

**CITY OF NORWALK, OHIO**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

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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, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

August 31, 2000

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**CITY OF NORWALK, OHIO  
GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

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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, as of and for the year ended December 31, 1999, 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 generally accepted auditing standards 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, 1999, 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 generally accepted accounting principles.

As discussed in Note 4 to the general purpose financial statements, the City changed its method of accounting for Internal Revenue Code Section 457 deferred compensation plans for the year ended December 31, 1999, as required by the provisions of Governmental Accounting Standards Board Statement No. 32.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2000 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.

**INDEPENDENT AUDITOR'S REPORT** (continued)

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



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

July 7, 2000



*GENERAL PURPOSE FINANCIAL STATEMENTS*

**City of Norwalk, Ohio**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**December 31, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$1,914,139	\$2,971,557	\$305,266	\$1,611,709
Equity in Pooled Cash and Investments:				
Nonexpendable Trust Funds	0	0	0	0
Cash in Segregated Accounts	1,263	0	0	0
Cash with Fiscal and Escrow Agent	0	0	12,594	0
Receivables:				
Taxes	1,411,246	612,393	334,844	233,536
Accounts	7,998	1,361	37,148	18,933
Interfund	0	0	1,000	0
Special Assessments	0	0	0	5,316
Accrued Interest	119,882	0	0	0
Intergovernmental	52,380	7,315	0	0
Due from Other Funds	59,050	7,957	0	0
Materials and Supplies Inventory	0	16,780	0	0
Notes Receivable	0	1,552,511	0	0
Unamortized Bond Issue Costs	0	0	0	0
Investments in City of Norwalk Securities	0	0	37,148	259,336
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>\$3,565,958</u>	<u>\$5,169,874</u>	<u>\$728,000</u>	<u>\$2,128,830</u>
<u>Liabilities</u>				
Accounts Payable	\$37,468	\$61,165	\$0	\$113,230
Interfund Payable	0	0	0	0
Accrued Wages and Benefits	9,849	15,482	0	0
Compensated Absences Payable	13,308	6,984	0	0
Due to Other Funds	0	0	0	0
Intergovernmental Payable	56,472	163,734	0	17
Deferred Revenue	507,243	612,393	371,992	5,316
Undistributed Monies	0	0	0	0
Matured Interest Payable	0	0	12,594	0
Accrued Interest Payable	0	0	3,327	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
OWDA Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>624,340</u>	<u>859,758</u>	<u>387,913</u>	<u>118,563</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	259,423	343,306	0	904,541
Reserved for Inventory	0	16,780	0	0
Reserved for Endowments	0	0	0	0
Reserved for Debt Service:				
Principal	0	0	340,087	0
Unreserved:				
Undesignated	2,682,195	3,950,030	0	1,105,726
Total Fund Equity and Other Credits	<u>2,941,618</u>	<u>4,310,116</u>	<u>340,087</u>	<u>2,010,267</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$3,565,958</u>	<u>\$5,169,874</u>	<u>\$728,000</u>	<u>\$2,128,830</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
\$1,806,854	\$437,432	\$32,711	\$0	\$0	\$9,079,668
0	0	4,097,840	0	0	4,097,840
0	0	25,705	0	0	26,968
0	0	0	0	0	12,594
231,045	0	0	0	0	2,823,064
300,658	0	67,007	0	0	433,105
0	0	0	0	0	1,000
0	0	0	0	0	5,316
0	0	0	0	0	119,882
0	0	0	0	0	59,695
0	0	0	0	0	67,007
26,264	0	0	0	0	43,044
0	0	0	0	0	1,552,511
62,394	0	0	0	0	62,394
0	0	0	0	0	296,484
14,912,356	0	0	13,960,192	0	28,872,548
0	0	0	0	340,087	340,087
0	0	0	0	3,809,548	3,809,548
<u>\$17,339,571</u>	<u>\$437,432</u>	<u>\$4,223,263</u>	<u>\$13,960,192</u>	<u>\$4,149,635</u>	<u>\$51,702,755</u>
\$85,092	\$0	\$0	\$0	\$0	\$296,955
1,000	0	0	0	0	1,000
9,884	0	0	0	0	35,215
186,977	0	0	0	377,985	585,254
0	0	67,007	0	0	67,007
88,429	0	0	0	68,863	377,515
0	0	0	0	0	1,496,944
0	0	36,021	0	0	36,021
0	0	0	0	0	12,594
49,066	0	0	0	0	52,393
(17,915)	0	0	0	0	(17,915)
(471,074)	0	0	0	0	(471,074)
0	247,221	0	0	0	247,221
147,387	0	0	0	262,748	410,135
0	0	0	0	508,555	508,555
1,694,522	0	0	0	0	1,694,522
3,585,000	0	0	0	2,931,484	6,516,484
<u>5,358,368</u>	<u>247,221</u>	<u>103,028</u>	<u>0</u>	<u>4,149,635</u>	<u>11,848,826</u>
0	0	0	13,960,192	0	13,960,192
2,714,189	0	0	0	0	2,714,189
9,267,014	190,211	0	0	0	9,457,225
0	0	0	0	0	1,507,270
0	0	0	0	0	16,780
0	0	4,097,840	0	0	4,097,840
0	0	0	0	0	340,087
0	0	22,395	0	0	7,760,346
<u>11,981,203</u>	<u>190,211</u>	<u>4,120,235</u>	<u>13,960,192</u>	<u>0</u>	<u>39,853,929</u>
<u>\$17,339,571</u>	<u>\$437,432</u>	<u>\$4,223,263</u>	<u>\$13,960,192</u>	<u>\$4,149,635</u>	<u>\$51,702,755</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, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Municipal Income Tax	\$3,916,464	\$0	\$0	\$976,028
Property and Other Taxes	679,216	585,665	331,459	0
Charges for Services	32,201	644,108	0	138,319
Licenses and Permits	7,643	32,086	0	65,903
Fines and Forfeitures	725,691	98,953	0	0
Intergovernmental	959,159	835,325	39,124	398,600
Special Assessments	0	0	11,562	18,492
Investment Income	601,622	110,983	16	15,606
Other	21,795	30,734	20,817	5,383
<b>Total Revenues</b>	<b>6,943,791</b>	<b>2,337,854</b>	<b>402,978</b>	<b>1,618,331</b>
Expenditures:				
Current:				
General Government	1,796,784	65,950	12,426	0
Security of Persons and Property	2,983,583	647,047	0	0
Public Health and Welfare	101,703	4,353	0	0
Transportation	0	1,162,449	0	0
Community Environment	7,532	4,940	0	0
Leisure Time Activities	0	1,141,179	0	0
Economic Development and Assistance	0	76,938	0	0
Urban Redevelopment and Housing	0	19,996	0	0
Capital Outlay	178,958	497,713	0	1,986,196
Debt Service:				
Principal Retirement	0	0	318,432	0
Interest and Fiscal Charges	0	0	176,473	36,027
<b>Total Expenditures</b>	<b>5,068,560</b>	<b>3,620,565</b>	<b>507,331</b>	<b>2,022,223</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,875,231	(1,282,711)	(104,353)	(403,892)
Other Financing Sources (Uses):				
Proceeds of Bonds	0	0	0	875,000
Proceeds of Notes	0	0	0	1,800
Sale of Fixed Assets	2,920	20	0	0
Proceeds of OPWC Loan	0	0	0	26,104
Operating Transfers - In	0	1,608,000	39,930	631,458
Operating Transfers - Out	(2,058,000)	(33,660)	0	(187,728)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,055,080)</b>	<b>1,574,360</b>	<b>39,930</b>	<b>1,346,634</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(179,849)	291,649	(64,423)	942,742
Fund Balances at Beginning of Year (Restated)	3,121,467	4,021,255	404,510	1,067,525
(Decrease) in Reserve for Inventory	0	(2,788)	0	0
<b>Fund Balances at End of Year</b>	<b>\$2,941,618</b>	<b>\$4,310,116</b>	<b>\$340,087</b>	<b>\$2,010,267</b>

