activities
For the Year Ended December 31, 2012

	Program Revenues				Net (Expense) and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$2,079,931	\$432,902	\$32,584	\$100,531	(\$1,513,914)	\$0	(\$1,513,914)
Security of Persons and Property	4,894,489	797,065	105,378	21,436	(3,970,610)	0	(3,970,610)
Public Health	142,536	39,892	9,530	545	(92,569)	0	(92,569)
Leisure Time Services	1,741,278	895,328	27,277	18,133	(800,540)	0	(800,540)
Community and Economic Development	640,055	4,216	382,974	25,957	(226,908)	0	(226,908)
Transportation	1,471,826	30,033	740,074	190,042	(511,677)	0	(511,677)
Interest and Fiscal Charges	48,053	0	0	0	(48,053)	0	(48,053)
<i>Total Governmental Activities</i>	<u>11,018,168</u>	<u>2,199,436</u>	<u>1,297,817</u>	<u>356,644</u>	<u>(7,164,271)</u>	<u>0</u>	<u>(7,164,271)</u>
Business-Type Activities							
Water	2,857,223	2,643,577	0	0	0	(213,646)	(213,646)
Sewer	2,791,180	2,821,327	0	0	0	30,147	30,147
Sanitation	1,060,733	10,066	0	0	0	(1,050,667)	(1,050,667)
Storm Water Utility	139,434	177,588	0	0	0	38,154	38,154
<i>Total Business-Type Activities</i>	<u>6,848,570</u>	<u>5,652,558</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,196,012)</u>	<u>(1,196,012)</u>
<i>Totals</i>	<u>\$17,866,738</u>	<u>\$7,851,994</u>	<u>\$1,297,817</u>	<u>\$356,644</u>	<u>(7,164,271)</u>	<u>(1,196,012)</u>	<u>(8,360,283)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					618,073	0	618,073
Police Pension					80,692	0	80,692
Fire Pension					80,692	0	80,692
Police Levy					61,821	0	61,821
Fire Levy					61,821	0	61,821
Parks and Recreation					237,999	0	237,999
Income Taxes					5,265,980	1,053,188	6,319,168
Shared Revenues					322,718	0	322,718
Payments in Lieu of Taxes					7,430	0	7,430
Grants and Entitlements not Restricted to Specific Programs					753,390	0	753,390
Investment Earnings					84,028	0	84,028
Miscellaneous					280,533	46,050	326,583
Transfers					(254,050)	254,050	0
<i>Total General Revenues and Transfers</i>					<u>7,601,127</u>	<u>1,353,288</u>	<u>8,954,415</u>
Change in Net Position					436,856	157,276	594,132
<i>Net Position Beginning of Year, Restated (See Note 3)</i>					<u>29,039,187</u>	<u>18,195,160</u>	<u>47,234,347</u>
<i>Net Position End of Year</i>					<u>\$29,476,043</u>	<u>\$18,352,436</u>	<u>\$47,828,479</u>

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Balance Sheet
Governmental Funds
December 31, 2012

	General	General Capital Improvements	Capital Investment Trust Fund	All Other Governmental Funds	Total Governmental Funds
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$2,219,030	\$1,021,003	\$4,190,814	\$2,599,698	\$10,030,545
Cash and Cash Equivalents in Segregated Accounts	5,600	0	0	0	5,600
Receivables:					
Taxes	1,560,016	236,150	0	504,117	2,300,283
Accounts	111,126	0	0	152,323	263,449
Accrued Interest	11,978	0	0	0	11,978
Intergovernmental	374,187	0	0	580,080	954,267
Special Assessments	0	36,956	0	0	36,956
Notes	0	0	0	1,199,425	1,199,425
Materials and Supplies Inventory	0	0	0	72,684	72,684
Advances to Other Funds	0	100,100	0	0	100,100
<i>Total Assets</i>	<u>\$4,281,937</u>	<u>\$1,394,209</u>	<u>\$4,190,814</u>	<u>\$5,108,327</u>	<u>\$14,975,287</u>
Liabilities					
Current Liabilities:					
Accounts Payable	\$75,014	119,915	\$0	\$340,777	\$535,706
Accrued Wages and Benefits	15,292	0	0	18,557	33,849
Intergovernmental Payable	100,467	0	0	153,195	253,662
Retainage Payable	0	14,218	0	8,543	22,761
Deferred Revenue	324,725	36,956	0	449,178	810,859
Unearned Revenue	558,872	0	0	448,271	1,007,143
Advance from Other Funds	100,100	0	0	0	100,100
<i>Total Liabilities</i>	<u>1,174,470</u>	<u>171,089</u>	<u>0</u>	<u>1,418,521</u>	<u>2,764,080</u>
Fund Balances					
Nonspendable:					
Inventories	0	0	0	72,684	72,684
Restricted for:					
Court Improvements	0	0	0	379,403	379,403
Debt Service Reserve	0	0	0	22,675	22,675
Economic Development	0	0	0	1,437,226	1,437,226
Fire Protection	0	0	0	53,206	53,206
Highways	0	0	0	30,942	30,942
Housing Programs	0	0	0	421,079	421,079
Law Enforcement	0	0	0	366,500	366,500
Other Purposes	0	0	0	200	200
Parks Capital Improvements	0	0	0	4,872	4,872
Capital Improvements	0	0	0	32,694	32,694
Street Repair and Maintenance	0	0	0	726,041	726,041
Committed to:					
Parks and Recreation	0	0	0	139,767	139,767
Parks Capital Improvements	0	0	0	45,827	45,827
Capital Improvements	0	1,223,120	4,190,814	1,875	5,415,809
Assigned to:					
Encumbrances	69,390	0	0	0	69,390
Unassigned (Deficit)	3,038,077	0	0	(45,185)	2,992,892
<i>Total Fund Balances</i>	<u>3,107,467</u>	<u>1,223,120</u>	<u>4,190,814</u>	<u>3,689,806</u>	<u>12,211,207</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,281,937</u>	<u>\$1,394,209</u>	<u>\$4,190,814</u>	<u>\$5,108,327</u>	<u>\$14,975,287</u>

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Reconciliation of Total Governmental Fund Balances to Net Position
of Governmental Activities
For the Year Ended December 31, 2012

Total Governmental Fund Balances \$12,211,207

Amounts reported for governmental activities in the statement of activities are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Land	2,913,883	
Construction in Progress	151,180	
Land Improvements (Net of Depreciation)	484,612	
Buildings (Net of Depreciation)	4,279,003	
Equipment (Net of Depreciation)	1,015,152	
Infrastructure (Net of Depreciation)	<u>10,345,727</u>	
Total		19,189,557

