

CITY OF NORWALK, OHIO
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Members of 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 Gary B. Fink & Associates, Inc., for the audit period January 1, 2000 to December 31, 2000. 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.

JIM PETRO
Auditor of State

August 15, 2001

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**CITY OF NORWALK, OHIO
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the City of Norwalk, Ohio (the City), as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Norwalk, Ohio, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2001 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



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

July 23, 2001

**City of Norwalk, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
<u>Assets</u>				
Equity in Pooled Cash, Cash Equivalents and Investments	\$2,598,985	\$3,343,840	\$297,026	\$1,394,068
Equity in Pooled Cash, Cash Equivalents and Investments:				
Nonexpendable Trust Funds	0	0	0	0
Cash in Segregated Accounts	3,300	0	0	0
Cash with Fiscal and Escrow Agent	0	0	12,722	0
Receivables:				
Taxes	1,454,893	660,650	277,320	223,059
Accounts	43,932	18,060	0	30,001
Interfund	0	0	1,000	0
Special Assessments	0	0	3,050	7,436
Accrued Interest	218,245	0	0	0
Intergovernmental	80,855	7,097	0	0
Due from Other Funds	56,172	7,955	0	0
Materials and Supplies Inventory	0	8,747	0	0
Notes Receivable	0	1,301,040	0	0
Unamortized Bond Issue Costs	0	0	0	0
Investments in City of Norwalk Securities	0	0	0	250,812
Fixed Assets, (Net, Where Applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits</u>				
Amount Available in Debt Service Funds for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets	<u>\$4,456,382</u>	<u>\$5,347,389</u>	<u>\$591,118</u>	<u>\$1,905,376</u>
<u>Liabilities</u>				
Accounts Payable	\$48,796	\$68,858	\$0	\$125,436
Interfund Payable	0	0	0	0
Accrued Wages and Benefits	6,297	13,050	0	0
Compensated Absences Payable	24,893	5,428	0	0
Due to Other Funds	0	0	0	0
Intergovernmental Payable	61,651	161,298	0	171
Deferred Revenue	593,852	660,650	280,370	7,436
Undistributed Monies	0	0	0	0
Matured Interest Payable	0	0	12,722	0
Accrued Interest Payable	0	0	0	0
Unamortized Discounts on Bonds	0	0	0	0
Unamortized Charges-Refunding Bonds	0	0	0	0
Claims Payable	0	0	0	0
OPWC Loans Payable	0	0	0	0
Police and Fire Past Service Cost	0	0	0	0
Capital Leases Payable	0	0	0	0
OWDA Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>735,489</u>	<u>909,284</u>	<u>293,092</u>	<u>133,043</u>
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	575,434	272,507	0	826,999
Reserved for Inventory	0	8,747	0	0
Reserved for Endowments	0	0	0	0
Reserved for Debt Service:				
Principal	0	0	298,026	0
Unreserved:				
Undesignated	3,145,459	4,156,851	0	945,334
Total Fund Equity and Other Credits	<u>3,720,893</u>	<u>4,438,105</u>	<u>298,026</u>	<u>1,772,333</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,456,382</u>	<u>\$5,347,389</u>	<u>\$591,118</u>	<u>\$1,905,376</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$1,994,129	\$281,623	\$36,658	\$0	\$0	\$9,946,329
0	0	4,097,856	0	0	4,097,856
0	0	35,533	0	0	38,833
0	0	0	0	0	12,722
222,188	0	0	0	0	2,838,110
348,563	2,102	64,127	0	0	506,785
0	0	0	0	0	1,000
0	0	0	0	0	10,486
0	0	0	0	0	218,245
0	0	0	0	0	87,952
0	0	0	0	0	64,127
31,247	0	0	0	0	39,994
0	0	0	0	0	1,301,040
58,303	0	0	0	0	58,303
0	0	0	0	0	250,812
15,632,337	0	0	14,295,640	0	29,927,977
0	0	0	0	298,026	298,026
0	0	0	0	3,509,771	3,509,771
<u>\$18,286,767</u>	<u>\$283,725</u>	<u>\$4,234,174</u>	<u>\$14,295,640</u>	<u>\$3,807,797</u>	<u>\$53,208,368</u>
\$79,508	\$0	\$0	\$0	\$0	\$322,598
1,000	0	0	0	0	1,000
13,478	0	0	0	0	32,825
197,810	0	0	0	412,857	640,988
0	0	64,127	0	0	64,127
73,142	0	0	0	66,635	362,897
0	0	0	0	0	1,542,308
0	0	49,156	0	0	49,156
0	0	0	0	0	12,722
47,308	0	0	0	0	47,308
(16,740)	0	0	0	0	(16,740)
(430,928)	0	0	0	0	(430,928)
0	197,993	0	0	0	197,993
381,826	0	0	0	248,919	630,745
0	0	0	0	502,208	502,208
179,925	0	0	0	6,366	186,291
1,626,307	0	0	0	0	1,626,307
3,435,000	0	0	0	2,570,812	6,005,812
<u>5,587,636</u>	<u>197,993</u>	<u>113,283</u>	<u>0</u>	<u>3,807,797</u>	<u>11,777,617</u>
0	0	0	14,295,640	0	14,295,640
2,714,189	0	0	0	0	2,714,189
9,984,942	85,732	0	0	0	10,070,674
0	0	0	0	0	1,674,940
0	0	0	0	0	8,747
0	0	4,097,856	0	0	4,097,856
0	0	0	0	0	298,026
0	0	23,035	0	0	8,270,679
<u>12,699,131</u>	<u>85,732</u>	<u>4,120,891</u>	<u>14,295,640</u>	<u>0</u>	<u>41,430,751</u>
<u>\$18,286,767</u>	<u>\$283,725</u>	<u>\$4,234,174</u>	<u>\$14,295,640</u>	<u>\$3,807,797</u>	<u>\$53,208,368</u>