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
\$0	\$4,892,492
0	1,596,340
0	814,628
3,555	109,187
0	824,644
0	2,232,208
0	30,054
0	728,227
0	78,729
<u>3,555</u>	<u>11,306,509</u>
0	1,875,160
0	3,630,630
0	106,056
0	1,162,449
0	12,472
0	1,141,179
0	76,938
0	19,996
0	2,662,867
0	318,432
<u>0</u>	<u>212,500</u>
<u>0</u>	<u>11,218,679</u>
<u>3,555</u>	<u>87,830</u>
0	875,000
0	1,800
0	2,940
0	26,104
0	2,279,388
<u>0</u>	<u>(2,279,388)</u>
<u>0</u>	<u>905,844</u>
3,555	993,674
18,840	8,633,597
<u>0</u>	<u>(2,788)</u>
<u>\$22,395</u>	<u>\$9,624,483</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, 1999**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Municipal Income Tax	\$3,970,000	\$3,845,725	(\$124,275)
Property and Other Taxes	592,805	679,216	86,411
Charges for Services	17,000	30,728	13,728
Licenses and Permits	7,200	7,643	443
Fines and Forfeitures	580,000	731,675	151,675
Intergovernmental	837,152	951,165	114,013
Special Assessments	0	0	0
Investment Income	699,650	715,903	16,253
Other	2,500	9,013	6,513
Total Revenues	6,706,307	6,971,068	264,761
Expenditures:			
Current:			
General Government	1,904,877	1,968,553	(63,676)
Security of Persons and Property	3,200,307	3,085,286	115,021
Public Health and Welfare	103,862	102,582	1,280
Transportation	0	0	0
Community Environment	11,179	9,507	1,672
Leisure Time Activities	0	0	0
Economic Development and Assistance	0	0	0
Capital Outlay	284,838	264,468	20,370
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	5,505,063	5,430,396	74,667
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,201,244	1,540,672	339,428
Other Financing Sources (Uses):			
Other Financing Sources	500	11,850	11,350
Other Financing Uses	0	0	0
Proceeds of Bonds	0	0	0
Proceeds of Notes	0	0	0
Sale of Fixed Assets	0	2,920	2,920
Proceeds of OPWC Loan	0	0	0
Operating Transfers - In	0	0	0
Operating Transfers - Out	(2,058,000)	(2,058,000)	0
Total Other Financing Sources (Uses)	(2,057,500)	(2,043,230)	14,270
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(856,256)	(502,558)	353,698
Fund Balances at Beginning of Year	1,825,577	1,825,577	0
Prior Year Encumbrances Appropriated	299,217	299,217	0
Fund Balances at End of Year	\$1,268,538	\$1,622,236	\$353,698

