

**CITY OF NORWALK
HURON COUNTY**

SINGLE AUDIT

JANUARY 1, 2023 – DECEMBER 31, 2023



WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS

OHIO AUDITOR OF STATE
KEITH FABER



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City Council
City of Norwalk
38 Whittlesey Avenue
Norwalk, Ohio 444857

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, 2023 through December 31, 2023. 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

June 17, 2024

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HURON COUNTY, OHIO**

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HURON COUNTY, OHIO**

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INDEPENDENT AUDITOR'S REPORT

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

To the City Council and Management:

Report on the Audit of the Financial Statements

Opinions

We have audited 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, Ohio (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Parks & Recreation funds for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities/assets and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.



Newark, Ohio

June 3, 2024

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**CITY OF NORWALK
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(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, 2023. 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 2023 are as follows:

- The total net position of the City increased \$6,200,530 from 2022. Net position of governmental activities increased \$3,596,408 or 14% over the 2022 net position of \$24,858,825 and net position of business-type activities increased \$2,604,122 or 7% from 2022 net position of \$39,399,889.
- General revenues and transfers accounted for \$11,706,637, or 65% of total governmental activities revenue. Program specific revenues accounted for \$6,294,584 or 35% of total governmental activities revenue.
- The City had \$14,404,543 in expenses related to governmental activities; \$6,294,584 of these expenses was offset by program specific charges for services and sales, grants or contributions. The remaining expenses of the governmental activities of \$8,109,959 were offset by general revenues and transfers (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$11,706,367.
- The general fund had revenues and other financing sources of \$9,707,018 in 2023. This represents an increase of \$1,303,804 from 2022 revenues. The expenditures and other financing uses of the general fund, which totaled \$9,669,607 increased \$1,622,109 in 2023 from 2022 expenditures and other financing uses. The net increase in fund balance for the general fund was \$37,411.
- The parks & recreation fund had revenues and other financing sources of \$1,837,649 and expenditures and other financing uses of \$1,916,849 resulting in an ending fund balance of \$412,879, a decrease of \$79,200.
- The general capital improvements fund had revenues and other financing sources of \$2,100,475 in 2023. The expenditures of the general capital improvements fund totaled \$1,805,157 in 2023. The net increase in fund balance was \$295,318 from 2022.

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, 2023
(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 2023?" 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, 2023
(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 parks & recreation 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, 2023
(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.

	Governmental Activities 2023	Business-type Activities 2023	Governmental Activities 2022	Business-type Activities 2022	Total 2023	Total 2022
Assets						
Current and other assets	\$ 18,505,268	\$ 12,368,075	\$ 17,459,661	\$ 13,577,062	\$ 30,873,343	\$ 31,036,723
Nondepreciable capital assets	5,232,173	2,385,435	4,381,024	1,558,699	7,617,608	5,939,723
Depreciable capital assets, net	21,388,577	39,628,353	19,247,430	38,791,645	61,016,930	58,039,075
Capital assets, net	<u>26,620,750</u>	<u>42,013,788</u>	<u>23,628,454</u>	<u>40,350,344</u>	<u>68,634,538</u>	<u>63,978,798</u>
Total assets	<u>45,126,018</u>	<u>54,381,863</u>	<u>41,088,115</u>	<u>53,927,406</u>	<u>99,507,881</u>	<u>95,015,521</u>
Deferred outflows of resources	<u>5,891,148</u>	<u>2,324,437</u>	<u>3,397,298</u>	<u>674,701</u>	<u>8,215,585</u>	<u>4,071,999</u>
Liabilities						
Current and other liabilities	1,922,675	369,199	1,224,184	1,249,077	2,291,874	2,473,261
Long-term liabilities:						
Due within one year	352,235	1,255,405	343,947	1,157,176	1,607,640	1,501,123
Net pension liability	14,931,119	5,197,678	8,665,895	1,645,521	20,128,797	10,311,416
Net OPEB liability	878,699	107,347	1,302,606	-	986,046	1,302,606
Due in more than one year	<u>1,198,088</u>	<u>7,737,257</u>	<u>1,246,885</u>	<u>8,529,640</u>	<u>8,935,345</u>	<u>9,776,525</u>
Total liabilities	<u>19,282,816</u>	<u>14,666,886</u>	<u>12,783,517</u>	<u>12,581,414</u>	<u>33,949,702</u>	<u>25,364,931</u>
Deferred inflows of resources	<u>3,279,117</u>	<u>35,403</u>	<u>6,843,071</u>	<u>2,620,804</u>	<u>3,314,520</u>	<u>9,463,875</u>
Net Position						
Net investment in capital assets	25,093,527	33,689,291	23,330,810	31,280,034	58,782,818	54,610,844
Restricted	5,050,084	-	4,520,534	-	5,050,084	4,520,534
Unrestricted	<u>(1,688,378)</u>	<u>8,314,720</u>	<u>(2,992,519)</u>	<u>8,119,855</u>	<u>6,626,342</u>	<u>5,127,336</u>
Total net position	<u>\$ 28,455,233</u>	<u>\$ 42,004,011</u>	<u>\$ 24,858,825</u>	<u>\$ 39,399,889</u>	<u>\$ 70,459,244</u>	<u>\$ 64,258,714</u>

Over time, net position can serve as a useful indicator of a government's financial position. At year-end, net position was \$70,459,244 that comprised \$28,455,233 and \$42,004,011 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, 2023
(UNAUDITED)**

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 52% and 74% 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, 2023, were \$25,093,527 and \$33,689,291 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, \$5,050,084 represents resources that are subject to external restriction on how they may be used.

The increase in net position governmental activities is primarily attributed to an increase in capital assets of \$2,992,296 while the increase in business-type activities is attributed to the decrease in unearned revenue of \$945,922 combined with an increase in capital assets of \$1,663,444.

Equity in pool cash and investments increased \$1,157,487 for governmental activities and decreased \$650,119 for business-type activities.

The following table shows the changes in net position for 2023 and 2022.

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**CITY OF NORWALK
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)**

	Change in Net Position					
	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	Total	Total
	2023	2023	2022	2022	2023	2022
Revenues						
Program revenues:						
Charges for services and sales	\$ 1,849,008	\$ 8,503,248	\$ 2,057,962	\$ 8,166,972	\$ 10,352,256	\$ 10,224,934
Operating grants and contributions	1,671,562	-	2,275,574	-	1,671,562	2,275,574
Capital grants and contributions	2,774,014	945,922	944,026	646,787	3,719,936	1,590,813
Total program revenues	6,294,584	9,449,170	5,277,562	8,813,759	15,743,754	14,091,321
General revenues:						
Property and other local taxes	1,849,870	-	1,696,155	-	1,849,870	1,696,155
Income taxes	8,170,272	1,630,487	8,002,246	1,562,353	9,800,759	9,564,599
Shared revenues	35,800	-	170,948	-	35,800	170,948
Payment in lieu of taxes	114,257	-	52,740	-	114,257	52,740
Grants and entitlements	567,228	-	647,061	-	567,228	647,061
Investment earnings	821,437	-	(440,177)	-	821,437	(440,177)
Other	146,503	52,566	357,929	119,448	199,069	477,377
Total general revenues	11,705,367	1,683,053	10,486,902	1,681,801	13,388,420	12,168,703
Total revenues	17,999,951	11,132,223	15,764,464	10,495,560	29,132,174	26,260,024
Program Expenses:						
General government	2,955,654	-	2,430,859	-	2,955,654	2,430,859
Security of persons and property	6,423,683	-	6,052,651	-	6,423,683	6,052,651
Public health and welfare	133,268	-	15,554	-	133,268	15,554
Transportation	1,482,357	-	1,865,947	-	1,482,357	1,865,947
Community environment & development	319,832	-	331,528	-	319,832	331,528
Leisure time activity	3,012,534	-	1,434,499	-	3,012,534	1,434,499
Utility services	43,387	-	-	-	43,387	-
Interest and fiscal charges	33,828	-	76,850	-	33,828	76,850
Sanitation	-	1,684,673	-	1,596,392	1,684,673	1,596,392
Sewer	-	3,662,437	-	2,371,447	3,662,437	2,371,447
Water	-	3,009,737	-	2,797,413	3,009,737	2,797,413
Storm water	-	170,254	-	132,157	170,254	132,157
Total expenses	14,404,543	8,527,101	12,207,888	6,897,409	22,931,644	19,105,297
Change in net position before transfers	3,595,408	2,605,122	3,556,576	3,598,151	6,200,530	7,154,727
Transfers	1,000	(1,000)	-	-	-	-
Change in net position	3,596,408	2,604,122	3,556,576	3,598,151	6,200,530	7,154,727
Net position beginning of year	24,858,825	39,399,889	21,302,249	35,801,738	64,258,714	57,103,987
Net position end of year	\$ 28,455,233	\$ 42,004,011	\$ 24,858,825	\$ 39,399,889	\$ 70,459,244	\$ 64,258,714

**CITY OF NORWALK
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)

Governmental Activities

Governmental activities net position increased \$3,596,408 in 2023 and is primarily attributed to an increase in capital grants and contributions of \$1,829,988 and a change of \$1,261,614 associated with positive interest investments returns. The increase in capital grants and contributions is attributed to federal and state money received for leisure time and transportation projects started in 2023.

General government expenses totaled \$2,955,654 and were partially funded by \$901,634 in charges for services and sales and \$99,624 in operating grants and contributions.

Operating grants and contributions relate to federal, state and local revenues which totaled \$1,671,562. These revenues are restricted for general government, security of persons and property, transportation and community environment and development purposes. Capital grants and contributions of \$2,774,014 were primarily for construction of streets and related improvements as well as new bike-paths within the City.

General revenues totaled \$11,705,367 and primarily consist of property and income tax revenue of \$10,020,142. The other primary source of general revenues is unrestricted grants totaling \$567,228.

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 2023 compared to 2022. 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

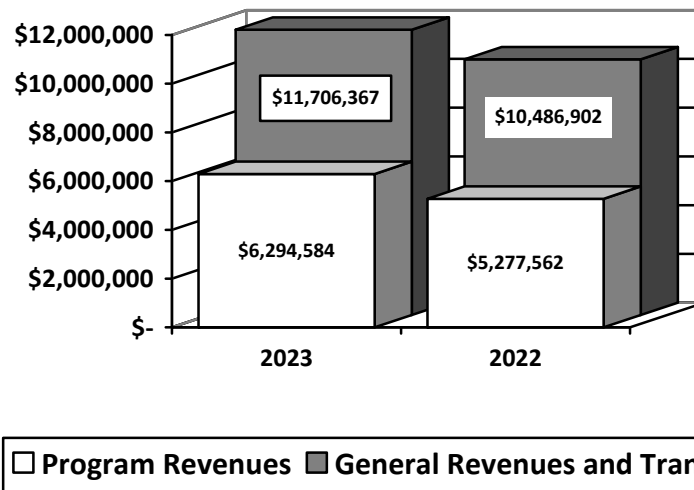
	2023		2022	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 2,955,654	\$ 1,954,396	\$ 2,430,859	\$ 1,191,036
Security of persons & property	6,423,683	6,228,823	6,052,651	5,699,017
Public health and welfare	133,268	133,268	15,554	15,554
Transportation	1,482,357	(1,345,842)	1,865,947	(100,206)
Community environment	319,832	(52,230)	331,528	49,838
Leisure time activity	3,012,534	1,114,329	1,434,499	(1,763)
Utility services	43,387	43,387	-	-
Interest and fiscal charges	33,828	33,828	76,850	76,850
Total	<u>\$ 14,404,543</u>	<u>\$ 8,109,959</u>	<u>\$ 12,207,888</u>	<u>\$ 6,930,326</u>

**CITY OF NORWALK
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)**

The chart below illustrates the City's program revenues versus general revenues for 2023 and 2022.

