

**CITY OF NORWALK
HURON COUNTY**

SINGLE AUDIT

JANUARY 1, 2020 – DECEMBER 31, 2020



WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPARepor@ohioauditor.gov
(800) 282-0370

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 Wilson, Shannon & Snow, Inc., for the audit period January 1, 2020 through December 31, 2020. 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 cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 11, 2021

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**CITY OF NORWALK
HURON COUNTY, OHIO**

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City of Norwalk
Huron County
38 Whittlesey Avenue
P.O. Box 30
Norwalk, Ohio 44857

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwalk, Huron County, Ohio (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwalk, Huron County, Ohio, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General and Local Coronavirus Relief Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2020, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84 "*Fiduciary Activities*" and recorded other corrections. As discussed in Note 21 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding these matters.

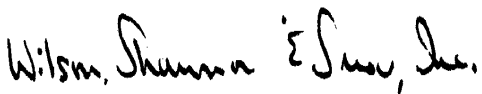
Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2021 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



June 18, 2021
Newark, Ohio

**CITY OF NORWALK
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

The management's discussion and analysis of the City of Norwalk's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- The total net position of the City increased \$58,000 from 2019 restated net position. Net position of governmental activities decreased \$662,785 or 4% over the 2019 restated net position of \$18,209,895 and net position of business-type activities increased \$720,785 or 2% from 2019 net position of \$29,810,587.
- General revenues and transfers accounted for \$9,531,846, or 62% of total governmental activities revenue. Program specific revenues accounted for \$5,782,662 or 38% of total governmental activities revenue.
- The City had \$15,977,293 in expenses related to governmental activities; \$5,782,662 of these expenses was offset by program specific charges for services and sales, grants or contributions. The remaining expenses of the governmental activities of \$10,194,631 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) and transfers of \$9,531,846.
- The general fund had revenues and other financing sources of \$7,809,742 in 2020. This represents a decrease of \$950,589 from 2019 revenues. The expenditures and other financing uses of the general fund, which totaled \$7,006,224 decreased \$1,114,674 in 2020 from 2019 expenditures and other financing uses. The net increase in fund balance for the general fund was \$803,518 or 24%.
- The general capital improvements fund had revenues and other financing sources of \$1,308,420 in 2020. The expenditures of the general capital improvements fund totaled \$1,480,114 in 2020. The net decrease in fund balance was \$171,694 from 2019.
- The local coronavirus relief fund had revenues of \$1,545,751 and expenditures of \$1,542,818 resulting in an ending fund balance of \$2,933.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity.

**CITY OF NORWALK
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

The statements then proceed to provide an increasingly detailed look at specific financial activities. The statement of net position and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire, street maintenance, parks and recreation, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's sewer, water, sanitation and storm water operations are reported here.

**CITY OF NORWALK
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, the general capital improvements fund and the local coronavirus relief fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water, sanitation and storm water management functions.

**CITY OF NORWALK
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

All of the enterprise funds are considered major funds with the exception of the storm water fund.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Government-Wide Financial Analysis

The statement of net position serves as a useful indicator of a government's financial position (2019 Governmental Activities have been restated).

	Governmental Activities 2020	Business-type Activities 2020	Governmental Activities 2019	Business-type Activities 2019	Total 2020	Total 2019
Assets						
Current and other assets	\$ 13,406,945	\$ 8,878,614	\$ 12,231,049	\$ 8,410,086	\$ 22,285,559	\$ 20,641,135
Nondepreciable capital assets	3,148,402	471,435	3,173,377	309,951	3,619,837	3,483,328
Depreciable capital assets, net	20,092,050	40,054,479	20,479,261	40,522,012	60,146,529	61,001,273
Capital assets, net	<u>23,240,452</u>	<u>40,525,914</u>	<u>23,652,638</u>	<u>40,831,963</u>	<u>63,766,366</u>	<u>64,484,601</u>
Total assets	<u>36,647,397</u>	<u>49,404,528</u>	<u>35,883,687</u>	<u>49,242,049</u>	<u>86,051,925</u>	<u>85,125,736</u>
Deferred outflows of resources	<u>2,741,845</u>	<u>976,008</u>	<u>3,934,041</u>	<u>1,692,132</u>	<u>3,717,853</u>	<u>5,626,173</u>
Liabilities						
Current and other liabilities	611,009	618,516	646,512	570,334	1,229,525	1,216,846
Long-term liabilities:						
Due within one year	654,802	1,289,693	610,657	1,285,477	1,944,495	1,896,134
Net pension liability	11,803,549	3,694,039	13,815,284	5,129,353	15,497,588	18,944,637
Net OPEB liability	3,274,594	2,588,150	2,977,511	2,476,086	5,862,744	5,453,597
Due in more than one year	<u>1,493,562</u>	<u>10,506,698</u>	<u>1,752,138</u>	<u>11,588,275</u>	<u>12,000,260</u>	<u>13,340,413</u>
Total liabilities	<u>17,837,516</u>	<u>18,697,096</u>	<u>19,802,102</u>	<u>21,049,525</u>	<u>36,534,612</u>	<u>40,851,627</u>
Deferred inflows of resources	<u>4,004,616</u>	<u>1,152,068</u>	<u>1,805,731</u>	<u>74,069</u>	<u>5,156,684</u>	<u>1,879,800</u>
Net Position						
Net investment in capital assets	22,463,064	29,349,020	22,504,640	28,292,971	51,812,084	50,797,611
Restricted	3,255,179	-	3,449,879	-	3,255,179	3,449,879
Unrestricted	<u>(8,171,133)</u>	<u>1,182,352</u>	<u>(7,744,624)</u>	<u>1,517,616</u>	<u>(6,988,781)</u>	<u>(6,227,008)</u>
Total net position	<u>\$ 17,547,110</u>	<u>\$ 30,531,372</u>	<u>\$ 18,209,895</u>	<u>\$ 29,810,587</u>	<u>\$ 48,078,482</u>	<u>\$ 48,020,482</u>

Over time, net position can serve as a useful indicator of a government's financial position. At year-end, net position was \$48,078,482 that comprised \$17,547,110 and \$30,531,372 for the governmental activities and the business-type activities, respectively.

**CITY OF NORWALK
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 59% and 80% of total assets and deferred outflows of resources for the governmental activities and business-type activities, respectively. Capital assets include land, construction in progress, land improvements, buildings, equipment and infrastructure. The City's net investment in capital assets at December 31, 2020, were \$22,463,064 and \$29,349,020 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. A portion of the City's net position, \$3,255,179 represents resources that are subject to external restriction on how they may be used.

The following table shows the changes in net position for 2020 and 2019 (net position for governmental activities was restated).

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**CITY OF NORWALK
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

	Change in Net Position					
	Governmental Activities 2020	Business-type Activities 2020	Governmental Activities 2019	Business-type Activities 2019	Total 2020	Total 2019
Revenues						
Program revenues:						
Charges for services and sales	\$ 1,549,788	\$ 7,905,715	\$ 2,495,203	\$ 7,768,097	\$ 9,455,503	\$ 10,263,300
Operating grants and contributions	4,006,624	-	1,927,872	-	4,006,624	1,927,872
Capital grants and contributions	226,250	-	403,030	320,930	226,250	723,960
Total program revenues	5,782,662	7,905,715	4,826,105	8,089,027	13,688,377	12,915,132
General revenues:						
Property and other local taxes	1,401,134	-	1,390,459	-	1,401,134	1,390,459
Income taxes	6,206,541	1,240,293	6,721,397	1,344,609	7,446,834	8,066,006
Shared revenues	92,949	-	147,995	-	92,949	147,995
Payment in lieu of taxes	80,142	-	10,931	-	80,142	10,931
Grants and entitlements	688,783	-	637,363	-	688,783	637,363
Investment earnings	306,589	-	516,024	-	306,589	516,024
Other	686,543	371,832	282,279	75,382	1,058,375	357,661
Total general revenues	9,462,681	1,612,125	9,706,448	1,419,991	11,074,806	11,126,439
Total revenues	15,245,343	9,517,840	14,532,553	9,509,018	24,763,183	24,041,571
Program Expenses:						
General government	3,000,692	-	3,255,854	-	3,000,692	3,255,854
Security of persons and property	8,308,631	-	1,553,332	-	8,308,631	1,553,332
Public health and welfare	104,956	-	108,249	-	104,956	108,249
Transportation	2,151,231	-	2,210,674	-	2,151,231	2,210,674
Community environment & development	551,616	-	478,503	-	551,616	478,503
Leisure time activity	1,722,426	-	2,597,404	-	1,722,426	2,597,404
Utility services	92,150	-	15,908	-	92,150	15,908
Interest and fiscal charges	45,591	-	65,692	-	45,591	65,692
Sanitation	-	1,501,848	-	1,690,580	1,501,848	1,690,580
Sewer	-	2,936,060	-	3,723,123	2,936,060	3,723,123
Water	-	3,964,440	-	3,555,070	3,964,440	3,555,070
Storm water	-	325,542	-	270,274	325,542	270,274
Total expenses	15,977,293	8,727,890	10,285,616	9,239,047	24,705,183	19,524,663
Change in net position before transfers	(731,950)	789,950	4,246,937	269,971	58,000	4,516,908
Transfers	69,165	(69,165)	102,442	(102,442)	-	-
Increase (decrease) in net position	(662,785)	720,785	4,349,379	167,529	58,000	4,516,908
Net position beginning of year	18,209,895	29,810,587	13,860,516	29,643,058	48,020,482	43,503,574
Net position end of year	\$ 17,547,110	\$ 30,531,372	\$ 18,209,895	\$ 29,810,587	\$ 48,078,482	\$ 48,020,482

**CITY OF NORWALK
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

Governmental Activities

Governmental activities net position decreased \$662,785 in 2020 and is primarily attributed to the method which the City's retirement system, Ohio Police and Fire, changed the methodology for Other postemployment benefit contributions and benefit payments in 2019 which resulted in a negative expense for security of persons and property.

General government expenses totaled \$3,000,692 and were partially funded by \$973,374 in charges for services and sales and \$327,654 in operating grants and contributions.

Operating grants and contributions relate to federal, state and local revenues which totaled \$4,006,624. These revenues are restricted for security of persons and property, transportation and community environment and development purposes. Capital grants and contributions of \$226,250 were primarily for construction of streets and related improvements.

General revenues and transfers totaled \$9,531,846 and primarily consist of property and income tax revenue of \$7,607,675. The other primary source of general revenues is unrestricted grants totaling \$688,783.

The statement of activities shows the cost of program services and the charges for services and sales and grants and contributions offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2020 compared to 2019. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities - Program Revenues vs. Total Expenses

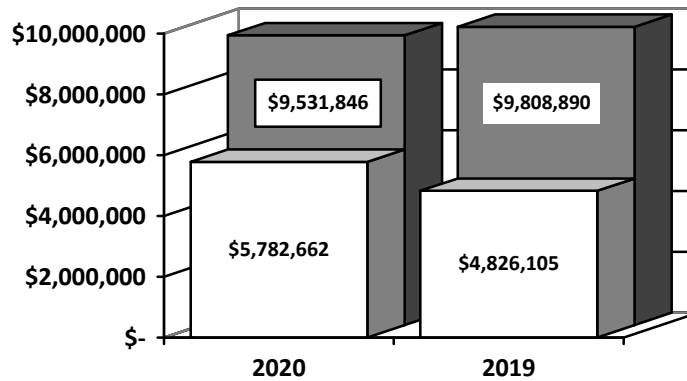
	2020		2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 3,000,692	\$ 1,699,664	\$ 3,255,854	\$ 2,122,660
Security of persons & property	8,308,631	5,919,483	1,553,332	1,104,546
Public health and welfare	104,956	104,956	108,249	108,249
Transportation	2,151,231	814,332	2,210,674	697,228
Community environment	551,616	358,893	478,503	(27,921)
Leisure time activity	1,722,426	1,159,562	2,597,404	1,373,149
Utility services	92,150	92,150	15,908	15,908
Interest and fiscal charges	45,591	45,591	65,692	65,692
Total	<u>\$ 15,977,293</u>	<u>\$ 10,194,631</u>	<u>\$ 10,285,616</u>	<u>\$ 5,459,511</u>

**CITY OF NORWALK
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

The chart below illustrates the City's program revenues versus general revenues for 2020 and 2019.