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
574,944	585,665	10,721	316,285	331,459	15,174
564,450	642,832	78,382	0	0	0
41,300	31,786	(9,514)	0	0	0
83,500	99,395	15,895	0	0	0
830,427	834,600	4,173	45,550	39,124	(6,426)
0	0	0	0	11,562	11,562
61,150	110,983	49,833	0	16	16
250,188	368,460	118,272	20,820	20,817	(3)
<u>2,405,959</u>	<u>2,673,721</u>	<u>267,762</u>	<u>382,655</u>	<u>402,978</u>	<u>20,323</u>
102,732	69,991	32,741	15,754	12,426	3,328
762,310	739,320	22,990	0	0	0
20,438	10,515	9,923	0	0	0
1,326,456	1,265,943	60,513	0	0	0
19,220	12,920	6,300	0	0	0
1,239,801	1,206,817	32,984	0	0	0
449,582	448,782	800	0	0	0
1,092,814	958,977	133,837	0	0	0
0	0	0	2,756,336	2,755,123	1,213
0	0	0	491,362	491,300	62
<u>5,013,353</u>	<u>4,713,265</u>	<u>300,088</u>	<u>3,263,452</u>	<u>3,258,849</u>	<u>4,603</u>
<u>(2,607,394)</u>	<u>(2,039,544)</u>	<u>567,850</u>	<u>(2,880,797)</u>	<u>(2,855,871)</u>	<u>24,926</u>
0	9,286	9,286	0	0	0
0	0	0	0	0	0
0	0	0	875,000	878,326	3,326
0	0	0	1,000,000	1,001,800	1,800
2,000	20	(1,980)	0	0	0
0	0	0	0	0	0
1,608,000	1,608,000	0	870,776	915,448	44,672
(33,675)	(33,660)	15	0	0	0
<u>1,576,325</u>	<u>1,583,646</u>	<u>7,321</u>	<u>2,745,776</u>	<u>2,795,574</u>	<u>49,798</u>
(1,031,069)	(455,898)	575,171	(135,021)	(60,297)	74,724
2,097,984	2,097,984	0	404,510	404,510	0
781,780	781,780	0	0	0	0
<u>\$1,848,695</u>	<u>\$2,423,866</u>	<u>\$575,171</u>	<u>\$269,489</u>	<u>\$344,213</u>	<u>\$74,724</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, 1999**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Municipal Income Tax	\$990,000	\$959,051	(\$30,949)
Property and Other Taxes	0	0	0
Charges for Services	139,942	138,446	(1,496)
Licenses and Permits	65,000	65,321	321
Fines and Forfeitures	0	0	0
Intergovernmental	680,853	398,600	(282,253)
Special Assessments	6,600	18,492	11,892
Investment Income	0	15,606	15,606
Other	33,265	5,362	(27,903)
<b>Total Revenues</b>	<b>1,915,660</b>	<b>1,600,878</b>	<b>(314,782)</b>
Expenditures:			
Current:			
General Government	0	0	0
Security of Persons and Property	0	0	0
Public Health and Welfare	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Leisure Time Activities	0	0	0
Economic Development and Assistance	0	0	0
Capital Outlay	3,104,448	2,994,063	110,385
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>3,104,448</b>	<b>2,994,063</b>	<b>110,385</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(1,188,788)</b>	<b>(1,393,185)</b>	<b>(204,397)</b>
Other Financing Sources (Uses):			
Other Financing Sources	0	8,161	8,161
Other Financing Uses	(8,140)	(8,140)	0
Proceeds of Bonds	0	0	0
Proceeds of Notes	0	0	0
Sale of Fixed Assets	0	0	0
Proceeds of OPWC Loan	26,112	26,104	(8)
Operating Transfers - In	10,000	465,106	455,106
Operating Transfers - Out	(384,201)	(366,506)	17,695
<b>Total Other Financing Sources (Uses)</b>	<b>(356,229)</b>	<b>124,725</b>	<b>480,954</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<b>(1,545,017)</b>	<b>(1,268,460)</b>	<b>276,557</b>
Fund Balances at Beginning of Year	997,835	997,835	0
Prior Year Encumbrances Appropriated	1,121,998	1,121,998	0
<b>Fund Balances at End of Year</b>	<b>\$574,816</b>	<b>\$851,373</b>	<b>\$276,557</b>



Fiduciary Fund Type			Totals		
Expendable Trust Fund			(Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$4,960,000	\$4,804,776	(\$155,224)
0	0	0	1,484,034	1,596,340	112,306
0	0	0	721,392	812,006	90,614
0	3,810	3,810	113,500	108,560	(4,940)
0	0	0	663,500	831,070	167,570
0	0	0	2,393,982	2,223,489	(170,493)
0	0	0	6,600	30,054	23,454
0	0	0	760,800	842,508	81,708
0	0	0	306,773	403,652	96,879
0	3,810	3,810	11,410,581	11,652,455	241,874
0	0	0	2,023,363	2,050,970	(27,607)
0	0	0	3,962,617	3,824,606	138,011
0	0	0	124,300	113,097	11,203
0	0	0	1,326,456	1,265,943	60,513
0	0	0	30,399	22,427	7,972
0	0	0	1,239,801	1,206,817	32,984
0	0	0	449,582	448,782	800
0	0	0	4,482,100	4,217,508	264,592
0	0	0	2,756,336	2,755,123	1,213
0	0	0	491,362	491,300	62
0	0	0	16,886,316	16,396,573	489,743
0	3,810	3,810	(5,475,735)	(4,744,118)	731,617
0	0	0	500	29,297	28,797
(2,000)	(255)	1,745	(10,140)	(8,395)	1,745
0	0	0	875,000	878,326	3,326
0	0	0	1,000,000	1,001,800	1,800
0	0	0	2,000	2,940	940
0	0	0	26,112	26,104	(8)
0	0	0	2,488,776	2,988,554	499,778
0	0	0	(2,475,876)	(2,458,166)	17,710
(2,000)	(255)	1,745	1,906,372	2,460,460	554,088
(2,000)	3,555	5,555	(3,569,363)	(2,283,658)	1,285,705
18,840	18,840	0	5,344,746	5,344,746	0
0	0	0	2,202,995	2,202,995	0
<u>\$16,840</u>	<u>\$22,395</u>	<u>\$5,555</u>	<u>\$3,978,378</u>	<u>\$5,264,083</u>	<u>\$1,285,705</u>

**City of Norwalk, Ohio**  
**Combined Statement of Revenues,**  
**Expenses and Changes in Fund Equity**  
**All Proprietary Fund Types and Nonexpendable Trust Funds**  
**For the Year Ended December 31, 1999**