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

Property Taxes	113,205	
Intergovernmental	539,613	
Special Assessments	36,956	
Grants	<u>121,085</u>	
Total		810,859

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

General Obligation Bonds	(155,000)	
OWDA Loan	(653,737)	
OPWC Loan	(241,305)	
Police and Fire Past Service Costs	(401,047)	
Capital Leases	(179,700)	
Compensated Absences	<u>(1,104,791)</u>	
		<u>(2,735,580)</u>

Net Position of Governmental Activities \$29,476,043

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	General Capital Improvements	Capital Investment Trust Fund	All Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$615,802	\$0	\$0	\$519,546	\$1,135,348
Income Taxes	4,212,782	1,053,198	0	0	5,265,980
Payments in Lieu of Taxes	0	0	0	7,430	7,430
Shared Revenues	294,807	0	0	27,911	322,718
Special Assessments	32,528	60,553	0	31,445	124,526
Charges for Services	134,983	16,687	0	925,940	1,077,610
Licenses and Permits	242,749	0	0	19,047	261,796
Fines and Forfeitures	774,228	0	0	85,802	860,030
Intergovernmental	751,947	6,494	0	1,378,235	2,136,676
Interest	75,839	6,828	0	1,361	84,028
Contributions and Donations	1,145	0	0	144,815	145,960
Other	0	3,168	100	277,265	280,533
<i>Total Revenues</i>	<u>7,136,810</u>	<u>1,146,928</u>	<u>100</u>	<u>3,418,797</u>	<u>11,702,635</u>
Expenditures:					
Current:					
General Government	1,971,036	24,514	0	40,425	2,035,975
Security of Persons and Property	3,988,117	0	0	703,636	4,691,753
Public Health	102,831	0	0	39,705	142,536
Leisure Time Services	0	0	0	1,516,985	1,516,985
Community and Economic Development	6,692	0	0	633,363	640,055
Transportation	7,802	0	0	620,277	628,079
Capital Outlay	0	1,373,502	0	563,699	1,937,201
Debt Service:					
Principal Retirement	0	131,524	0	99,834	231,358
Interest and Fiscal Charges	6,828	29,877	0	11,348	48,053
<i>Total Expenditures</i>	<u>6,083,306</u>	<u>1,559,417</u>	<u>0</u>	<u>4,229,272</u>	<u>11,871,995</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>1,053,504</u>	<u>(412,489)</u>	<u>100</u>	<u>(810,475)</u>	<u>(169,360)</u>
Other Financing Sources (Uses):					
Transfers In	0	0	0	643,203	643,203
Inception of Capital Lease	0	88,089	0	131,248	219,337
Transfers Out	(643,203)	0	0	0	(643,203)
<i>Total Other Financing Sources (Uses)</i>	<u>(643,203)</u>	<u>88,089</u>	<u>0</u>	<u>774,451</u>	<u>219,337</u>
<i>Net Change in Fund Balances</i>	410,301	(324,400)	100	(36,024)	49,977
<i>Fund Balances Beginning of Year, Restated (See Note 3)</i>	<u>2,697,166</u>	<u>1,547,520</u>	<u>4,190,714</u>	<u>3,725,830</u>	<u>12,161,230</u>
<i>Fund Balances End of Year</i>	<u>\$3,107,467</u>	<u>\$1,223,120</u>	<u>\$4,190,814</u>	<u>\$3,689,806</u>	<u>\$12,211,207</u>

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2012

Net Change in Fund Balances - Total Governmental Funds \$49,977

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital Outlay	1,987,893	
Depreciation Expense	(1,263,282)	
Total	724,611	724,611

The net effect of a transfer of Capital Assets to Enterprise Funds
Transfers Out (254,050)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a loss is reported as a direct expense of the related function or program.
Loss on Disposal of Capital Assets (11,377)

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

Property Taxes	5,750	
Special Assessments	(8,431)	
Intergovernmental	9,120	
Total	6,439	6,439

Inception of Capital Lease is an other financing source in the governmental funds, but increases liabilities in governmental activities.
Inception of Capital Lease (219,337)

Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

General Obligation Payments	75,000	
OWDA Loan Payable	59,585	
OPWC Loan Payments	39,075	
Capital Lease Payment	63,371	
Total	237,031	237,031

Some expenses reported in the Statement of Activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.
Compensated Absences (96,438)

Change in Net Position of Governmental Activities \$436,856

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Property Taxes	\$616,850	\$616,850	\$611,744	(\$5,106)
Income Taxes	4,000,000	4,000,000	4,153,077	153,077
Shared Revenues	201,000	201,000	294,807	93,807
Special Assessments	0	0	32,528	32,528
Charges for Services	64,900	64,900	74,480	9,580
Licenses and Permits	211,200	211,200	242,749	31,549
Fines and Forfeitures	742,000	742,000	733,437	(8,563)
Intergovernmental	814,645	814,645	878,264	63,619
Interest	147,700	147,700	153,076	5,376
Contributions and Donations	1,000	1,000	1,145	145
Reimbursements	3,000	3,000	60,931	57,931
Other	300	300	1,206	906
Total Revenues	6,802,595	6,802,595	7,237,444	434,849
EXPENDITURES:				
Current:				
General Government	2,826,790	2,308,456	2,164,947	143,509
Security of Persons and Property	4,184,123	4,248,090	4,087,046	161,044
Public Health	103,500	110,625	109,956	669
Community and Economic Development	7,875	8,000	7,069	931
Transportation	10,580	10,577	7,877	2,700
Interest and Fiscal Charges	6,740	6,830	6,828	2
Total Expenditures	7,139,608	6,692,578	6,383,723	308,855
Excess of Revenues Over (Under) Expenditures	(337,013)	110,017	853,721	743,704
OTHER FINANCING SOURCES (USES):				
Advances In	0	0	50,000	50,000
Transfers Out	0	(644,100)	(643,203)	897
Advances Out	(16,840)	(16,840)	(16,832)	8
Total Other Financing Sources (Uses)	(16,840)	(660,940)	(610,035)	50,905
Net Change in Fund Balance	(353,853)	(550,923)	243,686	794,609
Fund Balance at Beginning of Year	1,482,787	1,482,787	1,482,787	0
Prior Year Encumbrances Appropriated	256,036	256,036	256,036	0
Fund Balance at End of Year	\$1,384,970	\$1,187,900	\$1,982,509	\$794,609

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Fund Net Position
Proprietary Funds
December 31, 2012