Governmental Activities – General and Program Revenues

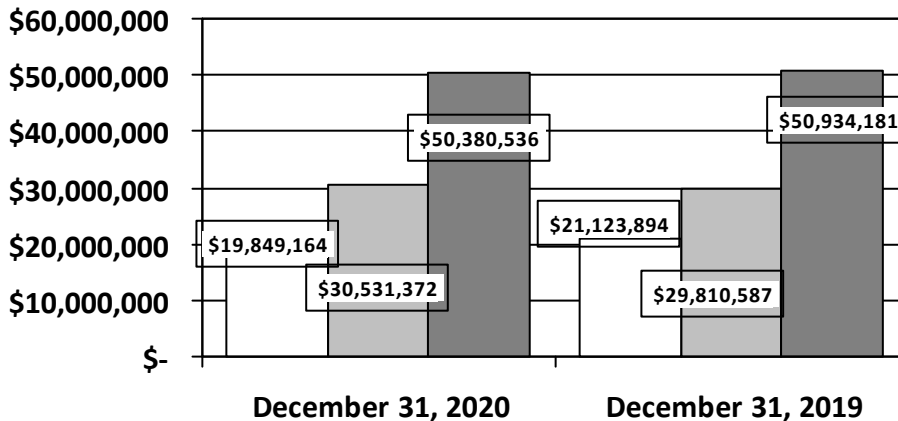


Program Revenues
 General Revenues and Transfers

Business-type Activities

Business-type activities include the water, sewer, sanitation and storm water enterprise funds. The graph below shows the business-type activities assets and deferred outflows, liabilities and deferred inflows and net position at year-end.

Net Position in Business - Type Activities



Liabilities & Deferred Inflows
 Net Position
 Assets & Deferred Outflows

**CITY OF NORWALK
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds reported a combined fund balance of \$9,063,398 which is \$646,907 higher than last year's restated total of \$8,416,491. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2020 for all major and non-major governmental funds.

	Fund Balances 12/31/2020	(Restated) Fund Balances 12/31/2019	Increase (Decrease)
Major funds:			
General fund	\$ 4,130,118	\$ 3,326,600	\$ 803,518
General capital improvement fund	329,558	501,252	(171,694)
Local coronavirus relief fund	2,933	-	2,933
Other governmental funds	4,600,789	4,588,639	12,150
Total	<u>\$ 9,063,398</u>	<u>\$ 8,416,491</u>	<u>\$ 646,907</u>

General Fund

The City's general fund balance increased \$803,518. The table that follows assists in illustrating the revenues of the general fund.

**CITY OF NORWALK
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

	2020 <u>Amount</u>	2019 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Property and other taxes	\$ 638,335	\$ 634,090	0.67 %
Income taxes	4,658,802	5,598,540	(16.79) %
Shared revenues	71,206	112,210	(36.54) %
Special assessments	2,262	2,859	(20.88) %
Charges for services	56,324	73,794	(23.67) %
Licenses and permits	299,930	240,769	24.57 %
Fines and forfeitures	427,238	697,381	(38.74) %
Intergovernmental	827,090	748,656	10.48 %
Investment income	313,069	528,987	(40.82) %
Other	433,296	123,045	252.14 %
Total	<u>\$ 7,727,552</u>	<u>\$ 8,760,331</u>	(11.79) %

The City's largest revenue source in the general fund was income tax revenue, which represents 60% of all general fund revenue and decreased 16.79% from the prior year. The decrease is primarily attributed to the impact of the COVID-19 virus.

The table that follows assists in illustrating the expenditures of the general fund.

	2020 <u>Amount</u>	2019 <u>Amount</u>	Percentage <u>Change</u>
<u>Expenditures</u>			
General government	\$ 2,183,491	\$ 2,070,063	5.48 %
Security of persons and property	3,767,943	4,637,532	(18.75) %
Public health and welfare	104,956	108,249	(3.04) %
Transportation	9,434	9,918	(4.88) %
Community environment and development	18,678	28,127	(33.59) %
Leisure time activity	16,482	-	n/a
Utility services	92,150	-	n/a
Capital outlay	-	201,986	(100.00) %
Debt service	11,962	12,706	(5.86) %
Total	<u>\$ 6,205,096</u>	<u>\$ 7,068,581</u>	(12.22) %

Total general fund expenditures decreased from 2019 which was primarily attributed to local coronavirus relief funds received based on the impact of COVID-19. The City was able to use a significant portion of this money toward security of persons and property.

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC.

**CITY OF NORWALK
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly. Budgetary information is presented for the general fund. In the general fund, the actual revenues and other financing sources came in \$170,672 lower than they were in the final budget and actual expenditures and other financing uses were \$1,541,002 less than the amount in the final budget.

General Capital Improvements Fund

The general capital improvements fund had revenues and other financing sources of \$1,308,420 in 2020. The expenditures of the general capital improvements fund totaled \$1,480,114 in 2020. The net decrease in fund balance was \$171,694 from 2019.

Local Coronavirus Relief Fund

The local coronavirus relief fund had revenues of \$1,545,751 and expenditures of \$1,542,818 resulting in an ending fund balance of \$2,933.

Capital Assets and Debt Administration

Capital Assets

At the end of 2020, the City had \$63,766,366 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings, equipment, and infrastructure. Of this total, \$23,240,452 was reported in governmental activities and \$40,525,914 was reported in business-type activities. See Note 9 for further description of capital assets.

**Capital Assets at December 31
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 3,057,434	\$ 3,057,434	\$ 45,261	\$ 45,261	\$ 3,102,695	\$ 3,102,695
Construction in progress	90,968	115,943	426,174	264,690	517,142	380,633
Land improvements	784,554	853,997	144,785	166,083	929,339	1,020,080
Buildings	9,311,858	9,446,977	9,115,069	9,316,228	18,426,927	18,763,205
Equipment	2,127,153	2,212,501	3,033,921	2,979,785	5,161,074	5,192,286
Infrastructure	7,868,485	7,965,786	27,760,704	28,059,916	35,629,189	36,025,702
Totals	<u>\$ 23,240,452</u>	<u>\$ 23,652,638</u>	<u>\$ 40,525,914</u>	<u>\$ 40,831,963</u>	<u>\$ 63,766,366</u>	<u>\$ 64,484,601</u>

The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 34% of the City's total governmental activities and 69% of the business-type activity capital assets.

**CITY OF NORWALK
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

Debt Administration

The City had the following debt obligations outstanding at December 31, 2020 and 2019:

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
OPWC loans	\$ 162,583	\$ 172,955
OWDA loans	84,353	165,510
Capital leases	530,452	709,366
Police and fire pension	298,952	313,669
Total debt obligations	<u>\$ 1,076,340</u>	<u>\$ 1,361,500</u>
	<u>Business-type Activities</u>	
	<u>2020</u>	<u>2019</u>
OPWC loans	\$ 178,983	\$ 189,275
OWDA loans	10,867,202	11,881,955
Capital leases	130,709	236,841
Total debt obligations	<u>\$ 11,176,894</u>	<u>\$ 12,308,071</u>

See Notes 10 and 11 to the basic financial statements for detail on the City's debt obligations.

Economic Factors and Next Year's Budget and Rates

The City continues to closely monitor the revenue and expenditures. Income tax collections, the City's primary source of General fund cash basis revenue, fluctuated between years. The City has continued to budget conservatively.

In addition, the following items were taken into consideration during preparation of the 2020 budget: 1) Interest rates continue to be lower than historical levels; 2) The cost of repair and replacement of City infrastructure continues to increase; and 3) Income Tax Revenue is budgeted to increase in 2020, however, the impact of the COVID-19 pandemic may impact these projections.

The United States of America and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The City is cognizant of the potential financial impact the pandemic will have on operations and providing services to our residents. It is anticipated that budget revisions will occur that may impact the level of services provided; however, it is the City's intent to try to minimize any material disruptions so long as the City's financial policies remain in place.

Contacting the City's Financial Management

This financial report is designed to provide an overview and accountability of the City's finances. If you have questions about this report or need additional financial information, contact the Finance Director, City of Norwalk, 38 Whittlesey Avenue, P.O. Box 30, Norwalk, Ohio 44857.