	Proprietary Fund Types		Fiduciary	Totals (Memorandum Only)
	Enterprise	Internal Service	Fund Type Nonexpendable Trust	
Operating Revenues:				
Charges for Services	\$3,648,710	\$682,868	\$0	\$4,331,578
Interest Income	0	0	18	18
Other	5,313	206,025	0	211,338
<b>Total Operating Revenues</b>	<b>3,654,023</b>	<b>888,893</b>	<b>18</b>	<b>4,542,934</b>
Operating Expenses:				
Personal Services	1,980,154	0	0	1,980,154
Contractual Services	582,522	102,934	0	685,456
Claims	0	723,340	0	723,340
Materials and Supplies	584,836	0	0	584,836
Depreciation	808,238	0	0	808,238
Capital Outlay	82,864	0	0	82,864
<b>Total Operating Expenses</b>	<b>4,038,614</b>	<b>826,274</b>	<b>0</b>	<b>4,864,888</b>
<b>Operating Income (Loss)</b>	<b>(384,591)</b>	<b>62,619</b>	<b>18</b>	<b>(321,954)</b>
Non-Operating Revenues (Expenses):				
Municipal Income Tax	920,951	0	0	920,951
Bond Issuance Costs	(4,091)	0	0	(4,091)
(Loss) on Disposal of Fixed Assets	(15,167)	0	0	(15,167)
Interest and Fiscal Charges	(295,232)	0	0	(295,232)
Other Non-Operating Revenue	864	0	0	864
<b>Total Non-Operating Revenues (Expenses)</b>	<b>607,325</b>	<b>0</b>	<b>0</b>	<b>607,325</b>
<b>Net Income</b>	<b>222,734</b>	<b>62,619</b>	<b>18</b>	<b>285,371</b>
Retained Earnings/Fund Balances at Beginning of Year (Restated)	9,044,280	127,592	4,097,822	13,269,694
Retained Earnings/Fund Balances at End of Year	9,267,014	190,211	4,097,840	13,555,065
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
<b>Total Fund Equity at End of Year</b>	<b>\$11,981,203</b>	<b>\$190,211</b>	<b>\$4,097,840</b>	<b>\$16,269,254</b>

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, 1999**

	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	\$3,626,064	\$682,868	\$0	\$4,308,932
Cash Payments to Suppliers for Goods and Services	(1,223,455)	(102,934)	0	(1,326,389)
Cash Payments to Employees for Services and Benefits	(2,005,887)	0	0	(2,005,887)
Cash Payments for Claims	0	(643,220)	0	(643,220)
Other Operating Revenues	5,481	206,025	0	211,506
Net Cash Provided by Operating Activities	402,203	142,739	0	544,942
<u>Cash Flows from Noncapital Financing Activities:</u>				
Short-Term Loans from Other Funds	1,000	0	0	1,000
Other Non-Operating Income	864	0	0	864
Municipal Income Tax	692,549	0	0	692,549
Net Cash Provided by Noncapital Financing Activities	694,413	0	0	694,413
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Proceeds from Loans	614,157	0	0	614,157
Acquisition of Capital Assets	(1,174,894)	0	0	(1,174,894)
Principal Payments	(276,691)	0	0	(276,691)
Interest Payments	(254,697)	0	0	(254,697)
Net Cash (Used for) Capital and Related Financing Activities	(1,092,125)	0	0	(1,092,125)
<u>Cash Flows from Investing Activities:</u>				
Interest on Investments	0	0	18	18
Net Cash Provided by Investing Activities	0	0	18	18
Net Increase in Cash and Cash Equivalents	4,491	142,739	18	147,248
Cash and Cash Equivalents at Beginning of Year	1,802,363	294,693	4,097,822	6,194,878
Cash and Cash Equivalents at End of Year	\$1,806,854	\$437,432	\$4,097,840	\$6,342,126
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	(\$384,591)	\$62,619	\$18	(\$321,954)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	808,238	0	0	808,238
Interest on Investments	0	0	(18)	(18)
Changes in Assets and Liabilities:				
(Increase)/Decrease in Accounts Receivable	(22,478)	0	0	(22,478)
(Increase)/Decrease in Materials and Supplies Inventory	(9,839)	0	0	(9,839)
Increase/(Decrease) in Accounts Payable	53,449	0	0	53,449
Increase/(Decrease) in Accrued Wages and Benefits	945	0	0	945
Increase/(Decrease) in Compensated Absences Payable	(22,785)	0	0	(22,785)
Increase/(Decrease) in Claims Payable	0	80,120	0	80,120
Increase/(Decrease) in Intergovernmental Payable	(20,736)	0	0	(20,736)
Total Adjustments	786,794	80,120	(18)	866,896
Net Cash Provided by Operating Activities	\$402,203	\$142,739	\$0	\$544,942

See accompanying notes to the general purpose financial statements

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**

**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 the Governmental Accounting Standards Board's (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**  
**DECEMBER 31, 1999**

**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 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**  
**DECEMBER 31, 1999**

**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**  
**DECEMBER 31, 1999**

**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 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, expendable trust 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, 1999, delinquent property taxes, delinquent special assessments and housing demolition costs collected by Huron County on behalf of the City 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**  
**DECEMBER 31, 1999**

**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. 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 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**  
**DECEMBER 31, 1999**

**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 1999.

**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**  
**DECEMBER 31, 1999**

**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 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 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 1999. 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, 1999.

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 1999 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	\$601,622	\$492,808
Special Revenue		
Municipal Court Improvement	3,536	85
RLF – CDBG	85,160	43,694
RLF – EDA	18,939	5,187

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**  
**DECEMBER 31, 1999**

**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 balance 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 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**  
**DECEMBER 31, 1999**

**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**  
**DECEMBER 31, 1999**

**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**  
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**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 - BUDGETARY BASIS OF ACCOUNTING**

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

The 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).