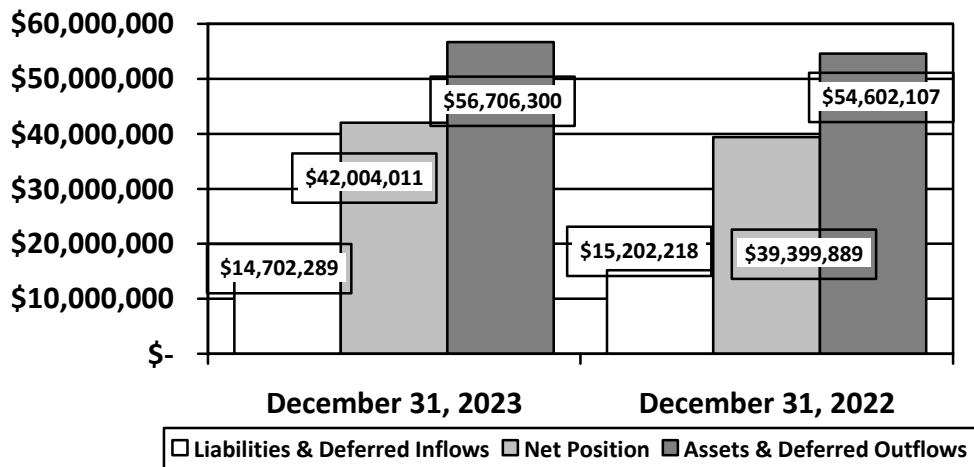
Governmental Activities – General and Program Revenues



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 of resources, liabilities and deferred inflows of resources and net position at year-end.

Net Position in Business - Type Activities



**CITY OF NORWALK
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(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 \$12,070,174 which is \$762,630 higher than last year's total of \$11,307,544. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2023 for all major and non-major governmental funds.

	Fund Balances 12/31/2023	Fund Balances 12/31/2022	Increase (Decrease)
Major funds:			
General fund	\$ 4,344,219	\$ 4,306,808	\$ 37,411
Parks & recreation fund	412,879	492,079	(79,200)
General capital improvements fund	1,557,393	1,262,075	295,318
Other governmental funds	5,755,683	5,246,582	509,101
Total	<u>\$ 12,070,174</u>	<u>\$ 11,307,544</u>	<u>\$ 762,630</u>

General Fund

The City's general fund balance increased \$37,411. The table that follows assists in illustrating the revenues of the general fund.

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**CITY OF NORWALK
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)**

	2023 Amount	2022 Amount	Percentage Change
<u>Revenues</u>			
Property and other taxes	\$ 812,137	\$ 821,746	(1.17) %
Income taxes	6,328,666	6,214,985	1.83 %
Special assessments	7,702	2,531	204.31 %
Charges for services	80,467	108,186	(25.62) %
Licenses and permits	174,980	312,477	(44.00) %
Fines and forfeitures	435,938	491,643	(11.33) %
Intergovernmental	876,814	1,006,092	(12.85) %
Investment income	900,985	(619,861)	245.35 %
Other	63,329	65,415	(3.19) %
Total	<u>\$ 9,681,018</u>	<u>\$ 8,403,214</u>	15.21 %

Income tax revenues represents 65% of all general fund revenue and increased 1.83% from the prior year. The increase in investment income is based on changes to fair value of investments. The table that follows assists in illustrating the expenditures of the general fund.

	2023 Amount	2022 Amount	Percentage Change
<u>Expenditures</u>			
General government	\$ 2,530,870	\$ 2,355,759	7.43 %
Security of persons and property	5,212,050	4,830,041	7.91 %
Public health and welfare	133,266	15,674	750.24 %
Transportation	20,292	-	- %
Community environment and development	56,757	11,024	414.85 %
Leisure time activity	40,866	-	- %
Utility services	43,387	-	- %
Total	<u>\$ 8,037,488</u>	<u>\$ 7,212,498</u>	11.44 %

General fund expenditures increased from 2022 by 11.44% which is primarily attributed general cost of living adjustments, inflationary pressures, and severance payments made as reported in the transportation, community environment and development, leisure time activity, and utility service expenditure functions.

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. 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 came in \$441,329 higher than they were in the final budget and actual expenditures and other financing uses were \$642,153 less than the amount in the final budget.

**CITY OF NORWALK
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)

Parks & Recreation Fund

The parks & recreation fund had revenues and other financing sources of \$1,837,649 and expenditures and other financing uses of \$1,916,849 resulting in an ending fund balance of \$412,879, a decrease of \$79,200.

General Capital Improvements Fund

The general capital improvements fund had revenues and other financing sources of \$2,100,475 in 2023. The expenditures of the general capital improvements fund totaled \$1,805,157 in 2023. The net increase in fund balance was \$295,318 from 2022.

Capital Assets and Debt Administration

Capital Assets

At the end of 2023, the City had \$68,634,538 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings, equipment, and infrastructure. Of this total, \$26,620,750 was reported in governmental activities and \$42,013,788 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	
	2023	2022	2023	2022	2023	2022
Land	\$ 3,057,434	\$ 3,057,434	\$ 45,261	\$ 45,261	\$ 3,102,695	\$ 3,102,695
Construction in progress	2,174,739	1,323,590	2,340,174	1,513,438	4,514,913	2,837,028
Land improvements	2,728,186	1,037,209	80,888	102,187	2,809,074	1,139,396
Buildings	8,977,573	9,115,231	8,832,117	9,027,868	17,809,690	18,143,099
Equipment	2,358,685	1,707,467	2,477,960	2,897,152	4,836,645	4,604,619
Intangible right to use	25,944	-	233,496	-	259,440	-
Infrastructure	<u>7,298,189</u>	<u>7,387,523</u>	<u>28,003,892</u>	<u>26,764,438</u>	<u>35,302,081</u>	<u>34,151,961</u>
Totals	<u>\$ 26,620,750</u>	<u>\$ 23,628,454</u>	<u>\$ 42,013,788</u>	<u>\$ 40,350,344</u>	<u>\$ 68,634,538</u>	<u>\$ 63,978,798</u>

The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 27% of the City's total governmental activities and 67% of the business-type activity capital assets.

**CITY OF NORWALK
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)

Debt Administration

The City had the following debt obligations outstanding at December 31, 2023 and 2022:

	Governmental Activities	
	2023	2022
OPWC loans	\$ 140,517	\$ 154,880
Notes payable - financed purchase	56,310	62,789
Police and fire pension	250,917	267,613
Total debt obligations	\$ 447,744	\$ 485,282
	Business-type Activities	
	2023	2022
OPWC loans	\$ 150,289	\$ 156,423
OWDA loans	7,906,661	8,877,911
Notes payable - financed purchase	212,716	-
Total debt obligations	\$ 8,269,666	\$ 9,034,334

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, increased (cash basis) from 2022 to 2023. The City has continued to budget conservatively.

In addition, the following items were taken into consideration during preparation of the 2024 budget: 1) The cost of repair and replacement of City infrastructure continues to increase; 2) Income Tax Revenue is budgeted to increase in 2024; and the City Administration actively has pursued State and Federal Funding opportunities to assist with updating large upcoming infrastructure projects.

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, 2023

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 11,520,877	\$ 11,227,913	\$ 22,748,790
Cash in segregated accounts	6,890	-	6,890
Receivables:			
Income taxes	2,024,229	404,894	2,429,123
Property and other taxes	1,862,565	-	1,862,565
Accounts	76,251	596,315	672,566
Payments in lieu of taxes	192,804	-	192,804
Accrued interest	114,755	-	114,755
Special assessments	12,429	6,000	18,429
Due from other governments	1,725,348	-	1,725,348
Notes receivable	887,743	-	887,743
Materials and supplies inventory	81,377	132,953	214,330
Capital assets:			
Nondepreciable capital assets	5,232,173	2,385,435	7,617,608
Depreciable capital assets, net	21,388,577	39,628,353	61,016,930
Total capital assets, net	<u>26,620,750</u>	<u>42,013,788</u>	<u>68,634,538</u>
Total assets	<u>45,126,018</u>	<u>54,381,863</u>	<u>99,507,881</u>
Deferred outflows of resources:			
OPEB	715,795	327,781	1,043,576
Pension	5,175,353	1,996,656	7,172,009
Total deferred outflows of resources	<u>5,891,148</u>	<u>2,324,437</u>	<u>8,215,585</u>
Total assets and deferred outflows of resources	<u>51,017,166</u>	<u>56,706,300</u>	<u>107,723,466</u>
Liabilities:			
Accounts payable	352,277	206,453	558,730
Contracts payable	730,396	54,831	785,227
Accrued wages and benefits payable	65,942	38,189	104,131
Due to other governments	144,837	69,726	214,563
Notes payable	600,000	-	600,000
Accrued interest payable	22,333	-	22,333
Deposits held and due to others	6,890	-	6,890
Long-term liabilities:			
Due within one year	352,235	1,255,405	1,607,640
Due in more than one year:			
Net pension liability	14,931,119	5,197,678	20,128,797
Net OPEB liability	878,699	107,347	986,046
Other amount due in more than one year	1,198,088	7,737,257	8,935,345
Total liabilities	<u>19,282,816</u>	<u>14,666,886</u>	<u>33,949,702</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	1,812,897	-	1,812,897
Payment in lieu of tax revenue not available	192,804	-	192,804
OPEB	829,301	35,403	864,704
Pension	444,115	-	444,115
Total deferred inflows of resources	<u>3,279,117</u>	<u>35,403</u>	<u>3,314,520</u>
Total liabilities and deferred inflows of resources	<u>22,561,933</u>	<u>14,702,289</u>	<u>37,264,222</u>
Net position:			
Net investment in capital assets	25,093,527	33,689,291	58,782,818
Restricted for:			
Capital projects	1,429,612	-	1,429,612
Municipal court and programs	1,668,869	-	1,668,869
Transportation	1,593,277	-	1,593,277
Parks and recreation	18,578	-	18,578
Community development	339,748	-	339,748
Unrestricted	(1,688,378)	8,314,720	6,626,342
Total net position	<u>\$ 28,455,233</u>	<u>\$ 42,004,011</u>	<u>\$ 70,459,244</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 2,955,654	\$ 901,634	\$ 99,624	\$ -	\$ (1,954,396)	\$ -
Security of persons and property	6,423,683	11,810	183,050	-	(6,228,823)	-
Public health and welfare	133,268	-	-	-	(133,268)	-
Transportation	1,482,357	4,603	1,166,826	1,656,770	1,345,842	-
Community environment	319,832	-	222,062	150,000	52,230	-
Leisure time activity	3,012,534	930,961	-	967,244	(1,114,329)	-
Utility services	43,387	-	-	-	(43,387)	-
Interest and fiscal charges	33,828	-	-	-	(33,828)	-
Total governmental activities	14,404,543	1,849,008	1,671,562	2,774,014	(8,109,959)	-
Business-type activities:						
Water	3,009,737	3,691,536	-	945,922	-	1,627,721
Sewer	3,662,437	4,549,659	-	-	-	887,222
Sanitation	1,684,673	13,483	-	-	-	(1,671,190)
Storm water	170,254	248,570	-	-	-	78,316
Total business-type activities	8,527,101	8,503,248	-	945,922	-	922,069
Total primary government	\$ 22,931,644	\$ 10,352,256	\$ 1,671,562	\$ 3,719,936	(8,109,959)	922,069
						(7,187,890)
General revenues:						
Property and other taxes levied for:						
General purposes				821,896	-	821,896
Police				335,996	-	335,996
Fire				176,329	-	176,329
Recreation				515,649	-	515,649
Income taxes levied for:						
General purposes				6,521,944	-	6,521,944
Capital outlay				1,648,328	-	1,648,328
Sanitation				-	1,630,487	1,630,487
Payments in lieu of taxes				114,257	-	114,257
Grants and entitlements not restricted to specific programs				567,228	-	567,228
Investment earnings				821,437	-	821,437
Shared revenues				35,800	-	35,800
Other				146,503	52,566	199,069
Total general revenues				11,705,367	1,683,053	13,388,420
Transfers				1,000	(1,000)	-
Total general revenues and transfers				11,706,367	1,682,053	13,388,420
Change in net position				3,596,408	2,604,122	6,200,530
Net position at beginning of year				24,858,825	39,399,889	64,258,714
Net position at end of year				\$ 28,455,233	\$ 42,004,011	\$ 70,459,244