**CITY OF NORWALK
HURON COUNTY**

STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 7,343,208	\$ 7,866,954	\$ 15,210,162
Cash in segregated accounts	6,648	-	6,648
Receivables:			
Income taxes	1,677,209	335,482	2,012,691
Property and other taxes	1,730,230	-	1,730,230
Accounts	124,084	578,791	702,875
Payments in lieu of taxes	60,296	-	60,296
Accrued interest	34,617	-	34,617
Special assessments	11,284	9,807	21,091
Due from other governments	1,238,849	-	1,238,849
Notes receivable	1,041,810	-	1,041,810
Materials and supplies inventory	138,710	87,580	226,290
Capital assets:			
Nondepreciable capital assets	3,148,402	471,435	3,619,837
Depreciable capital assets, net	20,092,050	40,054,479	60,146,529
Total capital assets, net	<u>23,240,452</u>	<u>40,525,914</u>	<u>63,766,366</u>
Total assets	<u>36,647,397</u>	<u>49,404,528</u>	<u>86,051,925</u>
Deferred outflows of resources:			
OPEB	1,097,689	409,746	1,507,435
Pension	1,644,156	566,262	2,210,418
Total deferred outflows of resources	<u>2,741,845</u>	<u>976,008</u>	<u>3,717,853</u>
Total assets and deferred outflows of resources	<u>39,389,242</u>	<u>50,380,536</u>	<u>89,769,778</u>
Liabilities:			
Accounts payable	229,407	406,118	635,525
Accrued wages and benefits payable	35,556	23,500	59,056
Due to other governments	98,447	59,044	157,491
Notes payable	237,180	127,820	365,000
Accrued interest payable	3,771	2,034	5,805
Deposits held and due to others	6,648	-	6,648
Long-term liabilities:			
Due within one year	654,802	1,289,693	1,944,495
Due in more than one year:			
Net pension liability	11,803,549	3,694,039	15,497,588
Net OPEB liability	3,274,594	2,588,150	5,862,744
Other amount due in more than one year	1,493,562	10,506,698	12,000,260
Total liabilities	<u>17,837,516</u>	<u>18,697,096</u>	<u>36,534,612</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	1,689,808	-	1,689,808
Payment in lieu of tax revenue not available	60,296	-	60,296
OPEB	762,769	368,485	1,131,254
Pension	1,491,743	783,583	2,275,326
Total deferred inflows of resources	<u>4,004,616</u>	<u>1,152,068</u>	<u>5,156,684</u>
Total liabilities and deferred inflows of resources	<u>21,842,132</u>	<u>19,849,164</u>	<u>41,691,296</u>
Net position:			
Net investment in capital assets	22,463,064	29,349,020	51,812,084
Restricted for:			
Capital projects	768,112	-	768,112
Municipal court and programs	1,126,165	-	1,126,165
Transportation	1,039,822	-	1,039,822
Community development	313,244	-	313,244
Other purposes	7,836	-	7,836
Unrestricted	(8,171,133)	1,182,352	(6,988,781)
Total net position	<u>\$ 17,547,110</u>	<u>\$ 30,531,372</u>	<u>\$ 48,078,482</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 3,000,692	\$ 973,374	\$ 327,654	\$ -	\$ (1,699,664)	\$ -	\$ (1,699,664)
Security of persons and property	8,308,631	7,775	2,381,373	-	(5,919,483)	-	(5,919,483)
Public health and welfare	104,956	-	-	-	(104,956)	-	(104,956)
Transportation	2,151,231	3,275	1,108,624	225,000	(814,332)	-	(814,332)
Community environment	551,616	2,500	188,973	1,250	(358,893)	-	(358,893)
Leisure time activity	1,722,426	562,864	-	-	(1,159,562)	-	(1,159,562)
Utility services	92,150	-	-	-	(92,150)	-	(92,150)
Interest and fiscal charges	45,591	-	-	-	(45,591)	-	(45,591)
Total governmental activities	<u>15,977,293</u>	<u>1,549,788</u>	<u>4,006,624</u>	<u>226,250</u>	<u>(10,194,631)</u>	<u>-</u>	<u>(10,194,631)</u>
Business-type activities:							
Water	3,964,440	3,494,635	-	-	-	(469,805)	(469,805)
Sewer	2,936,060	4,155,316	-	-	-	1,219,256	1,219,256
Sanitation	1,501,848	12,390	-	-	-	(1,489,458)	(1,489,458)
Storm water	325,542	243,374	-	-	-	(82,168)	(82,168)
Total business-type activities	<u>8,727,890</u>	<u>7,905,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(822,175)</u>	<u>(822,175)</u>
Total primary government	<u>\$ 24,705,183</u>	<u>\$ 9,455,503</u>	<u>\$ 4,006,624</u>	<u>\$ 226,250</u>	<u>(10,194,631)</u>	<u>(822,175)</u>	<u>(11,016,806)</u>
General revenues:							
Property and other taxes levied for:							
General purposes				634,919	-	-	634,919
Police				317,416	-	-	317,416
Fire				145,582	-	-	145,582
Recreation				303,217	-	-	303,217
Income taxes levied for:							
General purposes				4,961,184	-	-	4,961,184
Capital outlay				1,245,357	-	-	1,245,357
Sanitation				-	1,240,293	-	1,240,293
Payments in lieu of taxes				80,142	-	-	80,142
Grants and entitlements not restricted to specific programs							
Investment earnings				688,783	-	-	688,783
Shared revenues				306,589	-	-	306,589
Other				92,949	-	-	92,949
				686,543	371,832	-	1,058,375
Total general revenues before transfers				<u>9,462,681</u>	<u>1,612,125</u>	<u>-</u>	<u>11,074,806</u>
Transfers				69,165	(69,165)	-	-
Total general revenues and transfers				<u>9,531,846</u>	<u>1,542,960</u>	<u>-</u>	<u>11,074,806</u>
Change in net position				(662,785)	720,785	-	58,000
Net position at beginning of year (Restated)				<u>18,209,895</u>	<u>29,810,587</u>	<u>-</u>	<u>48,020,482</u>
Net position at end of year				<u>\$ 17,547,110</u>	<u>\$ 30,531,372</u>	<u>\$ -</u>	<u>\$ 48,078,482</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General	General Capital Improvements	Local Coronavirus Relief	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	\$ 3,525,176	\$ 384,174	\$ 43,912	\$ 3,353,919	\$ 7,307,181
Cash in segregated accounts	6,648	-	-	-	6,648
Receivables:					
Income taxes	1,341,727	335,482	-	-	1,677,209
Property and other taxes	676,998	-	-	1,053,232	1,730,230
Accounts	111,356	-	-	12,728	124,084
Payments in lieu of taxes	-	-	-	60,296	60,296
Accrued interest	34,617	-	-	-	34,617
Special assessments	1,421	9,863	-	-	11,284
Interfund	7,888	-	-	-	7,888
Notes receivable	-	-	-	1,041,810	1,041,810
Due from other governments	386,931	-	-	851,918	1,238,849
Materials and supplies inventory	-	-	-	138,710	138,710
Restricted assets:					
Equity in pooled cash and cash equivalents	36,027	-	-	-	36,027
Total assets	\$ 6,128,789	\$ 729,519	\$ 43,912	\$ 6,512,613	\$ 13,414,833
Liabilities:					
Accounts payable	\$ 122,340	\$ 12,298	\$ 40,979	\$ 53,790	\$ 229,407
Accrued wages and benefits payable	23,193	-	-	12,363	35,556
Interfund payable	-	-	-	7,888	7,888
Due to other governments	30,896	-	-	67,551	98,447
Notes payable	27,500	174,000	-	35,680	237,180
Accrued interest payable	437	2,767	-	567	3,771
Deposits held and due to others	6,648	-	-	-	6,648
Total liabilities	211,014	189,065	40,979	177,839	618,897
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	661,101	-	-	1,028,707	1,689,808
Delinquent property tax revenue not available	15,897	-	-	23,185	39,082
Accrued interest not available	32,447	-	-	-	32,447
Special assessments revenue not available	1,421	9,863	-	-	11,284
Payment in lieu of tax revenue not available	-	-	-	60,296	60,296
Income tax revenue not available	804,013	201,033	-	-	1,005,046
Nonexchange transactions not available	272,778	-	-	621,797	894,575
Total deferred inflows of resources	1,787,657	210,896	-	1,733,985	3,732,538
Total liabilities and deferred inflows of resources	1,998,671	399,961	40,979	1,911,824	4,351,435
Fund balances:					
Nonspendable	36,027	-	-	1,180,520	1,216,547
Restricted	-	-	2,933	3,183,056	3,185,989
Committed	525,590	329,558	-	245,101	1,100,249
Assigned	1,566,412	-	-	-	1,566,412
Unassigned	2,002,089	-	-	(7,888)	1,994,201
Total fund balances	4,130,118	329,558	2,933	4,600,789	9,063,398
Total liabilities, deferred inflows of resources and fund balances	\$ 6,128,789	\$ 729,519	\$ 43,912	\$ 6,512,613	\$ 13,414,833

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020

Total governmental fund balances		\$	9,063,398
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			23,240,452
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds:			
Income taxes receivable	\$	1,005,046	
Property and other taxes receivable		39,082	
Due from other governments receivable		894,575	
Special assessments receivable		11,284	
Investment income receivable		32,447	
Total		1,982,434	1,982,434
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the governmental funds:			
Deferred outflows - pension		1,644,156	
Deferred inflows - pension		(1,491,743)	
Deferred outflows - OPEB		1,097,689	
Deferred inflows - OPEB		(762,769)	
Net OPEB liability		(3,274,594)	
Net pension liability		(11,803,549)	
Total		(14,590,810)	(14,590,810)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Compensated absences		(1,072,024)	
OWDA loan payable		(84,353)	
Capital lease payable		(530,452)	
OPWC loans payable		(162,583)	
Police and fire pension		(298,952)	
Total		(2,148,364)	(2,148,364)
Net position of governmental activities		\$	17,547,110

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>General</u>	<u>General Capital Improvements</u>	<u>Local Coronavirus Relief</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Income taxes	\$ 4,658,802	\$ 1,163,498	\$ -	\$ 6,253	\$ 5,828,553
Property and other taxes	638,335	-	-	765,786	1,404,121
Charges for services	56,324	8,250	-	562,395	626,969
Licenses and permits	299,930	-	-	3,744	303,674
Fines and forfeitures	427,238	-	-	171,124	598,362
Payments in lieu of taxes	-	-	-	80,142	80,142
Intergovernmental	827,090	-	1,545,751	2,629,129	5,001,970
Special assessments	2,262	48,354	-	-	50,616
Investment income	313,069	-	-	1,319	314,388
Shared revenues	71,206	-	-	21,743	92,949
Other	433,296	-	-	253,247	686,543
Total revenues	<u>7,727,552</u>	<u>1,220,102</u>	<u>1,545,751</u>	<u>4,494,882</u>	<u>14,988,287</u>
Expenditures:					
Current:					
General government	2,183,491	40,661	77,678	375,289	2,677,119
Security of persons and property	3,767,943	-	1,417,640	1,596,376	6,781,959
Public health and welfare	104,956	-	-	-	104,956
Transportation	9,434	-	-	1,125,654	1,135,088
Community environment and development	18,678	-	47,500	450,740	516,918
Leisure time activity	16,482	-	-	1,392,980	1,409,462
Utility services	92,150	-	-	-	92,150
Capital outlay	-	1,086,928	-	275,214	1,362,142
Debt service:					
Principal retirement	10,442	323,040	-	39,996	373,478
Interest and fiscal charges	1,520	29,485	-	14,586	45,591
Total expenditures	<u>6,205,096</u>	<u>1,480,114</u>	<u>1,542,818</u>	<u>5,270,835</u>	<u>14,498,863</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,522,456</u>	<u>(260,012)</u>	<u>2,933</u>	<u>(775,953)</u>	<u>489,424</u>
Other financing sources (uses):					
Capital lease transaction	-	88,318	-	-	88,318
Transfers in	82,190	-	-	801,128	883,318
Transfers (out)	(801,128)	-	-	(13,025)	(814,153)
Total other financing sources (uses)	<u>(718,938)</u>	<u>88,318</u>	<u>-</u>	<u>788,103</u>	<u>157,483</u>
Net change in fund balances	803,518	(171,694)	2,933	12,150	646,907
Fund balances at beginning of year (Restated)	<u>3,326,600</u>	<u>501,252</u>	<u>-</u>	<u>4,588,639</u>	<u>8,416,491</u>
Fund balances at end of year	<u>\$ 4,130,118</u>	<u>\$ 329,558</u>	<u>\$ 2,933</u>	<u>\$ 4,600,789</u>	<u>\$ 9,063,398</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Net change in fund balances - total governmental funds	\$	646,907
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 907,862	
Current year depreciation	<u>(1,320,048)</u>	
Total		(412,186)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		257,056
 Proceeds of loans and capital leases are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(88,318)
 Repayment of loan and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		373,478
 Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		948,271
 Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(2,317,264)
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(70,729)</u>
Change in net position of governmental activities	\$	<u><u>(662,785)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 5,425,000	\$ 5,425,000	\$ 5,066,408	\$ (358,592)
Property and other taxes	638,000	638,000	642,357	4,357
Charges for services	74,620	74,620	56,549	(18,071)
Licenses, permits and fees	226,550	226,550	241,545	14,995
Intergovernmental	762,736	763,455	783,009	19,554
Special assessments	2,500	2,500	2,262	(238)
Investment income	206,500	206,500	213,156	6,656
Shared revenues	104,000	104,000	65,229	(38,771)
Fines and forfeitures	657,500	657,500	433,486	(224,014)
Other	55,500	55,500	409,288	353,788
Total revenues	<u>8,152,906</u>	<u>8,153,625</u>	<u>7,913,289</u>	<u>(240,336)</u>
Expenditures:				
Current:				
General government	2,343,030	2,550,322	2,289,723	260,599
Security of persons and property	5,490,100	5,544,749	3,897,283	1,647,466
Public health and welfare	18,000	18,000	15,331	2,669
Transportation	22,110	24,622	5,569	19,053
Community environment and development	27,280	27,413	18,894	8,519
Total expenditures	<u>7,900,520</u>	<u>8,165,106</u>	<u>6,226,800</u>	<u>1,938,306</u>
Excess of revenues over (under) expenditures	<u>252,386</u>	<u>(11,481)</u>	<u>1,686,489</u>	<u>1,697,970</u>
Other financing sources (uses):				
Note issuance	-	-	27,500	27,500
Advances in	-	-	42,164	42,164
Advances (out)	-	-	(50,052)	(50,052)
Transfers (out)	(1,059,900)	(1,041,128)	(1,388,380)	(347,252)
Total other financing sources (uses)	<u>(1,059,900)</u>	<u>(1,041,128)</u>	<u>(1,368,768)</u>	<u>(327,640)</u>
Net change in fund balances	(807,514)	(1,052,609)	317,721	1,370,330
Fund balance at beginning of year	2,208,377	2,208,377	2,208,377	-
Prior year encumbrances appropriated	137,802	137,802	137,802	-
Fund balance at end of year	<u>\$ 1,538,665</u>	<u>\$ 1,293,570</u>	<u>\$ 2,663,900</u>	<u>\$ 1,370,330</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
LOCAL CORONAVIRUS RELIEF FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ -	\$ 1,545,751	\$ 1,545,751	\$ -
Total revenues	<u>-</u>	<u>1,545,751</u>	<u>1,545,751</u>	<u>-</u>
Expenditures:				
Current:				
General government	-	80,611	80,611	-
Security of persons and property	-	1,417,640	1,417,640	-
Community environment and development	-	47,500	47,500	-
Total expenditures	<u>-</u>	<u>1,545,751</u>	<u>1,545,751</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