**CITY OF NORWALK, OHIO**  
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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)**

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$ (179,849)	\$ 291,649	\$ (64,423)	\$ 942,742	\$ 3,555
Net Adjustment for Revenue Accruals	39,127	345,153	2,755,644	(1,052,444)	255
Net Adjustment for Expenditure Accruals	(35,882)	(545,004)	(2,751,518)	(140,986)	(255)
Encumbrances	<u>(325,954)</u>	<u>(547,696)</u>	<u>0</u>	<u>(1,017,772)</u>	<u>0</u>
Budget Basis	<u><u>\$(502,558)</u></u>	<u><u>\$(455,898)</u></u>	<u><u>\$ (60,297)</u></u>	<u><u>\$(1,268,460)</u></u>	<u><u>\$3,555</u></u>

**NOTE 4 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR EQUITY**

For 1999, the City has implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan through Aetna Life Insurance and Annuity Company. On January 1, 1999, Aetna created a trust for the assets of the plan for which the City has no fiduciary responsibility. Therefore, the balance of Aetna's deferred compensation plan of \$258,770 was shown as a reduction in the deferred compensation agency fund.

In prior years, notes receivable in the special revenue funds were understated due to unrecorded notes. Fund balances at January 1, 1999 were restated to record these notes.

**CITY OF NORWALK, OHIO**  
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**NOTE 4 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR EQUITY (continued)**

The Ohio Water Development Authority adjusted the loan balance on the southside sewer separation project. Retained earnings have been restated in the sewer enterprise fund at January 1, 1999 to record this adjustment.

The restatement to the beginning fund balances/retained earnings on the GAAP basis is as follows:

	<u>Special Revenue</u>	<u>Enterprise</u>
Fund Balances/Retained Earnings as Stated at December 31, 1998	\$3,543,765	\$9,033,653
Restatement	<u>477,490</u>	<u>10,627</u>
Fund Balances/Retained Earnings as Restated at January 1, 1999	<u>\$4,021,255</u>	<u>\$9,044,280</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current 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;



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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**NOTE 5 - DEPOSITS AND INVESTMENTS (continued)**

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

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

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

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

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**NOTE 5 - DEPOSITS AND INVESTMENTS (continued)**

**Cash on Hand** - At year end, the City had \$2,262 in undeposited cash on hand which is included on the Combined Balance Sheet as part of "Equity in Pooled Cash 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 \$926,713 and the bank balance was \$1,515,333. Of the bank balance, \$492,957 was insured by federal depository insurance. \$1,022,376 was held by the pledging financial institution in a collateral pool not in the City's name in accordance with the Ohio Revised Code, which is considered uninsured and uncollateralized as defined by GASB Statement No. 3. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

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

	1	Category 2	3	Carrying Amount	Fair Value
Overnight Repurchase Agreements	\$ 0	\$ 0	\$748,000	\$ 748,000	\$ 748,000
City of Norwalk Bonds	296,484	0	0	296,484	296,484
FHLB Bonds	2,238,250	0	0	2,238,250	2,235,515
FHLMC Debentures	1,983,830	0	0	1,983,830	1,983,830
U.S. Treasury Notes	994,690	0	0	994,690	994,375
FNMA Notes	<u>3,833,780</u>	<u>0</u>	<u>0</u>	3,833,780	3,832,498
	<u>\$9,347,034</u>	<u>\$0</u>	<u>\$748,000</u>		
STAR Ohio				<u>2,489,545</u>	<u>2,489,545</u>
Total Investments				<u>\$12,584,579</u>	<u>\$12,580,562</u>

The classification of cash and 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**  
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**NOTE 5 - DEPOSITS AND INVESTMENTS (continued)**

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$13,217,070	\$ 296,484
Investments of Cash Management Pool:		
Overnight Repurchase Agreements	(748,000)	748,000
Cash on Hand	(2,262)	0
U.S. Treasury Notes	(994,690)	994,690
FNMA Notes	(3,833,780)	3,833,780
STAR Ohio	(2,489,545)	2,489,545
FHLB Bonds	(2,238,250)	2,238,250
FHLMC Debentures	<u>1,983,830</u>	<u>1,983,830</u>
GASB Statement No. 3	<u>\$ 926,713</u>	<u>\$12,584,579</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**  
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**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, 1999. 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, 1999 and are not intended to finance 1999 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, 1999 was \$8.25 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

<u>Category</u>	<u>Total Assessed Value</u>	<u>%</u>
Real Property Valuation:		
Residential/Agriculture	\$ 122,058,890	55.38
Commercial/Industrial/Mineral	50,547,160	22.93
Public Utilities	41,310	0.02
Tangible Personal Property Valuation:		
General	37,028,010	16.80
Public Utilities	<u>10,720,390</u>	<u>4.87</u>
Total Valuation	<u>\$220,395,760</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 1999 received 60 days after year end have been recognized as revenue in 1999.

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

For the year 1998, the City suspended the levying and collection of the 0.25% income tax in the sanitation enterprise fund. The remaining 1.25% income tax revenues were distributed among the general fund (80%) and general capital improvements fund (20%). The levying and collection of the 0.25% income tax in the sanitation enterprise fund was resumed in 1999. The income tax collected in 1999 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**  
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**NOTE 8 - INTERGOVERNMENTAL RECEIVABLES**

Receivables at December 31, 1999 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.

A summary of the items of intergovernmental receivables follows:

<u>Fund</u>	<u>Amount</u>
General	\$52,380
Special Revenue	
Street	6,766
State Highway	<u>549</u>
Total Special Revenue	<u>7,315</u>
Total All Funds	<u>\$59,695</u>

**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 1999 follows:

	<u>Balance</u> <u>01/01/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/99</u>
Land and Improvements	\$ 2,543,279	\$ 53,821	\$ (15,410)	\$ 2,581,690
Buildings	6,896,943	129,645	0	7,026,588
Equipment	3,994,276	431,217	(90,579)	4,334,914
Construction in Progress	<u>0</u>	<u>17,000</u>	<u>0</u>	<u>17,000</u>
	<u>\$13,434,498</u>	<u>\$631,683</u>	<u>\$(105,989)</u>	<u>\$13,960,192</u>

The beginning balance in the general fixed assets account group has been restated due to errors in prior periods.

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**NOTE 10 - FIXED ASSETS (continued)**

A summary of the enterprise funds' fixed assets at December 31, 1999 follows:

Land and Improvements	\$773,401
Buildings	7,076,157
Equipment	6,924,386
Underground Piping	<u>14,966,517</u>
	29,740,461
Less: Accumulated Depreciation	<u>(14,828,105)</u>
Net Fixed Assets	<u>\$14,912,356</u>

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

A. Public Employees Retirement System

All employees of the City, with the exclusion of City police officers and firefighters, participate in the 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.

Plan members are required to contribute 8.5% of their annual covered salary to fund pension benefit obligations and the City is required to contribute 13.55%; 9.35% 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, 1999, 1998 and 1997 were \$379,284, \$342,084 and \$286,541, respectively. The full amount has been contributed for 1998 and 1997. 65.0% has been contributed for 1999 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**  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)**

**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; 12.5% and 17.0% 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, 1999, 1998 and 1997 were \$319,070, \$267,202 and \$258,181, respectively. The full amount has been contributed for 1998 and 1997. 65.7% has been contributed in 1999 with the remainder being recorded as a liability in the respective funds and the general long-term obligations account group.

**NOTE 12 - POST-EMPLOYMENT BENEFITS**

**A. Public Employees Retirement System**

The Public Employees Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit and primary survivor recipients or such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Post-Employment Benefits by State and Local Governmental Employers". A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care for the year 1999. The City's actual contributions for 1999 which were used to fund post-employment benefits were \$170,373.

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

**CITY OF NORWALK, OHIO**  
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**NOTE 12 - POST-EMPLOYMENT BENEFITS (continued)**

OPEB are financed through employer contributions and investment earnings there on. The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible statewide for OPEB at December 31, 1999 was 118,062.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

**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 1999 which were used to fund post-employment benefits were \$153,828.

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 6.5% and 7.0% of covered payroll in 1998 and 1999, respectively. The allocation is 7.25% in 2000. 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, 1998, the date of the last actuarial valuation available, are 11,424 for police officers and 9,186 for firefighters. The OP&F's total health care expense for the year ending December 31, 1998, the date of the last actuarial valuation available, was \$78,596,790, which was net of member contributions of \$5,331,515.



**CITY OF NORWALK, OHIO**  
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**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. 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, 1999, the liability for compensated absences was \$585,254 for the entire City.

**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.

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**

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

D. Employee Health Insurance

The City has elected to provide employee medical and prescription benefits through a self-insurance program. The City maintains a self-insurance internal service fund to account for and finance its uninsured risk of loss in this program. This plan provides a medical plan with a \$200.00 family and \$100.00 single deductible. A third party administrator, Self Funded Plans, Inc., located in Cleveland, 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 pays 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. Premiums for family coverage is \$10.00 per month and premiums for single coverage is \$5.00 per month for full-time employees. The premium is paid by the fund that pays the salary for the employee.

The claims liability of \$247,221 reported in the self-insurance internal service fund at December 31, 1999 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Services", 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:

	<u>Beginning – of Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Year End</u>
1998	\$111,904	\$684,140	\$(628,943)	\$167,101
1999	167,101	723,340	(643,220)	247,221

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**

**NOTE 15 - DEBT OBLIGATIONS**

Debt outstanding at December 31, 1999, consisted of the following issues:

	<u>Balance</u> <u>01/01/99</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/99</u>
<u>ENTERPRISE FUNDS</u>				
0.00%, OPWC Loans, Due through 2006	\$227,480	\$0	\$(80,093)	\$147,387
3.8% - 5.9%, Waterworks General Obligation Bonds, Due through 2015	3,725,000	0	(140,000)	3,585,000
3.75%, OWDA Ward/Parsons Sewer Construction Project Loan, Due through 2019	51,178	614,157	(12,128)	653,207
3.85%, OWDA Southside Sewer Separation Project Loan, Due through 2016	<u>1,085,785</u>	<u>0</u>	<u>(44,470)</u>	<u>1,041,315</u>
Total Enterprise Debt	<u>5,089,443</u>	<u>614,157</u>	<u>(276,691)</u>	<u>5,426,909</u>
<u>GENERAL LONG-TERM</u> <u>OBLIGATIONS ACCOUNT</u> <u>GROUP</u>				
6.0%, Parking Improvement Bonds, Due through 2017	179,971	0	(5,331)	174,640
5.5%, Parking Improvement Bonds, Due through 2017	87,419	0	(2,723)	84,696
5.125%, Sewer Construction Bonds, Due through 2001	240,000	0	(80,000)	160,000

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**

**NOTE 15 - DEBT OBLIGATIONS (continued)**

	<u>Balance</u> <u>01/01/99</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/99</u>
5.25% - 8.20%, Sewer System Improvement Bonds, Due through 2007	1,800,000	0	(200,000)	1,600,000
7.95%, Sanitary Sewer Improvement Bonds, Due through 2001	53,696	0	(16,548)	37,148
3.85% – 5.30%, Street Improvement Bonds, Due through 2014	0	875,000	0	875,000
0.00%, OPWC Memorial Reservoir Spillway Improvements, Due through 2018	250,473	26,104	(13,829)	262,748
4.25%, Liability for Police and Fire Past Service Cost	<u>514,640</u>	<u>0</u>	<u>( 6,085)</u>	<u>508,555</u>
Total General Long-Term Obligations	<u>3,126,199</u>	<u>901,104</u>	<u>(324,516)</u>	<u>3,702,787</u>
<b>TOTAL DEBT OBLIGATIONS</b>	<u><b>\$8,215,642</b></u>	<u><b>\$1,515,261</b></u>	<u><b>\$(601,207)</b></u>	<u><b>\$9,129,696</b></u>

The OPWC loans and the 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**  
**DECEMBER 31, 1999**

**NOTE 15 - 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. As of December 31, 1999, this debt issue is recorded as "General Obligation Bonds Payable" in the general long-term obligations account group and as "Investments in City of Norwalk Securities" in the debt service funds in the amount of \$37,148. 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 1999, the City received \$20,817 from the owner, \$16,548 for principal payments and \$4,269 for interest. The total principal to be received from the owner, which is equal to the bond principal outstanding at December 31, 1999, has been recorded as "Accounts Receivable", with a corresponding entry to "Deferred Revenue", in the debt service funds.

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, 1999, 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 \$259,336. 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**  
**DECEMBER 31, 1999**

**NOTE 15 - DEBT OBLIGATIONS (continued)**

The annual requirements to amortize all bonded debt outstanding as of December 31, 1999, including interest payments of \$1,172,960 for the general long-term obligations account group, \$1,859,931 for the waterworks general obligation bonds, and \$716,214 for the OWDA loans are as follows:

Year Ending <u>December 31</u>	General Long- Term Obligations <u>Account Group</u>	Enterprise Waterworks	Enterprise OPWC <u>Loans</u>	Enterprise <u>OWDA Loans</u>	<u>Total</u>
		General Obligation <u>Bonds</u>			
2000	\$ 563,525	\$ 343,278	\$ 22,675	\$ 136,835	\$ 1,066,313
2001	541,994	341,033	22,675	136,835	1,042,537
2002	419,433	338,393	22,675	136,834	917,335
2003	406,498	340,223	22,675	136,835	906,231
2004	388,097	341,383	22,675	136,833	888,988
Thereafter	<u>2,047,645</u>	<u>3,740,621</u>	<u>34,012</u>	<u>1,726,564</u>	<u>7,548,842</u>
Total	<u>\$4,367,192</u>	<u>\$5,444,931</u>	<u>\$147,387</u>	<u>\$2,410,736</u>	<u>\$12,370,246</u>

During the year ended December 31, 1999, the following changes occurred in liabilities reported in the general long-term obligations account group:

	Balance <u>01/01/99</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/99</u>
Compensated Absences Payable	\$ 399,217	\$ 0	\$ (21,232)	\$ 377,985
Police and Fire Past Service Cost	514,640	0	(6,085)	508,555
General Obligation Bonds Payable	2,361,086	875,000	(304,602)	2,931,484
OPWC Loans Payable	250,473	26,104	(13,829)	262,748
Intergovernmental Payable	<u>28,059</u>	<u>68,863</u>	<u>(28,059)</u>	<u>68,863</u>
Total	<u>\$3,553,475</u>	<u>\$969,967</u>	<u>\$(373,807)</u>	<u>\$4,149,635</u>

**NOTE 16 - 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, 1999, \$2,931,558 of bonds outstanding are considered defeased.

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**

**NOTE 17 - INTERFUND ASSETS AND LIABILITIES**

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

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

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$59,050	\$ 0
Special Revenue		
Municipal Probation Services	300	0
Municipal Court Capital Improvement	4,892	0
Municipal Court Computerization	1,657	0
Indigent Drivers Alcohol	931	0
DUI Enforcement/Education	174	0
Mandatory Drug Fine	<u>3</u>	<u>0</u>
Total Special Revenue	7,957	0
Agency		
Municipal Court	<u>0</u>	<u>67,007</u>
Total All Funds	<u>\$67,007</u>	<u>\$67,007</u>

**NOTE 18 - INTERFUND TRANSACTIONS**

A summary of operating transfers by fund type follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General	Special Revenue	\$1,608,000
General	Capital Projects	450,000
Special Revenue	Debt Service	23,660
Special Revenue	Capital Projects	10,000
Capital Projects	Capital Projects	171,458
Capital Projects	Debt Service	<u>16,270</u>
Total		<u>\$2,279,388</u>

**CITY OF NORWALK, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**

**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, 1999, is as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Sanitation</u>	<u>Totals</u>
Operating Revenue	\$1,679,465	\$1,971,070	\$3,488	\$3,654,023
Operating Expenses Before Depreciation	1,217,171	1,276,695	736,510	3,230,376
Depreciation Expense	360,941	368,458	78,839	808,238
Net Non-Operating Revenues (Expenses)	(63,245)	(251,245)	921,815	607,325
Net Income	38,108	74,672	109,954	222,734
Property, Plant and Equipment Additions	748,679	395,140	91,530	1,235,349
Net Working Capital	942,051	705,639	296,683	1,944,373
Total Assets	7,682,952	8,638,027	1,018,592	17,339,571
Total Equity	5,825,357	5,193,376	962,470	11,981,203
Encumbrances at December 31, 1999	437,177	213,695	8,224	659,096

**NOTE 20 - 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, as of and for the year ended December 31, 1999, and have issued our report thereon dated July 7, 2000. As discussed in Note 4 to the general purpose financial statements, the City changed its method of accounting for Internal Revenue Code Section 457 deferred compensation plans for the year ended December 31, 1999, as required by the provisions of Governmental Accounting Standards Board Statement No. 32. We conducted our audit in accordance with generally accepted auditing standards 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, the members of Council and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

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

July 7, 2000

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH *OMB CIRCULAR A-133***

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

Compliance

We have audited the compliance of the City of Norwalk, Ohio with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1999. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Norwalk, Ohio complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1999. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 99-1.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133** (continued)

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the members of Council and federal awarding agencies and pass-through entities, 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 7, 2000

**City of Norwalk, Ohio**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 1999**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants/State's Program	14.228	A-E-97-159-1	\$78,410
Community Development Block Grants/State's Program	14.228	A-F-98-159-1	46,234
Community Development Block Grants/State's Program	14.228	A-F-97-159-1	923
Community Development Block Grants/State's Program	14.228	----	385,638
Total U.S. Department of Housing and Urban Development			511,205
<b><u>U.S. Department of Transportation</u></b>			
<i>Passed Through Ohio Department of Public Safety:</i>			
State and Community Highway Safety	20.600	1032-39087PDO	2,974
Total U.S. Department of Transportation			2,974
<b><u>U.S. Department of Commerce</u></b>			
Special Economic Development and Adjustment Assistance Program - Sudden and Severe Economic Dislocation and Long-Term Economic Deterioration	11.307	06-39-02210	300,000
Total U.S. Department of Commerce			300,000
<b><u>U.S. Department of Justice</u></b>			
<i>Passed Through Ohio Office of Criminal Justice Services:</i>			
Local Law Enforcement Block Grants Program	16.592	98-LE-LEB-3070	4,457
Local Law Enforcement Block Grants Program	16.592	96-LE-LEB-3070	95
Total U.S. Department of Justice			4,552
Total Expenditures of Federal Awards			\$818,731

**CITY OF NORWALK, OHIO**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

**NOTE B - REVOLVING LOAN FUND PROGRAM**

1. Community Development Block Grant Funded - As of December 31, 1999, there were twelve loans outstanding totaling \$983,907. During 1999, the remaining portion of the loan with Mayflower Vehicle Systems, Inc., totaling \$77,910, was paid.
2. Economic Development Administration Funded - As of December 31, 1999, there were two loans outstanding totaling \$296,917. One new loan was made during 1999 totaling \$300,000.

**NOTE C - HOUSING REHAB LOAN PROGRAM**

1. Community Development Block Grant Funded - As of December 31, 1999, there were thirteen loans outstanding totaling \$67,991. No new loans were made during 1999.
2. Rural Housing Preservation Grant Funded - As of December 31, 1999, there were thirty-one loans outstanding totaling \$203,692. No new loans were made during 1999.

**CITY OF NORWALK, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §505**

**FOR THE YEAR ENDED DECEMBER 31, 1999**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of auditor's report issued on the general purpose financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the general purpose financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the general purpose financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the general purpose financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Unqualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	Yes

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 §505**  
**(CONTINUED)**

(d)(1)(vii)	Major Programs:	Community Development Block Grants/State's Program, CFDA #14.228 and Special Economic Development and Adjustment Program – Sudden and Severe Economic Dislocation and Long-Term Economic Deterioration, CFDA #11.307
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

2. **FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

A. Level of Effort – Capital Utilization

**Audit Finding Reference Number:** 99-1

**CFDA Title and Number:** Special Economic Development and Adjustment Assistance Program – Sudden and Severe Economic Dislocation and Long-Term Economic Deterioration, CFDA #11.307

**Federal Award Number:** 06-39-02210

**Federal Agency:** Department of Commerce

Section X, Title IX Economic Adjustment Program Revolving Loan Fund Administrative Manual, states, in part, that “during the revolving phase, grant recipients are expected to manage their repayment and lending schedules to maximize the amount of capital loaned out or committed at all times. Under normal circumstances, at least 75% of an RLF’s capital should be in use. (RLF Income earned during the current period is not included as RLF capital.) EDA may recognize exceptions for RLFs whose Plan calls for making loans that are large relative to the size of the capital base. RLFs with capital bases in excess of \$4 million are expected to maintain a proportionately higher percentage of their funds loaned out. The percentage will be determined by EDA on a case-by-case basis. When the percentage of capital loaned out falls below the applicable standard, the dollar amount of the funds equivalent to the difference between the actual percentage of capital loaned out and the standard is referred to as excess funds.



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 §505**  
**(CONTINUED)**

In the event that there are excess funds at the time a semiannual report is due, the grant recipient must submit an explanation of the situation with the report, and if there is a significant deviation from the standard, as determined by EDA, the grant recipient must describe the remedial action to be taken.

At any time subsequent to a second consecutive report showing that the applicable standard has not been met, EDA may require the grant recipient to deposit excess funds in an interest bearing account; that portion of the interest earned on that account, attributable to the EDA grant, will be remitted to the U.S. Treasury. EDA approval will be required to withdraw sequestered funds.

EDA will normally give the grant recipient a reasonable period of time to loan the excess funds and achieve the standard. However, when a grant recipient fails to achieve that applicable standard after a reasonable period of time, as determined by EDA, the grant will be subject to sanctions for suspension and/or termination.”

Our review of the Semiannual Reports for EDA-Funded RLF Grants for the periods ended March 31, 1999 and September 30, 1999 revealed that the City did not properly report the percentage of the RLF’s capital base in use to EDA. We were able to calculate the correct percentage of the RLF’s capital base in use at March 31, 1999 and September 30, 1999. We determined that the percentage of the RLF’s capital base in use was 9% at March 31, 1999 and 38% at September 30, 1999.

We recommend that the City ensure that the proper percentage of the RLF’s capital base in use is reported to EDA in the Semiannual Reports. Also, we recommend that the City submit an explanation of the situation in the next Semiannual Report submitted to EDA. In addition, we recommend that the City make every effort to increase the percentage of the RLF’s capital base in use in order to achieve the required level of 75%.

**CITY OF NORWALK, OHIO**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 §315(c)**

**FOR THE YEAR ENDED DECEMBER 31, 1999**

Audit Finding Reference Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
99-1	Subsequent semiannual reports will contain the percentage of capital base in use in Part III, Section D. A response from the City will be included with the semiannual reports when the percentage of capital base in use falls below 75%.	The anticipated completion date is the due date of the next semiannual report to EDA, which is October 15, 2000.	Ms. Diane Eschen, Director of Finance



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-282-0370

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**CITY OF NORWALK**

**HURON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 26, 2000**