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	<u>General</u>	<u>Parks & Recreation Fund</u>	<u>General Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 3,869,741	\$ 458,050	\$ 2,156,330	\$ 4,993,926	\$ 11,478,047
Cash in segregated accounts	6,890	-	-	-	6,890
Receivables:					
Income taxes	1,619,335	-	404,894	-	2,024,229
Property and other taxes	758,776	562,684	-	541,105	1,862,565
Accounts	40,461	17,130	-	18,660	76,251
Payments in lieu of taxes	-	-	-	192,804	192,804
Accrued interest	114,755	-	-	-	114,755
Special assessments	3,932	-	8,497	-	12,429
Interfund	300,000	-	-	-	300,000
Notes receivable	-	-	-	887,743	887,743
Due from other governments	300,641	7,438	-	1,417,269	1,725,348
Materials and supplies inventory	-	-	-	81,377	81,377
Restricted assets:					
Equity in pooled cash and cash equivalents	42,830	-	-	-	42,830
Total assets	<u>\$ 7,057,361</u>	<u>\$ 1,045,302</u>	<u>\$ 2,569,721</u>	<u>\$ 8,132,884</u>	<u>\$ 18,805,268</u>
Liabilities:					
Accounts payable	\$ 240,220	\$ 45,851	\$ 29,432	\$ 36,774	\$ 352,277
Contracts payable	-	-	51,032	679,364	730,396
Accrued wages and benefits payable	45,077	13,121	-	7,744	65,942
Interfund payable	-	-	-	300,000	300,000
Due to other governments	139,086	3,329	-	2,422	144,837
Notes payable	-	-	600,000	-	600,000
Accrued interest payable	-	-	22,333	-	22,333
Deposits held and due to others	6,890	-	-	-	6,890
Total liabilities	<u>431,273</u>	<u>62,301</u>	<u>702,797</u>	<u>1,026,304</u>	<u>2,222,675</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	738,410	548,296	-	526,191	1,812,897
Delinquent property tax revenue not available	20,366	14,388	-	13,875	48,629
Accrued interest not available	112,495	-	-	-	112,495
Special assessments revenue not available	3,932	-	8,497	-	12,429
Payment in lieu of tax revenue not available	-	-	-	192,804	192,804
Income tax revenue not available	1,203,957	-	301,034	-	1,504,991
Nonexchange transactions not available	202,709	7,438	-	618,027	828,174
Total deferred inflows of resources	<u>2,281,869</u>	<u>570,122</u>	<u>309,531</u>	<u>1,350,897</u>	<u>4,512,419</u>
Total liabilities and deferred inflows of resources	<u>2,713,142</u>	<u>632,423</u>	<u>1,012,328</u>	<u>2,377,201</u>	<u>6,735,094</u>
Fund balances:					
Nonspendable	42,830	-	-	969,120	1,011,950
Restricted	-	-	-	4,347,918	4,347,918
Committed	358,730	412,879	1,557,393	163,645	2,492,647
Assigned	333,917	-	-	275,000	608,917
Unassigned	3,608,742	-	-	-	3,608,742
Total fund balances	<u>4,344,219</u>	<u>412,879</u>	<u>1,557,393</u>	<u>5,755,683</u>	<u>12,070,174</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,057,361</u>	<u>\$ 1,045,302</u>	<u>\$ 2,569,721</u>	<u>\$ 8,132,884</u>	<u>\$ 18,805,268</u>

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, 2023

Total governmental fund balances		\$ 12,070,174
<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.		26,620,750
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds:		
Income taxes receivable	\$ 1,504,991	
Property and other taxes receivable	48,629	
Due from other governments receivable	828,174	
Special assessments receivable	12,429	
Investment income receivable	112,495	
Total	2,506,718	2,506,718
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	5,175,353	
Deferred inflows - pension	(444,115)	
Deferred outflows - OPEB	715,795	
Deferred inflows - OPEB	(829,301)	
Net OPEB liability	(878,699)	
Net pension liability	(14,931,119)	
Total	(11,192,086)	(11,192,086)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	(1,102,579)	
Notes payable - finance purchase	(56,310)	
OPWC loans payable	(140,517)	
Police and fire pension	(250,917)	
Total	(1,550,323)	(1,550,323)
Net position of governmental activities		\$ 28,455,233

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, 2023

	General	Parks & Recreation Fund	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:					
Income taxes	\$ 6,328,666	\$ -	\$ 1,569,052	\$ 30,950	\$ 7,928,668
Property and other taxes	812,137	517,473	-	496,515	1,826,125
Charges for services	80,467	930,151	1,604	4,433	1,016,655
Licenses and permits	174,980	810	-	5,020	180,810
Fines and forfeitures	435,938	-	-	187,284	623,222
Payments in lieu of taxes	-	-	-	114,257	114,257
Intergovernmental	876,814	29,279	-	4,041,118	4,947,211
Special assessments	7,702	-	17,703	-	25,405
Investment income	900,985	-	-	17,680	918,665
Shared revenues	-	-	-	35,800	35,800
Other	63,329	24,936	12,116	46,122	146,503
Total revenues	9,681,018	1,502,649	1,600,475	4,979,179	17,763,321
Expenditures:					
Current:					
General government	2,530,870	-	250,226	111,040	2,892,136
Security of persons and property	5,212,050	-	-	948,933	6,160,983
Public health and welfare	133,266	-	-	-	133,266
Transportation	20,292	-	-	1,189,497	1,209,789
Community environment and development	56,757	-	-	263,075	319,832
Leisure time activity	40,866	1,891,849	-	179,530	2,112,245
Utility services	43,387	-	-	-	43,387
Capital outlay	-	-	1,502,517	2,556,170	4,058,687
Debt service:					
Principal retirement	-	-	31,302	35,063	66,365
Interest and fiscal charges	-	-	21,112	12,716	33,828
Total expenditures	8,037,488	1,891,849	1,805,157	5,296,024	17,030,518
Excess (deficiency) of revenues over (under) expenditures	1,643,530	(389,200)	(204,682)	(316,845)	732,803
Other financing sources (uses):					
Note proceeds	-	-	-	28,827	28,827
Transfers in	26,000	335,000	500,000	797,119	1,658,119
Transfers (out)	(1,632,119)	(25,000)	-	-	(1,657,119)
Total other financing sources (uses)	(1,606,119)	310,000	500,000	825,946	29,827
Net change in fund balances	37,411	(79,200)	295,318	509,101	762,630
Fund balances at beginning of year	4,306,808	492,079	1,262,075	5,246,582	11,307,544
Fund balances at end of year	\$ 4,344,219	\$ 412,879	\$ 1,557,393	\$ 5,755,683	\$ 12,070,174

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, 2023

Net change in fund balances - total governmental funds	\$	762,630
 <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	\$ 4,275,937	
Capital contributions	131,800	
Current year depreciation	<u>(1,411,403)</u>	
Total		2,996,334
 When capital assets are disposed of, the cost of the capital assets is removed from the capital asset account in the statement of activities resulting in a gain (loss) on sale of capital assets in the statement of activities.		
Loss on sale of capital assets	<u>(4,038)</u>	
Total		(4,038)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		104,828
 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.		
		(28,827)
 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.		
		66,365
 Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		1,005,748
 Except for amounts reported as deferred inflows/outflows, changes in the net pension liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.		
		(1,309,603)
 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>2,971</u>
Change in net position of governmental activities	\$	<u>3,596,408</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 6,545,460	\$ 6,380,000	\$ 6,501,935	\$ 121,935
Property and other taxes	756,824	815,509	812,137	(3,372)
Charges for services	80,439	70,120	79,904	9,784
Licenses, permits and fees	233,193	241,525	231,642	(9,883)
Intergovernmental	414,808	911,293	936,595	25,302
Special assessments	7,754	2,500	7,702	5,202
Investment income	448,224	239,250	445,243	205,993
Fines and forfeitures	447,772	411,500	444,794	33,294
Other	70,038	16,500	69,574	53,074
Total revenues	<u>9,004,512</u>	<u>9,088,197</u>	<u>9,529,526</u>	<u>441,329</u>
Expenditures:				
Current:				
General government	2,626,500	2,789,555	2,618,526	171,029
Security of persons and property	5,734,805	6,085,648	5,415,226	670,422
Public health and welfare	138,500	146,833	144,099	2,734
Community environment and development	60,980	61,148	59,180	1,968
Total expenditures	<u>8,560,785</u>	<u>9,083,184</u>	<u>8,237,031</u>	<u>846,153</u>
Excess of revenues over expenditures	<u>443,727</u>	<u>5,013</u>	<u>1,292,495</u>	<u>1,287,482</u>
Other financing sources (uses):				
Advances (out)	-	-	(300,000)	(300,000)
Transfers (out)	(887,500)	(1,702,119)	(1,606,119)	96,000
Total other financing sources (uses)	<u>(887,500)</u>	<u>(1,702,119)</u>	<u>(1,906,119)</u>	<u>(204,000)</u>
Net change in fund balances	(443,773)	(1,697,106)	(613,624)	1,083,482
Fund balance at beginning of year	3,850,802	3,850,802	3,850,802	-
Prior year encumbrances appropriated	197,736	197,736	197,736	-
Fund balance at end of year	<u>\$ 3,604,765</u>	<u>\$ 2,351,432</u>	<u>\$ 3,434,914</u>	<u>\$ 1,083,482</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)
PARKS & RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and other taxes	\$ 507,041	\$ 507,000	\$ 517,473	\$ 10,473
Charges for services	804,109	927,900	930,005	2,105
Licenses, permits and fees	700	1,900	810	(1,090)
Intergovernmental	56,029	67,516	64,801	(2,715)
Other	16,662	6,900	19,271	12,371
Total revenues	<u>1,384,541</u>	<u>1,511,216</u>	<u>1,532,360</u>	<u>21,144</u>
Expenditures:				
Current:				
Leisure time activity	1,964,855	2,029,267	1,920,265	109,002
Total expenditures	<u>1,964,855</u>	<u>2,029,267</u>	<u>1,920,265</u>	<u>109,002</u>
Excess of revenues over (under) expenditures	<u>(580,314)</u>	<u>(518,051)</u>	<u>(387,905)</u>	<u>130,146</u>
Other financing sources (uses):				
Transfers in	335,000	335,000	335,000	-
Transfers (out)	(25,000)	(25,000)	(25,000)	-
Total other financing sources (uses)	<u>310,000</u>	<u>310,000</u>	<u>310,000</u>	<u>-</u>
Net change in fund balances	(270,314)	(208,051)	(77,905)	130,146
Fund balance at beginning of year	427,021	427,021	427,021	-
Prior year encumbrances appropriated	58,334	58,334	58,334	-
Fund balance at end of year	<u>\$ 215,041</u>	<u>\$ 277,304</u>	<u>\$ 407,450</u>	<u>\$ 130,146</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

	Business-type Activities - Enterprise Funds				
	Major			Non-Major	Total
	Water	Sewer	Sanitation	Storm Water	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 4,306,762	\$ 5,654,481	\$ 847,964	\$ 418,706	\$ 11,227,913
Receivables:					
Income taxes	-	-	404,894	-	404,894
Accounts	260,004	315,486	-	20,825	596,315
Special assessments	-	6,000	-	-	6,000
Materials and supplies inventory	111,144	21,809	-	-	132,953
Total current assets	4,677,910	5,997,776	1,252,858	439,531	12,368,075
Noncurrent assets:					
Capital assets:					
Land and construction in progress	36,614	2,320,814	28,007	-	2,385,435
Depreciable capital assets, net	15,028,692	22,944,495	883,056	772,110	39,628,353
Total capital assets, net	15,065,306	25,265,309	911,063	772,110	42,013,788
Total assets	19,743,216	31,263,085	2,163,921	1,211,641	54,381,863
Deferred outflows of resources:					
OPEB	128,134	83,059	101,562	15,026	327,781
Pension	577,688	440,236	932,914	45,818	1,996,656
Total deferred outflows of resources	705,822	523,295	1,034,476	60,844	2,324,437
Total assets and deferred outflows of resources	20,449,038	31,786,380	3,198,397	1,272,485	56,706,300
Liabilities:					
Current liabilities:					
Accounts payable	70,353	107,307	28,133	660	206,453
Contracts payable	-	54,831	-	-	54,831
Accrued wages and benefits payable	13,702	8,935	14,028	1,524	38,189
Compensated absences payable - current	68,811	82,458	43,425	6,530	201,224
Due to other governments	35,853	2,055	31,537	281	69,726
OWDA loans payable	166,302	832,571	-	-	998,873
OPWC loans payable	-	-	-	6,134	6,134
Notes payable - financed purchase	19,123	19,123	-	10,928	49,174
Total current liabilities	374,144	1,107,280	117,123	26,057	1,624,604
Long-term liabilities:					
Compensated absences payable	168,856	218,824	117,968	16,124	521,772
OWDA loans payable	1,228,776	5,679,012	-	-	6,907,788
OPWC loans payable	-	-	-	144,155	144,155
Notes payable - financed purchase	63,600	63,600	-	36,342	163,542
Net OPEB liability	37,770	25,843	39,758	3,976	107,347
Net pension liability	1,828,812	1,251,293	1,925,066	192,507	5,197,678
Total long-term liabilities	3,327,814	7,238,572	2,082,792	393,104	13,042,282
Total liabilities	3,701,958	8,345,852	2,199,915	419,161	14,666,886
Deferred inflows of resources:					
OPEB	12,457	8,523	13,112	1,311	35,403
Total deferred inflows of resources	12,457	8,523	13,112	1,311	35,403
Total liabilities and deferred inflows of resources	3,714,415	8,354,375	2,213,027	420,472	14,702,289
Net position:					
Net investment in capital assets	13,587,505	18,616,172	911,063	574,551	33,689,291
Unrestricted	3,147,118	4,815,833	74,307	277,462	8,314,720
Total net position	\$ 16,734,623	\$ 23,432,005	\$ 985,370	\$ 852,013	\$ 42,004,011

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, 2023

Business-type Activities - Enterprise Funds

	Major			Non-Major	Total
	Water	Sewer	Sanitation	Storm Water	
Operating revenues:					
Charges for services	\$ 3,691,536	\$ 4,546,018	\$ 13,483	\$ 248,570	\$ 8,499,607
Other operating revenues	9,952	38,601	3,514	499	52,566
Total operating revenues	<u>3,701,488</u>	<u>4,584,619</u>	<u>16,997</u>	<u>249,069</u>	<u>8,552,173</u>
Operating expenses:					
Personal services	1,200,310	1,316,263	1,028,190	111,790	3,656,553
Contract services	343,088	885,676	416,067	-	1,644,831
Materials and supplies	948,951	176,585	128,556	977	1,255,069
Depreciation	463,076	854,877	111,860	57,487	1,487,300
Total operating expenses	<u>2,955,425</u>	<u>3,233,401</u>	<u>1,684,673</u>	<u>170,254</u>	<u>8,043,753</u>
Operating income (loss)	<u>746,063</u>	<u>1,351,218</u>	<u>(1,667,676)</u>	<u>78,815</u>	<u>508,420</u>
Nonoperating revenues (expenses):					
Income taxes	-	-	1,630,487	-	1,630,487
Interest and fiscal charges	(54,312)	(182,031)	-	-	(236,343)
Gain (loss) on sale of capital assets	(121,993)	(121,993)	-	(3,019)	(247,005)
Intergovernmental	945,922	-	-	-	945,922
Special assessments	-	3,641	-	-	3,641
Total nonoperating revenues (expenses)	<u>769,617</u>	<u>(300,383)</u>	<u>1,630,487</u>	<u>(3,019)</u>	<u>2,096,702</u>
Income (loss) before transfers	1,515,680	1,050,835	(37,189)	75,796	2,605,122
Transfer out	-	-	(1,000)	-	(1,000)
Change in net position	1,515,680	1,050,835	(38,189)	75,796	2,604,122
Net position at beginning of year	<u>15,218,943</u>	<u>22,381,170</u>	<u>1,023,559</u>	<u>776,217</u>	<u>39,399,889</u>
Net position at end of year	<u>\$ 16,734,623</u>	<u>\$ 23,432,005</u>	<u>\$ 985,370</u>	<u>\$ 852,013</u>	<u>\$ 42,004,011</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, 2023

	Business-Type Activities - Enterprise Funds				
	Major			Non-Major	Total
	Water	Sewer	Sanitation	Storm Water	
Cash flows from operating activities:					
Cash received from customers	\$ 3,691,665	\$ 4,546,018	\$ 13,483	\$ 248,461	\$ 8,499,627
Cash received from other operations	9,952	38,601	3,514	499	52,566
Cash payments for personal services	(1,333,673)	(1,234,364)	(881,187)	(131,171)	(3,580,395)
Cash payments for contract services	(405,696)	(812,725)	(441,838)	(1,089)	(1,661,348)
Cash payments for materials and supplies	(899,690)	(165,316)	(120,288)	(977)	(1,186,271)
Net cash provided by (used in) operating activities	<u>1,062,558</u>	<u>2,372,214</u>	<u>(1,426,316)</u>	<u>115,723</u>	<u>2,124,179</u>
Cash flows from noncapital financing activities:					
Cash received from income taxes	-	-	1,625,484	-	1,625,484
Cash used in transfers out	-	-	(1,000)	-	(1,000)
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>1,624,484</u>	<u>-</u>	<u>1,624,484</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(2,233,970)	(882,303)	(4,672)	(14,368)	(3,135,313)
Principal retirement on notes payable - finance purchase	(18,170)	(18,170)	-	(10,383)	(46,723)
Principal retirement on OWDA loans	(160,816)	(810,434)	-	-	(971,250)
Principal retirement on OPWC loans	-	-	-	(6,134)	(6,134)
Interest and fiscal charges	(54,312)	(182,031)	-	(3,019)	(239,362)
Net cash used in capital and related financing activities	<u>(2,467,268)</u>	<u>(1,892,938)</u>	<u>(4,672)</u>	<u>(33,904)</u>	<u>(4,398,782)</u>
Net increase (decrease) in cash and cash equivalents	(1,404,710)	479,276	193,496	81,819	(650,119)
Cash and cash equivalents at beginning of year	<u>5,711,472</u>	<u>5,175,205</u>	<u>654,468</u>	<u>336,887</u>	<u>11,878,032</u>
Cash and cash equivalents at end of year	<u>\$ 4,306,762</u>	<u>\$ 5,654,481</u>	<u>\$ 847,964</u>	<u>\$ 418,706</u>	<u>\$ 11,227,913</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 746,063	\$ 1,351,218	\$ (1,667,676)	\$ 78,815	\$ 508,420
Adjustments:					
Depreciation	463,076	854,877	111,860	57,487	1,487,300
Changes in assets, deferred outflows, liabilities and deferred inflows:					
(Increase) decrease in accounts receivable	129	4,706	-	(109)	4,726
Decrease (increase) in materials and supplies inventory	(4,703)	(7,471)	-	-	(12,174)
(Increase) decrease in Net OPEB asset	242,098	151,311	151,311	30,262	574,982
Increase (decrease) in accrued wages and benefits	(2,896)	(1,001)	3,443	(423)	(877)
Increase (decrease) in accounts payable	(9,338)	69,624	(2,995)	(788)	56,503
Increase (decrease) in contracts payable	-	18,855	-	-	18,855
Increase (decrease) in compensated absences payable	21,438	24,806	21,689	2,581	70,514
(Increase) decrease in deferred outflows of resources - pension	(283,440)	(277,928)	(750,280)	(10,307)	(1,321,955)
(Increase) decrease in deferred outflows of resources - OPEB	(128,134)	(83,059)	(101,562)	(15,026)	(327,781)
Increase (decrease) in net pension liability	1,135,961	818,261	1,492,034	105,901	3,552,157
Increase (decrease) in net OPEB liability	37,770	25,843	39,758	3,976	107,347
Increase (decrease) in deferred inflows of resources - pension	(923,303)	(428,436)	(568,320)	(106,670)	(2,026,729)
Increase (decrease) in deferred inflows of resources - OPEB	(235,453)	(149,704)	(143,559)	(29,956)	(558,672)
(Decrease) increase in due to other governments	3,290	312	(12,019)	(20)	(8,437)
Net cash provided by (used in) operating activities	<u>\$ 1,062,558</u>	<u>\$ 2,372,214</u>	<u>\$ (1,426,316)</u>	<u>\$ 115,723</u>	<u>\$ 2,124,179</u>

Non-cash capital transactions:

During 2023, the water, sewer and storm water enterprise funds entered into notes payable - finance purchase obligations of \$100,893, \$100,893 and \$57,653, respectively.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2023

	<u>Custodial Funds</u>
Assets:	
Cash in segregated accounts	<u>\$ 37,756</u>
Total assets	<u><u>\$ 37,756</u></u>
Net position:	
Restricted for individuals and other governments	<u>\$ 37,756</u>
Total net position	<u><u>\$ 37,756</u></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, 2023

	Custodial Funds
Additions:	
Fines, licenses and permits for other governments	\$ 2,836,267
Total additions	2,836,267
 Deductions:	
Fines, licenses and permits distributed to other governments	2,850,519
Total deductions	2,850,519
 Change in net position	 (14,252)
 Net position at beginning of year	 52,008
 Net position at end of year	 \$ 37,756

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, 2023

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, 2023

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, 2023

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.

Parks & recreation fund – This fund receives property taxes and charges for services to support the City's recreational and aquatic activities.

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

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, 2023

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 enterprise 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, 2023

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, 2023

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 position 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, 2023, but which were levied to finance year 2024 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, 2023, are recorded as deferred inflows of resources on the governmental fund financial statements.

The City also reports deferred inflows 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, 2023

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 personal salaries/all other expenditures 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, 2023

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 2023. 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 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, 2023

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

The City invested in STAR Ohio during 2023. 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 2023, 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 \$25 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, when considering the decrease in the fair value of investments, is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2023 amounted to \$900,985 of which \$726,180 was 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.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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

The City capitalizes all land purchased and then maintains a capitalization threshold of \$5,000 for all other assets. 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, 2023

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, 2023

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, 2023

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 of resources less liabilities plus deferred inflows of resources. 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, 2023

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 2023.

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, 2023

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For 2023, the City has implemented GASB Statement No. 94, *“Public-Private and Public-Public Partnerships and Availability Payment Arrangements”*, GASB Statement No. 96, *“Subscription Based Information Technology Arrangements”*, certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, *“Omnibus 2022”*.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the City.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the City.

GASB Statement No. 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the City.

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

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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;
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;

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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 in Segregated Accounts

At year-end, \$6,890 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".

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At December 31, 2023, the carrying amount of all City deposits was \$823,645. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2023, \$821,805 of the City's bank balance of \$1,071,805 was exposed to custodial credit risk as discussed below, while \$250,000 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.

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 2023, 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 Director of Finance 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. 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 Director of Finance or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of December 31, 2023, the City had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FAMC	\$ 1,234,745	\$ -	\$ -	\$ -	\$ 125,630	\$ 1,109,115
FHLB	2,955,690	123,800	241,134	809,096	141,404	1,640,256
FFCB	4,155,878	-	289,517	1,096,626	438,262	2,331,473
FNMA	839,581	368,501	-	-	471,080	-
U.S. Treasury Note	6,294,849	-	217,358	693,943	653,709	4,729,839
U.S. Treasury Bond	1,017,672	625,346	112,120	-	-	280,206
Ohio local governments	186,274	-	-	-	-	186,274
Private export funding corp.	108,764	-	-	-	-	108,764
Negotiable CD's	2,568,350	486,842	488,401	-	146,813	1,446,294
Commercial paper	937,044	937,044	-	-	-	-
STAR Ohio	1,613,074	1,613,074	-	-	-	-
U.S. Government Money Market	57,870	57,870	-	-	-	-
Total	\$ 21,969,791	\$ 4,212,477	\$ 1,348,530	\$ 2,599,665	\$ 1,976,898	\$ 11,832,221

The weighted average maturity of investments is 2.26 years. The City's investments in federal securities, U.S. Treasury Note, Ohio local governments, commercial paper, and negotiable CD's are valued using quoted market prices (Level 2 inputs). Star Ohio is reported at net asset value with an average maturity of 46.4 days. U.S. Government Money Market is 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.

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.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2023:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FAMC	\$ 1,234,745	5.62
FHLB	2,955,690	13.45
FFCB	4,155,878	18.92
FNMA	839,581	3.82
U.S. Treasury Note	6,294,849	28.65
U.S. Treasury Bond	1,017,672	4.63
Ohio local governments	186,274	0.85
Private export funding corp.	108,764	0.50
Commercial paper	937,044	4.27
Negotiable CD's	2,568,350	11.69
STAR Ohio	1,613,074	7.34
U.S. Government Mondy Market	<u>57,870</u>	<u>0.26</u>
Total	<u>\$ 21,969,791</u>	<u>100.00</u>

D. 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, 2023:

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$	823,645
Investments		21,969,791
Total		<u>\$ 22,793,436</u>
 <u>Cash and investments per statement of position</u>		
Governmental activities	\$	11,527,767
Business-type activities		11,227,913
Custodial fund		37,756
Total	\$	<u>22,793,436</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended December 31, 2023, consisted of the following, as reported on the fund financial statements:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
General fund	Parks & recreation fund	\$ 335,000
General fund	General capital improvement fund	500,000
General fund	Other governmental funds	797,119
Park & recreation fund	General fund	25,000
Sanitation fund	General fund	1,000

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 were used to supplement operations. Transfers in to the General fund were to fund the City's payroll stabilization fund which accumulates money for future retirements. All transfers were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund balances at December 31, 2023 between the General fund and other governmental funds in the amount of \$300,000 is for the primary purpose to cover costs where revenues were not received by December 31, 2023. This interfund loan will be repaid once the anticipated revenues are received and are expected to be repaid within one year.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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. 2023 public utility property taxes became a lien December 31, 2022, are levied after October 1, 2023, and are collected in 2024 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, 2023 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 2023 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 calendar year 2023 property tax receipts were based are as follows:

Real property tax	\$ 290,433,470
Public utility tangible personal property	<u>15,203,670</u>
Total assessed value	<u><u>\$ 305,637,140</u></u>

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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 and net profits from business organizations. The City gives a 100% credit to the tax paid to another municipality to the maximum of the total amount assessed. Income tax revenue is reported to the extent that it is measurable and available to finance current operations and is allocated to the general fund, sanitation fund and general capital improvements fund. Income tax revenue for 2023 was \$9,800,759 as reported in the statement of activities.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2023, 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, 2023. A summary of the principal items of receivables reported on the statement of net position follows:

Income taxes	\$ 2,024,229
Property and other taxes	1,862,565
Payments in lieu of taxes	192,804
Accounts	76,251
Special assessments	12,429
Accrued interest	114,755
Notes	887,743
Due from other governments	1,725,348
<u>Business-type activities:</u>	
Accounts	596,315
Income taxes	404,894
Special assessments	6,000

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, 2023

NOTE 9 - CAPITAL ASSETS

A. Governmental activities capital asset activity at December 31, 2023 as follows:

	Balance <u>12/31/2022</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/2023</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,057,434	\$ -	\$ -	\$ 3,057,434
Construction in progress	<u>1,323,590</u>	<u>3,876,968</u>	<u>(3,025,819)</u>	<u>2,174,739</u>
Total capital assets, not depreciated	<u>4,381,024</u>	<u>3,876,968</u>	<u>(3,025,819)</u>	<u>5,232,173</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,700,431	1,862,846	-	4,563,277
Buildings and improvements	11,784,517	-	-	11,784,517
Equipment	8,294,419	989,594	(38,132)	9,245,881
Intangible right to use - leased equip.	-	28,827	-	28,827
Infrastructure	<u>25,850,588</u>	<u>675,321</u>	<u>-</u>	<u>26,525,909</u>
Total capital assets, depreciated	<u>48,629,955</u>	<u>3,556,588</u>	<u>(38,132)</u>	<u>52,148,411</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,663,222)	(171,869)	-	(1,835,091)
Buildings and improvements	(2,669,286)	(137,658)	-	(2,806,944)
Equipment	(6,586,952)	(334,338)	34,094	(6,887,196)
Intangible right to use - leased equip.	-	(2,883)	-	(2,883)
Infrastructure	<u>(18,463,065)</u>	<u>(764,655)</u>	<u>-</u>	<u>(19,227,720)</u>
Total accumulated depreciation	<u>(29,382,525)</u>	<u>(1,411,403)</u>	<u>34,094</u>	<u>(30,759,834)</u>
Total capital assets, being depreciated	<u>19,247,430</u>	<u>2,145,185</u>	<u>(4,038)</u>	<u>21,388,577</u>
Total capital assets, net	<u>\$ 23,628,454</u>	<u>\$ 6,022,153</u>	<u>\$ (3,029,857)</u>	<u>\$ 26,620,750</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental activities:</u>	
General government	\$ 17,691
Security persons and property	256,041
Leisure time activity	220,718
Transportation	<u>916,953</u>
Total depreciation expense - governmental activities	<u>\$ 1,411,403</u>

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity at December 31, 2023 as follows:

	Balance <u>12/31/2022</u>	Additions	Disposals	Balance <u>12/31/2023</u>
Business-type activities:				
<i>Capital assets, not depreciated:</i>				
Land	\$ 45,261	\$ -	\$ -	\$ 45,261
Construction in progress	<u>1,513,438</u>	<u>910,201</u>	<u>(83,465)</u>	<u>2,340,174</u>
Total capital assets, depreciated	<u>1,558,699</u>	<u>910,201</u>	<u>(83,465)</u>	<u>2,385,435</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,172,873	-	-	1,172,873
Buildings and improvements	14,203,965	-	-	14,203,965
Equipment	13,049,502	89,900	(378,212)	12,761,190
Intangible right to use - leased equip.	-	259,439	-	259,439
Infrastructure	<u>46,998,373</u>	<u>2,218,655</u>	<u>-</u>	<u>49,217,028</u>
Total capital assets, depreciated	<u>75,424,713</u>	<u>2,567,994</u>	<u>(378,212)</u>	<u>77,614,495</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,070,686)	(21,299)	-	(1,091,985)
Buildings and improvements	(5,176,097)	(195,751)	-	(5,371,848)
Equipment	(10,152,350)	(265,106)	134,226	(10,283,230)
Intangible right to use - leased equip.	-	(25,943)	-	(25,943)
Infrastructure	<u>(20,233,935)</u>	<u>(979,201)</u>	<u>-</u>	<u>(21,213,136)</u>
Total accumulated depreciation	<u>(36,633,068)</u>	<u>(1,487,300)</u>	<u>134,226</u>	<u>(37,986,142)</u>
Total capital assets, depreciated	<u>38,791,645</u>	<u>1,080,694</u>	<u>(243,986)</u>	<u>39,628,353</u>
Total capital assets, net	<u>\$ 40,350,344</u>	<u>\$ 1,990,895</u>	<u>\$ (327,451)</u>	<u>\$ 42,013,788</u>

NOTE 10 – NOTES PAYABLE – FINANCED PURCHASES

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 2023 totaled \$82,029. Principal and interest payments are made from the capital improvement fund, street fund, water fund, sewer fund and stormwater 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.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 10 – NOTES PAYABLE – FINANCED PURCHASES - (Continued)

Year Ending <u>December 31,</u>	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
2024	\$ 42,155	\$ 60,329
2025	6,703	60,329
2026	6,703	60,329
2027	<u>6,703</u>	<u>60,329</u>
Total minimum lease payments	62,264	241,316
Less: interest	<u>(5,954)</u>	<u>(28,600)</u>
Present value of future lease payments	<u>\$ 56,310</u>	<u>\$ 212,716</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. Governmental Activities

The following changes occurred in the governmental activities long-term obligations:

	Interest <u>Rate</u>	Maturity <u>Date</u>	Balance at <u>12/31/2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>12/31/2023</u>	Amounts Due in <u>One Year</u>
Governmental activities:							
<u>OPWC loans - Direct Borrowing</u>							
Concrete street repair project	0.00%	07/01/33	\$ 5,882	\$ -	\$ (560)	\$ 5,322	\$ 560
Gallup avenue improvements	0.00%	01/01/32	25,000	-	(2,500)	22,500	2,500
Bridge rehabilitation	0.00%	01/01/27	4,754	-	(1,188)	3,566	1,189
East main phase III	0.00%	07/01/23	500	-	(500)	-	-
Old state road widening phase I	0.00%	01/01/27	7,250	-	(500)	6,750	500
Old state road widening phase II	0.00%	01/01/28	16,500	-	(3,000)	13,500	3,000
Old state road widening phase III	0.00%	01/01/40	83,632	-	(4,779)	78,853	4,780
Old state road widening phase IV	0.00%	01/01/31	<u>11,362</u>	<u>-</u>	<u>(1,336)</u>	<u>10,026</u>	<u>1,336</u>
Total OPWC loans			<u>154,880</u>	<u>-</u>	<u>(14,363)</u>	<u>140,517</u>	<u>13,865</u>
<u>Other long-term obligations</u>							
Police and fire pension <i>Direct Borrowing</i>	4.25%	11/1/2035	267,613	-	(16,696)	250,917	17,414
Net pension liability			8,665,895	6,265,224	-	14,931,119	-
Net OPEB liability			1,302,606	-	(423,907)	878,699	-
Notes payable - financed purchase			62,789	28,827	(35,306)	56,310	38,139
Compensated absences			<u>1,105,550</u>	<u>521,290</u>	<u>(524,261)</u>	<u>1,102,579</u>	<u>282,817</u>
Total other long-term obligations			<u>11,404,453</u>	<u>6,815,341</u>	<u>(1,000,170)</u>	<u>17,219,624</u>	<u>338,370</u>
Total governmental activities			<u>\$ 11,559,333</u>	<u>\$ 6,815,341</u>	<u>\$ (1,014,533)</u>	<u>\$ 17,360,141</u>	<u>\$ 352,235</u>

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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:

Year Ended <u>December 31,</u>	<u>Principal</u>
2024	\$ 13,865
2025	13,865
2026	13,864
2027	12,676
2028	11,176
2029-2033	42,268
2034-2038	25,650
2039-2042	<u>7,153</u>
Total	<u>\$ 140,517</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, 2023, the City's total debt margin was \$31,491,900 and the unvoted debt margin was \$16,210,043.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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 annual payments of approximately \$27,900 through 2035. The liability is collateralized by the full faith and credit of the City. The following is a summary of future and annual debt service principal and interest requirements:

Year Ended <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 17,414	\$ 10,480	\$ 27,894
2025	18,161	9,732	27,893
2026	18,942	8,952	27,894
2027	19,775	8,138	27,913
2028	20,604	7,290	27,894
2029-2033	117,078	22,389	139,467
2034-2035	<u>38,943</u>	<u>1,642</u>	<u>40,585</u>
Total	<u>\$ 250,917</u>	<u>\$ 68,623</u>	<u>\$ 319,540</u>

B. Business-Type Activities

During 2023, the following changes occurred in the business-type long-term obligations:

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**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 12/31/22</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/23</u>	<u>Due in One Year</u>
<u>OPWC Loan - Direct Borrowing</u>							
Milan avenue improvements	0.00%	01/01/2049	\$ 156,423	\$ -	\$ (6,134)	\$ 150,289	\$ 6,134
Total OPWC loan			<u>156,423</u>	<u>-</u>	<u>(6,134)</u>	<u>150,289</u>	<u>6,134</u>
<u>OWDA loans - Direct Borrowing</u>							
Wastewater treatment plant improve.	3.25%	01/01/27	2,230,206	-	(470,602)	1,759,604	484,540
Corwin street sewer improve.	3.67%	07/01/27	180,050	-	(37,504)	142,546	38,893
Water treatment improvement	2.94%	07/01/27	176,958	-	(42,124)	134,834	43,504
West main waterline replacement	2.82%	07/01/32	485,243	-	(45,215)	440,028	46,499
Norwood avenue waterline	4.78%	07/01/28	123,362	-	(20,113)	103,249	21,086
Old state route waterline	3.79%	07/01/34	434,903	-	(30,814)	404,089	31,993
Pleasant street combined overflow	2.24%	01/01/37	4,911,761	-	(302,328)	4,609,433	309,138
Milan avenue waterline replacement	2.95%	07/01/35	335,428	-	(22,550)	312,878	23,220
Total OWDA loans			<u>8,877,911</u>	<u>-</u>	<u>(971,250)</u>	<u>7,906,661</u>	<u>998,873</u>
<u>Other long-term obligations:</u>							
Note payable - financed purchase			-	259,439	(46,723)	212,716	49,174
Net pension liability			1,645,521	3,552,157	-	5,197,678	-
Net OPEB liability			-	107,347	-	107,347	-
Compensated absences			<u>652,482</u>	<u>424,997</u>	<u>(354,483)</u>	<u>722,996</u>	<u>201,224</u>
Total business-type activities			<u>\$ 11,332,337</u>	<u>\$ 4,343,940</u>	<u>\$ (1,378,590)</u>	<u>\$ 14,297,687</u>	<u>\$ 1,255,405</u>

Compensated Absences:

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

OPWC Loans:

An OPWC loans were issued for improvements to the City's Pleasant street pump station and Milan avenue improvements. Principal payments are due in semi-annually 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, 2023

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

<u>Year Ended December 31,</u>	<u>OPWC Loans Payable Principal</u>
2024	\$ 6,134
2025	6,134
2026	6,134
2027	6,134
2028	6,134
2029-2033	30,670
2034-2038	30,670
2039-2043	30,670
2044-2048	27,609
Total	<u>\$ 150,289</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:

<u>Year Ended December 31,</u>	<u>OWDA Loans Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 998,873	\$ 197,552	\$ 1,196,425
2025	1,027,308	171,295	1,198,603
2026	1,056,576	138,779	1,195,355
2027	750,533	110,412	860,945
2028	465,827	95,297	561,124
2029-2033	2,352,335	302,479	2,654,814
2034-2036	1,255,209	48,718	1,303,927
Total	<u>\$ 7,906,661</u>	<u>\$ 1,064,532</u>	<u>\$ 8,971,193</u>

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 12 – NOTE PAYABLE

The City issued various purpose notes, series 2022, in the amount of \$700,000, at an interest rate of 4.45%, for the purpose of paying costs of improving the City’s Aquatic Center including replacement and installation of filtration tanks and ultraviolet disinfection units, together with all necessary improvements. The notes were re-issued on September 8, 2023 in the amount of \$600,000 with a final maturity date of September 6, 2024. Repayment of the notes will be made from the capital improvement fund.

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/22</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/23</u>
Governmental activities:						
Bond anticipation note	9/8/2023	4.45%	\$ 700,000	\$ -	\$ (700,000)	\$ -
Bond anticipation note	9/6/2024	5.36%	<u>-</u>	<u>600,000</u>	<u>-</u>	<u>600,000</u>
Total			<u>\$ 700,000</u>	<u>\$ 600,000</u>	<u>\$ (700,000)</u>	<u>\$ 600,000</u>

NOTE 13 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability and Net OPEB Liability

Pensions and OPEB 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 net pension liability and the net OPEB liability represent the City’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB liability/asset 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/OPEB are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/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.

The remainder of this note includes the pension disclosures. See Note 14 for the OPEB disclosures.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, 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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Report referenced above for additional information, including requirements for reduced and unreduced benefits):

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

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. The initial amount of a member’s pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

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%.

**CITY OF NORWALK
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

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

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**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	State and Local	Public Safety	Law Enforcement
2023 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	**	***
2023 Actual Contribution Rates			
Employer:			
Pension	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits ****	0.0 %	0.0 %	0.0 %
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

*** Member contributions within the combined plan are not used to fund the defined benefit retirement allowance

**** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan was \$708,420 for 2023. Of this amount, \$10,785 is reported as due to other governments.

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

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. 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.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 Annual Comprehensive 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.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.00% of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.00% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans. Funding Policy - The Ohio Revised Code (ORC) provides 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, 2023

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>Police</u>	<u>Firefighters</u>
2023 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2023 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50 %</u>	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
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 \$664,570 for 2023. Of this amount, \$5,770 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, 2022, 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:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.0331810%	0.118842%	
Proportion of the net pension liability current measurement date	<u>0.0325840%</u>	<u>0.110574%</u>	
Change in proportionate share	<u>-0.000597%</u>	<u>-0.008268%</u>	
Proportionate share of the net pension liability	\$ 9,625,328	\$ 10,503,469	\$ 20,128,797
Pension expense	1,201,549	793,043	1,994,592

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 13- DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2023, 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	\$ 319,713	\$ 157,547	\$ 477,260
Net difference between projected and actual earnings on pension plan investments	2,743,521	1,529,176	4,272,697
Changes of assumptions	101,685	947,377	1,049,062
City contributions subsequent to the measurement date	708,420	664,570	1,372,990
Total deferred outflows of resources	<u>\$ 3,873,339</u>	<u>\$ 3,298,670</u>	<u>\$ 7,172,009</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 239,300	\$ 239,300
Changes of assumptions	-	204,815	204,815
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 444,115</u>	<u>\$ 444,115</u>

\$1,372,990 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, 2024. 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
2024	\$ 372,491	\$ 237,360	\$ 609,851
2025	640,911	530,289	1,171,200
2026	807,552	579,809	1,387,361
2027	1,343,965	864,568	2,208,533
2028	-	(22,041)	(22,041)
Total	<u>\$ 3,164,919</u>	<u>\$ 2,189,985</u>	<u>\$ 5,354,904</u>

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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, 2021, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2021, are presented below.

Wage inflation	
Current measurement date	2.75%
Prior measurement date	2.75%
Future salary increases, including inflation	
Current measurement date	2.75% to 10.75% including wage inflation
Prior measurement date	2.75% to 10.75% including wage inflation
COLA or ad hoc COLA	
Current measurement date	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2022, then 2.05% simple
Prior measurement date	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2021, then 2.05% simple
Investment rate of return	
Current measurement date	6.90%
Prior measurement date	6.90%

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 13- DEFINED BENEFIT PENSION PLANS - (Continued)

For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables. The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2022, 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 of 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 a gain of 12.1% for 2022.

The allocation of investment assets within 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, 2022, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	22.00 %	2.62 %
Domestic equities	22.00	4.60
Real estate	13.00	3.27
Private equity	15.00	7.53
International equities	21.00	5.51
Risk parity	2.00	4.37
Other investments	5.00	3.27
Total	<u>100.00 %</u>	

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 13- DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability/asset was 6.90%, 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, 2021 was 6.90%. 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 proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.90%, as well as what the proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.90%) or one-percentage-point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.9%)
City's proportionate share of the net pension liability	\$14,418,420	\$9,625,328	\$5,638,335

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, 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 retirement 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. Experience study assumptions were performed by OP&F's prior actuary and completed as of December 31, 2016. Changes in demographic and economic actuarial assumptions were made. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth. The changes in assumptions are being amortized over the estimated remaining useful live of the participants which was 5.81 years at December 31, 2022.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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 December 31, 2022, are presented below.

Valuation date	1/1/22 with actuarial liabilities rolled forward to 12/31/22
Actuarial cost method	Entry age normal (level percent of payroll)
Investment rate of return:	
Current measurement date	7.50%
Prior measurement date	7.50%
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	2.20% per year simple

Health Mortality

Mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2% for males and 98.7% for females. All rates are projected using the MP-2021 Improvement Scale.

Disabled Mortality

Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135% for males and 97.9% for females. All rates are projected using the MP-2021 Improvement Scale.

Contingent Annuitant Mortality

Mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9% for males and 131% for females. All rates are projected using the MP-2021 Improvement Scale.

Pre-Retirement Mortality

Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale

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

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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, 2022 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return **</u>
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	18.60	4.80
Non-US Equity	12.40	5.50
Private Markets	10.00	7.90
Core Fixed Income *	25.00	2.50
High Yield Fixed Income	7.00	4.40
Private Credit	5.00	5.90
U.S. Inflation		
Linked Bonds *	15.00	2.00
Midstream Energy Infrastructure	5.00	5.90
Real Assets	8.00	5.90
Gold	5.00	3.60
Private Real Estate	12.00	5.30
Commodities	2.00	3.60
Total	<u>125.00 %</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 1.25 times due to the application of leverage in certain fixed income asset classes.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. A discount rate of 7.50% was used in the previous measurement date. 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 7.50%. 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.

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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 13,856,100	\$ 10,503,469	\$ 7,716,424

NOTE 14 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

See Note 13 for a description of the net OPEB liability.

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.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

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 with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

**CITY OF NORWALK
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. 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' Annual Comprehensive 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.

Funding Policy - The Ohio Revised Code provides the statutory authority allowing 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. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, 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. For 2023, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. 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 2023 was 4.00%, however, effective July 1, 2022, a portion of the health care rate was funded with reserves.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2023.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 health care 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. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: 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. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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.

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.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 19.50% and 24.00% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2023, 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.

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 \$15,305 for 2023. Of this amount, \$135 is reported as due to other governments.

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2022, and was determined by rolling forward the total OPEB liability as of January 1, 2021, to December 31, 2022. 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 and OPEB expense:

**CITY OF NORWALK
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.031528%	0.11057410%	
Prior Measurement Date	<u>0.032206%</u>	<u>0.11884160%</u>	
Change in Proportionate Share	<u>-0.0006780%</u>	<u>-0.00826750%</u>	
			<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$198,790	\$787,256	\$986,046
OPEB Expense	(358,109)	570,365	212,256

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, 2021, rolled forward to the measurement date of December 31, 2022.

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, 2023

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Wage Inflation	
Current measurement date	2.75%
Prior Measurement date	2.75%
Projected Salary Increases, including inflation	
Current measurement date	2.75 to 10.75%
Prior Measurement date	2.75 to 10.75%
Single Discount Rate:	
Current measurement date	5.22%
Prior Measurement date	6.00%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.00%
Municipal Bond Rate	
Current measurement date	4.05%
Prior Measurement date	1.84%
Health Care Cost Trend Rate	
Current measurement date	5.50% initial, 3.50% ultimate in 2036
Prior Measurement date	5.50% initial, 3.50% ultimate in 2034
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

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, 2023

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

During 2022, 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, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and 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 a gain of 15.6% for 2022.

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, 2022, 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	34.00 %	2.56 %
Domestic Equities	26.00	4.60
Real Estate Investment Trust	7.00	4.70
International Equities	25.00	5.51
Risk parity	2.00	4.37
Other investments	6.00	1.84
Total	100.00 %	

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - A single discount rate of 5.22% was used to measure the total OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6.00%. 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) a 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 the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 4.05%. 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 the year 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, 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 asset calculated using the single discount rate of 5.22%, 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 (4.22%) or one-percentage-point higher (6.22%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability/(asset)	\$676,591	\$198,790	(\$195,474)

Sensitivity of the City's Proportionate Share of the Net OPEB Asset 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 asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

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 2022 is 5.50%. 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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	\$186,330	\$198,790	\$212,814

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ -	\$ 46,979	\$ 46,979
Changes of assumptions	194,163	392,325	586,488
Net difference between projected and actual earnings on pension plan investments	394,804	-	394,804
City contributions subsequent to the measurement date	-	15,305	15,305
Total deferred outflows of resources	\$ 588,967	\$ 454,609	\$ 1,043,576
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 49,586	\$ 155,231	\$ 204,817
Changes of assumptions	15,976	643,911	659,887
Total deferred inflows of resources	\$ 65,562	\$ 799,142	\$ 864,704

\$15,305 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, 2024.

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

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

Year Ending December 31:	OPERS	OP&F	Total
2024	\$ 65,187	\$ (6,490)	\$ 58,697
2025	144,384	(32,716)	111,668
2026	123,112	(17,423)	105,689
2027	190,722	(65,335)	125,387
2028	-	(72,530)	(72,530)
Thereafter	-	(165,344)	(165,344)
Total	\$ 523,405	\$ (359,838)	\$ 163,567

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, 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.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

Valuation Date	January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	
Current measurement date	7.50%
Prior measurement date	7.50%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25% per annum, compounded annually, consisting of inflation rate 2.75%
Cost of Living Adjustments	2.20% simple per year

Health Mortality

Mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2% for males and 98.7% for females. All rates are projected using the MP-2021 Improvement Scale.

Disabled Mortality

Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135% for males and 97.9% for females. All rates are projected using the MP-2021 Improvement Scale.

Contingent Annuitant Mortality

Mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9% for males and 131% for females. All rates are projected using the MP-2021 Improvement Scale.

Pre-Retirement Mortality

Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 14 – DEFINED BENEFIT OPEB 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, 2022, are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return **
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	18.60	4.80
Non-US Equity	12.40	5.50
Private Markets	10.00	7.90
Core Fixed Income *	25.00	2.50
High Yield Fixed Income	7.00	4.40
Private Credit	5.00	5.90
U.S. Inflation		
Linked Bonds *	15.00	2.00
Midstream Energy Infrastructure	5.00	5.90
Real Assets	8.00	5.90
Gold	5.00	3.60
Private Real Estate	12.00	5.30
Commodities	2.00	3.60
Total	125.00 %	

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 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - For 2022, the total OPEB liability was calculated using the discount rate of 4.27%. For 2021, the total OPEB liability was calculated using the discount rate of 2.84%. The projection of cash flows used to determine the discount rate assumed the contributions 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 7.50%. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, the long-term assumed rate of return on investments of 7.50% was applied to periods before December 31, 2035 and the Municipal Bond Index Rate of 3.65% was applied to periods on and after December 31, 2035, resulting in a discount rate of 4.27%.

**CITY OF NORWALK
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

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 4.27%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.27%), or one percentage point higher (5.27%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$969,431	\$787,256	\$633,452

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, 2023

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 parks and recreation fund:

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

Net Change in Fund Balance

	General fund	Parks & Recreation fund
Budget basis	\$ (613,624)	\$ (77,905)
Net adjustment for revenue accruals	151,492	(29,711)
Net adjustment for expenditure accruals	(208,758)	(22,184)
Net adjustment for other sources/uses	300,000	-
Adjustment for encumbrances	408,301	50,600
GAAP basis	\$ 37,411	\$ (79,200)

NOTE 17 – TAX ABATEMENTS

As of December 31, 2023, the City provides tax abatements through a Community Reinvestment Area (CRA) program. Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill. During 2023, the total property taxes abated under the City's CRA program amounted to \$36,741.

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 \$24,040 and the Edison Local School District \$100,342 for the year ended December 31, 2023.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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, 2023.

B. Litigation

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

C. Asset Retirement Obligation

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with the waste water treatment facilities. Any ARO associated with these public safety issues are not reasonably estimable. Currently, there is significant uncertainty as to what public safety items would need addressed; therefore, a reliable estimated amount could not be determined.

D. Economic Development Incentives

The City has entered into agreements with various companies which obligate the City to provide economic assistance payments to these companies, contingent upon the respective companies meeting specified minimums of payroll taxes withheld and remitted to the City or net profit tax paid to the City. Economic Development Incentive payments totaling \$41,234 have been paid and are reflected as accounts payable within the accompanying basic financial statements.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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 cash basis encumbrances as follows:

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 408,301
General capital improvement	50,600
Parks & Recreation fund	488,817
Other governmental	<u>1,256,803</u>
Total governmental funds	<u>2,204,521</u>
Water	286,421
Sewer	1,390,409
Sanitation	45,571
Storm Water	<u>131,342</u>
Total proprietary funds	<u>1,853,743</u>
Total	<u><u>\$ 4,058,264</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:

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**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 20 - FUND BALANCE – (Continued)

Fund balance	General	Parks & Recreation	General Capital Improvements	Other Governmental	Total Governmental Funds
Nonspendable:					
Notes	\$ -	\$ -	\$ -	\$ 887,743	\$ 887,743
Unclaimed funds	42,830	-	-	-	42,830
Materials & supplies inventory	-	-	-	81,377	81,377
Total nonspendable	42,830	-	-	969,120	1,011,950
Restricted:					
Capital improvements	-	-	-	829,612	829,612
Parks and recreation	-	-	-	32,253	32,253
Economic development	-	-	-	336,509	336,509
Police and fire protection	-	-	-	398,968	398,968
Courts	-	-	-	1,486,910	1,486,910
Transportation	-	-	-	1,263,666	1,263,666
Total restricted	-	-	-	4,347,918	4,347,918
Committed:					
Capital improvements	-	-	1,557,393	-	1,557,393
Parks and recreation	-	412,879	-	114,736	527,615
Police and fire protection	-	-	-	48,909	48,909
Termination benefits	358,730	-	-	-	358,730
Total committed	358,730	412,879	1,557,393	163,645	2,492,647
Community environment	2,246	-	-	-	2,246
Security persons & property	243,793	-	-	-	243,793
Leisure time activity	-	-	-	275,000	275,000
Subsequent year appropriations	62,915	-	-	-	62,915
General government	24,963	-	-	-	24,963
Total assigned	333,917	-	-	275,000	608,917
Unassigned	3,608,742	-	-	-	3,608,742
Total fund balances	\$ 4,344,219	\$ 412,879	\$ 1,557,393	\$ 5,755,683	\$ 12,070,174

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 TEN YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's proportion of the net pension liability	0.032584%	0.033181%	0.033457%	0.032788%
City's proportionate share of the net pension liability	\$ 9,625,328	\$ 2,886,880	\$ 4,954,253	\$ 6,480,771
City's covered-employee payroll	\$ 4,825,100	\$ 4,722,471	\$ 4,623,514	\$ 4,448,514
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	199.48%	61.13%	107.15%	145.68%
Plan fiduciary net position as a percentage of the total pension liability	75.74%	96.62%	86.88%	82.17%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2019	2018	2017	2016	2015	2014
0.032857%	0.033460%	0.035504%	0.035929%	0.036343%	0.036343%
\$ 8,998,865	\$ 5,249,225	\$ 8,062,356	\$ 6,223,356	\$ 4,348,406	\$ 4,279,741
\$ 4,117,629	\$ 4,251,000	\$ 4,439,592	\$ 6,033,217	\$ 5,102,750	\$ 5,190,523
218.54%	123.48%	181.60%	103.15%	85.22%	82.45%
74.70%	84.66%	77.25%	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 TEN YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>
City's proportion of the net pension liability	0.11057410%	0.11884160%	0.1221155%
City's proportionate share of the net pension liability	\$ 10,503,469	\$ 7,424,536	\$ 8,324,723
City's covered-employee payroll	\$ 3,162,925	\$ 3,177,132	\$ 3,131,140
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	332.08%	233.69%	265.87%
Plan fiduciary net position as a percentage of the total pension liability	62.90%	75.03%	70.65%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2020	2019	2018	2017	2016	2015	2014
0.13384950%	0.12184500%	0.12042200%	0.12652600%	0.12237900%	0.12726800%	0.12726800%
\$ 9,016,817	\$ 9,945,772	\$ 7,390,842	\$ 8,014,030	\$ 7,872,700	\$ 6,593,148	\$ 6,198,478
\$ 3,490,467	\$ 3,237,673	\$ 2,908,126	\$ 2,624,892	\$ 2,487,940	\$ 2,676,671	\$ 2,495,305
258.33%	307.19%	254.14%	305.31%	316.43%	246.32%	248.41%
69.89%	63.07%	70.91%	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 TEN YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 708,420	\$ 675,514	\$ 661,146	\$ 647,292
Contributions in relation to the contractually required contribution	<u>(708,420)</u>	<u>(675,514)</u>	<u>(661,146)</u>	<u>(647,292)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 5,060,143	\$ 4,825,100	\$ 4,722,471	\$ 4,623,514
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 622,792	\$ 576,468	\$ 552,630	\$ 532,751	\$ 723,986	\$ 612,330
<u>(622,792)</u>	<u>(576,468)</u>	<u>(552,630)</u>	<u>(532,751)</u>	<u>(723,986)</u>	<u>(612,330)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,448,514	\$ 4,117,629	\$ 4,251,000	\$ 4,439,592	\$ 6,033,217	\$ 5,102,750
14.00%	14.00%	13.00%	12.00%	12.00%	12.00%

CITY OF NORWALK

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Police:</i>				
Contractually required contribution	\$ 328,168	\$ 327,578	\$ 330,596	\$ 344,098
Contributions in relation to the contractually required contribution	<u>(328,168)</u>	<u>(327,578)</u>	<u>(330,596)</u>	<u>(344,098)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,727,200	\$ 1,724,095	\$ 1,739,979	\$ 1,811,042
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	19.00%	19.00%
 <i>Fire:</i>				
Contractually required contribution	\$ 336,402	\$ 338,125	\$ 337,731	\$ 310,223
Contributions in relation to the contractually required contribution	<u>(336,402)</u>	<u>(338,125)</u>	<u>(337,731)</u>	<u>(310,223)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,431,498	\$ 1,438,830	\$ 1,437,153	\$ 1,320,098
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 389,102	\$ 330,825	\$ 310,842	\$ 271,348	\$ 254,802	\$ 282,264
<u>(389,102)</u>	<u>(330,825)</u>	<u>(310,842)</u>	<u>(271,348)</u>	<u>(254,802)</u>	<u>(282,264)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,047,905	\$ 1,741,184	\$ 1,636,011	\$ 1,428,147	\$ 1,306,677	\$ 1,447,508
19.00%	19.00%	19.00%	19.00%	19.50%	19.50%
\$ 339,002	\$ 351,675	\$ 298,947	\$ 281,235	\$ 283,503	\$ 294,999
<u>(339,002)</u>	<u>(351,675)</u>	<u>(298,947)</u>	<u>(281,235)</u>	<u>(283,503)</u>	<u>(294,999)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,442,562	\$ 1,496,489	\$ 1,272,115	\$ 1,196,745	\$ 1,181,263	\$ 1,229,163
23.50%	23.50%	23.50%	23.50%	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 SEVEN YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's proportion of the net OPEB liability	0.031528%	0.032206%	0.032680%	0.032873%
City's proportionate share of the net OPEB liability/(asset)	\$ 198,790	\$ (1,008,741)	\$ (582,221)	\$ 4,540,615
City's covered-employee payroll	\$ 4,825,100	\$ 4,722,471	\$ 4,623,514	\$ 4,448,514
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	4.12%	-21.36%	-12.59%	102.07%
Plan fiduciary net position as a percentage of the total OPEB liability	94.79%	128.23%	115.57%	47.80%

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.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2019	2018	2017
	0.033319%	0.033950%	0.027920%
\$	4,344,011	\$ 3,686,720	\$ 2,820,015
\$	4,117,629	\$ 4,251,000	\$ 4,439,592
	105.50%	86.73%	63.52%
	46.33%	54.14%	54.14%

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 SEVEN YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's proportion of the net OPEB liability	0.110574%	0.118842%	0.122116%	0.133850%
City's proportionate share of the net OPEB liability	\$ 787,256	\$ 1,302,606	\$ 1,293,834	\$ 1,322,129
City's covered-employee payroll	\$ 3,162,925	\$ 3,177,132	\$ 3,131,140	\$ 3,490,467
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	24.89%	41.00%	41.32%	37.88%
Plan fiduciary net position as a percentage of the total OPEB liability	52.59%	46.86%	45.42%	47.08%

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.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	<u>2019</u>		<u>2018</u>		<u>2017</u>
	0.121845%		0.120422%		0.126526%
\$	1,109,586	\$	6,822,942	\$	6,005,905
\$	3,237,673	\$	2,908,126	\$	2,624,892
	34.27%		234.62%		228.81%
	46.57%		14.13%		14.13%

CITY OF NORWALK

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 5,060,143	\$ 4,825,100	\$ 4,722,471	\$ 4,623,514
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ -	\$ -	\$ 39,458	\$ 88,792	\$ 94,914	\$ 95,950
-	-	(39,458)	(88,792)	(94,914)	(95,950)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,448,514	\$ 4,117,629	\$ 4,251,000	\$ 4,439,592	\$ 6,033,217	\$ 5,102,750
0.00%	0.00%	1.00%	2.00%	2.00%	2.00%

CITY OF NORWALK

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Police:</i>				
Contractually required contribution	\$ 8,248	\$ 8,620	\$ 8,700	\$ 9,055
Contributions in relation to the contractually required contribution	<u>(8,248)</u>	<u>(8,620)</u>	<u>(8,700)</u>	<u>(9,055)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,727,200	\$ 1,724,095	\$ 1,739,979	\$ 1,811,042
Contributions as a percentage of covered-employee payroll	0.50%	0.50%	0.50%	0.50%
 <i>Fire:</i>				
Contractually required contribution	\$ 7,057	\$ 7,194	\$ 7,186	\$ 6,559
Contributions in relation to the contractually required contribution	<u>(7,057)</u>	<u>(7,194)</u>	<u>(7,186)</u>	<u>(6,559)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,431,498	\$ 1,438,830	\$ 1,437,153	\$ 1,320,098
Contributions as a percentage of covered-employee payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 11,575	\$ 9,378	\$ 25,374	\$ 22,205	\$ -	\$ -
<u>(11,575)</u>	<u>(9,378)</u>	<u>(25,374)</u>	<u>(22,205)</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,047,905	\$ 1,741,184	\$ 1,636,011	\$ 1,428,147	\$ 1,306,677	\$ 1,447,508
0.57%	0.54%	1.55%	1.55%	0.00%	0.00%
\$ 8,474	\$ 6,810	\$ 29,641	\$ 22,916	\$ -	\$ -
<u>(8,474)</u>	<u>(6,810)</u>	<u>(29,641)</u>	<u>(22,916)</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,442,562	\$ 1,496,489	\$ 1,272,115	\$ 1,196,745	\$ 1,181,263	\$ 1,229,163
0.59%	0.46%	2.33%	1.91%	0.00%	0.00%

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023

PENSION - OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2023.

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 through 2021, 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 was 7.20%. For 2022, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) wage inflation was changed from 3.25% to 2.75%, (b) future salary increases, including inflation were changed from 3.25%-10.75% to 2.75%-10.75%, (c) COLA for post 1/7/2013 retirees were changed from 0.50%, simple through 2021, then 2.15% simple to 3.00%, simple through 2022, then 2.05% simple and (d) the actuarially assumed rate of return was changed from 7.20% to 6.90%. There were no changes in assumptions for 2023.

PENSION - OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2023.

Changes in assumptions : There were no changes in assumptions 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 2020-2021. For 2022, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) wage inflation was changed from 3.25% to 2.75%, (b) future salary increases, including inflation were changed from 3.25%-10.75% to 2.75%-10.75%, (c) COLA for post 1/7/2013 retirees were changed from 0.50%, simple through 2021, then 2.15% simple to 3.00%, simple through 2022, then 2.05% simple and (d) the actuarially assumed rate of return was changed from 7.20% to 6.90%. For 2023, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the mortality rates were changed from the RP-2014 Total Employee and Healthy Annuitant mortality tables to various Pub-2010 mortality tables using the MP-2021 Improvement Scale.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023

OTHER POST-EMPLOYMENT BENEFITS - OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2020. For 2021, the following were the most significant changes in benefit terms since the prior measurement date: the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. For 2021, the following were the most significant changes in benefit terms since the prior measurement date: the Board approved several changes to the health care plan offered to Medicare and non-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 non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020. There were no changes in benefit terms from the amounts reported for 2022-2023.

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 10.50%, initial/3.25%, ultimate in 2029 up to 10.50%, initial/3.50% ultimate in 2030. For 2021, 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 3.16% up to 6.00%, (b) the municipal bond rate was decreased from 2.75% up to 2.00% and (c) the health care cost trend rate was decreased from 10.00%, initial/3.50%, ultimate in 2030 down to 8.50%, initial/3.50% ultimate in 2035. For 2022, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) wage inflation changed from 3.25% to 2.75%, (b) projected salary increases, including inflation changed from 3.25%-10.75% to 2.75%-10.75%, (c) the municipal bond rate was changed from 2.00% to 1.84% and (d) the health care cost trend rate was changed from 8.50% initial, 3.50% ultimate in 2035 to 5.50% initial, 3.50% ultimate in 2034. For 2023, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 6.00% to 5.22%, (b) the municipal bond rate was changed from 1.84% to 4.05% and (c) the health care cost trend rate was changed from 5.50% initial, 3.50% ultimate in 2034 to 5.50% initial, 3.50% ultimate in 2036.

OTHER POST-EMPLOYMENT BENEFITS - 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 2020-2023.

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%. For 2021, 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 3.56% down to 2.96%. For 2022, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the investment rate of return was changed from 8.00% to 7.50% and (b) the discount rate was changed from 2.96% to 2.84%. For 2023, 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 changed from 2.84% to 4.27% and (b) the mortality rates were changed from the RP-2014 Total Employee and Healthy Annuitant mortality tables to various Pub-2010 mortality tables using the MP-2021 Improvement Scale.

**CITY OF NORWALK
HURON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Federal Grantor/ Pass Through Grantor/ Program Grant Title	Federal AL Number	Pass Through Entity Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development			
<i>Passed through Ohio Development Services Agency:</i>			
Community Development Block Grants/State's Program	14.228	A-F-22-2CZ-1	\$ 146,761
Total Department of Housing and Urban Development			<u>146,761</u>
U.S. Department of Transportation			
<i>Passed through Ohio Department of Transportation</i>			
<i>Highway Planning and Construction Cluster:</i>			
Highway Planning and Construction	20.205	109020	665,041
Highway Planning and Construction	20.205	111400	802,806
Total Department of Transportation			<u>1,467,847</u>
U.S. Department of Treasury			
<i>Passed through Ohio Office of Budget and Management:</i>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	HB481-CRF-Local	945,922
Total Department of Treasury			<u>945,922</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,560,530</u></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, 2023**

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, 2023. 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.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**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
Norwalk, Ohio 44857

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*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, 2023, 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 3, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

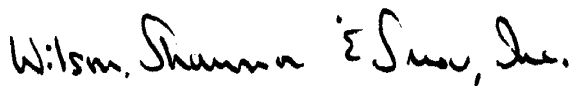
City of Norwalk
Huron County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Newark, Ohio

June 3, 2024

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

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

To the City Council:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Norwalk's, Huron County, (the City) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, the City of Norwalk complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The City's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

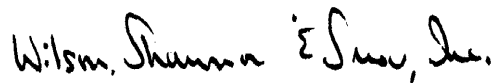
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

City of Norwalk
Huron County
Independent Auditor's Report on Compliance With Requirements
Applicable to Each Major Federal Program and On Internal Control
Over Compliance Required by Uniform Guidance
Page 3

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Newark, Ohio

June 3, 2024

**CITY OF NORWALK
HURON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515**

DECEMBER 31, 2023

1. SUMMARY OF AUDITOR'S RESULTS
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<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):	Highway Planning and Construction Cluster COVID-19 Coronavirus State and Local Fiscal Recovery Funds/ALN #21.027
<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.

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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 6/27/2024

65 East State 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