	Business-type Activities - Enterprise Funds				
	Major			Non-Major	Total
	Water	Sewer	Sanitation	Storm Water	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 3,216,946	\$ 3,711,672	\$ 765,216	\$ 173,120	\$ 7,866,954
Receivables:					
Income taxes	-	-	335,482	-	335,482
Accounts	252,826	305,208	194	20,563	578,791
Special assessments	-	9,807	-	-	9,807
Materials and supplies inventory	63,525	24,055	-	-	87,580
Total current assets	<u>3,533,297</u>	<u>4,050,742</u>	<u>1,100,892</u>	<u>193,683</u>	<u>8,878,614</u>
Noncurrent assets:					
Capital assets:					
Land and construction in progress	154,529	288,899	28,007	-	471,435
Depreciable capital assets, net	12,882,684	25,187,069	1,154,823	829,903	40,054,479
Total capital assets, net	<u>13,037,213</u>	<u>25,475,968</u>	<u>1,182,830</u>	<u>829,903</u>	<u>40,525,914</u>
Total assets	<u>16,570,510</u>	<u>29,526,710</u>	<u>2,283,722</u>	<u>1,023,586</u>	<u>49,404,528</u>
Deferred outflows of resources:					
OPEB	222,845	57,508	100,639	28,754	409,746
Pension	275,603	118,313	139,082	33,264	566,262
Total deferred outflows of resources	<u>498,448</u>	<u>175,821</u>	<u>239,721</u>	<u>62,018</u>	<u>976,008</u>
Total assets and deferred outflows of resources	<u>17,068,958</u>	<u>29,702,531</u>	<u>2,523,443</u>	<u>1,085,604</u>	<u>50,380,536</u>
Liabilities:					
Current liabilities:					
Accounts payable	160,493	215,743	19,468	10,414	406,118
Accrued wages and benefits payable	10,525	5,902	5,667	1,406	23,500
Compensated absences payable - current	66,172	77,755	34,660	6,003	184,590
Due to other governments	14,554	11,363	32,221	906	59,044
Accrued interest payable	843	843	133	215	2,034
OWDA loans payable	150,399	894,475	-	-	1,044,874
OPWC loans payable	-	7,225	-	9,201	16,426
Capital lease obligations payable	21,617	21,617	569	-	43,803
Notes payable	53,015	53,015	8,250	13,540	127,820
Total current liabilities	<u>477,618</u>	<u>1,287,938</u>	<u>100,968</u>	<u>41,685</u>	<u>1,908,209</u>
Long-term liabilities:					
Compensated absences payable	151,616	189,994	79,678	13,619	434,907
OWDA loans payable	1,711,412	8,110,916	-	-	9,822,328
OPWC loans payable	-	-	-	162,557	162,557
Capital lease obligations payable	43,453	43,453	-	-	86,906
Net OPEB liability	1,180,560	635,686	635,686	136,218	2,588,150
Net pension liability	1,685,000	907,308	907,308	194,423	3,694,039
Total long-term liabilities	<u>4,772,041</u>	<u>9,887,357</u>	<u>1,622,672</u>	<u>506,817</u>	<u>16,788,887</u>
Total liabilities	<u>5,249,659</u>	<u>11,175,295</u>	<u>1,723,640</u>	<u>548,502</u>	<u>18,697,096</u>
Deferred inflows of resources:					
Pension	426,160	109,977	192,459	54,987	783,583
OPEB	200,405	51,717	90,505	25,858	368,485
Total deferred inflows of resources	<u>626,565</u>	<u>161,694</u>	<u>282,964</u>	<u>80,845</u>	<u>1,152,068</u>
Total liabilities and deferred inflows of resources	<u>5,876,224</u>	<u>11,336,989</u>	<u>2,006,604</u>	<u>629,347</u>	<u>19,849,164</u>
Net position:					
Net investment in capital assets	11,110,332	16,398,282	1,182,261	658,145	29,349,020
Unrestricted	82,402	1,967,260	(665,422)	(201,888)	1,182,352
Total net position	<u>\$ 11,192,734</u>	<u>\$ 18,365,542</u>	<u>\$ 516,839</u>	<u>\$ 456,257</u>	<u>\$ 30,531,372</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Business-type Activities - Enterprise Funds

	Major			Non-Major Storm	Total
	Water	Sewer	Sanitation	Water	
Operating revenues:					
Charges for services	\$ 3,494,635	\$ 4,145,509	\$ 12,390	\$ 243,374	\$ 7,895,908
Other operating revenues	81,708	242,429	40,077	7,618	371,832
Total operating revenues	<u>3,576,343</u>	<u>4,387,938</u>	<u>52,467</u>	<u>250,992</u>	<u>8,267,740</u>
Operating expenses:					
Personal services	2,150,570	572,432	906,027	247,203	3,876,232
Contract services	672,114	967,390	395,445	18,840	2,053,789
Materials and supplies	584,017	277,095	76,078	7,340	944,530
Depreciation	488,866	867,768	124,070	51,641	1,532,345
Total operating expenses	<u>3,895,567</u>	<u>2,684,685</u>	<u>1,501,620</u>	<u>325,024</u>	<u>8,406,896</u>
Operating income (loss)	<u>(319,224)</u>	<u>1,703,253</u>	<u>(1,449,153)</u>	<u>(74,032)</u>	<u>(139,156)</u>
Nonoperating revenues (expenses):					
Income taxes	-	-	1,240,293	-	1,240,293
Interest and fiscal charges	(68,873)	(251,375)	(228)	(518)	(320,994)
Special assessments	-	9,807	-	-	9,807
Total nonoperating revenues (expenses)	<u>(68,873)</u>	<u>(241,568)</u>	<u>1,240,065</u>	<u>(518)</u>	<u>929,106</u>
Income (loss) before transfers	(388,097)	1,461,685	(209,088)	(74,550)	789,950
Transfer out	<u>(2,400)</u>	<u>(60,000)</u>	<u>(6,100)</u>	<u>(665)</u>	<u>(69,165)</u>
Change in net position	(390,497)	1,401,685	(215,188)	(75,215)	720,785
Net position at beginning of year	<u>11,583,231</u>	<u>16,963,857</u>	<u>732,027</u>	<u>531,472</u>	<u>29,810,587</u>
Net position at end of year	<u>\$ 11,192,734</u>	<u>\$ 18,365,542</u>	<u>\$ 516,839</u>	<u>\$ 456,257</u>	<u>\$ 30,531,372</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Business-Type Activities - Enterprise Funds				
	Major			Non-Major	Total
	Water	Sewer	Sanitation	Storm Water	
Cash flows from operating activities:					
Cash received from customers	\$ 3,525,419	\$ 4,159,856	\$ 12,390	\$ 242,775	\$ 7,940,440
Cash received from other operations	81,708	242,087	39,883	7,618	371,296
Cash payments for personal services	(1,389,043)	(1,279,283)	(802,608)	(112,707)	(3,583,641)
Cash payments for contract services	(676,435)	(880,677)	(371,620)	(42,315)	(1,971,047)
Cash payments for materials and supplies	(523,437)	(303,134)	(65,439)	-	(892,010)
Net cash provided by (used in) operating activities	<u>1,018,212</u>	<u>1,938,849</u>	<u>(1,187,394)</u>	<u>95,371</u>	<u>1,865,038</u>
Cash flows from noncapital financing activities:					
Cash received from income taxes	-	-	1,256,780	-	1,256,780
Cash received from note proceeds	53,015	53,015	8,250	13,540	127,820
Cash used in transfers out	(2,400)	(60,000)	(6,100)	(665)	(69,165)
Net cash provided by noncapital financing activities	<u>50,615</u>	<u>(6,985)</u>	<u>1,258,930</u>	<u>12,875</u>	<u>1,315,435</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(535,347)	(433,737)	(215,340)	(38,503)	(1,222,927)
Principal retirement on capital lease	(46,881)	(46,881)	(916)	(11,454)	(106,132)
Principal retirement on OWDA loans	(145,454)	(869,299)	-	-	(1,014,753)
Principal retirement on OPWC loans	-	(7,225)	-	(3,067)	(10,292)
Interest and fiscal charges	(63,654)	(246,156)	(95)	-	(309,905)
Net cash used in capital and related financing activities	<u>(791,336)</u>	<u>(1,603,298)</u>	<u>(216,351)</u>	<u>(53,024)</u>	<u>(2,664,009)</u>
Net increase (decrease) in cash and cash equivalents	277,491	328,566	(144,815)	55,222	516,464
Cash and cash equivalents at beginning of year	2,939,455	3,383,106	910,031	117,898	7,350,490
Cash and cash equivalents at end of year	<u>\$ 3,216,946</u>	<u>\$ 3,711,672</u>	<u>\$ 765,216</u>	<u>\$ 173,120</u>	<u>\$ 7,866,954</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (319,224)	\$ 1,703,253	\$ (1,449,153)	\$ (74,032)	\$ (139,156)
Adjustments:					
Depreciation	488,866	867,768	124,070	51,641	1,532,345
Changes in assets, deferred outflows, liabilities and deferred inflows:					
(Increase) decrease in accounts receivable	30,784	14,005	(194)	(599)	43,996
Decrease (increase) in materials and supplies inventory	2,938	(18,102)	-	-	(15,164)
Increase (decrease) in accrued wages and benefits	(22,953)	(23,097)	(15,980)	(2,373)	(64,403)
Increase (decrease) in accounts payable	65,421	120,523	11,291	(2,820)	194,415
Increase (decrease) in contracts payable	(42,187)	(173,854)	-	(14,880)	(230,921)
Increase (decrease) in compensated absences payable	27,435	22,525	3,810	46	53,816
(Increase) decrease in deferred outflows of resources - pension	276,272	407,283	228,835	19,296	931,686
(Increase) decrease in deferred outflows of resources - OPEB	(151,303)	10,627	(52,945)	(21,941)	(215,562)
Increase (decrease) in net pension liability	(204,762)	(892,465)	(352,533)	14,446	(1,435,314)
Increase (decrease) in net OPEB liability	268,318	(233,116)	27,524	49,338	112,064
Increase (decrease) in deferred inflows of resources - pension	401,346	86,345	175,917	52,624	716,232
Increase (decrease) in deferred inflows of resources - OPEB	197,930	49,360	88,855	25,622	361,767
(Decrease) increase in due to other governments	(669)	(2,206)	23,109	(997)	19,237
Net cash provided by (used in) operating activities	<u>\$ 1,018,212</u>	<u>\$ 1,938,849</u>	<u>\$ (1,187,394)</u>	<u>\$ 95,371</u>	<u>\$ 1,865,038</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2020

	<u>Custodial Funds</u>
Assets:	
Cash in segregated accounts	\$ 38,060
Total assets	<u>\$ 38,060</u>
Net position:	
Restricted for individuals and other governments	<u>\$ 38,060</u>
Total net position	<u>\$ 38,060</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Custodial Funds
Additions:	
Fines, licenses and permits for other governments	\$ 1,854,460
Total additions	<u>1,854,460</u>
Deductions:	
Fines, licenses and permits distributed to other governments	<u>2,020,425</u>
Total deductions	<u>2,020,425</u>
Change in net position	(165,965)
Net position at beginning of year	<u>204,025</u>
Net position at end of year	<u>\$ 38,060</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 - DESCRIPTION OF THE CITY

The City of Norwalk, Huron County, Ohio (the City) was incorporated in 1887 and chartered in 1972 under the laws of the State of Ohio.

The City operates under a Council-Mayor form of government and provides the following services: police and fire protection, water, sewer sanitation and storm water utility services, park operations, street maintenance and repair, as well as general governmental services. The City also includes the operations of a municipal court with jurisdiction extending beyond the boundaries of the City and is included as part of the primary government.

Management believes the financial statements included in this report represent all of the funds of the City over which the City officials are financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The most significant of the City's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the City's basic financial statements include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete.

The City has no component units.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - Fund Accounting

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

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

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City.