City of Norwalk, Ohio
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Year December 31, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Municipal Income Tax	\$3,977,312	\$0	\$0	\$995,131
Property and Other Taxes	1,068,754	575,435	340,934	0
Charges for Services	20,925	717,918	0	16,639
Licenses and Permits	6,545	36,695	0	81,577
Fines and Forfeitures	751,265	107,875	0	0
Intergovernmental	1,007,012	1,068,258	39,669	53,986
Special Assessments	0	0	36,136	23,482
Investment Income	959,819	131,476	2,978	15,137
Other	197,801	88,958	38,442	49
Total Revenues	7,989,433	2,726,615	458,159	1,186,001
Expenditures:				
Current:				
General Government	1,756,053	85,936	8,296	0
Security of Persons and Property	3,035,280	687,255	0	5,996
Public Health and Welfare	0	3,389	0	0
Transportation	0	1,254,245	0	0
Community Environment	8,115	6,283	0	0
Leisure Time Activities	0	1,202,981	0	0
Economic Development and Assistance	34,069	114,870	0	0
Urban Redevelopment and Housing	0	50,496	0	0
Other	0	913	0	0
Capital Outlay	309,054	835,896	0	1,755,149
Debt Service:				
Principal Retirement	0	934	374,499	0
Interest and Fiscal Charges	0	266	203,875	0
Total Expenditures	5,142,571	4,243,464	586,670	1,761,145
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,846,862	(1,516,849)	(128,511)	(575,144)
Other Financing Sources (Uses):				
Sale of Fixed Assets	36	1,608	0	0
Inception of Capital Lease	0	7,300	0	0
Operating Transfers - In	414	1,668,037	86,450	417,561
Operating Transfers - Out	(2,068,037)	(24,074)	0	(80,351)
Total Other Financing Sources (Uses)	(2,067,587)	1,652,871	86,450	337,210
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	779,275	136,022	(42,061)	(237,934)
Fund Balances at Beginning of Year	2,941,618	4,310,116	340,087	2,010,267
(Decrease) in Reserve for Inventory	0	(8,033)	0	0
Fund Balances at End of Year	\$3,720,893	\$4,438,105	\$298,026	\$1,772,333

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
\$0	\$4,972,443
0	1,985,123
0	755,482
640	125,457
0	859,140
0	2,168,925
0	59,618
0	1,109,410
0	325,250
<u>640</u>	<u>12,360,848</u>
0	1,850,285
0	3,728,531
0	3,389
0	1,254,245
0	14,398
0	1,202,981
0	148,939
0	50,496
0	913
0	2,900,099
0	375,433
0	204,141
<u>0</u>	<u>11,733,850</u>
<u>640</u>	<u>626,998</u>
0	1,644
0	7,300
0	2,172,462
0	(2,172,462)
<u>0</u>	<u>8,944</u>
640	635,942
22,395	9,624,483
<u>0</u>	<u>(8,033)</u>
<u>\$23,035</u>	<u>\$10,252,392</u>

City of Norwalk, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 2000

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Municipal Income Tax	\$4,200,000	\$4,025,458	(\$174,542)
Property and Other Taxes	670,842	1,068,754	397,912
Charges for Services	17,000	22,248	5,248
Licenses and Permits	7,200	6,545	(655)
Fines and Forfeitures	680,000	754,106	74,106
Intergovernmental	944,507	978,537	34,030
Special Assessments	0	0	0
Investment Income	654,650	691,855	37,205
Other	2,500	134,840	132,340
Total Revenues	7,176,699	7,682,343	505,644
Expenditures:			
Current:			
General Government	2,192,500	1,930,472	262,028
Security of Persons and Property	3,270,970	3,172,550	98,420
Public Health and Welfare	0	0	0
Transportation	0	0	0
Community Environment	24,245	12,240	12,005
Leisure Time Activities	0	0	0
Economic Development and Assistance	81,660	34,069	47,591
Other	0	0	0
Capital Outlay	507,836	616,645	(108,809)
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	6,077,211	5,765,976	311,235
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,099,488	1,916,367	816,879
Other Financing Sources (Uses):			
Other Financing Sources	500	20,557	20,057
Other Financing Uses	0	0	0
Sale of Fixed Assets	0	36	36
Operating Transfers - In	0	414	414
Operating Transfers - Out	(2,068,037)	(2,068,037)	0
Total Other Financing Sources (Uses)	(2,067,537)	(2,047,030)	20,507
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(968,049)	(130,663)	837,386
Fund Balances at Beginning of Year	1,622,236	1,622,236	0
Prior Year Encumbrances Appropriated	325,954	325,954	0
Fund Balances at End of Year	\$980,141	\$1,817,527	\$837,386

See accompanying notes to the general purpose financial statements

Governmental Fund Types					
Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
564,853	575,335	10,482	325,494	340,934	15,440
634,150	718,976	84,826	0	0	0
34,300	36,111	1,811	0	0	0
83,500	108,461	24,961	0	0	0
1,008,715	1,068,475	59,760	45,550	39,669	(5,881)
0	0	0	41,000	36,136	(4,864)
61,279	131,476	70,197	0	2,978	2,978
194,591	243,217	48,626	20,820	38,442	17,622
<u>2,581,388</u>	<u>2,882,051</u>	<u>300,663</u>	<u>432,864</u>	<u>458,159</u>	<u>25,295</u>
132,161	87,927	44,234	12,200	8,296	3,904
821,760	801,521	20,239	0	0	0
40,063	5,064	34,999	0	0	0
2,034,721	1,959,294	75,427	0	0	0
16,054	14,563	1,491	0	0	0
733,178	718,854	14,324	0	0	0
378,171	193,170	185,001	0	0	0
754	914	(160)	0	0	0
927,400	883,839	43,561	0	0	0
0	0	0	649,795	618,311	31,484
0	0	0	466,420	466,177	243
<u>5,084,262</u>	<u>4,665,146</u>	<u>419,116</u>	<u>1,128,415</u>	<u>1,092,784</u>	<u>35,631</u>
<u>(2,502,874)</u>	<u>(1,783,095)</u>	<u>719,779</u>	<u>(695,551)</u>	<u>(634,625)</u>	<u>60,926</u>
0	29,768	29,768	0	0	0
(1,200)	(1,200)	0	0	0	0
2,000	1,608	(392)	0	0	0
1,637,844	1,668,037	30,193	620,690	589,237	(31,453)
(34,084)	(24,074)	10,010	0	0	0
<u>1,604,560</u>	<u>1,674,139</u>	<u>69,579</u>	<u>620,690</u>	<u>589,237</u>	<u>(31,453)</u>
(898,314)	(108,956)	789,358	(74,861)	(45,388)	29,473
2,424,376	2,424,376	0	344,213	344,213	0
547,186	547,186	0	0	0	0
<u>\$2,073,248</u>	<u>\$2,862,606</u>	<u>\$789,358</u>	<u>\$269,352</u>	<u>\$298,825</u>	<u>\$29,473</u>

(continued)

City of Norwalk, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis) (Continued)
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 2000

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Municipal Income Tax	\$1,055,000	\$1,005,608	(\$49,392)
Property and Other Taxes	0	0	0
Charges for Services	14,500	9,711	(4,789)
Licenses and Permits	70,000	77,484	7,484
Fines and Forfeitures	0	0	0
Intergovernmental	118,132	53,986	(64,146)
Special Assessments	6,600	23,482	16,882
Investment Income	0	15,137	15,137
Other	10,000	0	(10,000)
Total Revenues	1,274,232	1,185,408	(88,824)
Expenditures:			
Current:			
General Government	0	0	0
Security of Persons and Property	8,740	6,151	2,589
Public Health and Welfare	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Leisure Time Activities	0	0	0
Economic Development and Assistance	0	0	0
Other	0	0	0
Capital Outlay	2,755,618	2,690,575	65,043
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	2,764,358	2,696,726	67,632
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,490,126)</u>	<u>(1,511,318)</u>	<u>(21,192)</u>
Other Financing Sources (Uses):			
Other Financing Sources	0	2	2
Other Financing Uses	0	0	0
Sale of Fixed Assets	0	0	0
Operating Transfers - In	0	417,561	417,561
Operating Transfers - Out	(80,351)	(80,351)	0
Total Other Financing Sources (Uses)	(80,351)	337,212	417,563
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>(1,570,477)</u>	<u>(1,174,106)</u>	<u>396,371</u>
Fund Balances at Beginning of Year	1,134,757	1,134,757	0
Prior Year Encumbrances Appropriated	<u>734,486</u>	<u>734,486</u>	<u>0</u>
Fund Balances at End of Year	<u>\$298,766</u>	<u>\$695,137</u>	<u>\$396,371</u>

Fiduciary Fund Type			Totals		
Expendable Trust Fund			(Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$5,255,000	\$5,031,066	(\$223,934)
0	0	0	1,561,189	1,985,023	423,834
0	0	0	665,650	750,935	85,285
0	2,395	2,395	111,500	122,535	11,035
0	0	0	763,500	862,567	99,067
0	0	0	2,116,904	2,140,667	23,763
0	0	0	47,600	59,618	12,018
0	0	0	715,929	841,446	125,517
0	0	0	227,911	416,499	188,588
0	2,395	2,395	11,465,183	12,210,356	745,173
0	0	0	2,336,861	2,026,695	310,166
0	0	0	4,101,470	3,980,222	121,248
0	0	0	40,063	5,064	34,999
0	0	0	2,034,721	1,959,294	75,427
0	0	0	40,299	26,803	13,496
0	0	0	733,178	718,854	14,324
0	0	0	459,831	227,239	232,592
0	0	0	754	914	(160)
0	0	0	4,190,854	4,191,059	(205)
0	0	0	649,795	618,311	31,484
0	0	0	466,420	466,177	243
0	0	0	15,054,246	14,220,632	833,614
0	2,395	2,395	(3,589,063)	(2,010,276)	1,578,787
0	0	0	500	50,327	49,827
(2,000)	(1,755)	245	(3,200)	(2,955)	245
0	0	0	2,000	1,644	(356)
0	0	0	2,258,534	2,675,249	416,715
0	0	0	(2,182,472)	(2,172,462)	10,010
(2,000)	(1,755)	245	75,362	551,803	476,441
(2,000)	640	(2,640)	(3,513,701)	(1,458,473)	2,055,228
22,395	22,395	0	5,547,977	5,547,977	0
0	0	0	1,607,626	1,607,626	0
\$20,395	\$23,035	(\$2,640)	\$3,641,902	\$5,697,130	\$2,055,228

City of Norwalk, Ohio
Combined Statement of Revenues,
Expenses and Changes in Fund Equity
All Proprietary Fund Types and Nonexpendable Trust Funds
For the Year Ended December 31, 2000

	Proprietary Fund Types		Fiduciary	Totals (Memorandum Only)
	Enterprise	Internal Service	Fund Type Nonexpendable Trust	
Operating Revenues:				
Charges for Services	\$3,739,616	\$715,521	\$0	\$4,455,137
Interest Income	0	0	16	16
Other	17,676	68,725	0	86,401
Total Operating Revenues	3,757,292	784,246	16	4,541,554
Operating Expenses:				
Personal Services	1,996,730	0	0	1,996,730
Contractual Services	292,560	125,026	0	417,586
Claims	0	763,699	0	763,699
Materials and Supplies	511,653	0	0	511,653
Depreciation	850,637	0	0	850,637
Capital Outlay	56,965	0	0	56,965
Total Operating Expenses	3,708,545	888,725	0	4,597,270
Operating Income (Loss)	48,747	(104,479)	16	(55,716)
Non-Operating Revenues (Expenses):				
Municipal Income Tax	988,252	0	0	988,252
Bond Issuance Costs	(4,091)	0	0	(4,091)
(Loss) on Disposal of Fixed Assets	(21,400)	0	0	(21,400)
Sale of Fixed Assets	1,334	0	0	1,334
Interest and Fiscal Charges	(298,538)	0	0	(298,538)
Other Non-Operating Revenue	3,624	0	0	3,624
Total Non-Operating Revenues (Expenses)	669,181	0	0	669,181
Income (Loss) Before Operating Transfers	717,928	(104,479)	16	613,465
Operating Transfers - In	169,045	0	0	169,045
Operating Transfers - Out	(169,045)	0	0	(169,045)
Net Income (Loss)	717,928	(104,479)	16	613,465
Retained Earnings/Fund Balances at Beginning of Year	9,267,014	190,211	4,097,840	13,555,065
Retained Earnings/Fund Balances at End of Year	9,984,942	85,732	4,097,856	14,168,530
Contributed Capital at Beginning of Year	2,714,189	0	0	2,714,189
Contributed Capital at End of Year	2,714,189	0	0	2,714,189
Total Fund Equity at End of Year	\$12,699,131	\$85,732	\$4,097,856	\$16,882,719

See accompanying notes to the general purpose financial statements

City of Norwalk, Ohio
Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Funds
For the Year Ended December 31, 2000

	Proprietary Fund Types		Fiduciary Fund	Totals
	Enterprise	Internal Service	Type Nonexpendable Trust	(Memorandum Only)
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$3,709,654	\$715,521	\$0	\$4,425,175
Cash Payments to Suppliers for Goods and Services	(810,328)	(125,026)	0	(935,354)
Cash Payments to Employees for Services and Benefits	(2,058,723)	0	0	(2,058,723)
Cash Payments for Claims	0	(812,927)	0	(812,927)
Other Operating Revenues	3,357	66,623	0	69,980
Net Cash Provided by (Used for) Operating Activities	843,960	(155,809)	0	688,151
<u>Cash Flows from Noncapital Financing Activities:</u>				
Operating Transfers In	169,045	0	0	169,045
Operating Transfers Out	(169,045)	0	0	(169,045)
Municipal Income Tax	997,109	0	0	997,109
Net Cash Provided by Noncapital Financing Activities	997,109	0	0	997,109
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Proceeds from Loans	260,036	0	0	260,036
Acquisition of Capital Assets	(1,412,377)	0	0	(1,412,377)
Proceeds from Sale of Capital Assets	1,334	0	0	1,334
Principal Payments	(243,812)	0	0	(243,812)
Interest Payments	(258,975)	0	0	(258,975)
Net Cash (Used for) Capital and Related Financing Activities	(1,653,794)	0	0	(1,653,794)
<u>Cash Flows from Investing Activities:</u>				
Interest on Investments	0	0	16	16
Net Cash Provided by Investing Activities	0	0	16	16
Net Increase (Decrease) in Cash and Cash Equivalents	187,275	(155,809)	16	31,482
Cash and Cash Equivalents at Beginning of Year	1,806,854	437,432	4,097,840	6,342,126
Cash and Cash Equivalents at End of Year	\$1,994,129	\$281,623	\$4,097,856	\$6,373,608
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>				
Operating Income (Loss)	\$48,747	(\$104,479)	\$16	(\$55,716)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>				
Depreciation	850,637	0	0	850,637
Interest on Investments	0	0	(16)	(16)
Changes in Assets and Liabilities:				
(Increase)/Decrease in Accounts Receivable	(44,281)	(2,102)	0	(46,383)
(Increase)/Decrease in Materials and Supplies Inventory	(4,699)	0	0	(4,699)
Increase/(Decrease) in Accounts Payable	(5,584)	0	0	(5,584)
Increase/(Decrease) in Accrued Wages and Benefits	3,594	0	0	3,594
Increase/(Decrease) in Compensated Absences Payable	10,833	0	0	10,833
Increase/(Decrease) in Claims Payable	0	(49,228)	0	(49,228)
Increase/(Decrease) in Intergovernmental Payable	(15,287)	0	0	(15,287)
Total Adjustments	795,213	(51,330)	(16)	743,867
Net Cash Provided by (Used for) Operating Activities	\$843,960	(\$155,809)	\$0	\$688,151

See accompanying notes to the general purpose financial statements

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

A. Description of the Entity

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

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

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

B. Basis of Presentation - Fund Accounting

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

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

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

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

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

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

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

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

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

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

FIDUCIARY FUNDS

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

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

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

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

ACCOUNT GROUPS

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Measurement Focus and Basis of Accounting

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

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

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

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

The City reports deferred revenue on its Combined Balance Sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the Combined Balance Sheet and revenue is recognized. Property taxes measurable as of December 31, 2000, delinquent property taxes and delinquent special assessments, whose availability is indeterminable and which are not intended to finance the current year operations, have been recorded as deferred revenue.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

B. Budgetary Process

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

Tax Budget:

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

Estimated Resources:

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official Certificate of Estimated Resources, which states the projected revenue of each fund.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the Annual Appropriation Measure. On or about January 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The Certificate may be amended further during the year if it is determined by the City, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official Certificate of Estimated Resources issued during 2000.

Appropriations:

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

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

Encumbrances:

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

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lapsing of Appropriations:

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

C. Cash, Cash Equivalents and Investments

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

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year 2000. 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, 2000.

Following Ohio statutes, the City has, by ordinance, specified the funds to receive an allocation of interest earnings. The following funds received more interest earnings during the year 2000 than they would have received based on their average share of investments:

<u>Fund</u>	<u>Actual Interest Revenue Credited</u>	<u>Amount Assigned From Other City Funds</u>
General	\$959,819	\$805,169
Special Revenue		
Farmer's Home Housing RLF	1,462	71
RLF – CDBG	50,620	119
Debt Service		
Downtown Revitalization Bond Retirement	2,978	2,202

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

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

D. Inventory of Supplies

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

E. Interfund Assets and Liabilities

Short-term interfund loans or the short-term portion of advances are classified as "Interfund Receivables/Payables". All other outstanding balances between funds are reported as "Due from/to Other Funds".

F. Property, Plant, Equipment and Depreciation

General Fixed Assets Account Group:

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

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

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

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary Fund Fixed Assets:

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings	6 to 45 years
Equipment	5 to 45 years
Underground Piping	30 to 45 years

Valuation:

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

G. **Compensated Absences**

Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences," specifies the methods used to accrue liabilities for leave benefits. Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

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

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues and entitlements are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements, or shared revenues received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

I. Long-term Obligations

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

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

J. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These private sources are recorded at their fair market value on the date contributed. Tap-in fees are recorded as contributed capital to the extent they exceed the actual costs of the connection to the wastewater system. Depreciation on those assets acquired or constructed with contributed resources is expended and closed to unreserved retained earnings at year end.

K. Reserves of Fund Balances

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

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Interfund Transactions

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

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

M. Estimates

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

N. Total Columns on General Purpose Financial Statements

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

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

The State Issue II Whittlesey Widening Fund, a capital projects fund, had a deficit fund balance of \$64,145 caused by the recognition of expenditures on the modified accrual basis of accounting which substantially differ from those recognized on the cash basis of accounting.

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.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types and Expendable Trust Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major difference between the budget basis and the GAAP basis are that:

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

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

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)
 Expenditures and Other Financing (Uses)
 All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$779,275	\$136,022	(\$42,061)	(\$237,934)	\$640
Net Adjustment for Revenue Accruals	(286,533)	177,904	502,787	(591)	1,755
Net Adjustment for Expenditure Accruals	22,503	58,354	(506,114)	12,359	(1,755)
Encumbrances	(645,908)	(481,236)	0	(947,940)	0
Budget Basis	(\$130,663)	(\$108,956)	(\$45,388)	(\$1,174,106)	\$640

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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 \$4,350 in undeposited cash on hand which is included on the Combined Balance Sheet as part of "Equity in Pooled Cash, Cash Equivalents and Investments".

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

Deposits - At year end, the carrying amount of the City's deposits was \$3,652,690 and the bank balance was \$4,391,414. Of the bank balance:

1. \$691,414 was covered by federal depository insurance or by collateral held by the City's agent in the City's name;
2. \$1,900,000 was covered under surety bonds for collateral held in the pledging financial institution's trust department in the City's name; and
3. \$1,800,000 was held by the pledging financial institution in a collateral pool not in the City's name in accordance with the Ohio Revised Code, which is considered uninsured and uncollateralized as defined by GASB Statement No. 3.

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

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

	1	Category 2	3	Carrying Amount	Fair Value
Overnight Repurchase Agreements	\$0	\$0	\$1,212,000	\$1,212,000	\$1,212,000
City of Norwalk Bonds	250,812	0	0	250,812	250,812
FHLB Bonds	3,764,534	0	0	3,764,534	3,764,534
FHLMC Debentures	998,691	0	0	998,691	998,691
FFCB Bonds	510,940	0	0	510,940	510,940
FNMA Notes	<u>2,002,115</u>	<u>0</u>	<u>0</u>	2,002,115	2,002,115
Total	<u>\$7,527,092</u>	<u>\$0</u>	<u>\$1,212,000</u>		
STAR Ohio				<u>1,950,420</u>	<u>1,950,420</u>
Total Investments				<u>\$10,689,512</u>	<u>\$10,689,512</u>

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

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$14,095,740	\$250,812
Investments of Cash Management Pool:		
Overnight Repurchase Agreements	(1,212,000)	1,212,000
Cash on Hand	(4,350)	0
FFCB Bonds	(510,940)	510,940
FNMA Notes	(2,002,115)	2,002,115
STAR Ohio	(1,950,420)	1,950,420
FHLB Bonds	(3,764,534)	3,764,534
FHLMC Debentures	(998,691)	998,691
GASB Statement No. 3	<u>\$3,652,690</u>	<u>\$10,689,512</u>

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semiannually. If paid annually, payment is due January 20; if paid semiannually, the first payment is due January 20, with the remainder payable June 20, unless extended.

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

Public utility, real, and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined, as of December 31, of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 80 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 6 - PROPERTY TAXES (continued)

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

Accrued property taxes receivable represents delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 2000. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, 2000 and are not intended to finance 2000 operations. The receivable is therefore offset by a credit to deferred revenue.

The full tax rate for all City operations for the year ended December 31, 2000 was \$8.25 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

Category	Total Assessed Value	%
Real Property Valuation:		
Residential/Agriculture	\$123,609,260	54.69
Commercial/Industrial/Mineral	51,877,890	22.96
Public Utilities	41,440	0.02
Tangible Personal Property Valuation:		
General	40,819,440	18.06
Public Utilities	9,656,370	4.27
Total Valuation	<u>\$226,004,400</u>	<u>100.00</u>

NOTE 7 - INCOME TAX

The City levies and collects an income tax on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% for the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Withheld income taxes and other various income tax collections for 2000 received 60 days after year end have been recognized as revenue in 2000.

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 2000 was distributed to the general fund (66.66%), sanitation enterprise fund (16.67%) and general capital improvements fund (16.67%).

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 8 - INTERGOVERNMENTAL RECEIVABLES

Receivables at December 31, 2000 consisted of taxes, accrued interest, special assessments, accounts (which include billed and unbilled charged services), interfund and intergovernmental arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

NOTE 9 - SPECIAL ASSESSMENTS

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

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

NOTE 10 - FIXED ASSETS

A summary of the changes in general fixed assets during 2000 follows:

	<u>Balance</u> <u>01/01/2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2000</u>
Land and Improvements	\$2,581,690	\$198,888	\$0	\$2,780,578
Buildings	7,026,588	18,970	(130,980)	6,914,578
Equipment	4,334,914	324,837	(71,733)	4,588,018
Construction in Progress	17,000	12,466	(17,000)	12,466
Total	<u>\$13,960,192</u>	<u>\$555,161</u>	<u>(\$219,713)</u>	<u>\$14,295,640</u>

A summary of the enterprise funds' fixed assets at December 31, 2000 follows:

Land and Improvements	\$773,401
Buildings	7,436,145
Equipment	7,225,758
Underground Piping	15,767,054
Construction in Progress	<u>103,380</u>
	31,305,738
Less: Accumulated Depreciation	<u>(15,673,401)</u>
Net Fixed Assets	<u>\$15,632,337</u>

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System of Ohio

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

The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20%. Plan members are required to contribute 8.5% of their annual covered salary to fund pension benefit obligations and the City is required to contribute 10.84%; 6.54% was the portion used to fund pension obligations. Contributions are authorized by state statute. The contribution rates are determined actuarially. The City's contributions for pension obligations to PERS for the years ending December 31, 2000, 1999 and 1998 were \$276,517, \$379,284 and \$342,084, respectively. The full amount has been contributed for 1999 and 1998. 53.1% has been contributed for 2000 with the remainder being recorded as a liability in the respective funds and the general long-term obligations account group.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters; 12.25% and 16.75% were portions used to fund pension obligations respectively for police officers and firefighters. The City's contributions for pension obligations to the OP&F for the years ending December 31, 2000, 1999 and 1998 were \$289,124, \$319,070 and \$267,202, respectively. The full amount has been contributed for 1999 and 1998. 62.4% has been contributed in 2000 with the remainder being recorded as a liability in the respective funds and the general long-term obligations account group.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 12 - POST-EMPLOYMENT BENEFITS

A. Public Employees Retirement System of Ohio

The Public Employees Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and primary survivor recipients or such retirants. Health care coverage for disability recipients and primary survivor is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Post-Employment Benefits by State and Local Governmental Employers". A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employee contribution rate was rolled back for the year 2000. The 2000 employer contribution rate was 10.84% of covered payroll; 4.3% was the portion that was used to fund health care for the year 2000. The City's actual contributions for 2000 which were used to fund post-employment benefits were \$181,808.

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

The following assumptions and calculations were based on PERS' latest actuarial review performed as of December 31, 1999. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

OPEBs are advance-funded on an actuarially determined basis. As of December 31, 1999 (the latest information available), the actuarial value of PERS' net assets available for OPEB was \$10,805.5 million. The number of active contributing participants statewide at December 31, 1999 was 401,339. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million respectively.

The Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20%. The Board reallocated employer contributions from 4.2% to 4.3% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 12 - POST-EMPLOYMENT BENEFITS (continued)

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll. The City's actual contributions for 2000 which were used to fund post-employment benefits were \$147,214.

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

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.0% and 7.25% of covered payroll in 1999 and 2000, respectively. The allocation is 7.5% in 2001. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. The number of participants eligible statewide to receive health care benefits as of December 31, 1999, the date of the last actuarial valuation available, are 12,467 for police officers and 9,807 for firefighters. The OP&F's total health care expense for the year ending December 31, 1999, the date of the last actuarial valuation available, was \$95,004,633, which was net of member contributions of \$5,518,098.

NOTE 13 – COMPENSATED ABSENCES

City employees earn vacation and sick leave at varying rates depending on length of service and departmental policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the City. 40% of the accumulated, unused sick leave is paid to a retiring employee or, upon the death of the employee, to the employee's estate, up to a maximum of six hundred hours, provided the employee has ten or more years service with the City prior to the date of retirement or death. As of December 31, 2000, the liability for compensated absences was \$640,988 for the entire City.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 14 - RISK MANAGEMENT

A. Liability Insurance

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

B. Fidelity Bonds

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

C. Workers' Compensation

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

D. Employee Health Insurance

The City has elected to provide employee medical and prescription benefits through a self-insurance program. The City maintains a self-insurance internal service fund to account for and finance its uninsured risk of loss in this program. This plan provides a medical plan with a \$200.00 family and \$100.00 single deductible. A third party administrator, Klais and Company, located in Akron, Ohio, reviews all claims which are then paid by the City. The City purchased stop-loss coverage of \$50,000 per individual and \$1,000,000 in the aggregate. The City paid into the self-insurance internal service fund \$501.88 for each full-time employee with family coverage and \$217.19 per month for each full-time employee with single coverage for the period January 1, 2000 through March 31, 2000. Premiums for family coverage was \$10.00 per month and premiums for single coverage was \$5.00 per month for full-time employees for the period January 1, 2000 through March 31, 2000. The City paid into the self-insurance internal service fund \$508.76 for each full-time employee with family coverage and \$220.00 per month for each full-time employee with single coverage for the period April 1, 2000 through December 31, 2000. Premiums for family coverage was \$6.88 per month, and there were no premiums for single coverage for full-time employees for the period April 1, 2000 through December 31, 2000. The premium is paid by the fund that pays the salary for the employee.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 14 - RISK MANAGEMENT (continued)

The claims liability of \$197,993 reported in the self-insurance internal service fund at December 31, 2000 is based on the requirements of GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the City's third party administrator. A summary of the fund's claims liability during the past two years are as follows:

	Beginning of Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
1999	\$167,101	\$723,340	\$(643,220)	\$247,221
2000	247,221	763,699	(812,927)	197,993

NOTE 15 – CAPITAL LEASES

During the year ended December 31, 2000, the City entered into lease agreements for a lawn mower and a sewer jet cleaner. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards Board No. 13, "Accounting for Leases". Accordingly, these leases have been recorded at the present value of their future minimum lease payments, as of the inception date, in the general fixed assets account group and the general long-term obligations account group in the case of the lawn mower and in the sewer enterprise fund in the case of the sewer jet cleaner.

The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of December 31, 2000:

Year Ending December 31,	Lease Payments
2001	\$58,380
2002	51,979
2003	51,978
2004	51,979
Total minimum lease payments	214,316
Less: Amount representing interest	(28,025)
Present value of net minimum lease payments	<u>\$186,291</u>

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 16 - DEBT OBLIGATIONS

Debt outstanding at December 31, 2000, consisted of the following issues:

	<u>Balance</u> <u>01/01/00</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/00</u>
<u>ENTERPRISE FUNDS</u>				
0.00%, OPWC Loans, Due through 2020	\$147,387	\$257,114	\$(22,675)	\$381,826
3.8% - 5.9%, Waterworks General Obligation Bonds, Due through 2015	3,585,000	0	(150,000)	3,435,000
3.75%, OWDA Ward/Parsons Sewer Construction Project Loan, Due through 2019	653,207	2,922	(24,938)	631,191
3.85%, OWDA Southside Sewer Separation Project Loan, Due through 2016	<u>1,041,315</u>	<u>0</u>	<u>(46,199)</u>	<u>995,116</u>
Total Enterprise Debt	<u>5,426,909</u>	<u>260,036</u>	<u>(243,812)</u>	<u>5,443,133</u>
<u>GENERAL LONG-TERM</u>				
<u>OBLIGATIONS ACCOUNT</u>				
<u>GROUP</u>				
6.0%, Parking Improvement Bonds, Due through 2017	174,640	0	(5,651)	168,989
5.5%, Parking Improvement Bonds, Due through 2017	84,696	0	(2,873)	81,823
5.125%, Sewer Construction Bonds, Due through 2001	160,000	0	(80,000)	80,000

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 16 - DEBT OBLIGATIONS (continued)

	Balance <u>01/01/00</u>	Additions	Retirements	Balance <u>12/31/00</u>
5.25% - 8.20%, Sewer System Improvement Bonds, Due through 2007	1,600,000	0	(200,000)	1,400,000
7.95%, Sanitary Sewer Improvement Bonds	37,148	0	(37,148)	0
3.85% – 5.30%, Street Improvement Bonds, Due through 2014	875,000	0	(35,000)	840,000
0.00%, OPWC Memorial Reservoir Spillway Improvements, Due through 2018	262,748	0	(13,829)	248,919
4.25%, Liability for Police and Fire Past Service Cost	<u>508,555</u>	<u>0</u>	<u>(6,347)</u>	<u>502,208</u>
Total General Long-Term Obligations	<u>3,702,787</u>	<u>0</u>	<u>(380,848)</u>	<u>3,321,939</u>
TOTAL DEBT OBLIGATIONS	<u>\$9,129,696</u>	<u>\$ 260,036</u>	<u>\$(624,660)</u>	<u>\$8,765,072</u>

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

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 16 - DEBT OBLIGATIONS (continued)

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

During 1992, the City approved an ordinance providing for the issuance and sale of \$140,000 in bonds for the purpose of improving and extending the municipal sanitary sewer system. These bonds were subsequently purchased by the debt service funds, with the proceeds being received into the capital projects funds. Interest income earned is credited to the general fund.

In addition, the City has entered into an agreement with the owner of the property who is to be benefited by the sanitary sewer improvements to provide for reimbursement of the cost of the project. The owner has agreed to assume a portion of this cost by making payments to the City at such times as required to pay the principal and interest on the above bonds. During 2000, the City received \$38,442 from the owner, \$37,148 for principal payments and \$1,294 for interest.

During 1997, the City approved an ordinance providing for the issuance and sale of \$185,000 in bonds for the purpose of paying the cost of acquiring real property in the downtown area to be used as a parking lot. Also, during 1997, the City approved an ordinance providing for the issuance and sale of \$90,000 in bonds for the purpose of paying a portion of the cost of constructing a public parking lot in the downtown area. These bonds were subsequently purchased by the capital projects funds, with the proceeds being received into the special revenue funds. As of December 31, 2000, these debt issues are recorded as "General Obligation Bonds Payable" in the general long-term obligations account group and as "Investments in City of Norwalk Securities" in the capital projects funds in the amount of \$250,812. All interest income arising from these transactions is credited to the capital projects funds.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 16 - DEBT OBLIGATIONS (continued)

The annual requirements to amortize all bonded debt outstanding as of December 31, 2000, including interest payments of \$963,119 for the general long-term obligations account group, \$1,666,655 for the waterworks general obligation bonds, and \$335,544 for the OWDA loans are as follows:

Year Ending December 31,	General Long- Term Obligations Account Group	Enterprise Waterworks	Enterprise OPWC Loans	Enterprise OWDA Loans	Total
		General Obligation Bonds			
2001	\$521,177	\$341,033	\$22,675	\$85,849	\$970,734
2002	419,432	338,393	22,675	85,849	866,349
2003	406,498	340,223	22,675	85,849	855,245
2004	388,096	341,383	22,675	85,849	838,003
2005	369,447	341,948	22,675	85,849	819,919
Thereafter	1,678,200	3,398,675	11,338	901,415	5,989,628
Total	\$3,782,850	\$5,101,655	\$124,713	\$1,330,660	\$10,339,878

The City has entered into contractual agreements for the construction of the Ward/Parsons sewer project from the OWDA and for improvements to the Pleasant Street Pumping Station from the OPWC. Under the terms of these agreements, the OWDA and the OPWC will loan the construction/improvements costs of these approved projects. These loans will not have accurate repayments schedules until the loans are finalized, and therefore, are not included in the schedule of future annual debt service requirements.

During the year ended December 31, 2000, the following changes occurred in liabilities reported in the general long-term obligations account group:

	Balance 01/01/2000	Additions	Reductions	Balance 12/31/2000
Compensated Absences Payable	\$377,985	\$34,872	\$0	\$412,857
Police and Fire Past Service Cost	508,555	0	(6,347)	502,208
General Obligation Bonds Payable	2,931,484	0	(360,672)	2,570,812
OPWC Loans Payable	262,748	0	(13,829)	248,919
Intergovernmental Payable	68,863	66,635	(68,863)	66,635
Capital Leases Payable	0	7,300	(934)	6,366
Total	\$4,149,635	\$108,807	(\$450,645)	\$3,807,797

“Compensated Absences Payable” and “Intergovernmental Payable” will be paid from the fund from which the employee is paid. “Capital Leases Payable” will be paid from the parks and recreation special revenue fund.

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 17 - DEBT DEFEASANCE

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

On December 31, 2000, \$2,771,558 of bonds outstanding are considered defeased.

NOTE 18 - INTERFUND ASSETS AND LIABILITIES

A summary of short-term interfund loans by fund follows:

Fund	Interfund Receivable	Interfund Payable
Debt Service:		
General Bond Retirement	\$1,000	\$0
Enterprise:		
Sewer	0	1,000
Total	<u>\$1,000</u>	<u>\$1,000</u>

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

Fund	Due From Other Funds	Due to Other Funds
General	\$56,172	\$0
Special Revenue:		
Municipal Probation Services	884	0
Municipal Court Capital Improvement	4,272	0
Municipal Court Computerization	1,449	0
Indigent Drivers Alcohol	1,066	0
DUI Enforcement/Education	284	0
Total Special Revenue	<u>7,955</u>	<u>0</u>
Agency:		
Municipal Court	0	64,127
Total All Funds	<u>\$64,127</u>	<u>\$64,127</u>

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 19 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The government maintains three enterprise funds which are intended to be self-supported through user fees charged for services provided to consumers. Financial information, as of and for the year ended December 31, 2000, is as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Sanitation</u>	<u>Totals</u>
Operating Revenue	\$1,770,858	\$1,981,677	\$4,757	\$3,757,292
Operating Expenses Before Depreciation	803,719	1,355,776	698,413	2,857,908
Depreciation Expense	380,769	392,081	77,787	850,637
Net Non-Operating Revenues (Expenses)	(76,916)	(245,779)	991,876	669,181
Operating Transfers - In	69,045	100,000	0	169,045
Operating Transfers - Out	69,045	100,000	0	169,045
Net Income (Loss)	509,454	(11,959)	220,433	717,928
Property, Plant and Equipment Additions	1,408,353	183,666	0	1,592,019
Net Working Capital	891,392	878,711	611,588	2,381,691
Total Assets	8,549,296	8,503,667	1,233,804	18,286,767
Total Equity	6,334,811	5,181,417	1,182,903	12,699,131
Encumbrances at December 31, 2000	121,444	133,990	19,490	274,924

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 20 – CONSTRUCTION COMMITMENTS

The City had the following construction commitments at December 31, 2000:

Project	Total Authorized Cost	Expended to 12/31/2000	Balance at 12/31/2000
Baines Park Lighting	\$44,340	\$43,647	\$693
Benedict Avenue	7,900	5,530	2,370
Bob Evans Culvert	20,000	0	20,000
Downtown Revitalization	1,175,490	1,164,390	11,100
Eastwood/Indian Storm Sewer	30,000	0	30,000
East/West Parkway	150,000	103,450	46,550
Equipment/Vehicle Washbay	14,708	11,787	2,921
Fencing/Paving Linwood Lot	10,000	5,548	4,452
Fire Truck Pumper	275,750	0	275,750
Franklin Restroom/Office	10,000	0	10,000
Hunters Glen Storm Sewer	15,000	12,000	3,000
Hunters Glen Waterline Upgrade	19,000	14,250	4,750
Mahahan Street	10,000	0	10,000
Memorial Reservoir Toe Drain	24,691	4,849	19,842
Milan/Chatham Subsystem	60,000	12,500	47,500
Monroe Street Improvement Case	12,540	6,840	5,700
Ontario Street Improvement	168,132	74,890	93,242
Pedestrian Bridge Jaycee	12,539	12,139	400
Pleasant Street Pumping Station	757,895	704,893	53,002
Pohl Park	12,371	11,257	1,114
Reservoir Engineering	33,981	5,946	28,035
Route 20 Booster Station Improvement	10,391	1	10,390
Salt Building Site Work	3,000	0	3,000
Schauss Avenue/Ontario Street	515,000	453,572	61,428
School Flashers	5,000	3,190	1,810
Shady Lane Traffic	13,100	6,001	7,099
Signalization Loop	28,506	10,817	17,689
Street Lighting	72,951	70,450	2,501
Street Resurfacing	300,000	236,985	63,015
Water Valve Replacement	8,400	5,366	3,034
Whittlesey/League	125,000	64,200	60,800
Whittlesey/Washington Storm Sewer	548,212	93,093	455,119
Whittlesey Waterline Replacement	12,500	3,130	9,370
Whittlesey Widening	3,800	357	3,443
Total	\$4,510,197	\$3,141,078	\$1,369,119

CITY OF NORWALK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 21 - CONTINGENT LIABILITIES

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

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

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

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

We have audited the general purpose financial statements of the City of Norwalk, Ohio (the City), as of and for the year ended December 31, 2000, and have issued our report thereon dated July 23, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

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



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

July 23, 2001

CITY OF NORWALK, OHIO

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §315(b)**

FOR THE YEAR ENDED DECEMBER 31, 2000

Finding Number	Finding Summary	Fully Corrected
99-1	The Semiannual Reports for EDA-Funded RLF Grants did not properly report the percentage of the RLF's capital base in use to EDA and did not include an explanation describing why at least 75% of the RLF's capital was not in use.	Yes



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CITY OF NORWALK

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 23, 2001**