	Business-Type Activities Enterprise Funds				Totals
	Water	Sewer	Sanitation	Storm Water Utility	
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$783,667	\$923,642	\$785,539	\$22,987	\$2,515,835
Receivables:					
Taxes	0	0	236,008	0	236,008
Accounts	258,309	303,580	12,066	23,253	597,208
Special Assessments	2,155	1,911	0	0	4,066
Materials and Supplies Inventory	65,341	18,056	0	0	83,397
Total Current Assets	1,109,472	1,247,189	1,033,613	46,240	3,436,514
Noncurrent Assets:					
Unamortized Bond Issue Costs	16,500	0	0	0	16,500
Non-Depreciable Capital Assets	980,275	421,129	26,497	0	1,427,901
Depreciable Capital Assets, Net	8,492,558	16,174,009	620,440	61,522	25,348,529
Total Noncurrent Assets	9,489,333	16,595,138	646,937	61,522	26,792,930
Total Assets	10,598,805	17,842,327	1,680,550	107,762	30,229,444
Liabilities					
Current Liabilities:					
Accounts Payable	94,832	53,855	22,332	614	171,633
Accrued Wages and Benefits	7,882	7,860	7,296	1,055	24,093
Intergovernmental Payable	30,708	30,790	14,661	2,050	78,209
Retainage Payable	30,183	0	0	0	30,183
Compensated Absences Payable	65,944	66,565	28,275	4,849	165,633
General Obligation Bonds Payable	305,000	0	0	0	305,000
Capital Leases Payable	0	0	0	12,496	12,496
OPWC Loans Payable	0	14,451	0	0	14,451
OWDA Loans Payable	43,056	581,282	0	0	624,338
Total Current Liabilities	577,605	754,803	72,564	21,064	1,426,036
Noncurrent Liabilities:					
Compensated Absences Payable - Net of Current Portion	164,515	203,298	70,157	8,692	446,662
General Obligation Bonds Payable - Net of Current Portion	640,000	0	0	0	640,000
Capital Leases Payable - Net of Current Portion	0	0	0	39,852	39,852
OPWC Loans Payable - Net of Current Portion	0	101,150	0	0	101,150
OWDA Loans Payable - Net of Current Portion	1,551,683	7,671,625	0	0	9,223,308
Total Noncurrent Liabilities	2,356,198	7,976,073	70,157	48,544	10,450,972
Total Liabilities	2,933,803	8,730,876	142,721	69,608	11,877,008
Net Position					
Net Investment in Capital Assets	6,949,594	8,226,630	646,937	9,174	15,832,335
Unrestricted	715,408	884,821	890,892	28,980	2,520,101
Total Net Position	\$7,665,002	\$9,111,451	\$1,537,829	\$38,154	\$18,352,436

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012

	Business-Type Activities				Totals
	Enterprise Funds				
	Water	Sewer	Sanitation	Storm Water Utility	
Operating Revenues:					
Charges for Services	\$2,643,577	\$2,821,327	\$10,066	\$177,588	\$5,652,558
Other Operating Revenue	2,270	13,318	30,462	0	46,050
<i>Total Operating Revenues</i>	<u>2,645,847</u>	<u>2,834,645</u>	<u>40,528</u>	<u>177,588</u>	<u>5,698,608</u>
Operating Expenses:					
Personal Services	1,303,528	1,314,434	593,509	100,682	3,312,153
Contractual Services	479,235	284,914	301,362	2,201	1,067,712
Materials and Supplies	355,049	166,743	89,786	2,588	614,166
Depreciation	530,175	749,068	76,076	4,102	1,359,421
Other	0	1,895	0	29,023	30,918
<i>Total Operating Expenses</i>	<u>2,667,987</u>	<u>2,517,054</u>	<u>1,060,733</u>	<u>138,596</u>	<u>6,384,370</u>
<i>Operating Income (Loss)</i>	<u>(22,140)</u>	<u>317,591</u>	<u>(1,020,205)</u>	<u>38,992</u>	<u>(685,762)</u>
Non-Operating Revenues (Expenses):					
Municipal Income Tax	0	0	1,053,188	0	1,053,188
Interest and Fiscal Charges	(189,236)	(274,126)	0	(838)	(464,200)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(189,236)</u>	<u>(274,126)</u>	<u>1,053,188</u>	<u>(838)</u>	<u>588,988</u>
<i>Income (Loss) Before Contributions</i>	<u>(211,376)</u>	<u>43,465</u>	<u>32,983</u>	<u>38,154</u>	<u>(96,774)</u>
Capital Contributions from Other Funds	0	254,050	0	0	254,050
<i>Change in Net Position</i>	<u>(211,376)</u>	<u>297,515</u>	<u>32,983</u>	<u>38,154</u>	<u>157,276</u>
<i>Net Position at Beginning of Year</i>	<u>7,876,378</u>	<u>8,813,936</u>	<u>1,504,846</u>	<u>0</u>	<u>18,195,160</u>
<i>Net Position at End of Year</i>	<u><u>\$7,665,002</u></u>	<u><u>\$9,111,451</u></u>	<u><u>\$1,537,829</u></u>	<u><u>\$38,154</u></u>	<u><u>\$18,352,436</u></u>

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Business-Type Activities				Totals
	Enterprise Funds				
	Water	Sewer	Sanitation	Storm Water Utility	
Cash Flows from Operating Activities					
Cash Received from Customers	\$2,643,670	\$2,822,860	\$10,066	\$154,335	\$5,630,931
Cash Payments to Employees for Services	(1,299,087)	(1,299,929)	(573,707)	(83,555)	(3,256,278)
Cash Payments for Goods and Services	(758,853)	(509,343)	(404,497)	(4,655)	(1,677,348)
Other Operating Revenues	2,270	13,318	30,715	0	46,303
Other Operating Expenses	0	(1,895)	0	(29,023)	(30,918)
Net Cash Provided by (Used in) Operating Activities	588,000	1,025,011	(937,423)	37,102	712,690
Cash Flows from Noncapital Financing Activities					
Advances Out	0	0	0	(50,000)	(50,000)
Municipal Income Tax	0	0	1,038,269	0	1,038,269
Net Cash Provided by (Used in) Noncapital Financing Activities	0	0	1,038,269	(50,000)	988,269
Cash Flows from Capital and Related Financing Activities					
Proceeds from Sale of Bonds	945,000	0	0	0	945,000
Proceeds from Loans	800,293	0	0	0	800,293
Acquisition of Capital Assets	(1,100,712)	(648,568)	(170,902)	0	(1,920,182)
Principal Payments	(1,304,798)	(577,056)	0	(13,277)	(1,895,131)
Interest Payments	(99,345)	(294,376)	0	(838)	(394,559)
Net Cash (Used in) Capital and Related Financing Activities	(759,562)	(1,520,000)	(170,902)	(14,115)	(2,464,579)
Net Increase (Decrease) in Cash and Cash Equivalents	(171,562)	(494,989)	(70,056)	(27,013)	(763,620)
Cash and Cash Equivalents Beginning of Year	955,229	1,418,631	855,595	50,000	3,279,455
Cash and Cash Equivalents End of Year	\$783,667	\$923,642	\$785,539	\$22,987	\$2,515,835
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	(\$22,140)	\$317,591	(\$1,020,205)	\$38,992	(\$685,762)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Depreciation	530,175	749,068	76,076	4,102	1,359,421
(Increase) Decrease in Operating Assets:					
Accounts Receivable	(3,525)	1,763	253	(23,253)	(24,762)
Special Assessments Receivable	(259)	(230)	0	0	(489)
Materials and Supplies Inventory	3,980	(5,476)	0	0	(1,496)
Increase (Decrease) in Operating Liabilities:					
Accounts Payable	45,526	(30,824)	(11,334)	615	3,983
Accrued Wages and Benefits	2,032	1,433	685	1,055	5,205
Compensated Absences Payable	7,537	18,887	17,408	13,541	57,373
Intergovernmental Payable	(5,509)	(6,019)	(306)	2,050	(9,784)
Retainage Payable	30,183	0	0	0	30,183
Capital Lease	0	(21,182)	0	0	(21,182)
Total Adjustments	610,140	707,420	82,782	(1,890)	1,398,452
Net Cash Provided by (Used in) Operating Activities	\$588,000	\$1,025,011	(\$937,423)	\$37,102	\$712,690

Noncash Capital Activities

The Storm Water Utility Fund entered into a \$65,625 capital lease for a street sweeper. Capital Assets in the amount of \$254,050 were transferred from Governmental Activity

See accompanying notes to the basic financial statements.

City of Norwalk, Ohio
Huron County
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012

	<u>Agency</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$85,990
Cash and Cash Equivalents in Segregated Accounts	<u>36,210</u>
<i>Total Assets</i>	<u><u>\$122,200</u></u>
Liabilities	
Current Liabilities:	
Undistributed Monies	<u>122,200</u>
<i>Total Liabilities</i>	<u><u>\$122,200</u></u>

See accompanying notes to the basic financial statements.

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**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting-body for establishing governmental accounting and financial principles. The most significant of the City's accounting policies are described below:

A. *Basis of Presentation*

The City’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operation. The principal operating revenues of the city's proprietary funds are charges for services, operating expenses for the enterprise fund including personnel and other expenses related to sewer, water and sanitation operations. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.

General Capital Improvements Fund - The general capital improvements fund accounts for capital improvements in the City and is funded by 1/4% of the City's income tax collected.

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Capital Investment Trust Fund – This fund is used to account for the proceeds from the sale of public utilities or real estate that the City owns or has an interest in. The monies may be used to construct or acquire permanent improvements upon the approval of the majority of electors of the City.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds consist of enterprise and internal service funds. The City does not have internal service funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

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

Sewer Enterprise Fund - The sewer enterprise fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Sanitation Enterprise Fund - The sanitation enterprise fund accounts for the provision of trash and recyclables to the residents and commercial users located within the City.

Storm Water Utility Fund – The storm water utility fund accounts for the provision of regulating the discharge, distribution and treatment of storm water within the City.

Fiduciary Funds

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

C. *Measurement Focus*

Government-wide Financial Statements

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

Fund Financial Statements

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

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, shared revenues (estate tax and guest tax), payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes (See Note 8), shared revenues and payment in lieu of taxes are recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, intergovernmental (homestead and rollback, grants, MVL and gas taxes) fines and forfeitures, interest, fees, rentals and special assessments.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Deferred Revenue/Unearned Revenue

Deferred revenue and unearned revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2012, are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City had no deferred outflows.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City had no deferred inflows.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the department level for all funds. Any budgetary modifications at this level may only be made by resolution of City Council. The Finance Director has been authorized to allocate appropriations to the department and object level within each fund.

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources in effect at the time the final appropriations were passed by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

F. Cash, Cash Equivalents and Investments

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

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year 2012. 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, 2012.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the year 2012 amounted to \$75,839, which includes \$63,848 assigned from other City funds.

The City has segregated bank accounts and investments for monies held separate from the City's central bank accounts. These accounts and investments are presented as "Cash and Cash Equivalents in Segregated Accounts" and "Investments in Segregated Accounts" since they are not required to be deposited into the City treasury.

For purposes of the statement of cash flows and for presentation on the statement of net position/balance sheet, investments with original maturities of three months or less at the time they are purchased by the City and investments of the cash management pool are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

G. *Interfund Balances*

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivables/Payables” and long-term interfund loans are classified as “advances to/from other funds” on the balance sheet. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

H. *Inventory*

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used.

I. *Prepaid Items*

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

J. *Capital Assets*

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City’s infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	20 years	20 years
Buildings	6 to 45 years	6 to 45 years
Equipment	5 to 45 years	5 to 45 years
Underground Piping	20 to 50 years	20 to 50 years
Street Improvements	10 years	10 years

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

K. *Compensated Absences*

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

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

L. *Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

M. Fund Balance

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

1. Nonspendable

The City classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The nonspendable criterion includes items that are not expected to be converted to cash.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation (City ordinances). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

3. Committed

Council can *commit* amounts via formal action (ordinance or resolution). The City must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by City Council or a City official delegated that authority by City Charter, or by Ordinance.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

N. Net Position

Net position represents assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. Net investment in capital assets component of net positions consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Assets are restricted for capital projects by terms of either the City's income tax levy, various Trust Fund agreements, or debt issues.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer, and sanitation services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

P. Contributions of Capital

Contributions of capital arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Q. Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2012.

S. Estimates

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

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

The following fund had a deficit in fund balance at December 31, 2012:

Fund	Deficit
Special Revenue Funds:	
Neighborhood Stabilization Fund	(\$28,406)
FY11 CDBG Formula Grant	(2,050)
FY11 CDBG Chip Grant	(2,050)
FY11 Home Investment Partnership	(4,136)

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

B. Change in Accounting Principles

For fiscal year 2012, the City has implemented GASB Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”, GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”, GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”, and GASB Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions”.

GASB Statement No. 60 establishes guidance for accounting and financial reporting for service concession arrangements. The implementation of GASB Statement No. 60 had no material effect on the financial statements of the City. GASB Statement No. 62 establishes accounting and financial reporting standards for the financial statements of state and local governments. The implementation of GASB 62 had no material effect on the financial statements of the City. GASB Statement No. 63 establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. The implementation of GASB 63 had no material effect on the financial statements of the City. GASB Statement No. 64 clarifies the existing requirements for the termination of hedge accounting. The implementation of GASB 64 had no material effect on the financial statements of the City.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

C. Restatement of Fund Balance

The reclassification of Invested in Norwalk Securities to Advance To/From Other Funds at the beginning of 2012 had the following effect on net position and on the fund balances of the major and nonmajor funds as they were previously reported:

<u>Restatement of Net Position:</u>	
	<u>Governmental Activities</u>
Net Position, December 31, 2011	\$28,922,255
Reclassification	<u>\$116,932</u>
Restated Net Position, December 31, 2011	<u><u>\$29,039,187</u></u>

	<u>Restatement of Fund Balance:</u>				
	<u>General</u>	<u>Capital</u>	<u>Capital</u>	<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Capital</u>	<u>Investment Trust</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Improvements</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>	
Fund Balance at December 31, 2011	\$2,814,098	\$1,547,520	\$4,190,714	\$3,608,898	\$12,161,230
Change in Fund Structure	<u>(116,932)</u>	<u>0</u>	<u>0</u>	<u>116,932</u>	<u>0</u>
Restated Fund Balance at December 31, 2011	<u><u>\$2,697,166</u></u>	<u><u>\$1,547,520</u></u>	<u><u>\$4,190,714</u></u>	<u><u>\$3,725,830</u></u>	<u><u>\$12,161,230</u></u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, presented for the General Fund on the budgetary basis to provide a relevant comparison of actual results with the budget and to demonstrate compliance with State statute.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental types (GAAP).
4. Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements.

Net Changes in Fund Balance

	General Fund
GAAP Basis	\$410,301
Net Adjustment for Revenue Accruals	150,634
Net Adjustment for Expenditure Accruals	(553,766)
Encumbrances	236,517
Budget Basis	\$243,686

NOTE 5 - DEPOSITS AND INVESTMENTS

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

1. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdraw able on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
2. Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.
3. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

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

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

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

Cash on Hand - At year end, the City had \$6,700 in undeposited cash on hand, of which \$1,100 is included on the balance sheet as part of "Equity in Pooled Cash and Cash Equivalents" and \$5,600 is included on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts".

Deposits – Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Based on the criteria described in GASB 40, “ Deposits and Investment Risk Disclosures,” as of December 31, 2012, \$11,490,745 of the City’s bank balance of \$12,762,625, was exposed to custodial risk as discussed above, while \$1,271,880 was covered by FDIC. Of the uninsured bank balance, all was collateralized with securities held by the pledging institution’s trust department, but not in the City’s name.

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

Investments

As of December 31, 2012, the City had the following investments and maturities:

Investment Type	Investment Maturities (in years)	
	Fair Value	Less Than 1
STAR Ohio	\$234,632	\$234,632
Repurchase Agreements	141,775	141,775
	<u>\$376,407</u>	<u>\$376,407</u>

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

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments had the following ratings by Standard & Poors.

STAR Ohio

AAAm

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial credit risk beyond the requirement in State Statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk is the possibility of loss attributed to the magnitude of the City’s investment in a single issuer. More than five percent of the City’s investments are in STAR Ohio, Repurchase Agreement, and City of Norwalk Bond. The City’s policy places no limit on the amount that may be invested in any one issuer.

STAR Ohio is an investment pool managed by the State Treasurer’s Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consisted with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price that is the price the investment could be sold for on December 31, 2012.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2012, consisted of taxes, accounts (billings for user charged services, rents and royalties), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements, shared revenues, and notes receivable.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant.

Notes Receivable

The City of Norwalk has an active Revolving Loan Fund program receiving grants from the Ohio Department of Development funded by the Community Development Block Grant Program and the Federal Economic Development Administration. Grants are invested in loans to economic development projects that are approved by the local Revolving Loan Fund Board and Norwalk City Council Projects will create and retain jobs in the community with the majority available to persons from low and moderate income households. Loans for machinery and equipment are normally five to seven years and real estate is ten to twenty years.

The Community Development Block Grant Program and a federally funded Housing Preservation Grant have also provided loans for persons in low and moderate income households for eligible housing rehabilitation projects. Most of these loans are deferred and only become payable at the time the property is sold or title is transferred from the property owner that obtained the loan.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2012 for real and public utility property taxes represents collections of the 2011 taxes. Property tax payments received during 2012 for tangible personal property (other than public utility property) is for 2011 taxes.

2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35% of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

Beginning in calendar year 2009, tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property tax collections in calendar year 2011 represent delinquent collections. House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property was eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2009-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out.

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

The full tax rate for all City operations for the year ended December 31, 2012, was \$6.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

	Total Assessed	
	Value	%
Real Property Valuation:		
Residential/Agriculture	\$ 188,851,230	71.46%
Commercial/Industrial/Mineral	67,785,220	25.65%
Public Utilities	13,360	0.01%
Tangible Personal Property Valuation:		
Public Utilities	7,612,840	2.88%
Total Valuation	<u>\$ 264,262,650</u>	<u>100.00%</u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Norwalk. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2012 and for which there is an enforceable legal claim. In the governmental fund financial statements, the entire receivable is offset by deferred revenue since the current taxes were not levied to finance 2012 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

NOTE 8 - INCOME TAX

The City levies and collects an income tax on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% for the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated taxes at least quarterly and to file a final return annually.

The income tax collected in 2012 was distributed to the general fund (66.66%), sanitation enterprise fund (16.67%) and general capital improvements fund (16.67%).

NOTE 9 - SPECIAL ASSESSMENTS

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

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

The County Auditor periodically remits these collections to the City.

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

NOTE 10 – RISK MANAGEMENT

A. Liability Insurance

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

B. Fidelity Bonds

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

C. Workers' Compensation

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

D. Employee Health Insurance

The City has elected to provide employee medical and prescription benefits provided through a health insurance consortium comprised of other public entities beginning January 1, 2006. The Ohio Mid Eastern Education Service Agency (OME-RESA) is the consortium that administers the provision of medical, hospitalization, and prescription drug benefits for all claims incurred during membership in the OME-RESA. A third party administrator chosen by the City then provides administrative services to the OME-RESA in connection with the processing and payment of claims. The City of Norwalk is responsible for the first \$35,000 in claims, the OME-RESA pool is responsible for claims from \$35,000 to \$500,000 and claims over \$500,000 are covered with stop-loss insurance coverage with a carrier chosen by the consortium. Fixed premiums for the calendar year are determined by the OME-RESA and paid to the third party administrator. The insurance plan for the City provides a \$800.00 family and \$400.00 single deductible.

In 2012, the City share of the family coverage was \$1,217.62 per month while the employee contribution was \$99.17 per pay. The City share of the single coverage was \$474.31 per month while the employee contribution was \$38.63 per pay.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance 01/01/2012	Transfers	Additions	Deletions	Balance 12/31/2012
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$2,270,570	\$0	\$643,313	\$0	\$2,913,883
Construction in Progress	15,870	(122,866)	274,046	(15,870)	151,180
Total Capital Assets, Not Being Depreciated	2,286,440	(122,866)	917,359	(15,870)	3,065,063
Capital Assets, Being Depreciated:					
Land Improvements	1,421,398	0	79,800	(11,669)	1,489,529
Buildings	7,439,457	0	0	0	7,439,457
Equipment	5,903,421	0	421,841	0	6,325,262
Infrastructure	20,603,033	(131,184)	584,763	0	21,056,612
Total Capital Assets, Being Depreciated	35,367,309	(131,184)	1,086,404	(11,669)	36,310,860
Less Accumulated Depreciation:					
Land Improvements	(948,183)	0	(57,026)	292	(1,004,917)
Buildings	(3,001,805)	0	(158,649)	0	(3,160,454)
Equipment	(5,121,246)	0	(188,864)	0	(5,310,110)
Infrastructure	(9,852,142)	0	(858,743)	0	(10,710,885)
Total Accumulated Depreciation	(18,923,376)	0	(1,263,282) *	292	(20,186,366)
Total Capital Assets, Being Depreciated, net	16,443,933	(131,184)	(176,878)	(11,377)	16,124,494
Governmental Activities Capital Assets, net	\$18,730,373	(\$254,050)	\$740,481	(\$27,247)	\$19,189,557

During 2012 the governmental funds purchased \$1,987,893 of capital assets, which excludes completed CIP of \$15,870.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Beginning Balance 01/01/2012	Transfers	Additions	Deletions	Balance 12/31/2012
Business-type Activities					
Capital Assets, Not Being Depreciated:					
Land	\$35,297	\$0	\$0	\$0	\$35,297
Construction in Progress	307,975	122,866	1,165,383	(203,620)	1,392,604
Total Capital Assets, Not Being Depreciated	343,272	122,866	1,165,383	(203,620)	1,427,901
Capital Assets, Being Depreciated:					
Land Improvements	1,133,529	0	0	0	1,133,529
Buildings	13,394,699	0	432,913	0	13,827,612
Equipment	9,527,380	0	382,310	(139,900)	9,769,790
Infrastructure	29,327,114	131,184	208,820	0	29,667,118
Total Capital Assets, Being Depreciated	53,382,722	131,184	1,024,043	(139,900)	54,398,049
Less Accumulated Depreciation:					
Land Improvements	(824,447)	0	(20,861)	0	(845,308)
Buildings	(4,331,251)	0	(284,479)	0	(4,615,730)
Equipment	(7,867,599)	0	(362,833)	139,900	(8,090,532)
Infrastructure	(14,806,702)	0	(691,248)	0	(15,497,950)
Total Accumulated Depreciation	(27,829,999)	0	(1,359,421)	139,900	(29,049,520)
Total Capital Assets, Being Depreciated, net	25,552,723	131,184	(335,378)	0	25,348,529
Business-Type Activities Capital Assets, net	<u>\$25,895,995</u>	<u>\$254,050</u>	<u>\$830,005</u>	<u>(\$203,620)</u>	<u>\$26,776,430</u>

*Depreciation expense was charged to governmental functions as follows:

General Government	\$37,698
Security of Persons and Property	145,821
Transportation	892,107
Leisure Time Activities	187,656
Total	<u>\$1,263,282</u>

NOTE 12 – CAPITAL LEASES

The City entered into a lease agreement for a utility tractor with mower and a snow blower in 2011. In 2012, the City entered into a lease agreement for a street sweeper and three police cruisers. These leases met the criteria of a capital lease as defined by GASB 62. Accordingly, these leases have been recorded at the present value of their future minimum lease payments, as of the inception date. The utility tractor with mower and the snow blower have been recorded in the parks and recreation fund. The street sweeper has been split between the state highway, streets, and the storm water utility funds. The police cruisers have been recorded in the general capital improvements fund.

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of December 31, 2012:

Governmental Activities Lease Payments			
Year Ending December 31,	Equipment	Vehicles	
2013	\$34,596	\$31,146	
2014	34,596	31,146	
2015	34,596	0	
2016	28,229	0	
Total minimum lease payments	132,017	62,292	
Less: Amount representing interest	(9,260)	(5,349)	
Present value of net minimum lease payments	<u>\$122,757</u>	<u>\$56,943</u>	

Business-Type Activities Lease Payments		
Year Ending December 31,	Equipment	
2013	\$14,114	
2014	14,114	
2015	14,114	
2016	14,114	
Total minimum lease payments	56,456	
Less: Amount representing interest	(4,108)	
Present value of net minimum lease payments	<u>\$52,348</u>	

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 13 – LONG-TERM OBLIGATIONS

	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Governmental Activities:			
Street Improvement Bonds	3.85%-5.3%	875,000	12/1/2014
East Main Street Roadway Improvement Phase III	0.00%	10,000	7/1/2023
OPWC Memorial Reservoir Spillway	0.00%	276,578	12/31/2018
OPWC East/West Parkway Construction	0.00%	125,000	7/1/2022
OPWC Woodlawn Avenue Paving Project	0.00%	21,900	1/1/2021
OPWC West Monroe/CaseStreet Improvements	0.00%	95,621	12/31/2013
OPWC Woodlawn Ave Paving Project Phase IV	0.00%	101,799	1/1/2022
OPWC Bridge Rehabilitation	0.00%	17,824	1/1/2027
Police and Fire Past Service Cost	4.25%	541,508	11/1/2035
OWDA Milan/Chatham Sewers Project	3.90%	1,198,098	1/1/2022

	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Business -Type Activity:			
Waterworks Refunding Bonds, Series 2012	2.00%	945,000	10/1/2015
OPWC Pleasant St. Pumping Station	0.00%	289,001	12/31/2020
OWDA Southside Sewer Separation	3.85%	1,189,817	7/1/2016
OWDA Ward/Parsons Sewer Construction	3.75%	562,594	7/1/2019
OWDA Milan/Chatham Sewers Project	3.90%	1,797,148	1/1/2022
OWDA Water Treatment Plant Project	3.25%	695,073	1/1/2027
OWDA Wastewater Treatment Plant Improve	2.94%	8,012,446	7/1/2027
OWDA Corwin Street Sewer Project	3.67%	616,386	7/1/2027
OWDA Norwood Ave Waterline Replacement	4.78%	329,555	7/1/2028
OWDA West Main Street Waterline Replacement	2.82%	890,839	07/01/32

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Changes in the long-term obligations of the City during 2012 were as follows:

	Restated Balance 01/01/2012	Additions	Deletions	Balance 12/31/2012	Amount Due In One Year
Governmental Activities:					
Street Improvement Bonds	230,000	0	(75,000)	155,000	75,000
Total General Obligation Bonds	230,000	0	(75,000)	155,000	75,000
OPWC Memorial Reservoir Spillway	96,801	0	(13,829)	82,972	13,829
OPWC East/West Parkway Construction	65,625	0	(6,250)	59,375	6,250
OPWC West Monroe/Case Street Improvements	19,126	0	(9,563)	9,563	9,563
OPWC Woodlawn Ave Paving Project Phase III	13,140	0	(1,460)	11,680	1,460
OPWC Woodlawn Ave Paving Project Phase IV	67,864	0	(6,785)	61,079	6,786
OPWC Bridge Rehabilitation	17,824	0	(1,188)	16,636	1,189
OPWC East Main Phase III	0	10,000	0	10,000	0
Total OPWC Loans	280,380	10,000	(39,075)	251,305	39,077
Police and Fire Past Service Cost	411,560	0	(10,513)	401,047	10,964
OWDA Milan/Chatham Sewers Project	713,322	0	(59,585)	653,737	61,931
Capital Leases	23,734	219,337	(63,371)	179,700	58,354
Compensated Absences	1,008,353	435,973	(339,535)	1,104,791	327,542
Total Governmental Activities	\$2,667,349	\$665,310	(\$587,079)	\$2,745,580	\$572,868
Business -Type Activity:					
Waterworks Refunding Bonds, Series 1996	\$1,205,000	\$0	(\$1,205,000)	\$0	\$0
Unamortized Discount on Bonds	(3,816)	0	3,816	0	0
Unamortized Charge-Refunding Bonds	(74,393)	0	74,393	0	0
Waterworks Refunding Bonds, Series 2015	0	945,000	0	945,000	305,000
Unamortized Charge-Refunding Bonds	0	(16,500)	0	(16,500)	(5,500)
Total General Obligation Bonds	1,126,791	928,500	(1,126,791)	928,500	299,500
OPWC Pleasant Street Pumping Station	130,051	0	(14,450)	115,601	14,451
OWDA Southside Sewer Separation	351,618	0	(73,008)	278,610	75,846
OWDA Ward/Parsons Sewer Construction	286,204	0	(33,712)	252,492	34,989
OWDA Milan/Chatham Sewers Project	1,069,983	0	(89,376)	980,607	92,896
OWDA Water Treatment Improvement Note	564,693	0	(33,424)	531,269	30,515
OWDA Wastewater Treatment Improvement Note	6,613,011	0	(360,593)	6,252,418	351,481
OWDA Corwin Street Sewer Project	514,947	0	(26,167)	488,780	26,070
OWDA West Main Street Waterline Replacement	0	800,293	(16,730)	783,563	0
OWDA Norwood Ave Waterline Replacement	291,869	0	(11,962)	279,907	12,541
Total OWDA Loans	9,692,325	800,293	(644,972)	9,847,646	624,338
Capital Leases	42,364	65,625	(55,641)	52,348	12,496
Compensated Absences	554,922	225,490	(168,117)	612,295	165,633
Total Business-Type Activity	\$11,546,453	\$2,019,908	(\$2,009,971)	\$11,556,390	\$1,116,418

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The Ohio Public Works Commission (OPWC) loans and the Ohio Water Development Authority (OWDA) loans in the enterprise funds have been received for improvement to the City's water and sewer system. Water and sewer revenues are expected to be used to repay the loans. The liability for police and fire past service cost relates to the City's liability to certain employees incurred prior to the establishment of the Ohio Police and Fire Pension Fund. The City is required to make payments of approximately \$27,900, including interest, annually through the year 2035. The liability for police and fire past service cost will be repaid with taxes on all taxable property in the City. An OPWC loan was received for improvements to the Memorial Reservoir Spillway. Repayment of this loan will be made with income tax monies. An OPWC loan was received for construction to the East/West Parkway and will be paid from the general capital improvements fund with income tax monies and special assessments. An OPWC loan was received for the Woodlawn Avenue Paving Project and will be paid from the general capital improvements fund. An OPWC loan was received for the Bridge Rehabilitation Project and will be paid from the capital projects fund, OPWC bridge rehab fund. An OPWC loan was received for improvements of West Monroe/Case Street. The loan will be paid with income tax monies. An OPWC loan will be received for the East Main Street Roadway Improvements.

The City has pledged future revenues to repay the Sewer OWDA loans. The loans are payable solely from revenues generated by the ownership and operation of the sewer utility system and are payable through 2028. Revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments of the loans are expected to require 95 percent of net sewer revenues. The total principal and interest remaining to be paid on the loans is \$10,118,882. Principal and interest paid for the current year were \$836,732 and total net revenues were \$1,066,659.

The City has pledged future revenues to repay the Water OWDA loans. The loans are payable solely from revenues generated by the ownership and operation of the water utility system and are payable through 2028. Revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments of the loans are expected to require 12 percent of the net water revenues. The total principal and interest remaining to be paid on the loans is \$1,064,971. Principal and interest paid for the current year were \$73,308 and total net revenues were \$508,035.

The governmental portion of the OWDA Milan/Chatham Sewers Project Loan will be paid from the general capital improvements fund with income tax monies.

Compensated absences will be paid from the fund from which the employee is paid.

Outstanding general obligation bonds consist of 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.

The amortization schedules for the OWDA West Main Street Waterline Replacement and the OPWC East Main Street Roadway Improvement Phase III will not be available until the loans are fully disbursed or closed by OWDA. The annual requirements to amortize the remaining debt outstanding as of December 31, 2012, including interest payments of \$30,773 for the Governmental Activities general long-term obligations bonds, \$20,212 for the Business-Type Activities general obligation bonds, and \$2,185,231 for the OWDA loans are as follows:

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Governmental Activities

	OWDA Loans		General Obligation Bonds		OPWC Loans
	Principal	Interest	Principal	Interest	Principal
2013	\$61,931	\$24,898	\$75,000	\$8,293	\$39,077
2014	64,370	22,459	80,000	4,280	29,514
2015	66,904	19,924	0	0	29,513
2016	69,539	17,289	0	0	29,514
2017	72,278	14,551	0	0	29,512
2018-2022	318,715	28,597	0	0	79,421
2023-2027	0	0	0	0	4,754
Total	<u>\$653,737</u>	<u>\$127,718</u>	<u>\$155,000</u>	<u>\$12,573</u>	<u>\$241,305</u>

Business-Type Activities

	OWDA Loans		General Obligation Bonds		OPWC Loans
	Principal	Interest	Principal	Interest	Principal
2013	\$624,338	\$285,703	\$305,000	\$11,143	\$14,451
2014	645,249	264,971	315,000	6,784	14,450
2015	666,879	243,164	325,000	2,285	14,450
2016	646,317	220,797	0	0	14,450
2017	624,033	200,158	0	0	14,450
2018-2022	3,146,690	689,559	0	0	43,350
2023-2027	2,697,992	215,297	0	0	0
2028	12,585	301	0	0	0
Total	<u>\$9,064,083</u>	<u>\$2,119,950</u>	<u>\$945,000</u>	<u>\$20,212</u>	<u>\$115,601</u>

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. *Public Employees Retirement System*

All employees of the City, with the exclusion of City police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), which administers three separate pension plans as described below:

1. The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

3. The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2012 member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members contributed 11.5% and 12.1% respectively. Effective January 1, 2013, the member contribution rates for public safety and law enforcement members increased to 12.0% and 12.6% respectively.

The 2012 employer contribution rate for state and local employers was 14.0% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.1% of covered payroll.

The City's contributions for pension obligations to the OPERS for the years ending December 31, 2012, 2011, and 2010 were \$470,816, \$485,685, and \$575,809 respectively. The full amount has been contributed for 2011 and 2010. 91.30 % has been contributed for 2012.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. The OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.5% for police officers and 24.0% for firefighters. The City's contributions to the fund for police and firefighters was \$165,296 and \$198,608 for the year ended December 31, 2012, \$176,462 and \$195,858 for the year ended December 31, 2011, and \$202,892 and \$213,553 for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 77.27 % and 77.85%, respectively, have been contributed for 2012 with the remainder being reported as a liability.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

C. *Social Security System*

All volunteer firefighters and Council members, not otherwise covered by another retirement system, are covered by Social Security. The City's liability is 6.2% of wages paid.

NOTE 15 – POSTEMPLOYMENT BENEFITS

A. *Public Employees Retirement System*

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012 state and local employers contributed 14.00% of covered payroll, and public safety and law enforcement employers contributed 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.00% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to health care was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's actual contributions to fund post-employment benefits were \$188,326 at December 31, 2012, \$194,274 at December 31, 2011 and \$48,756 for January 1 through February 28 and \$221,619 for March 1 through December 31, 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. *Ohio Police and Fire Pension Fund*

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post employment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

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

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan.) Participating employers are required to contribute to the pension plan at rates expressed by percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan. OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F for the years ending December 31, 2012, 2011, and 2010 were \$252,806, \$269,883 and \$310,305, respectively, of which \$87,510, \$93,421 and \$107,413, respectively, was allocated to the healthcare plan for police and \$276,325, \$272,498 and \$297,117, respectively, of which \$77,716, \$76,640, and \$83,564, respectively, was allocated to the healthcare plan for fire fighters.

NOTE 16 - COMPENSATED ABSENCES

Full-time City employees who have completed at least one full year of continuous full-time service with the City shall be entitled to vacation with pay. Vacation hours and maximums are based upon hours scheduled and worked based upon the length of service. Employees earn vacation at rates varying from two weeks to five weeks per year. Part-time, seasonal, temporary, intermittent employees and interim employees of six months or less are not eligible for paid vacation leave. An employee who has completed one year of continuous full-time service with the City is entitled to compensation at his or her current rate of pay for the pro-rated portion of any earned, but unused, vacation leave for the current year at the time of separation, retirement or death.

Full-time City employees earn sick leave at the rate of .05769 hours for every paid service hour completed for the City. Sick leave to be paid for time away from work due to illness may be accumulated without limit. An employee, at the time of retirement from active service with the City, or a legal representative of the employee upon death of the employee, may elect to be paid in cash or have paid to his or her estate 50% of the value of his or her earned but unused sick leave credit up to a maximum of 2,200 hours. The maximum of such payment shall not exceed 1,100 hours.

Full-time police officers and firefighters are entitled to three days compensatory time in lieu of any other compensation for working regular schedules on the designated holidays.

As of December 31, 2012, the liability for compensated absences was \$1,717,086 for the entire City.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 17 - CONTINGENT LIABILITIES

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

NOTE 18 - INTERFUND TRANSACTIONS

Interfund transfers for the year ending December 31, 2012 consisted of the following:

	<u>Transfers In:</u>
	All Other
<u>Transfers Out:</u>	<u>Governmental Funds</u>
General Fund	\$643,203

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

Advances to/from other funds for the year ending December 31, 2012 consisted of the following:

	Advances to Other Funds:
<u>Advances from Other Funds:</u>	<u>General Fund</u>
Governmental Funds:	
General Capital Improvements	\$100,100

During 1997, the City approved an ordinance providing for the issuance and sale of \$185,000 in bonds for the purpose of paying the cost of acquiring real property in the downtown area to be used as a parking lot. Also, during 1997, the City approved an ordinance providing for the issuance and sale of \$90,000 in bonds for the purpose of paying a portion of the cost of constructing a public parking lot in the downtown area. These bonds were subsequently purchased by the capital projects funds, with the proceeds being received into the special revenue funds. At December 31, 2012, these debt issues are recorded as "Advance from another fund" in the capital projects funds in the amount of \$100,100. All interest income arising from these transactions is credited to the capital projects funds.

**CITY OF NORWALK, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 19 – CONSTRUCTION COMMITMENTS

As of December 31, 2012, the City had contractual commitments as follows:

<u>Project</u>	<u>Remaining Commitment</u>
Street Resurfacing Program	\$16,074
East Main Street Roadway Improvement	\$345,714
Pleasant Street	\$91,740
Benedict Avenue Waterline	\$2,545
West Main Street Waterline	\$96,490
Benedict/Elm Intersection Widening	\$43,331
Marshall/Wooster Sewer Separation	\$69,190



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

City of Norwalk
Huron County
38 Whittlesey Avenue
Norwalk, Ohio 44857

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwalk, Huron County, (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 24, 2013, wherein we noted the City implemented Governmental Accounting Standards Board Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment to GASB statement No. 53*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated June 24, 2013.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
June 24, 2013



Dave Yost • Auditor of State

CITY OF NORWALK

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 27, 2013**