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

Fund Financial Statements - Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating transactions from nonoperating transactions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating transactions of the City's proprietary funds are charges for sales and services, and include personnel and other expenses related to the operations of the enterprise activity. All other revenues and expenses not meeting these definitions are reported as nonoperating transactions.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Fund Accounting

The City uses funds to maintain its financial records during the year. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific revenues and expenses. The transactions of each fund are reflected in a self-balancing group of accounts. The City classifies each fund as either governmental, proprietary or fiduciary.

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

General fund - This fund is used to account for and report 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.

General capital improvements fund - This fund accounts for capital improvements and is funded by a 0.25% of income taxes collected by the City.

Local coronavirus relief fund - This fund received federal funds attributed to the COVID-19 pandemic.

Other governmental funds of the City are used to account for (a) financial resources that are restricted to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted to an expenditure for specified purposes other than debt service or capital projects.

Proprietary Funds - These funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The following are the City's major enterprise funds:

Sewer fund - This fund accounts for the user charges and expenses of maintaining the sewer lines and facilities of the City.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Sanitation fund - This fund accounts for the operations of collecting and disposing of refuse and recyclables within the City and is primarily funded by income taxes collected by the City.

Other utility funds include the City's storm water utility fund.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. The City's only fiduciary funds are custodial funds which account for the City's Municipal Court.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the operation of the City are included on the statement of net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities and current deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus.

All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

E. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), interest, fines and forfeitures, fees, licenses and permits, and special assessments.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net assets by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period.

For the City, deferred outflows of resources have been reported for the following items related to the City's net pension liability and net other postemployment benefits liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the City's contributions to the pension systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions.

Property taxes for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance year 2021 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2020, are recorded as deferred inflows on the governmental fund financial statements.

The City also reports deferred inflow of resources for the following items related to the City's net pension and other-post employment benefits liability: (1) the City's contributions to the pension systems subsequent to the measurement date and (2) differences between projected and actual investment earnings on pension plan assets. These deferred inflows of resources are only reported on the government-wide statement of net position.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. 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 appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, except custodial funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department within each fund. Any budgetary modifications at this level may only be made by resolution of the City's Council.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the City determined that receipts collected will be greater than or less than the prior estimate and the Budget Commission finds the revised estimate to be reasonable.

On or before December 31, the City must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The amounts reported within the budgetary statements reflect the original and final estimated resources as certified by the County Budget Commission.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The City legally adopted appropriation amendments during 2020. The budgetary statement reflects the original and final appropriations as approved by Council.

Encumbrances:

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

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

G. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. Interest earnings are allocated as authorized by State statute.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City invested in STAR Ohio during 2020. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2020 amounted to \$313,069 which included \$247,138 assigned from other funds of the City.

H. Materials and Supplies Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the governmental activities and proprietary funds when used.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City capitalizes all land purchased and then maintains a capitalization threshold of \$5,000 for all other assets.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City’s infrastructure consists of culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities. All reported capital assets are depreciated except for land and intangibles. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land improvements	20 years	20 years
Buildings	6 to 99 years	6 to 99 years
Equipment	5 to 50 years	5 to 50 years
Infrastructure	10 to 50 years	10 to 75 years

J. Compensated Absences

Compensated absences of the City consist of vacation leave, sick leave, comp time and personal leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In conformity with GASB Statement No. 16, “Accounting for Compensated Absences”, vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. A vacation liability is recorded for accumulated unused vacation time for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City’s past experience of making termination payments.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates. The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers.

Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On fund financial statements, receivables and payables to cover deficit cash balances are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net position.

M. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority).

Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

N. Estimates

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

O. Net Position

Net position represents the difference between assets plus deferred outflows less liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

P. Restricted Assets

Restricted equity in pooled cash and investments in the general fund represents the amount of unclaimed monies that are not available for appropriation.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2020.

R. Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

S. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction and from contributions from governmental funds.

T. Unamortized Bond Discounts/Accounting Gain or Loss

Bond discounts are amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a reduction to the face amount of the bonds.

On the governmental fund financial statements bond discounts and net gains or losses from refunding are recognized in the current period.

U. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Beginning Net Position/Fund Balance

For 2020, the City has implemented GASB Statement No. 84, “*Fiduciary Activities*”, GASB Statement No. 85, “*Postponement of the Effective Dates of Certain Authoritative Guidance*” to GASB Statement Nos. 87 and 89, which were originally due to be implemented in 2019. GASB Statement No. 95 provides temporary relieve to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its agency funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental or proprietary funds.

The following pronouncement is postponed by one year and the City has elected delaying implementation until the year ended December 31, 2021:

- Statement No. 89, “*Accounting for Interest Cost before the End of a Construction Period*”

The following pronouncements are postponed by eighteen months and the City has elected delaying implementation until the year ended December 31, 2022:

- Statement No. 87, “*Leases*”
- Implementation Guide No. 2019-3, “*Leases*”

Based on the implementation of GASB Statement No. 84 and other corrections, fund balances and net position have been restated accordingly:

	Governmental Activities	General Fund	Other Governmental Funds
Net position/fund balance as previously reported	\$ 18,621,996	\$ 3,212,201	\$ 5,115,139
Unclaimed funds	33,265	33,265	-
Payroll stabilization	-	538,733	(538,733)
Interfund receivable cash correction	(457,599)	(457,599)	-
Street opening trust	12,233	-	12,233
	<u>18,209,895</u>	<u>3,326,600</u>	<u>4,588,639</u>
Restated net position at January 1, 2020	\$ 18,209,895	\$ 3,326,600	\$ 4,588,639

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

In addition, due to the implementation of GASB Statement No. 84, the new classification of custodial funds is reporting a beginning net position of \$204,025. Also, related to the implementation of GASB Statement No. 84, the City will no longer reporting agency funds. At December 31, 2019, agency funds reported assets and liabilities of \$77,311.

B. Deficit Fund Balances

Fund balances at December 31, 2020 included a deficit of \$7,888 NOPEC grant fund, an other governmental fund. The General fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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 the City has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

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

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4 - 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; and with certain limitations including a requirement for maturity within a ten year form the date of settlement, bonds and other obligations of a political subdivision of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2, above, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one period.

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 Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the City had \$945 in undeposited cash on hand which is included on the financial statements of the City as part of "equity in pooled cash and investments".

B. Cash in Segregated Accounts

At year-end, \$44,708 was on deposit for the City's furtherance of justice account and municipal court account and was held outside of the City's treasury.

This amount is included in the total amount of deposits reported below and is reported on the financial statements as "cash in segregated accounts".

C. Deposits with Financial Institutions

At December 31, 2020, the carrying amount of all City deposits was \$2,709,897. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2020, \$3,279,905 of the City's bank balance of \$3,688,492 was exposed to custodial credit risk as discussed below, while \$408,587 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2020, the City's financial institution was approved for a collateral rate of 102 percent through the OPCS. Although all 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.

D. Investments

As of December 31, 2020, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLMC	\$ 455,018	\$ -	\$ -	\$ -	\$ -	\$ 455,018
FFCB	1,129,770	-	-	250,490	135,157	744,123
FNMA	1,275,137	-	-	-	-	1,275,137
U.S. Treasury Note	514,240	-	-	-	-	514,240
Negotiable CD's	5,491,749	248,346	-	970,287	1,127,270	3,145,846
Commercial paper	2,163,370	1,763,926	399,444	-	-	-
STAR Ohio	1,504,107	1,504,107	-	-	-	-
U.S. Government Money Market	10,637	10,637	-	-	-	-
Total	<u>\$ 12,544,028</u>	<u>\$ 3,527,016</u>	<u>\$ 399,444</u>	<u>\$ 1,220,777</u>	<u>\$ 1,262,427</u>	<u>\$ 6,134,364</u>

The weighted average maturity of investments is 1.92 years. The City's investments in federal securities, U.S. Treasury Note, commercial paper, and negotiable CD's are valued using quoted market prices (Level 2 inputs). Star Ohio and U.S. Government Money Market are valued at cost.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City's investment policy limits investment portfolio maturities to five years or less.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: STAR Ohio and U.S. Government money market mutual funds carry a rating of AAAm by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The federal agency securities carry a rating of AA+ and Aaa by Standard & Poor’s and Moody, respectively.

The negotiable CDs are not rated. The City’s investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty’s trust department or agent but not in the City’s name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2020:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC	\$ 455,018	3.63
FNMA	1,275,137	10.17
FFCB	1,129,770	9.01
U.S. Treasury Note	514,240	4.10
Commercial paper	2,163,370	17.25
Negotiable CD’s	5,491,749	43.78
STAR Ohio	1,504,107	11.99
U.S. Government Mondy Market	10,637	0.07
 Total	 <u>\$ 12,544,028</u>	 <u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2020:

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,709,897
Investments	12,544,028
Cash on hand	945
Total	<u>\$ 15,254,870</u>

<u>Cash and investments per statement of position</u>	
Governmental activities	\$ 7,349,856
Business-type activities	7,866,954
Agency fund	38,060
Total	<u>\$ 15,254,870</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended December 31, 2020, consisted of the following, as reported on the fund financial statements:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 801,128
Water fund	General fund	2,400
Sewer fund	General fund	60,000
Sanitation fund	General fund	6,100
Storm water fund	General fund	665
Other Governmental funds	General fund	13,025

In accordance with budgetary authorizations, transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General fund to finance various programs. Transfers from the general fund to other governmental funds are were used to supplement operations.

Transfers from the other governmental funds, water fund and sewer fund to the General fund which this fund is used for the purpose of funding the City's payroll stabilization fund. All transfers made in fiscal year 2020 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value 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 revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2020 public utility property taxes became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Norwalk.

The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2020 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2020 operations and the collection of delinquent taxes has been offset by a deferred inflow since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The assessed values of real and public utility property upon which 2020 property tax receipts were based are as follows:

Real property tax	\$ 277,103,130
Public utility tangible personal property	<u>11,363,620</u>
Total assessed value	<u><u>\$ 288,466,750</u></u>

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 7 - LOCAL INCOME TAX

This locally levied tax of 1.5% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of nonresidents (except certain transients) earned in the City. The City gives a 100% credit to the tax paid to another municipality to the maximum of the total amount assessed. It also applies to the net income of business organizations located within the City. Income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 2020 and is allocated to the general fund, sanitation fund and general capital improvements fund. Income tax revenue for 2020 was \$7,446,834 as reported in the statement of activities.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2020, consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services), accrued interest, notes, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue.

All intergovernmental receivables have been classified as "due from other governments" on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2020. A summary of the principal items of receivables reported on the statement of net position follows:

Income taxes	\$ 1,677,209
Property and other taxes	1,730,230
Payments in lieu of taxes	60,296
Accounts	124,084
Special assessments	11,284
Accrued interest	34,617
Notes	1,041,810
Due from other governments	1,238,849
<u>Business-type activities:</u>	
Accounts	578,791
Income taxes	335,482
Special assessments	9,807

Receivables have been disaggregated on the face of the basic financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments and notes receivable that are collected over the life of the assessment/note.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 9 - CAPITAL ASSETS

A. Governmental activities capital asset activity at December 31, 2020 as follows:

	Balance <u>12/31/19</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/20</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,057,434	\$ -	\$ -	\$ 3,057,434
Construction in progress	<u>115,943</u>	<u>-</u>	<u>(24,975)</u>	<u>90,968</u>
Total capital assets, not depreciated	<u>3,173,377</u>	<u>-</u>	<u>(24,975)</u>	<u>3,148,402</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,277,210	-	-	2,277,210
Buildings and improvements	11,708,367	-	-	11,708,367
Equipment	7,938,319	213,108	-	8,151,427
Infrastructure	<u>23,972,908</u>	<u>719,729</u>	<u>-</u>	<u>24,692,637</u>
Total capital assets, depreciated	<u>45,896,804</u>	<u>932,837</u>	<u>-</u>	<u>46,829,641</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,423,213)	(69,443)	-	(1,492,656)
Buildings and improvements	(2,261,390)	(135,119)	-	(2,396,509)
Equipment	(5,725,818)	(298,456)	-	(6,024,274)
Infrastructure	<u>(16,007,122)</u>	<u>(817,030)</u>	<u>-</u>	<u>(16,824,152)</u>
Total accumulated depreciation	<u>(25,417,543)</u>	<u>(1,320,048)</u>	<u>-</u>	<u>(26,737,591)</u>
Total capital assets, being depreciated	<u>20,479,261</u>	<u>(387,211)</u>	<u>-</u>	<u>20,092,050</u>
Total capital assets, net	<u>\$ 23,652,638</u>	<u>\$ (387,211)</u>	<u>\$ (24,975)</u>	<u>\$ 23,240,452</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental activities:</u>	
General government	\$ 25,076
Security persons and property	295,530
Leisure time activity	116,214
Transportation	<u>883,228</u>
Total depreciation expense - governmental activities	<u>\$ 1,320,048</u>

B. Business-type activities capital asset activity at December 31, 2020 as follows:

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 9 - CAPITAL ASSETS - (Continued)

	Balance			Balance
	<u>12/31/19</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/20</u>
Business-type activities:				
<i>Capital assets, not depreciated:</i>				
Land	\$ 45,261	\$ -	\$ -	\$ 45,261
Construction in progress	<u>264,690</u>	<u>329,438</u>	<u>(167,954)</u>	<u>426,174</u>
Total capital assets, depreciated	<u>309,951</u>	<u>329,438</u>	<u>(167,954)</u>	<u>471,435</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,172,873	-	-	1,172,873
Buildings and improvements	13,878,514	-	-	13,878,514
Equipment	12,196,484	414,839	-	12,611,323
Infrastructure	<u>45,431,568</u>	<u>649,973</u>	<u>-</u>	<u>46,081,541</u>
Total capital assets, depreciated	<u>72,679,439</u>	<u>1,064,812</u>	<u>-</u>	<u>73,744,251</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,006,790)	(21,298)	-	(1,028,088)
Buildings and improvements	(4,562,286)	(201,159)	-	(4,763,445)
Equipment	(9,216,699)	(360,703)	-	(9,577,402)
Infrastructure	<u>(17,371,652)</u>	<u>(949,185)</u>	<u>-</u>	<u>(18,320,837)</u>
Total accumulated depreciation	<u>(32,157,427)</u>	<u>(1,532,345)</u>	<u>-</u>	<u>(33,689,772)</u>
Total capital assets, depreciated	<u>40,522,012</u>	<u>(467,533)</u>	<u>-</u>	<u>40,054,479</u>
Total capital assets, net	<u>\$ 40,831,963</u>	<u>\$ (138,095)</u>	<u>\$ (167,954)</u>	<u>\$ 40,525,914</u>

NOTE 10 – CAPITAL LEASES

In prior and current years, the City entered into lease purchase agreements for vehicles and equipment.

General capital assets acquired by agreement have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. For the City, a corresponding liability was recorded in the government-wide and business-type activity financial statements. Principal payments in 2020 totaled \$373,364. Principal and interest payments are made from the state highway fund, street fund, parks and recreation fund, aquatics fund, (nonmajor other governmental funds), the general fund, capital improvement fund, water fund, sewer fund, sanitation fund and the storm water fund.

New and existing equipment is being used by both governmental activities and business-type activities.

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2020.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 10 – CAPITAL LEASES - (Continued)

Year Ending December 31,	Governmental Activities	Water Fund	Sewer Fund	Sanitation Fund
2021	\$ 242,524	\$ 24,321	\$ 24,321	\$ 584
2022	231,812	23,102	23,102	-
2023	96,191	23,099	23,099	-
Total minimum lease payments	570,527	70,522	70,522	584
Less: interest	(40,075)	(5,452)	(5,452)	(15)
Present value of future lease payments	<u>\$ 530,452</u>	<u>\$ 65,070</u>	<u>\$ 65,070</u>	<u>\$ 569</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. Governmental Activities

During 2020, the following changes occurred in the governmental activities long-term obligations:

	Interest Rate	Maturity Date	Balance at 12/31/19	Additions	Reductions	Balance at 12/31/20	Amounts Due in One Year
Governmental activities:							
<u>OPWC loans - Direct Borrowing</u>							
East/west parkway construction	0.00%	07/01/22	\$ 15,625	\$ -	\$ (3,125)	\$ 12,500	\$ 9,375
Woodlawn avenue paving project phase III	0.00%	01/01/21	1,460	-	(730)	730	730
Woodlawn avenue paving project phase IV	0.00%	01/01/22	6,660	-	(3,393)	3,267	3,267
Bridge rehabilitation	0.00%	01/01/27	8,318	-	(594)	7,724	1,782
East main phase III	0.00%	07/01/23	3,500	-	(500)	3,000	1,500
Old state road widening phase I	0.00%	01/01/27	8,750	-	(250)	8,500	750
Old state road widening phase II	0.00%	01/01/28	25,500	-	(1,500)	24,000	4,500
Old state road widening phase III	0.00%	01/01/40	95,580	-	-	95,580	7,170
Concrete street repair project	0.00%	07/01/33	7,562	-	(280)	7,282	840
Total OPWC loans			<u>172,955</u>	<u>-</u>	<u>(10,372)</u>	<u>162,583</u>	<u>29,914</u>
<u>Other long-term obligations</u>							
Police and fire pension - Direct Borrowing	4.25%	11/1/2035	313,669	-	(14,717)	298,952	15,350
OWDA milan/chatham sewer project - Direct Borrowing	3.90%	1/1/2022	165,510	-	(81,157)	84,353	84,353
Net pension liability			13,815,284	-	(2,011,735)	11,803,549	-
Net OPEB liability			2,977,511	297,083	-	3,274,594	-
Capital lease agreements			709,366	88,318	(267,232)	530,452	216,613
Compensated absences			1,001,295	547,613	(476,884)	1,072,024	308,572
Total other long-term obligations			<u>18,982,635</u>	<u>933,014</u>	<u>(2,851,725)</u>	<u>17,063,924</u>	<u>624,888</u>
Total governmental activities			<u>\$ 19,155,590</u>	<u>\$ 933,014</u>	<u>\$ (2,862,097)</u>	<u>\$ 17,226,507</u>	<u>\$ 654,802</u>

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Compensated Absences:

Compensated absences are reported in the statement of net position and will be paid from the fund from which the employees' salaries are paid which will primarily be the general fund and other governmental funds.

OPWC Loans:

Ohio Public Works Commission Loans (OPWC) have been issued for various infrastructure improvements throughout the City and will be repaid from income taxes, special assessments and gasoline taxes as it relates to the fund that received the original loan proceeds.

The following is a summary of the City's future annual debt service principal requirements for the OPWC loans:

<u>Year Ended December 31,</u>	<u>Principal</u>
2021	\$ 29,914
2022	14,153
2023	10,528
2024	10,029
2025	10,029
2026-2030	37,888
2031-2035	27,802
2036-2040	<u>22,240</u>
Total	<u>\$ 162,583</u>

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2020, the City's total debt margin was \$29,095,829 and the unvoted debt margin was \$15,240,672.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

OWDA Loans:

Ohio Water Development Authority Loans (OWDA) have been issued for Milan/Chatham improvements will be repaid from income taxes it relates to the fund that received the original loan proceeds at an interest rate of 3.90%. The following is a summary of the City's future annual debt service principal and interest requirements for the OWDA loans:

Year Ended <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 84,353	\$ 2,475	\$ 86,828
Total	<u>\$ 84,353</u>	<u>\$ 2,475</u>	<u>\$ 86,828</u>

Police and Fire Pension Service Cost:

The liability for police and fire pension service cost relates to the City's liability to previous employees 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 2035. The liability is collateralized by the full faith and credit of the City. The following is a summary of the City's future and annual debt service principal and interest requirements for Police and Fire Pension Service Cost:

Year Ended <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 15,350	\$ 12,545	\$ 27,895
2022	15,989	24,885	40,874
2023	16,696	11,197	27,893
2024	17,414	10,480	27,894
2025	18,161	9,732	27,893
2026-2030	103,222	36,267	139,489
2031-2035	<u>112,120</u>	<u>12,142</u>	<u>124,262</u>
Total	<u>\$ 298,952</u>	<u>\$ 117,248</u>	<u>\$ 416,200</u>

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-Type Activities

During 2020, the following changes occurred in the business-type long-term obligations:

	Interest Rate	Maturity Date	Balance at 12/31/19	Additions	Reductions	Balance at 12/31/20	Due in One Year
<u>OPWC Loan - Direct Borrowing</u>							
Pleasant street pump	0.00%	12/01/2024	\$ 14,450	\$ -	\$ (7,225)	\$ 7,225	\$ 7,225
Milan avenue improvements	0.00%	01/01/2027	<u>174,825</u>	-	<u>(3,067)</u>	<u>171,758</u>	<u>9,201</u>
Total OPWC loan			<u>189,275</u>	-	<u>(10,292)</u>	<u>178,983</u>	<u>16,426</u>
<u>OWDA loans - Direct Borrowing</u>							
Milan/chatham sewer project	3.90%	01/01/22	248,265	-	(121,736)	126,529	126,529
Wastewater treatment plant improve.	3.25%	01/01/27	3,562,341	-	(431,150)	3,131,191	443,919
Corwin street sewer improve.	3.67%	07/01/27	284,716	-	(33,628)	251,088	34,873
Water treatment improvement	2.94%	07/01/27	295,481	-	(38,241)	257,240	39,494
West main waterline replacement	2.82%	07/01/32	613,534	-	(41,572)	571,962	42,752
Norwood avenue waterline	4.78%	07/01/28	178,303	-	(17,456)	160,847	18,300
Old state route waterline	3.79%	07/01/34	520,697	-	(27,531)	493,166	28,585
Pleasant street combined overflow	2.24%	01/01/37	5,779,368	-	(282,785)	5,496,583	289,154
Milan avenue waterline replacement	2.95%	07/01/35	<u>399,250</u>	-	<u>(20,654)</u>	<u>378,596</u>	<u>21,268</u>
Total OWDA loans			<u>11,881,955</u>	-	<u>(1,014,753)</u>	<u>10,867,202</u>	<u>1,044,874</u>
<u>Other long-term obligations:</u>							
Capital lease obligation -Direct Borrowing			236,841	-	(106,132)	130,709	43,803
Net pension liability			5,129,353	-	(1,435,314)	3,694,039	-
Net OPEB liability			2,476,086	112,064	-	2,588,150	-
Compensated absences			<u>565,681</u>	<u>265,041</u>	<u>(211,225)</u>	<u>619,497</u>	<u>184,590</u>
Total business-type activities			<u>\$ 20,479,191</u>	<u>\$ 377,105</u>	<u>\$ (2,777,716)</u>	<u>\$ 18,078,580</u>	<u>\$ 1,289,693</u>

Compensated Absences:

Compensated absences will be paid from the water, sewer, sanitation and stormwater enterprise funds.

OPWC Loans:

An OPWC loans was issued for improvements to the City's Pleasant street pump station and Milan avenue improvements. Principal payments are due in semi-annual installments at 0% interest rate.

The following is a summary of the City's future annual debt service principal requirements for the OPWC loans:

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

<u>Year Ended December 31,</u>	<u>OPWC Loans Payable Principal</u>
2021	\$ 16,426
2022	6,134
2023	6,134
2024	6,134
2025	6,134
2026-2030	30,670
2031-2035	30,670
2036-2040	30,670
2041-2045	30,670
2046-2049	<u>15,341</u>
Total	<u>\$ 178,983</u>

OWDA Loans:

The City has entered into debt financing arrangements through the Ohio Water Department Authority (OWDA) to fund various water and sewer related construction projects. The amounts due to the OWDA are payable solely from sewer and water revenues. The loan agreements function similar to a line-of-credit agreement. The loan agreements require semi-annual payments based on the permissible borrowings rather than the actual amount loaned. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down.

The City has pledged future water and sewer revenues to repay OWDA loans. The loans are payable solely from water and sewer fund revenues and are payable through 2037. The annual requirements to retire OWDA principal and interest as follows:

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Year Ended December 31,	OWDA Loans Payable		
	Principal	Interest	Total
2021	\$ 1,044,874	\$ 281,884	\$ 1,326,758
2022	944,416	252,344	1,196,760
2023	971,252	229,685	1,200,937
2024	998,873	197,552	1,196,425
2025	1,027,308	171,295	1,198,603
2026-2030	3,213,573	500,928	3,714,501
2031-2035	2,263,036	187,691	2,450,727
2036-2037	403,870	6,797	410,667
Total	<u>\$ 10,867,202</u>	<u>\$ 1,828,176</u>	<u>\$ 12,695,378</u>

NOTE 12 – NOTE PAYABLE

The City issued various purpose notes, series 2020, in the amount of \$365,000, at an interest rate of 2.25%, for the purpose of purchasing or paying the associated costs for new non-capitalized computer software, funding for the retirement of an existing fire truck loan and a dump truck and related appurtenances. The notes were issued on September 3, 2020 with a final maturity date of September 15, 2021. Repayment of the notes will be made from the general fund, recreation fund, aquatic fund, street fund, state highway fund, capital improvement fund, water fund, sewer fund, storm water fund and sanitation funds.

	Maturity Date	Interest Rate	Balance 12/31/2019	Additions	Reductions	Balance 12/31/20
Governmental activities:						
Bond anticipation note	9/15/2021	2.25%	\$ -	\$ 237,180	\$ -	\$ 237,180
Business-type activities:						
Bond anticipation note	9/15/2021	2.25%	-	127,820	-	127,820
Total			<u>\$ -</u>	<u>\$ 365,000</u>	<u>\$ -</u>	<u>\$ 365,000</u>

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees).

State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual bases of accounting.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans.

The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan.

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS Comprehensive Annual Financial Report referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13- DEFINED BENEFIT PENSION PLANS - (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%:

	State and Local
2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2020 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
	0.0
Total Employer	14.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$647,292 for 2020. Of this amount, \$61,151 is reported as due to other governments.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description – City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13- DEFINED BENEFIT PENSION PLANS - (Continued)

The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164. Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit (see OP&F Comprehensive Annual Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3.00% or the percent increase, if any, in the consumer price index over the 12 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3.00% of their base pension or disability benefit.

Funding Policy – The Ohio Revised Code (ORC) provides a statutory authority for member and employer contributions as follows:

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13- DEFINED BENEFIT PENSION PLANS - (Continued)

	Police	Fire
2020 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.0 %
Employee	12.25 %	12.25 %
 2020 Actual Contribution Rates		
Employer:		
Pension	19.0 %	23.5 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.5 %	24.0 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$654,321 for 2020. Of this amount, \$53,334 is reported as due to other governments.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportion of the net pension liability prior measurement date	0.0328570%	0.121845%	
Proportion of the net pension liability current measurement date	0.0327880%	0.133850%	
Change in proportionate share	-0.000069%	0.012005%	
Proportionate share of the net pension liability	\$ 6,480,771	\$ 9,016,817	\$ 15,497,588
Pension expense	1,020,282	2,046,480	3,066,762

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13- DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ -	\$ 341,316	\$ 341,316
Changes of assumptions	346,149	221,340	567,489
City contributions subsequent to the measurement date	647,292	654,321	1,301,613
Total deferred outflows of resources	<u>\$ 993,441</u>	<u>\$ 1,216,977</u>	<u>\$ 2,210,418</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 81,940	\$ 465,034	\$ 546,974
Net difference between projected and actual earnings on pension plan investments	1,292,768	435,584	1,728,352
Total deferred inflows of resources	<u>\$ 1,374,708</u>	<u>\$ 900,618</u>	<u>\$ 2,275,326</u>

\$1,301,613 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2021	\$ (151,267)	\$ (71,177)	\$ (222,444)
2022	(417,514)	(15,403)	(432,917)
2023	53,533	182,948	236,481
2024	(513,311)	(394,460)	(907,771)
2025	-	(39,870)	(39,870)
Total	<u>\$ (1,028,559)</u>	<u>\$ (337,962)</u>	<u>\$ (1,366,521)</u>

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13- DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 1.40%, simple through 2020, then 2.15% simple
Investment rate of return:	
Current measurement date	7.20%
Prior measurement date	7.20%
Actuarial cost method	Individual entry age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3.00% simple through 2018 then 2.15% simple to 1.40% simple through 2020 then 2.15% simple. Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The most recent experience study was completed for the five-year period ended December 31, 2015.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan.

Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.20% for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	25.00 %	1.83 %
Domestic equities	19.00	5.75
Real estate	10.00	5.20
Private equity	12.00	10.70
International equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2019 was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$10,688,888	\$6,480,771	\$2,697,797

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth:

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2019, are presented below:

Valuation date	1/1/19 with actuarial liabilities rolled forward to 12/31/19
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25% per annum, compounded annually, consisting of
	inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of living adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy and Guidelines. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return **</u>
Cash and Cash Equivalents	- %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation		
Linked Bonds *	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	<u>12.00</u>	6.40
Total	<u>120.00 %</u>	

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.00%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%), or one percentage point higher (9.00%) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 12,496,995	\$ 9,016,817	\$ 6,105,993

NOTE 14 – DEFINED BENEFIT OPEB PLANS

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position.

The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which OPEB are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. The proportionate share of each plan’s unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS’ Comprehensive Annual Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2020.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75. The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's contractually required contribution to OP&F was \$15,614 for 2020. Of this amount, \$1,220 is reported as due to other governments.

The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.032873%	0.1338495%	
Prior Measurement Date	<u>0.033319%</u>	<u>0.1218450%</u>	
Change in Proportionate Share	<u>-0.0004460%</u>	<u>0.0120045%</u>	
			<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$4,540,615	\$1,322,129	\$5,862,744
OPEB Expense	453,105	138,480	591,585

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	3.16%
Prior Measurement date	3.96%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.00%
Municipal Bond Rate	
Current measurement date	2.75%
Prior Measurement date	3.71%
Health Care Cost Trend Rate	
Current measurement date	10.50% initial, 3.50% ultimate in 2030
Prior Measurement date	10.00%, initial 3.25%, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.70% for 2019.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS’ primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

For each major asset class that is included in the Health Care’s portfolio’s target asset allocation as of December 31, 2019, these best estimates are summarized in the following table.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	<u>100.00 %</u>	<u>4.55 %</u>

Discount Rate A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the proportionate share of the net OPEB liability calculated using the single discount rate of 3.16%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16%) or one-percentage-point higher (4.16%) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	\$5,942,123	\$4,540,615	\$3,398,739

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$4,406,626	\$4,540,615	\$4,672,897

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

	OPERS - Traditional	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 122	\$ -	\$ 122
Changes of assumptions	718,731	772,968	1,491,699
City contributions subsequent to the measurement date	-	15,614	15,614
Total deferred outflows of resources	<u>\$ 718,853</u>	<u>\$ 788,582</u>	<u>\$ 1,507,435</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 415,260	\$ 142,182	\$ 557,442
Net difference between projected and actual earnings on pension plan investments	231,207	60,840	292,047
Changes of assumptions	-	281,765	281,765
Total deferred inflows of resources	<u>\$ 646,467</u>	<u>\$ 484,787</u>	<u>\$ 1,131,254</u>

\$15,614 is reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:

2021	\$ 116,457	\$ 50,904	\$ 167,361
2022	54,540	50,905	105,445
2023	184	63,384	63,568
2024	(98,795)	43,710	(55,085)
2025	-	51,015	51,015
Thereafter	-	28,263	28,263
Total	<u>\$ 72,386</u>	<u>\$ 288,181</u>	<u>\$ 360,567</u>

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	3.56%
Prior measurement date	4.66%
Cost of Living Adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five-year period ended December 31, 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019, are summarized below:

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return **
Cash and Cash Equivalents	- %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation		
Linked Bonds *	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	120.00 %	

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F’s Board of Trustees has incorporated the risk parity concept into OP&F’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - For 2019, the total OPEB liability was calculated using the discount rate of 3.56%. For 2018, the total OPEB liability was calculated using the discount rate of 4.66%. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.00%. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75% at December 31, 2019 and 4.13% at December 31, 2018, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 3.56% for 2019 and 4.66% for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments until 2034.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate -

Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%), or one percentage point higher (4.56%) than the current rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
City's proportionate share of the net OPEB liability	\$1,639,355	\$1,322,129	\$1,058,537

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

NOTE 15 - 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, Finance Director, Municipal Court Judge and Clerk of Courts have a \$100,000 position bond. The Law Director has a \$5,000 position bond. All other City employees are covered by a \$50,000 blanket bond.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 15 - RISK MANAGEMENT - (Continued)

C. Workers Compensation

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

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for the general fund and local coronavirus relief fund:

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

Net Change in Fund Balance

	General fund	Local Coronavirus Relief fund
Budget basis	\$ 317,721	\$ -
Net adjustment for revenue accruals	(185,737)	-
Net adjustment for expenditure accruals	(219,067)	(40,979)
Net adjustment for other sources/uses	649,830	-
Adjustment for encumbrances	240,771	43,912
GAAP basis	\$ 803,518	\$ 2,933

NOTE 17 – TAX ABATEMENTS

The City provides tax abatements under the following programs which meet the criteria set forth under the requirements of GASB Statement No. 77: the Industrial/Commercial Community Reinvestment Area Program and the Economic Development Job Creation and Retention Program.

Real Estate Tax Abatements

Pursuant to Ohio Revised Code Section 5709, the City has established Community Reinvestment Areas (CRA) for any industrial or commercial property project improvements made to parcel(s) following specific return-on-investment formulas and guidelines approved by City Council. No taxes were abated at December 31, 2020.

Income Tax Abatement Programs

The City has created an Economic Development and Job Creation and Retention Program and Enterprise Zone Agreements for purposes of retaining the City’s competitiveness in local job creation. The City provides an incentive to the company’s gross annual payroll, the amount of income tax generated annually and the number of jobs created or retained by the business.

The abatement is administered as a refund or credit based upon the company’s payroll taxes. Also, the time period of the incentive in years, is determined by how many new jobs are to be created by the respective businesses.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 – TAX ABATEMENTS– (Continued)

City Council’s Incentive Criteria for Decision Making

The City has offered tax incentives and CRA abatements to various businesses based upon substantial project investment into the City. The City has created a return on investment formula it considers before entering into any such agreements. This return on investment formula considers the financial impact not only to the City but also other local governments in surrounding counties that may be impacted. Below is the information relevant to the disclosure of these programs for the year ended December 31, 2020:

Tax Abatement Program	Total Amount of Taxes Abated (Incentives Abated) for 2020 (In Actual Dollars)
<i>Income Tax Abatement Programs</i>	
- Manufacturing	\$55,002

Pursuant to Section 5709.82 of the Ohio Revised Code, the City of Norwalk and the Norwalk City School District and Edison Local School District in line with section 5709.82 of the Ohio Revised Code, created various compensation agreements. These agreements state various reimbursement percentages which require municipal income tax sharing when new income tax collections meet stipulations within the compensation agreements. Based on these agreements, the City compensated the Norwalk City School District \$15,968 and the Edison Local School District \$57,250 for the year ended December 31, 2020.

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2020.

B. Litigation

The City is involved in no material litigation as either plaintiff or defendant.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 19 - OTHER COMMITMENTS

A. Encumbrances

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances as follows:

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 131,314
General capital improvement	86,991
Local coronavirus relief fund	2,933
Other governmental	424,119
Total governmental funds	<u>645,357</u>
Water	109,354
Sewer	534,783
Sanitation	100,790
Storm Water	10,336
Total proprietary funds	<u>755,263</u>
Total	<u><u>\$ 1,400,620</u></u>

NOTE 20 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 20 - FUND BALANCE-- (Continued)

Fund balance	General	General Capital Improvements	Local Coronavirus Relief	Other Governmental	Total Governmental Funds
Nonspendable:					
Notes	\$ -	\$ -		\$ 1,041,810	\$ 1,041,810
Unclaimed funds	36,027	-	-	-	36,027
Materials & supplies inventory	-	-	-	138,710	138,710
Total nonspendable	36,027	-	-	1,180,520	1,216,547
Restricted:					
Capital improvements	-	-	-	768,112	768,112
General government	-	-	2,933	-	2,933
Economic development	-	-	-	305,983	305,983
Police and fire protection	-	-	-	228,773	228,773
Courts	-	-	-	1,126,165	1,126,165
Transportation	-	-	-	749,120	749,120
Other purposes	-	-	-	4,903	4,903
Total restricted	-	-	2,933	3,183,056	3,185,989
Committed:					
Capital improvements	-	329,558	-	55,635	385,193
Parks and recreation	-	-	-	172,167	172,167
Police and fire protection	-	-	-	17,299	17,299
Termination benefits	525,590	-	-	-	525,590
Total committed	525,590	329,558	-	245,101	1,100,249
Community environment	147	-	-	-	147
Security persons & property	61,812	-	-	-	61,812
Subsequent year appropriations	1,435,098	-	-	-	1,435,098
General government	69,355	-	-	-	69,355
Total assigned	1,566,412	-	-	-	1,566,412
Unassigned	2,002,089	-	-	(7,888)	1,994,201
Total fund balances	\$ 4,130,118	\$ 329,558	\$ 2,933	\$ 4,600,789	\$ 9,063,398

**CITY OF NORWALK
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 21 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the pension and other employee benefit plan in which the City participates fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the City received CARES Act funding. Of the amounts received, \$47,500 was sub-granted to small businesses. These amounts are reflected as expenditures in the local coronavirus relief fund on the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORWALK

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST SEVEN YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net pension liability	0.032788%	0.032857%	0.033460%	0.035504%
City's proportionate share of the net pension liability	\$ 6,480,771	\$ 8,998,865	\$ 5,249,225	\$ 8,062,356
City's covered-employee payroll	\$ 4,448,514	\$ 4,117,629	\$ 4,251,000	\$ 4,439,592
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	145.68%	218.54%	123.48%	181.60%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	74.70%	84.66%	77.25%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.035929%	0.036343%	0.036343%
\$ 6,223,356	\$ 4,348,406	\$ 4,279,741
\$ 6,033,217	\$ 5,102,750	\$ 5,190,523
103.15%	85.22%	82.45%
81.08%	86.45%	86.36%

CITY OF NORWALK

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST SEVEN YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net pension liability	0.13384950%	0.12184500%	0.12042200%
City's proportionate share of the net pension liability	\$ 9,016,817	\$ 9,945,772	\$ 7,390,842
City's covered-employee payroll	\$ 3,490,467	\$ 3,237,673	\$ 2,908,126
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	258.33%	307.19%	254.14%
Plan fiduciary net position as a percentage of the total pension liability	69.89%	63.07%	70.91%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

2017	2016	2015	2014
0.12652600%	0.12237900%	0.12726800%	0.12726800%
\$ 8,014,030	\$ 7,872,700	\$ 6,593,148	\$ 6,198,478
\$ 2,624,892	\$ 2,487,940	\$ 2,676,671	\$ 2,495,305
305.31%	316.43%	246.32%	248.41%
68.36%	66.77%	72.20%	73.00%

CITY OF NORWALK

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST EIGHT YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 647,292	\$ 622,792	\$ 576,468	\$ 552,630
Contributions in relation to the contractually required contribution	<u>(647,292)</u>	<u>(622,792)</u>	<u>(576,468)</u>	<u>(552,630)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,623,514	\$ 4,448,514	\$ 4,117,629	\$ 4,251,000
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

Note: Information prior to 2013 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 532,751	\$ 723,986	\$ 612,330	\$ 674,768
<u>(532,751)</u>	<u>(723,986)</u>	<u>(612,330)</u>	<u>(674,768)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,439,592	\$ 6,033,217	\$ 5,102,750	\$ 5,190,523
12.00%	12.00%	12.00%	13.00%

CITY OF NORWALK

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST EIGHT YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Police:</i>				
Contractually required contribution	\$ 344,098	\$ 389,102	\$ 330,825	\$ 310,842
Contributions in relation to the contractually required contribution	<u>(344,098)</u>	<u>(389,102)</u>	<u>(330,825)</u>	<u>(310,842)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,811,042	\$ 2,047,905	\$ 1,741,184	\$ 1,636,011
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	19.00%	19.00%
<i>Fire:</i>				
Contractually required contribution	\$ 310,223	\$ 339,002	\$ 351,675	\$ 298,947
Contributions in relation to the contractually required contribution	<u>(310,223)</u>	<u>(339,002)</u>	<u>(351,675)</u>	<u>(298,947)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,320,098	\$ 1,442,562	\$ 1,496,489	\$ 1,272,115
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	23.50%	23.50%

Note: Information prior to 2013 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 271,348	\$ 254,802	\$ 282,264	\$ 262,406
<u>(271,348)</u>	<u>(254,802)</u>	<u>(282,264)</u>	<u>(262,406)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,428,147	\$ 1,306,677	\$ 1,447,508	\$ 1,345,672
19.00%	19.50%	19.50%	19.50%
\$ 281,235	\$ 283,503	\$ 294,999	\$ 275,912
<u>(281,235)</u>	<u>(283,503)</u>	<u>(294,999)</u>	<u>(275,912)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,196,745	\$ 1,181,263	\$ 1,229,163	\$ 1,149,633
23.50%	24.00%	24.00%	24.00%

CITY OF NORWALK

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST FOUR YEARS

	<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
City's proportion of the net OPEB liability	0.032873%		0.033319%		0.033950%		0.027920%
City's proportionate share of the net OPEB liability	\$ 4,540,615	\$	4,344,011	\$	3,686,720	\$	2,820,015
City's covered-employee payroll	\$ 4,448,514	\$	4,117,629	\$	4,251,000	\$	4,439,592
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	102.07%		105.50%		86.73%		63.52%
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%		46.33%		54.14%		54.14%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

CITY OF NORWALK

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST FOUR YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.133850%	0.121845%	0.120422%	0.126526%
City's proportionate share of the net OPEB liability	\$ 1,322,129	\$ 1,109,586	\$ 6,822,942	\$ 6,005,905
City's covered-employee payroll	\$ 3,490,467	\$ 3,237,673	\$ 2,908,126	\$ 2,624,892
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	37.88%	34.27%	234.62%	228.81%
Plan fiduciary net position as a percentage of the total OPEB liability	47.08%	46.57%	14.13%	14.13%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

CITY OF NORWALK

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST EIGHT YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ -	\$ -	\$ -	\$ 39,458
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,458)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,623,514	\$ 4,448,514	\$ 4,117,629	\$ 4,251,000
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	1.00%

Note: Information prior to 2013 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 88,792	\$ 94,914	\$ 95,950	\$ 51,905
<u>(88,792)</u>	<u>(94,914)</u>	<u>(95,950)</u>	<u>(51,905)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,439,592	\$ 6,033,217	\$ 5,102,750	\$ 5,190,523
2.00%	2.00%	2.00%	1.00%

CITY OF NORWALK

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST EIGHT YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Police:</i>				
Contractually required contribution	\$ 9,055	\$ 11,575	\$ 9,378	\$ 25,374
Contributions in relation to the contractually required contribution	<u>(9,055)</u>	<u>(11,575)</u>	<u>(9,378)</u>	<u>(25,374)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,811,042	\$ 2,047,905	\$ 1,741,184	\$ 1,636,011
Contributions as a percentage of covered-employee payroll	0.50%	0.57%	0.54%	1.55%
 <i>Fire:</i>				
Contractually required contribution	\$ 6,559	\$ 8,474	\$ 6,810	\$ 29,641
Contributions in relation to the contractually required contribution	<u>(6,559)</u>	<u>(8,474)</u>	<u>(6,810)</u>	<u>(29,641)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,320,098	\$ 1,442,562	\$ 1,496,489	\$ 1,272,115
Contributions as a percentage of covered-employee payroll	0.50%	0.59%	0.46%	2.33%

Note: Information prior to 2013 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 22,205	\$ -	\$ -	\$ -
<u>(22,205)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,428,147	\$ 1,306,677	\$ 1,447,508	\$ 1,345,672
1.55%	0.00%	0.00%	0.00%
\$ 22,916	\$ -	\$ -	\$ -
<u>(22,916)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,196,745	\$ 1,181,263	\$ 1,229,163	\$ 1,149,633
1.91%	0.00%	0.00%	0.00%

**CITY OF NORWALK
HURON COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

PENSION

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2020.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%. There were no changes in assumptions for 2020.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2020.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following were the most significant changes of assumptions that affected the total pension since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple. There were no changes in assumptions for 2019-2020.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2020.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25% ultimate in 2029. For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.96% up to 3.16%, (b) the municipal bond rate was decreased from 3.71% up to 2.75% and (c) the health care cost trend rate was increased from 10.%, initial/3.25%, ultimate in 2029 up to 10.50%, initial/3.50% ultimate in 2030.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018. For 2019, OP&F changed its retiree health care model from a self-insured health care plan to a stipend-based health care model. There were no changes in benefit terms for 2020.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reduced from 3.75% to 3.25% and (e) payroll growth was reduced from 3.75% to 3.25%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.24% up to 4.66%. For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 4.66% up to 3.56%.

CITY OF NORWALK
HURON COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/ Pass Through Grantor/ Program Grant Title	Pass Through Entity Number	CFDA Number	Pass-Through to Subrecipients	Total Federal Expenditures
U.S. Department of Homeland Security - FEMA				
Assistance to Firefighters Grant (Direct)	N/A	97.044	\$ -	\$ 616,700
Total Department of Homeland Security (FEMA)			<u>-</u>	<u>616,700</u>
U.S. Environmental Protection Agency				
Brownsfields Multipurpose, Assessment, Revolving Loan Fund and Cleanup Cooperative Agreements (Direct)	N/A	66.818	-	96,549
Total Environmental Protection Agency			<u>-</u>	<u>96,549</u>
U.S. Department of Housing and Urban Development				
<i>Passed through Ohio Development Services Agency:</i>				
Community Development Block Grants/State's Program	A-F-18-2CZ-1	14.228	-	146,000
Community Development Block Grants/State's Program	A-F-20-2CZ-1	14.228	-	2,750
Total Community Development Block Grant/State's Program			<u>-</u>	<u>148,750</u>
Total Department of Housing and Urban Development			<u>-</u>	<u>148,750</u>
U.S. Department of Treasury				
<i>Passed through Ohio Office of Budget and Management:</i>				
COVID-19 Coronavirus Relief Fund	HB481-CRF-Local	21.019	47,500	1,501,838
Total Department of Treasury			<u>47,500</u>	<u>1,501,838</u>
Total Expenditures of Federal Awards			<u>\$ 47,500</u>	<u>\$ 2,363,837</u>

See accompanying notes to the schedule of expenditures of federal awards.

**CITY OF NORWALK
HURON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Norwalk, Huron County (the City) under programs of the federal government for the year ended December 31, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The City passes certain federal awards received from the Ohio Office of Budget and Management to other governments or not-for-profit agencies (subrecipients). As Note B describes, the City reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the City has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

City of Norwalk
Huron County
38 Whittlesey Avenue
P.O. Box 30
Norwalk, Ohio 44857

To the City Council and Management:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwalk, Huron County, (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 18, 2021, wherein we noted the City adopted GASB Statement No. 84 "*Fiduciary Activities*" and recorded other corrections as disclosed in Note 3, and considered the financial impact of COVID-19 as disclosed in Note 21.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Wilson, Shuman & Snow, Inc.

June 18, 2021
Newark, Ohio

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

City of Norwalk
Huron County
38 Whittlesey Avenue
P.O. Box 30
Norwalk, Ohio 44857

To the City Council and Management:

Report on Compliance for the Major Federal Program

We have audited the City of Norwalk's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Norwalk's major federal program for the year ended December 31, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

Management's Responsibility

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Norwalk complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Newark, Ohio
June 18, 2021

**CITY OF NORWALK
HURON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Coronavirus Relief Fund/CFDA 21.019
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

OHIO AUDITOR OF STATE KEITH FABER



CITY OF NORWALK

HURON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/24/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov