

**CITY OF NORWALK
HURON COUNTY**

REGULAR AUDIT

JANUARY 1, 2021 – DECEMBER 31, 2021



WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS

OHIO AUDITOR OF STATE
KEITH FABER



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City Council and Management
City of Norwalk
38 Whittlesey Avenue
P.O. Box 30
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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, 2021 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 06, 2022

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**CITY OF NORWALK
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, 2021, 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, 2021, 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.

City of Norwalk
Huron County
Independent Auditor's Report

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.

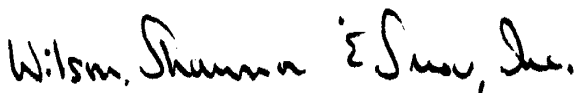
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2022, 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.



June 15, 2022
Newark, Ohio

**CITY OF NORWALK
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021. 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 2021 are as follows:

- The total net position of the City increased \$9,025,505 from 2020. Net position of governmental activities increased \$3,755,139 or 21% over the 2020 net position of \$17,547,110 and net position of business-type activities increased \$5,270,366 or 17% from 2020 net position of \$30,531,372.
- General revenues and transfers accounted for \$10,026,427, or 70% of total governmental activities revenue. Program specific revenues accounted for \$4,253,845 or 30% of total governmental activities revenue.
- The City had \$10,525,133 in expenses related to governmental activities; \$4,253,845 of these expenses was offset by program specific charges for services and sales, grants or contributions. The remaining expenses of the governmental activities of \$6,271,288 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) and transfers of \$10,026,427.
- The general fund had revenues and other financing sources of \$8,271,351 in 2021. This represents an increase of \$461,609 from 2020 revenues. The expenditures and other financing uses of the general fund, which totaled \$8,450,377 increased \$1,444,153 in 2021 from 2020 expenditures and other financing uses. The net decrease in fund balance for the general fund was \$179,026 or 4%.
- The general capital improvements fund had revenues and other financing sources of \$1,463,786 in 2021. The expenditures of the general capital improvements fund totaled \$978,404 in 2021. The net increase in fund balance was \$485,382 from 2020.
- The parks & recreation fund had revenues and other financing sources of \$1,808,676 and expenditures and other financing uses of \$1,614,719 resulting in an ending fund balance of \$280,404, an increase of \$193,957.

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, 2021
(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 2021?" 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, 2021
(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, 2021
(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 2021	Business-type Activities 2021	Governmental Activities 2020	Business-type Activities 2020	Total 2021	Total 2020
Assets						
Current and other assets	\$ 15,352,332	\$ 10,891,770	\$ 13,406,945	\$ 8,878,614	\$ 26,244,102	\$ 22,285,559
Nondepreciable capital assets	3,364,098	1,220,247	3,148,402	471,435	4,584,345	3,619,837
Depreciable capital assets, net	19,805,861	39,192,937	20,092,050	40,054,479	58,998,798	60,146,529
Capital assets, net	23,169,959	40,413,184	23,240,452	40,525,914	63,583,143	63,766,366
Total assets	<u>38,522,291</u>	<u>51,304,954</u>	<u>36,647,397</u>	<u>49,404,528</u>	<u>89,827,245</u>	<u>86,051,925</u>
Deferred outflows of resources	<u>2,293,968</u>	<u>540,002</u>	<u>2,741,845</u>	<u>976,008</u>	<u>2,833,970</u>	<u>3,717,853</u>
Liabilities						
Current and other liabilities	1,082,087	189,292	611,009	618,516	1,271,379	1,229,525
Long-term liabilities:						
Due within one year	608,184	1,199,118	654,802	1,289,693	1,807,302	1,944,495
Net pension liability	10,455,052	2,823,925	11,803,549	3,694,039	13,278,977	15,497,588
Net OPEB liability	1,293,834	-	3,274,594	2,588,150	1,293,834	5,862,744
Due in more than one year	1,280,047	9,598,087	1,493,562	10,506,698	10,878,134	12,000,260
Total liabilities	<u>14,719,204</u>	<u>13,810,422</u>	<u>17,837,516</u>	<u>18,697,096</u>	<u>28,529,626</u>	<u>36,534,612</u>
Deferred inflows of resources	<u>4,794,806</u>	<u>2,232,796</u>	<u>4,004,616</u>	<u>1,152,068</u>	<u>7,027,602</u>	<u>5,156,684</u>
Net Position						
Net investment in capital assets	22,674,606	30,295,724	22,463,064	29,349,020	52,970,330	51,812,084
Restricted	3,808,430	-	3,255,179	-	3,808,430	3,255,179
Unrestricted	(5,180,787)	5,506,014	(8,171,133)	1,182,352	325,227	(6,988,781)
Total net position	<u>\$ 21,302,249</u>	<u>\$ 35,801,738</u>	<u>\$ 17,547,110</u>	<u>\$ 30,531,372</u>	<u>\$ 57,103,987</u>	<u>\$ 48,078,482</u>

Over time, net position can serve as a useful indicator of a government's financial position. At year-end, net position was \$57,103,987 that comprised \$21,302,249 and \$35,801,738 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, 2021
(UNAUDITED)**

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 57% and 78% 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, 2021, were \$22,674,606 and \$30,295,724 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. A portion of the City's net position, \$3,808,430 represents resources that are subject to external restriction on how they may be used.

The increase in net position for both governmental and business-type activities is primarily attributed to a decrease in the City's net pension liability of \$1,348,497 and \$870,114, respectfully. Furthermore, the increase can also be attributed to a decrease in the City's Net OPEB liability of \$1,980,760 and \$2,588,180, respectfully, further noting the City reporting a Net OPEB asset for governmental activities of \$250,355 and business-type activities of \$331,866.

Equity in pool cash and investments increased \$1,434,473 and \$1,584,554 for governmental and business-type activities, respectfully, based on conservative budgeting by the City.

The water fund and storm water fund reported negative personal service expenses of (\$91,019) and (\$26,940), respectively, based on each fund's proportionate share of negative net OPEB expense based on the reporting of a net OPEB asset at December 31, 2021.

The following table shows the changes in net position for 2021 and 2020.

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**CITY OF NORWALK
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

	Change in Net Position					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	Total	Total
	2021	2021	2020	2020	2021	2020
Revenues						
Program revenues:						
Charges for services and sales	\$ 1,795,631	\$ 8,330,317	\$ 1,549,788	\$ 7,905,715	\$ 10,125,948	\$ 9,455,503
Operating grants and contributions	1,737,079	-	4,006,624	-	1,737,079	4,006,624
Capital grants and contributions	721,135	171,181	226,250	-	892,316	226,250
Total program revenues	4,253,845	8,501,498	5,782,662	7,905,715	12,755,343	13,688,377
General revenues:						
Property and other local taxes	1,580,659	-	1,401,134	-	1,580,659	1,401,134
Income taxes	7,216,287	1,461,242	6,206,541	1,240,293	8,677,529	7,446,834
Shared revenues	177,155	-	92,949	-	177,155	92,949
Payment in lieu of taxes	60,296	-	80,142	-	60,296	80,142
Grants and entitlements	505,396	-	688,783	-	505,396	688,783
Investment earnings	135,974	-	306,589	-	135,974	306,589
Decrease in fair value of investments	(174,313)	-	-	-	(174,313)	-
Other	355,473	63,657	686,543	371,832	419,130	1,058,375
Total general revenues	9,856,927	1,524,899	9,462,681	1,612,125	11,381,826	11,074,806
Total revenues	14,110,772	10,026,397	15,245,343	9,517,840	24,137,169	24,763,183
Program Expenses:						
General government	2,023,705	-	3,000,692	-	2,023,705	3,000,692
Security of persons and property	6,243,192	-	8,308,631	-	6,243,192	8,308,631
Public health and welfare	15,342	-	104,956	-	15,342	104,956
Transportation	633,199	-	2,151,231	-	633,199	2,151,231
Community environment & development	547,138	-	551,616	-	547,138	551,616
Leisure time activity	1,031,924	-	1,722,426	-	1,031,924	1,722,426
Utility services	-	-	92,150	-	-	92,150
Interest and fiscal charges	30,633	-	45,591	-	30,633	45,591
Sanitation	-	895,802	-	1,501,848	895,802	1,501,848
Sewer	-	2,507,585	-	2,936,060	2,507,585	2,936,060
Water	-	1,136,856	-	3,964,440	1,136,856	3,964,440
Storm water	-	46,288	-	325,542	46,288	325,542
Total expenses	10,525,133	4,586,531	15,977,293	8,727,890	15,111,664	24,705,183
Change in net position before transfers	3,585,639	5,439,866	(731,950)	789,950	9,025,505	58,000
Transfers	169,500	(169,500)	69,165	(69,165)	-	-
Increase (decrease) in net position	3,755,139	5,270,366	(662,785)	720,785	9,025,505	58,000
Net position beginning of year	17,547,110	30,531,372	18,209,895	29,810,587	48,078,482	48,020,482
Net position end of year	\$ 21,302,249	\$ 35,801,738	\$ 17,547,110	\$ 30,531,372	\$ 57,103,987	\$ 48,078,482

**CITY OF NORWALK
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

Governmental Activities

Governmental activities net position increased \$3,755,139 in 2021 and is primarily attributed to the method which the City's retirement system, Ohio Public Employee's Retirement System (OPERS), experienced a Net OPEB asset in 2021 versus a Net OPEB liability in 2020. The City recorded negative OPEB expenses associated with this which was allocated amongst governmental and business-type activities.

General government expenses totaled \$2,023,705 and were partially funded by \$989,545 in charges for services and sales and \$66,842 in operating grants and contributions.

Operating grants and contributions relate to federal, state and local revenues which totaled \$1,737,079. These revenues are restricted for security of persons and property, transportation and community environment and development purposes. Capital grants and contributions of \$721,135 were primarily for construction of streets and related improvements.

General revenues and transfers totaled \$10,026,427 and primarily consist of property and income tax revenue of \$8,796,946. The other primary source of general revenues is unrestricted grants totaling \$505,396.

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 2021 compared to 2020. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

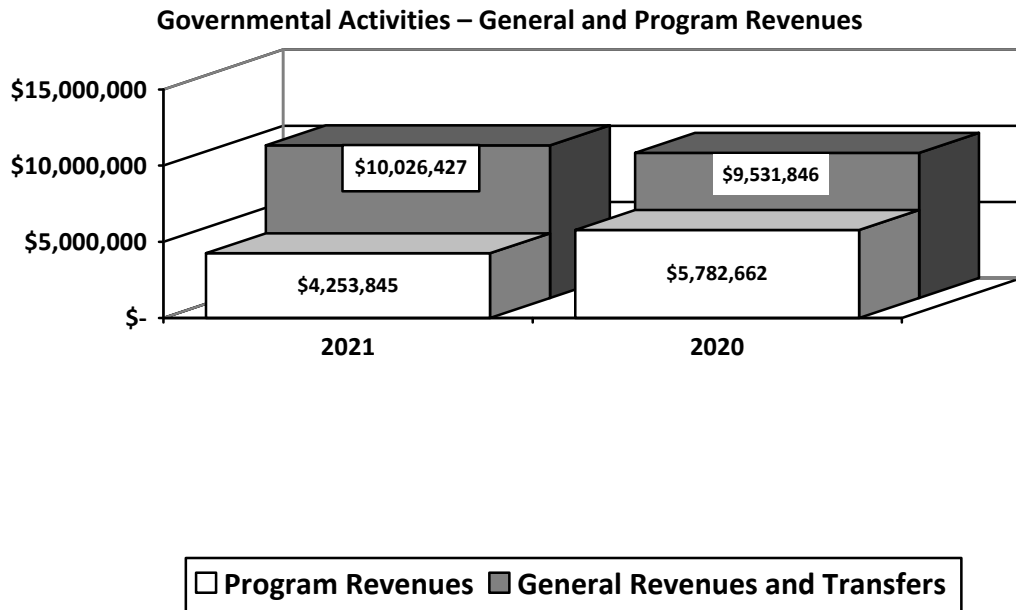
Governmental Activities - Program Revenues vs. Total Expenses

	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 2,023,705	\$ 967,318	\$ 3,000,692	\$ 1,699,664
Security of persons & property	6,243,192	6,110,933	8,308,631	5,919,483
Public health and welfare	15,342	15,342	104,956	104,956
Transportation	633,199	(1,115,644)	2,151,231	814,332
Community environment	547,138	46,506	551,616	358,893
Leisure time activity	1,031,924	216,200	1,722,426	1,159,562
Utility services	-	-	92,150	92,150
Interest and fiscal charges	30,633	30,633	45,591	45,591
Total	\$ 10,525,133	\$ 6,271,288	\$ 15,977,293	\$ 10,194,631

**CITY OF NORWALK
HURON COUNTY**

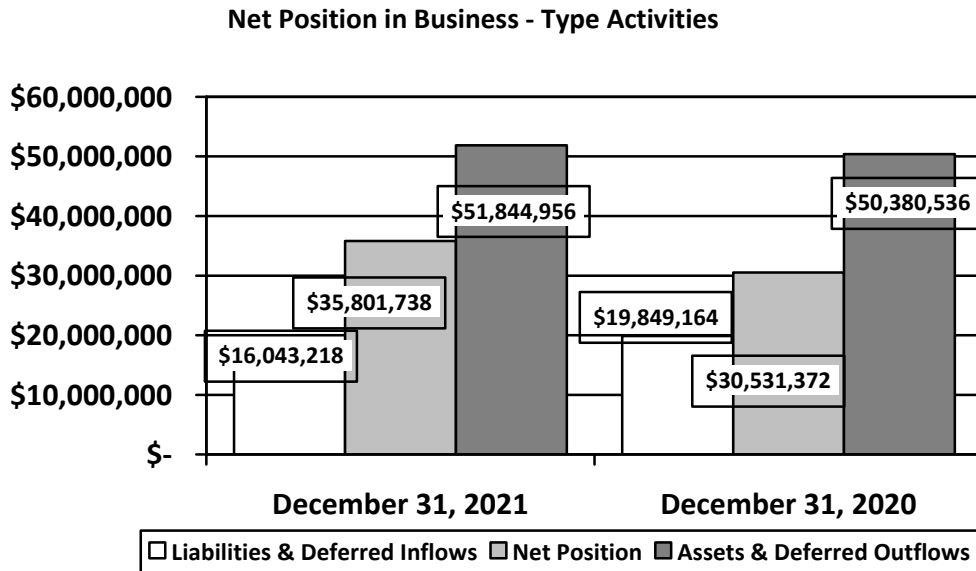
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

The chart below illustrates the City's program revenues versus general revenues for 2021 and 2020.



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.



**CITY OF NORWALK
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at year-end. The City's governmental funds reported a combined fund balance of \$9,848,462 which is \$785,064 higher than last year's total of \$9,063,398. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2021 for all major and non-major governmental funds.

	Fund Balances 12/31/2021	Fund Balances 12/31/2020	Increase (Decrease)
Major funds:			
General fund	\$ 3,951,092	\$ 4,130,118	\$ (179,026)
General capital improvement fund	814,940	329,558	485,382
Parks & recreation fund	280,404	86,447	193,957
Other governmental funds	4,802,026	4,517,275	284,751
Total	\$ 9,848,462	\$ 9,063,398	\$ 785,064

General Fund

The City's general fund balance decreased \$179,026. 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, 2021
(UNAUDITED)**

	2021 Amount	2020 Amount	Percentage Change
<u>Revenues</u>			
Property and other taxes	\$ 621,871	\$ 638,335	(2.58) %
Income taxes	5,672,700	4,658,802	21.76 %
Shared revenues	132,380	71,206	85.91 %
Special assessments	1,788	2,262	(20.95) %
Charges for services	81,753	56,324	45.15 %
Licenses and permits	187,909	299,930	(37.35) %
Fines and forfeitures	456,656	427,238	6.89 %
Intergovernmental	821,531	827,090	(0.67) %
Investment income	135,168	313,069	(56.82) %
Decrease in fair value of investments	(174,313)	-	100.00 %
Other	118,408	433,296	(72.67) %
Total	<u>\$ 8,055,851</u>	<u>\$ 7,727,552</u>	4.25 %

Income tax revenues represents 70% of all general fund revenue and increased 21.76% from the prior year. The shared revenues increase of 85.91% is associated with the re-opening of the City's hotels and motels from the COVID-19 pandemic.

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

	2021 Amount	2020 Amount	Percentage Change
<u>Expenditures</u>			
General government	\$ 2,501,576	\$ 2,183,491	14.57 %
Security of persons and property	5,008,797	3,767,943	32.93 %
Public health and welfare	15,342	104,956	(85.38) %
Transportation	4,636	9,434	(50.86) %
Community environment and development	11,172	18,678	(40.19) %
Leisure time activity	74,456	16,482	351.74 %
Utility services	-	92,150	(100.00) %
Debt service	5,940	11,962	(50.34) %
Total	<u>\$ 7,621,919</u>	<u>\$ 6,205,096</u>	22.83 %

General fund expenditures increased from 2020 by 22.83% which is primarily attributed to salary and benefit expenses allocated to the coronavirus relief fund in 2020 allocated to the general fund in 2021.

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

**CITY OF NORWALK
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

appropriations can be adjusted accordingly. Budgetary information is presented for the general fund. In the general fund, the actual revenues and other financing sources came in \$1,120,951 higher than they were in the final budget and actual expenditures and other financing uses were \$756,332 less than the amount in the final budget.

General Capital Improvements Fund

The general capital improvements fund had revenues and other financing sources of \$1,463,786 in 2021. The expenditures of the general capital improvements fund totaled \$978,404 in 2021. The net increase in fund balance was \$485,382 from 2020.

Parks & Recreation Fund

The parks & recreation fund had revenues and other financing sources of \$1,808,676 and expenditures and other financing uses of \$1,614,719 resulting in an ending fund balance of \$280,404, an increase of \$193,957.

Capital Assets and Debt Administration

Capital Assets

At the end of 2021, the City had \$63,583,143 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings, equipment, and infrastructure. Of this total, \$23,169,959 was reported in governmental activities and \$40,413,184 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	
	2021	2020	2021	2020	2021	2020
Land	\$ 3,057,434	\$ 3,057,434	\$ 45,261	\$ 45,261	\$ 3,102,695	\$ 3,102,695
Construction in progress	306,664	90,968	1,174,986	426,174	1,481,650	517,142
Land improvements	1,121,266	784,554	123,487	144,785	1,244,753	929,339
Buildings	9,176,739	9,311,858	9,162,937	9,115,069	18,339,676	18,426,927
Equipment	1,947,541	2,127,153	3,101,493	3,033,921	5,049,034	5,161,074
Infrastructure	7,560,315	7,868,485	26,805,020	27,760,704	34,365,335	35,629,189
Totals	<u>\$ 23,169,959</u>	<u>\$ 23,240,452</u>	<u>\$ 40,413,184</u>	<u>\$ 40,525,914</u>	<u>\$ 63,583,143</u>	<u>\$ 63,766,366</u>

The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 33% of the City's total governmental activities and 66% of the business-type activity capital assets.

**CITY OF NORWALK
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

Debt Administration

The City had the following debt obligations outstanding at December 31, 2021 and 2020:

	<u>Governmental Activities</u>	
	2021	2020
OPWC loans	\$ 145,369	\$ 162,583
OWDA loans	-	84,353
Capital leases	313,839	530,452
Police and fire pension	283,602	298,952
Total debt obligations	<u>\$ 742,810</u>	<u>\$ 1,076,340</u>
	<u>Business-type Activities</u>	
	2021	2020
OPWC loans	\$ 162,557	\$ 178,983
OWDA loans	9,822,328	10,867,202
Capital leases	86,906	130,709
Total debt obligations	<u>\$ 10,071,791</u>	<u>\$ 11,176,894</u>

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

Economic Factors and Next Year's Budget and Rates

The City continues to closely monitor the revenue and expenditures. Income tax collections, the City's primary source of General fund cash basis revenue, increased (cash basis) from 2020 to 2021. The City has continued to budget conservatively.

In addition, the following items were taken into consideration during preparation of the 2022 budget: 1) Interest rates continue to be lower than historical levels; 2) The cost of repair and replacement of City infrastructure continues to increase; and 3) Income Tax Revenue is budgeted to increase in 2022, however, the impact of the COVID-19 pandemic may impact these projections.

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

Contacting the City's Financial Management

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

**CITY OF NORWALK
HURON COUNTY**

STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 8,777,681	\$ 9,451,508	\$ 18,229,189
Cash in segregated accounts	8,758	-	8,758
Receivables:			
Income taxes	1,964,034	392,854	2,356,888
Property and other taxes	1,894,266	-	1,894,266
Accounts	50,664	606,575	657,239
Payments in lieu of taxes	52,740	-	52,740
Accrued interest	37,984	-	37,984
Special assessments	27,124	9,943	37,067
Due from other governments	1,233,214	-	1,233,214
Notes receivable	934,140	-	934,140
Materials and supplies inventory	121,372	99,024	220,396
Net OPEB asset	250,355	331,866	582,221
Capital assets:			
Nondepreciable capital assets	3,364,098	1,220,247	4,584,345
Depreciable capital assets, net	<u>19,805,861</u>	<u>39,192,937</u>	<u>58,998,798</u>
Total capital assets, net	<u>23,169,959</u>	<u>40,413,184</u>	<u>63,583,143</u>
Total assets	<u>38,522,291</u>	<u>51,304,954</u>	<u>89,827,245</u>
Deferred outflows of resources:			
OPEB	853,736	163,150	1,016,886
Pension	<u>1,440,232</u>	<u>376,852</u>	<u>1,817,084</u>
Total deferred outflows of resources	<u>2,293,968</u>	<u>540,002</u>	<u>2,833,970</u>
Total assets and deferred outflows of resources	<u>40,816,259</u>	<u>51,844,956</u>	<u>92,661,215</u>
Liabilities:			
Accounts payable	159,425	52,960	212,385
Contracts payable	36,145	45,669	81,814
Accrued wages and benefits payable	48,318	37,654	85,972
Matured compensated absences payable	45,291	-	45,291
Due to other governments	81,913	53,009	134,922
Deposits held and due to others	8,758	-	8,758
Unearned revenue	702,237	-	702,237
Long-term liabilities:			
Due within one year	608,184	1,199,118	1,807,302
Due in more than one year:			
Net pension liability	10,455,052	2,823,925	13,278,977
Net OPEB liability	1,293,834	-	1,293,834
Other amount due in more than one year	<u>1,280,047</u>	<u>9,598,087</u>	<u>10,878,134</u>
Total liabilities	<u>14,719,204</u>	<u>13,810,422</u>	<u>28,529,626</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	1,861,811	-	1,861,811
Payment in lieu of tax revenue not available	52,740	-	52,740
OPEB	1,232,691	1,013,985	2,246,676
Pension	<u>1,647,564</u>	<u>1,218,811</u>	<u>2,866,375</u>
Total deferred inflows of resources	<u>4,794,806</u>	<u>2,232,796</u>	<u>7,027,602</u>
Total liabilities and deferred inflows of resources	<u>19,514,010</u>	<u>16,043,218</u>	<u>35,557,228</u>
Net position:			
Net investment in capital assets	22,674,606	30,295,725	52,970,331
Restricted for:			
Capital projects	772,362	-	772,362
Municipal court and programs	1,223,710	-	1,223,710
Transportation	1,422,588	-	1,422,588
Community development	384,867	-	384,867
Other purposes	4,903	-	4,903
Unrestricted	<u>(5,180,787)</u>	<u>5,506,013</u>	<u>325,226</u>
Total net position	<u>\$ 21,302,249</u>	<u>\$ 35,801,738</u>	<u>\$ 57,103,987</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,023,705	\$ 989,545	\$ 66,842	\$ -	\$ (967,318)	\$ -	\$ (967,318)
Security of persons and property	6,243,192	7,450	124,809	-	(6,110,933)	-	(6,110,933)
Public health and welfare	15,342	-	-	-	(15,342)	-	(15,342)
Transportation	633,199	350	1,375,724	372,769	1,115,644	-	1,115,644
Community environment	547,138	62	169,704	330,866	(46,506)	-	(46,506)
Leisure time activity	1,031,924	798,224	-	17,500	(216,200)	-	(216,200)
Interest and fiscal charges	30,633	-	-	-	(30,633)	-	(30,633)
Total governmental activities	10,525,133	1,795,631	1,737,079	721,135	(6,271,288)	-	(6,271,288)
Business-type activities:							
Water	1,136,856	3,613,837	-	171,181	-	2,648,162	2,648,162
Sewer	2,507,585	4,452,571	-	-	-	1,944,986	1,944,986
Sanitation	895,802	14,660	-	-	-	(881,142)	(881,142)
Storm water	46,288	249,249	-	-	-	202,961	202,961
Total business-type activities	4,586,531	8,330,317	-	171,181	-	3,914,967	3,914,967
Total primary government	\$ 15,111,664	\$ 10,125,948	\$ 1,737,079	\$ 892,316	(6,271,288)	3,914,967	(2,356,321)
General revenues:							
Property and other taxes levied for:							
General purposes					619,096	-	619,096
Police					317,210	-	317,210
Fire					145,373	-	145,373
Recreation					498,980	-	498,980
Income taxes levied for:							
General purposes					5,844,934	-	5,844,934
Capital outlay					1,371,353	-	1,371,353
Sanitation					-	1,461,242	1,461,242
Payments in lieu of taxes					60,296	-	60,296
Grants and entitlements not restricted to specific programs					505,396	-	505,396
Investment earnings					135,974	-	135,974
Decrease in fair value of investments					(174,313)	-	(174,313)
Shared revenues					177,155	-	177,155
Other					355,473	63,657	419,130
Total general revenues before transfers					9,856,927	1,524,899	11,381,826
Transfers					169,500	(169,500)	-
Total general revenues and transfers					10,026,427	1,355,399	11,381,826
Change in net position					3,755,139	5,270,366	9,025,505
Net position at beginning of year					17,547,110	30,531,372	48,078,482
Net position at end of year					\$ 21,302,249	\$ 35,801,738	\$ 57,103,987

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General	General Capital Improvements	Parks & Recreation Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	\$ 3,495,832	\$ 709,742	\$ 289,345	\$ 4,246,153	\$ 8,741,072
Cash in segregated accounts	8,758	-	-	-	8,758
Receivables:					
Income taxes	1,571,180	392,854	-	-	1,964,034
Property and other taxes	771,064	-	573,636	549,566	1,894,266
Accounts	22,594	-	13,222	14,848	50,664
Payments in lieu of taxes	-	-	-	52,740	52,740
Accrued interest	37,984	-	-	-	37,984
Special assessments	1,678	25,446	-	-	27,124
Notes receivable	-	-	-	934,140	934,140
Due from other governments	277,660	-	7,188	948,366	1,233,214
Materials and supplies inventory	-	-	-	121,372	121,372
Restricted assets:					
Equity in pooled cash and cash equivalents	36,609	-	-	-	36,609
Total assets	<u>\$ 6,223,359</u>	<u>\$ 1,128,042</u>	<u>\$ 883,391</u>	<u>\$ 6,867,185</u>	<u>\$ 15,101,977</u>
Liabilities:					
Accounts payable	\$ 135,615	\$ 7,413	\$ 6,886	\$ 9,511	\$ 159,425
Contracts payable	-	36,145	-	-	36,145
Accrued wages and benefits payable	28,195	-	12,506	7,617	48,318
Matured compensated absences payable	45,291	-	-	-	45,291
Due to other governments	76,680	-	2,771	2,462	81,913
Deposits held and due to others	8,758	-	-	-	8,758
Unearned revenue	-	-	-	702,237	702,237
Total liabilities	<u>294,539</u>	<u>43,558</u>	<u>22,163</u>	<u>721,827</u>	<u>1,082,087</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	757,942	-	564,662	539,207	1,861,811
Delinquent property tax revenue not available	13,122	-	8,974	9,145	31,241
Accrued interest not available	32,340	-	-	-	32,340
Special assessments revenue not available	1,678	25,446	-	-	27,124
Payment in lieu of tax revenue not available	-	-	-	52,740	52,740
Income tax revenue not available	976,247	244,098	-	-	1,220,345
Nonexchange transactions not available	196,399	-	7,188	742,240	945,827
Total deferred inflows of resources	<u>1,977,728</u>	<u>269,544</u>	<u>580,824</u>	<u>1,343,332</u>	<u>4,171,428</u>
Total liabilities and deferred inflows of resources	<u>2,272,267</u>	<u>313,102</u>	<u>602,987</u>	<u>2,065,159</u>	<u>5,253,515</u>
Fund balances:					
Nonspendable	36,609	-	-	1,055,512	1,092,121
Restricted	-	-	-	3,568,613	3,568,613
Committed	523,032	814,940	280,404	177,901	1,796,277
Assigned	981,140	-	-	-	981,140
Unassigned	2,410,311	-	-	-	2,410,311
Total fund balances	<u>3,951,092</u>	<u>814,940</u>	<u>280,404</u>	<u>4,802,026</u>	<u>9,848,462</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,223,359</u>	<u>\$ 1,128,042</u>	<u>\$ 883,391</u>	<u>\$ 6,867,185</u>	<u>\$ 15,101,977</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, 2021

Total governmental fund balances		\$	9,848,462
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			23,169,959
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds:			
Income taxes receivable	\$	1,220,345	
Property and other taxes receivable		31,241	
Due from other governments receivable		945,827	
Special assessments receivable		27,124	
Investment income receivable		32,340	
Total		2,256,877	2,256,877
The net pension and OPEB liabilities/(asset) are not due and payable in the current period; therefore, the liabilities/(asset) and related deferred inflows/outflows are not reported in the governmental funds:			
Deferred outflows - pension		1,440,232	
Deferred inflows - pension		(1,647,564)	
Deferred outflows - OPEB		853,736	
Deferred inflows - OPEB		(1,232,691)	
Net OPEB liability		(1,293,834)	
Net OPEB asset		250,355	
Net pension liability		(10,455,052)	
Total		(12,084,818)	(12,084,818)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Compensated absences		(1,145,421)	
Capital lease payable		(313,839)	
OPWC loans payable		(145,369)	
Police and fire pension		(283,602)	
Total		(1,888,231)	(1,888,231)
Net position of governmental activities		\$	21,302,249

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, 2021

	General	General Capital Improvements	Parks & Recreation Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Income taxes	\$ 5,672,700	\$ 1,270,371	\$ -	\$ 57,917	\$ 7,000,988
Property and other taxes	621,871	-	501,612	465,017	1,588,500
Charges for services	81,753	2,356	796,244	50	880,403
Licenses and permits	187,909	-	1,980	9,500	199,389
Fines and forfeitures	456,656	-	-	198,302	654,958
Payments in lieu of taxes	-	-	-	60,296	60,296
Intergovernmental	821,531	147,806	23,801	1,901,720	2,894,858
Special assessments	1,788	43,253	-	-	45,041
Investment income	135,168	-	-	913	136,081
Shared revenues	132,380	-	-	44,775	177,155
Decrease in fair value of investments	(174,313)	-	-	-	(174,313)
Other	118,408	-	210,039	27,026	355,473
Total revenues	<u>8,055,851</u>	<u>1,463,786</u>	<u>1,533,676</u>	<u>2,765,516</u>	<u>13,818,829</u>
Expenditures:					
Current:					
General government	2,501,576	35,653	-	98,257	2,635,486
Security of persons and property	5,008,797	-	-	1,036,312	6,045,109
Public health and welfare	15,342	-	-	-	15,342
Transportation	4,636	-	-	972,200	976,836
Community environment and development	11,172	-	-	561,766	572,938
Leisure time activity	74,456	-	1,589,235	59,486	1,723,177
Capital outlay	-	616,461	-	253,753	870,214
Debt service:					
Principal retirement	5,606	308,842	443	32,005	346,896
Interest and fiscal charges	334	17,448	41	12,810	30,633
Total expenditures	<u>7,621,919</u>	<u>978,404</u>	<u>1,589,719</u>	<u>3,026,589</u>	<u>13,216,631</u>
Excess (deficiency) of revenues over (under) expenditures	<u>433,932</u>	<u>485,382</u>	<u>(56,043)</u>	<u>(261,073)</u>	<u>602,198</u>
Other financing sources (uses):					
Loan proceeds	-	-	-	13,366	13,366
Transfers in	215,500	-	275,000	553,458	1,043,958
Transfers (out)	(828,458)	-	(25,000)	(21,000)	(874,458)
Total other financing sources (uses)	<u>(612,958)</u>	<u>-</u>	<u>250,000</u>	<u>545,824</u>	<u>182,866</u>
Net change in fund balances	(179,026)	485,382	193,957	284,751	785,064
Fund balances at beginning of year	<u>4,130,118</u>	<u>329,558</u>	<u>86,447</u>	<u>4,517,275</u>	<u>9,063,398</u>
Fund balances at end of year	<u>\$ 3,951,092</u>	<u>\$ 814,940</u>	<u>\$ 280,404</u>	<u>\$ 4,802,026</u>	<u>\$ 9,848,462</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Net change in fund balances - total governmental funds	\$	785,064
<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	\$ 1,264,935	
Capital contributions	17,500	
Current year depreciation	<u>(1,352,928)</u>	
Total		(70,493)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		274,443
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.		(13,366)
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.		346,896
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		968,506
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability and net OPEB liability/(asset) are reported as pension/OPEB expense in the statement of activities.		1,537,486
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>(73,397)</u>
Change in net position of governmental activities	\$	<u>3,755,139</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, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 4,893,000	\$ 4,893,000	\$ 5,617,466	\$ 724,466
Property and other taxes	646,334	646,334	621,871	(24,463)
Charges for services	68,820	68,820	78,658	9,838
Licenses, permits and fees	237,825	237,825	246,294	8,469
Intergovernmental	701,878	701,878	854,423	152,545
Special assessments	2,500	2,500	1,788	(712)
Investment income	131,700	131,700	135,168	3,468
Shared revenues	84,000	84,000	134,715	50,715
Fines and forfeitures	435,500	435,500	489,123	53,623
Other	13,966	22,500	96,166	73,666
Total revenues	<u>7,215,523</u>	<u>7,224,057</u>	<u>8,275,672</u>	<u>1,051,615</u>
Expenditures:				
Current:				
General government	2,622,185	2,756,651	2,413,698	342,953
Security of persons and property	5,242,928	5,317,291	4,868,807	448,484
Public health and welfare	111,000	111,000	108,259	2,741
Transportation	20,995	20,995	1,434	19,561
Community environment and development	15,424	15,308	11,253	4,055
Debt service:				
Principal retirement	27,500	27,500	27,500	-
Interest and fiscal charges	620	620	614	6
Total expenditures	<u>8,040,652</u>	<u>8,249,365</u>	<u>7,431,565</u>	<u>817,800</u>
Excess of revenues over (under) expenditures	<u>(825,129)</u>	<u>(1,025,308)</u>	<u>844,107</u>	<u>1,869,415</u>
Other financing sources (uses):				
Advances in	-	-	69,336	69,336
Advances (out)	-	-	(61,468)	(61,468)
Transfers (out)	(826,500)	(863,458)	(863,458)	-
Total other financing sources (uses)	<u>(826,500)</u>	<u>(863,458)</u>	<u>(855,590)</u>	<u>7,868</u>
Net change in fund balances	(1,651,629)	(1,888,766)	(11,483)	1,877,283
Fund balance at beginning of year	2,663,900	2,663,900	2,663,900	-
Prior year encumbrances appropriated	240,771	240,771	240,771	-
Fund balance at end of year	<u>\$ 1,253,042</u>	<u>\$ 1,015,905</u>	<u>\$ 2,893,188</u>	<u>\$ 1,877,283</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, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and other taxes	\$ 485,625	\$ 485,625	\$ 501,612	\$ 15,987
Charges for services	586,372	776,600	783,344	6,744
Licenses, permits and fees	1,800	1,800	1,980	180
Intergovernmental	44,093	44,093	23,801	(20,292)
Other	215,063	215,063	210,039	(5,024)
Total revenues	<u>1,332,953</u>	<u>1,523,181</u>	<u>1,520,776</u>	<u>(2,405)</u>
Expenditures:				
Current:				
Leisure time activity	1,628,646	1,839,129	1,637,541	201,588
Debt service:				
Principal retirement	8,800	8,800	8,800	-
Interest and fiscal charges	200	200	198	2
Total expenditures	<u>1,637,646</u>	<u>1,848,129</u>	<u>1,646,539</u>	<u>201,590</u>
Excess of revenues over (under) expenditures	<u>(304,693)</u>	<u>(324,948)</u>	<u>(125,763)</u>	<u>199,185</u>
Other financing sources (uses):				
Transfers in	275,000	275,000	275,000	-
Transfers (out)	(25,000)	(25,000)	(25,000)	-
Total other financing sources (uses)	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Net change in fund balances	(54,693)	(74,948)	124,237	199,185
Fund balance at beginning of year	102,571	102,571	102,571	-
Prior year encumbrances appropriated	34,501	34,501	34,501	-
Fund balance at end of year	<u>\$ 82,379</u>	<u>\$ 62,124</u>	<u>\$ 261,309</u>	<u>\$ 199,185</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	Business-type Activities - Enterprise Funds				
	Major			Non-Major	Total
	Water	Sewer	Sanitation	Storm Water	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 4,076,180	\$ 4,409,403	\$ 707,615	\$ 258,310	\$ 9,451,508
Receivables:					
Income taxes	-	-	392,854	-	392,854
Accounts	260,005	325,828	-	20,742	606,575
Special assessments	-	9,943	-	-	9,943
Materials and supplies inventory	85,945	13,079	-	-	99,024
Total current assets	4,422,130	4,758,253	1,100,469	279,052	10,559,904
Noncurrent assets:					
Net OPEB asset	128,088	104,800	81,511	17,467	331,866
Capital assets:					
Land and construction in progress	237,725	954,515	28,007	-	1,220,247
Depreciable capital assets, net	12,767,727	24,525,966	1,114,637	784,607	39,192,937
Total capital assets, net	13,005,452	25,480,481	1,142,644	784,607	40,413,184
Total assets	17,555,670	30,343,534	2,324,624	1,081,126	51,304,954
Deferred outflows of resources:					
OPEB	65,866	48,625	40,072	8,587	163,150
Pension	145,452	119,006	92,560	19,834	376,852
Total deferred outflows of resources	211,318	167,631	132,632	28,421	540,002
Total assets and deferred outflows of resources	17,766,988	30,511,165	2,457,256	1,109,547	51,844,956
Liabilities:					
Current liabilities:					
Accounts payable	19,974	22,428	10,452	106	52,960
Contracts payable	12,000	33,669	-	-	45,669
Accrued wages and benefits payable	15,158	11,885	8,747	1,864	37,654
Compensated absences payable - current	82,874	79,971	36,150	7,008	206,003
Due to other governments	19,939	3,036	29,672	362	53,009
OWDA loans payable	155,518	788,899	-	-	944,417
OPWC loans payable	-	-	-	6,134	6,134
Capital lease obligations payable	21,282	21,282	-	-	42,564
Total current liabilities	326,745	961,170	85,021	15,474	1,388,410
Long-term liabilities:					
Compensated absences payable	172,906	242,124	88,168	16,214	519,412
OWDA loans payable	1,555,894	7,322,016	-	-	8,877,910
OPWC loans payable	-	-	-	156,423	156,423
Capital lease obligations payable	22,171	22,171	-	-	44,342
Net pension liability	1,089,936	891,766	693,595	148,628	2,823,925
Total long-term liabilities	2,840,907	8,478,077	781,763	321,265	12,422,012
Total liabilities	3,167,652	9,439,247	866,784	336,739	13,810,422
Deferred inflows of resources:					
Pension	384,887	470,419	299,357	64,148	1,218,811
OPEB	388,466	323,102	249,049	53,368	1,013,985
Total deferred inflows of resources	773,353	793,521	548,406	117,516	2,232,796
Total liabilities and deferred inflows of resources	3,941,005	10,232,768	1,415,190	454,255	16,043,218
Net position:					
Net investment in capital assets	11,238,587	17,292,444	1,142,644	622,050	30,295,725
Unrestricted	2,587,396	2,985,953	(100,578)	33,242	5,506,013
Total net position	\$ 13,825,983	\$ 20,278,397	\$ 1,042,066	\$ 655,292	\$ 35,801,738

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, 2021

Business-type Activities - Enterprise Funds

	Major			Non-Major	Total
	Water	Sewer	Sanitation	Storm Water	
Operating revenues:					
Charges for services	\$ 3,613,837	\$ 4,452,435	\$ 14,660	\$ 249,249	\$ 8,330,181
Other operating revenues	20,087	42,869	127	574	63,657
Total operating revenues	<u>3,633,924</u>	<u>4,495,304</u>	<u>14,787</u>	<u>249,823</u>	<u>8,393,838</u>
Operating expenses:					
Personal services	(91,019)	1,059,033	298,090	(26,940)	1,239,164
Contract services	391,199	127,025	404,431	7,466	930,121
Materials and supplies	334,007	218,643	78,026	16,404	647,080
Depreciation	444,633	877,467	115,186	49,266	1,486,552
Total operating expenses	<u>1,078,820</u>	<u>2,282,168</u>	<u>895,733</u>	<u>46,196</u>	<u>4,302,917</u>
Operating income (loss)	<u>2,555,104</u>	<u>2,213,136</u>	<u>(880,946)</u>	<u>203,627</u>	<u>4,090,921</u>
Nonoperating revenues (expenses):					
Income taxes	-	-	1,461,242	-	1,461,242
Interest and fiscal charges	(58,036)	(225,417)	(69)	(92)	(283,614)
Intergovernmental	171,181	-	-	-	171,181
Special assessments	-	136	-	-	136
Total nonoperating revenues (expenses)	<u>113,145</u>	<u>(225,281)</u>	<u>1,461,173</u>	<u>(92)</u>	<u>1,348,945</u>
Income (loss) before transfers	2,668,249	1,987,855	580,227	203,535	5,439,866
Transfer out	<u>(35,000)</u>	<u>(75,000)</u>	<u>(55,000)</u>	<u>(4,500)</u>	<u>(169,500)</u>
Change in net position	2,633,249	1,912,855	525,227	199,035	5,270,366
Net position at beginning of year	<u>11,192,734</u>	<u>18,365,542</u>	<u>516,839</u>	<u>456,257</u>	<u>30,531,372</u>
Net position at end of year	<u>\$ 13,825,983</u>	<u>\$ 20,278,397</u>	<u>\$ 1,042,066</u>	<u>\$ 655,292</u>	<u>\$ 35,801,738</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, 2021

	Business-Type Activities - Enterprise Funds				
	Major			Non-Major	Total
	Water	Sewer	Sanitation	Storm Water	
Cash flows from operating activities:					
Cash received from customers	\$ 3,606,658	\$ 4,431,473	\$ 14,660	\$ 249,070	\$ 8,301,861
Cash received from other operations	20,087	43,211	321	574	64,193
Cash payments for personal services	(1,340,169)	(1,273,295)	(849,522)	(98,240)	(3,561,226)
Cash payments for contract services	(388,530)	(102,136)	(403,716)	(10,972)	(905,354)
Cash payments for materials and supplies	(478,211)	(242,150)	(84,193)	(23,724)	(828,278)
Net cash provided by (used in) operating activities	<u>1,419,835</u>	<u>2,857,103</u>	<u>(1,322,450)</u>	<u>116,708</u>	<u>3,071,196</u>
Cash flows from noncapital financing activities:					
Cash received from income taxes	-	-	1,404,366	-	1,404,366
Cash used in transfers out	(35,000)	(75,000)	(55,000)	(4,500)	(169,500)
Net cash provided by (used in) noncapital financing activities	<u>(35,000)</u>	<u>(75,000)</u>	<u>1,349,366</u>	<u>(4,500)</u>	<u>1,234,866</u>
Cash flows from capital and related financing activities:					
Capital grants	171,181	-	-	-	171,181
Acquisition of capital assets	(407,653)	(881,780)	(75,496)	(3,970)	(1,368,899)
Principal retirement on capital leases	(21,617)	(21,617)	(569)	-	(43,803)
Principal retirement on OWDA loans	(150,399)	(894,475)	-	-	(1,044,874)
Principal retirement on OPWC loans	-	(7,225)	-	(9,201)	(16,426)
Principal retirement on notes	(53,015)	(53,015)	(8,250)	(13,540)	(127,820)
Interest and fiscal charges	(64,098)	(226,260)	(202)	(307)	(290,867)
Net cash used in capital and related financing activities	<u>(525,601)</u>	<u>(2,084,372)</u>	<u>(84,517)</u>	<u>(27,018)</u>	<u>(2,721,508)</u>
Net increase (decrease) in cash and cash equivalents	859,234	697,731	(57,601)	85,190	1,584,554
Cash and cash equivalents at beginning of year	<u>3,216,946</u>	<u>3,711,672</u>	<u>765,216</u>	<u>173,120</u>	<u>7,866,954</u>
Cash and cash equivalents at end of year	<u>\$ 4,076,180</u>	<u>\$ 4,409,403</u>	<u>\$ 707,615</u>	<u>\$ 258,310</u>	<u>\$ 9,451,508</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 2,555,104	\$ 2,213,136	\$ (880,946)	\$ 203,627	\$ 4,090,921
Adjustments:					
Depreciation	444,633	877,467	115,186	49,266	1,486,552
Changes in assets, deferred outflows, liabilities and deferred inflows:					
(Increase) decrease in accounts receivable	(7,179)	(20,620)	194	(179)	(27,784)
Decrease (increase) in materials and supplies inventory	(22,420)	10,976	-	-	(11,444)
(Increase) decrease in Net OPEB asset	(128,088)	(104,800)	(81,511)	(17,467)	(331,866)
Increase (decrease) in accrued wages and benefits	4,633	5,983	3,080	458	14,154
Increase (decrease) in accounts payable	(140,519)	(193,515)	(9,016)	(10,308)	(353,358)
Increase (decrease) in contracts payable	12,000	33,669	-	-	45,669
Increase (decrease) in compensated absences payable	37,992	54,345	9,980	3,600	105,917
(Increase) decrease in deferred outflows of resources - pension	130,151	(693)	46,522	13,430	189,410
(Increase) decrease in deferred outflows of resources - OPEB	156,979	8,883	60,567	20,167	246,596
Increase (decrease) in net pension liability	(595,064)	(15,542)	(213,713)	(45,795)	(870,114)
Increase (decrease) in net OPEB liability	(1,180,560)	(635,686)	(635,686)	(136,218)	(2,588,150)
Increase (decrease) in deferred inflows of resources - pension	(41,273)	360,442	106,898	9,161	435,228
Increase (decrease) in deferred inflows of resources - OPEB	188,061	271,385	158,544	27,510	645,500
(Decrease) increase in due to other governments	5,385	(8,327)	(2,549)	(544)	(6,035)
Net cash provided by (used in) operating activities	<u>\$ 1,419,835</u>	<u>\$ 2,857,103</u>	<u>\$ (1,322,450)</u>	<u>\$ 116,708</u>	<u>\$ 3,071,196</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2021

	<u>Custodial Funds</u>
Assets:	
Cash in segregated accounts	\$ 40,409
Total assets	<u>\$ 40,409</u>
Net position:	
Restricted for individuals and other governments	\$ 40,409
Total net position	<u>\$ 40,409</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, 2021

	<u>Custodial Funds</u>
Additions:	
Fines, licenses and permits for other governments	\$ 2,221,919
Total additions	<u>2,221,919</u>
Deductions:	
Fines, licenses and permits distributed to other governments	<u>2,219,570</u>
Total deductions	<u>2,219,570</u>
Change in net position	2,349
Net position at beginning of year	<u>38,060</u>
Net position at end of year	<u>\$ 40,409</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021

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, 2021

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

C. Fund Accounting

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

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

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

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

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

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, 2021

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, 2021

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, 2021

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, 2021, but which were levied to finance year 2022 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, 2021, 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, 2021

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

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

F. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, except custodial funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department within each fund. Any budgetary modifications at this level may only be made by resolution of the City's Council.

Estimated Resources:

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

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

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 2021. 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, 2021

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

The City invested in STAR Ohio during 2021. 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 2021, 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 2021 amounted to (\$39,145). No interest 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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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 2021.

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/(asset), 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, 2021

NOTE 3 - ACCOUNTABILITY

For 2021, the City has implemented GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period."

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. Since the City does not prepare financial statements using generally accepted accounting principles, the implementation of GASB Statement No. 89 did not have an effect on the financial statements of the City.

For 2021, the City has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance" to GASB Statement Nos. 91, 92 and 93, which were originally due to be implemented in 2021 and to GASB Statement No. 87, which was originally due to be implemented in 2020. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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

- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2021

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 on Hand

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

B. Cash in Segregated Accounts

At year-end, \$49,167 was on deposit for the City's furtherance of justice account and municipal court account and was held outside of the City's treasury.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

C. Deposits with Financial Institutions

At December 31, 2021, the carrying amount of all City deposits was \$1,510,494. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2021, \$1,550,721 of the City’s bank balance of \$2,009,480 was exposed to custodial credit risk as discussed below, while \$458,759 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 2020, the City’s financial institution was approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

D. Investments

As of December 31, 2021, the City had the following investments and maturities:

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FAMC	\$ 247,975	\$ -	\$ -	\$ -	\$ -	\$ 247,975
FHLB	1,232,769	-	-	-	-	1,232,769
FFCB	2,585,375	250,075	134,993	-	254,923	1,945,384
FNMA	876,730	-	-	-	-	876,730
U.S. Treasury Note	2,971,019	-	-	198,664	1,090,508	1,681,847
Ohio local governments	197,158	-	-	-	-	197,158
Negotiable CD's	5,109,976	948,116	1,109,200	893,207	513,591	1,645,862
Commercial paper	1,949,772	1,949,772	-	-	-	-
STAR Ohio	1,505,337	1,505,337	-	-	-	-
U.S. Government Money Market	90,806	90,806	-	-	-	-
Total	<u>\$ 16,766,917</u>	<u>\$ 4,744,106</u>	<u>\$ 1,244,193</u>	<u>\$ 1,091,871</u>	<u>\$ 1,859,022</u>	<u>\$ 7,827,725</u>

The weighted average maturity of investments is 2.02 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 and U.S. Government Money Market are valued at cost.

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

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

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

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

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

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2021:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FAMC	\$ 247,975	1.48
FHLB	1,232,769	7.35
FFCB	2,585,375	15.42
FNMA	876,730	5.23
U.S. Treasury Note	2,971,019	17.72
Ohio local governments	197,158	1.18
Commercial paper	1,949,772	11.63
Negotiable CD's	5,109,976	30.48
STAR Ohio	1,505,337	8.98
U.S. Government Mondy Market	<u>90,806</u>	<u>0.53</u>
 Total	 <u>\$ 16,766,917</u>	 <u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2021:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$	1,510,494
Investments		16,766,917
Cash on hand		<u>945</u>
Total	\$	<u>18,278,356</u>
 <u>Cash and investments per statement of position</u>		
Governmental activities	\$	8,786,439
Business-type activities		9,451,508
Agency fund		<u>40,409</u>
Total	\$	<u>18,278,356</u>

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended December 31, 2021, consisted of the following, as reported on the fund financial statements:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 553,458
General fund	Parks & recreation fund	275,000
Water fund	General fund	35,000
Sewer fund	General fund	75,000
Sanitation fund	General fund	55,000
Storm water fund	General fund	4,500
Parks & recreation fund	General fund	25,000
Other Governmental funds	General fund	21,000

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 to other governmental funds are were used to supplement operations.

Transfers from the parks & recreation fund, other governmental funds, water fund, sewer fund, sanitation fund, and storm water fund to the General fund which this fund is used for the purpose of funding the City's payroll stabilization fund. All transfers made in fiscal year 2021 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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. 2021 public utility property taxes became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 with real property taxes.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2021 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 2021 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 2021 property tax receipts were based are as follows:

Real property tax	\$ 279,303,470
Public utility tangible personal property	<u>12,671,020</u>
Total assessed value	<u><u>\$ 291,974,490</u></u>

NOTE 7 - LOCAL INCOME TAX

This locally levied tax of 1.5% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of nonresidents (except certain transients) earned in the City. The City gives a 100% credit to the tax paid to another municipality to the maximum of the total amount assessed. It also applies to the net income of business organizations located within the City. Income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 2021 and is allocated to the general fund, sanitation fund and general capital improvements fund. Income tax revenue for 2021 was \$8,677,529 as reported in the statement of activities.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2021, 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.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8 - RECEIVABLES - (Continued)

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, 2021. A summary of the principal items of receivables reported on the statement of net position follows:

Income taxes	\$ 1,964,034
Property and other taxes	1,894,266
Payments in lieu of taxes	52,740
Accounts	50,664
Special assessments	27,124
Accrued interest	37,984
Notes	934,140
Due from other governments	1,233,214
<u>Business-type activities:</u>	
Accounts	606,575
Income taxes	392,854
Special assessments	9,943

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.

NOTE 9 - CAPITAL ASSETS

A. Governmental activities capital asset activity at December 31, 2021 as follows:

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - CAPITAL ASSETS - (Continued)

	Balance <u>12/31/2020</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/2021</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,057,434	\$ -	\$ -	\$ 3,057,434
Construction in progress	<u>90,968</u>	<u>223,066</u>	<u>(7,370)</u>	<u>306,664</u>
Total capital assets, not depreciated	<u>3,148,402</u>	<u>223,066</u>	<u>(7,370)</u>	<u>3,364,098</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,277,210	423,221	-	2,700,431
Buildings and improvements	11,708,367	-	-	11,708,367
Equipment	8,151,427	110,590	-	8,262,017
Infrastructure	<u>24,692,637</u>	<u>532,928</u>	<u>-</u>	<u>25,225,565</u>
Total capital assets, depreciated	<u>46,829,641</u>	<u>1,066,739</u>	<u>-</u>	<u>47,896,380</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,492,656)	(86,509)	-	(1,579,165)
Buildings and improvements	(2,396,509)	(135,119)	-	(2,531,628)
Equipment	(6,024,274)	(290,202)	-	(6,314,476)
Infrastructure	<u>(16,824,152)</u>	<u>(841,098)</u>	<u>-</u>	<u>(17,665,250)</u>
Total accumulated depreciation	<u>(26,737,591)</u>	<u>(1,352,928)</u>	<u>-</u>	<u>(28,090,519)</u>
Total capital assets, being depreciated	<u>20,092,050</u>	<u>(286,189)</u>	<u>-</u>	<u>19,805,861</u>
Total capital assets, net	<u>\$ 23,240,452</u>	<u>\$ (63,123)</u>	<u>\$ (7,370)</u>	<u>\$ 23,169,959</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental activities:</u>	
General government	\$ 43,430
Security persons and property	280,375
Leisure time activity	120,050
Transportation	<u>909,073</u>
Total depreciation expense - governmental activities	<u>\$ 1,352,928</u>

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity at December 31, 2021 as follows:

	Balance <u>12/31/2020</u>	Additions	Disposals	Balance <u>12/31/2021</u>
Business-type activities:				
<i>Capital assets, not depreciated:</i>				
Land	\$ 45,261	\$ -	\$ -	\$ 45,261
Construction in progress	<u>426,174</u>	<u>1,102,167</u>	<u>(353,355)</u>	<u>1,174,986</u>
Total capital assets, depreciated	<u>471,435</u>	<u>1,102,167</u>	<u>(353,355)</u>	<u>1,220,247</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,172,873	-	-	1,172,873
Buildings and improvements	13,878,514	250,161	-	14,128,675
Equipment	12,611,323	374,849	-	12,986,172
Infrastructure	<u>46,081,541</u>	<u>-</u>	<u>-</u>	<u>46,081,541</u>
Total capital assets, depreciated	<u>73,744,251</u>	<u>625,010</u>	<u>-</u>	<u>74,369,261</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,028,088)	(21,298)	-	(1,049,386)
Buildings and improvements	(4,763,445)	(202,293)	-	(4,965,738)
Equipment	(9,577,402)	(307,277)	-	(9,884,679)
Infrastructure	<u>(18,320,837)</u>	<u>(955,684)</u>	<u>-</u>	<u>(19,276,521)</u>
Total accumulated depreciation	<u>(33,689,772)</u>	<u>(1,486,552)</u>	<u>-</u>	<u>(35,176,324)</u>
Total capital assets, depreciated	<u>40,054,479</u>	<u>(861,542)</u>	<u>-</u>	<u>39,192,937</u>
Total capital assets, net	<u>\$ 40,525,914</u>	<u>\$ 240,625</u>	<u>\$ (353,355)</u>	<u>\$ 40,413,184</u>

NOTE 10 – CAPITAL LEASES

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

General capital assets acquired by agreement have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. For the City, a corresponding liability was recorded in the government-wide and business-type activity financial statements. Principal payments in 2021 totaled \$260,417. Principal and interest payments are made from the state highway fund, street fund, parks and recreation fund, aquatics fund, (nonmajor other governmental funds), the general fund, capital improvement fund, water fund, sewer fund, sanitation fund and the storm water fund.

New and existing equipment is being used by both governmental activities and business-type activities. The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 – CAPITAL LEASES - (Continued)

Year Ending <u>December 31,</u>	Governmental <u>Activities</u>	Water <u>Fund</u>	Sewer <u>Fund</u>
2022	\$ 227,967	\$ 23,102	\$ 23,102
2023	<u>100,036</u>	<u>23,099</u>	<u>23,099</u>
Total minimum lease payments	328,003	46,201	46,201
Less: interest	<u>(14,164)</u>	<u>(2,748)</u>	<u>(2,748)</u>
Present value of future lease payments	<u>\$ 313,839</u>	<u>\$ 43,453</u>	<u>\$ 43,453</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>12/31/2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>12/31/2021</u>	Amounts Due in <u>One Year</u>
Governmental activities:							
<u>OPWC loans - Direct Borrowing</u>							
East/west parkway construction	0.00%	07/01/22	\$ 12,500	\$ -	\$ (9,375)	\$ 3,125	\$ 3,125
Woodlawn avenue paving project phase III	0.00%	01/01/21	730	-	(730)	-	-
Woodlawn avenue paving project phase IV	0.00%	01/01/22	3,267	-	(3,267)	-	-
Bridge rehabilitation	0.00%	01/01/27	7,724	-	(1,782)	5,942	1,188
East main phase III	0.00%	07/01/23	3,000	-	(1,500)	1,500	1,000
Old state road widening phase I	0.00%	01/01/27	8,500	-	(750)	7,750	500
Old state road widening phase II	0.00%	01/01/28	24,000	-	(4,500)	19,500	3,000
Old state road widening phase III	0.00%	01/01/40	95,580	-	(7,168)	88,412	4,780
Old state road widening phase IV	0.00%	NA	-	13,366	(668)	12,698	1,336
Concrete street repair project	0.00%	07/01/33	<u>7,282</u>	<u>-</u>	<u>(840)</u>	<u>6,442</u>	<u>560</u>
Total OPWC loans			<u>162,583</u>	<u>13,366</u>	<u>(30,580)</u>	<u>145,369</u>	<u>15,489</u>
<u>Other long-term obligations</u>							
Police and fire pension <i>Direct Borrowing</i>	4.25%	11/1/2035	298,952	-	(15,350)	283,602	15,989
OWDA milan/chatham sewer project - <i>Direct Borrowing</i>	3.90%	1/1/2022	84,353	-	(84,353)	-	-
Net pension liability			11,803,549	-	(1,348,497)	10,455,052	-
Net OPEB liability			3,274,594	-	(1,980,760)	1,293,834	-
Capital lease agreements			530,452	-	(216,613)	313,839	216,926
Compensated absences			<u>1,072,024</u>	<u>597,658</u>	<u>(524,261)</u>	<u>1,145,421</u>	<u>359,780</u>
Total other long-term obligations			<u>17,063,924</u>	<u>597,658</u>	<u>(4,169,834)</u>	<u>13,491,748</u>	<u>592,695</u>
Total governmental activities			<u>\$ 17,226,507</u>	<u>\$ 611,024</u>	<u>\$ (4,200,414)</u>	<u>\$ 13,637,117</u>	<u>\$ 608,184</u>

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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. Excluding the Old State Road Widening Road Phase IV loan where an amortization schedule is not available until the completion of the project, the following is a summary of the City's future annual debt service principal requirements for the OPWC loans:

<u>Year Ended December 31,</u>	<u>Principal</u>
2022	\$ 15,489
2023	10,528
2024	10,029
2025	10,029
2026	10,028
2027-2031	33,701
2032-2036	27,241
2037-2040	<u>15,626</u>
Total	<u>\$ 132,671</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, 2021, the City's total debt margin was \$30,657,321 and the unvoted debt margin was \$16,058,597.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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>
2022	\$ 15,989	\$ 24,885	\$ 40,874
2023	16,696	11,197	27,893
2024	17,414	10,480	27,894
2025	18,161	9,732	27,893
2026	18,942	8,952	27,894
2027-2031	107,654	36,267	143,921
2032-2035	<u>88,746</u>	<u>3,192</u>	<u>91,938</u>
Total	<u>\$ 283,602</u>	<u>\$ 104,705</u>	<u>\$ 388,307</u>

B. Business-Type Activities

During 2021, 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, 2021

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 12/31/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/21</u>	<u>Due in One Year</u>
<u>OPWC Loan - Direct Borrowing</u>							
Pleasant street pump	0.00%	12/01/2024	\$ 7,225	\$ -	\$ (7,225)	\$ -	\$ -
Milan avenue improvements	0.00%	01/01/2027	171,758	-	(9,201)	162,557	6,134
Total OPWC loan			<u>178,983</u>	<u>-</u>	<u>(16,426)</u>	<u>162,557</u>	<u>6,134</u>
<u>OWDA loans - Direct Borrowing</u>							
Milan/chatham sewer project	3.90%	01/01/22	126,529	-	(126,529)	-	-
Wastewater treatment plant improve.	3.25%	01/01/27	3,131,191	-	(443,919)	2,687,272	457,067
Corwin street sewer improve.	3.67%	07/01/27	251,088	-	(34,873)	216,215	36,165
Water treatment improvement	2.94%	07/01/27	257,240	-	(39,494)	217,746	40,788
West main waterline replacement	2.82%	07/01/32	571,962	-	(42,752)	529,210	43,967
Norwood avenue waterline	4.78%	07/01/28	160,847	-	(18,300)	142,547	19,185
Old state route waterline	3.79%	07/01/34	493,166	-	(28,585)	464,581	29,678
Pleasant street combined overflow	2.24%	01/01/37	5,496,583	-	(289,154)	5,207,429	295,668
Milan avenue waterline replacement	2.95%	07/01/35	378,596	-	(21,268)	357,328	21,900
Total OWDA loans			<u>10,867,202</u>	<u>-</u>	<u>(1,044,874)</u>	<u>9,822,328</u>	<u>944,418</u>
<u>Other long-term obligations:</u>							
Capital lease obligation - <i>Direct Borrowing</i>			130,709	-	(43,803)	86,906	42,564
Net pension liability			3,694,039	-	(870,114)	2,823,925	-
Net OPEB liability			2,588,150	-	(2,588,150)	-	-
Compensated absences			<u>619,497</u>	<u>460,400</u>	<u>(354,483)</u>	<u>725,414</u>	<u>206,002</u>
Total business-type activities			<u>\$ 18,078,580</u>	<u>\$ 460,400</u>	<u>\$ (4,917,850)</u>	<u>\$ 13,621,130</u>	<u>\$ 1,199,118</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, 2021

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

<u>Year Ended December 31,</u>	<u>OPWC Loans Payable Principal</u>
2022	\$ 6,134
2023	6,134
2024	6,134
2025	6,134
2026	6,134
2027-2031	30,670
2032-2036	30,670
2037-2041	30,670
2042-2047	30,670
2048-2049	9,207
Total	<u>\$ 162,557</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>
2022	\$ 944,418	\$ 252,344	\$ 1,196,762
2023	971,252	229,685	1,200,937
2024	998,873	197,552	1,196,425
2025	1,027,308	171,295	1,198,603
2026	1,056,578	138,779	1,195,357
2027-2031	2,644,978	422,704	3,067,682
2032-2036	<u>2,178,921</u>	<u>134,203</u>	<u>2,313,124</u>
Total	<u>\$ 9,822,328</u>	<u>\$ 1,546,562</u>	<u>\$ 11,368,890</u>

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 12 – NOTE PAYABLE

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

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/21</u>
Governmental activities:						
Bond anticipation note	9/15/2021	2.25%	\$ 237,180	\$ -	\$ (237,180)	\$ -
Business-type activities:						
Bond anticipation note	9/15/2021	2.25%	127,820	-	(127,820)	-
Total			<u>\$ 365,000</u>	<u>\$ -</u>	<u>\$ (365,000)</u>	<u>\$ -</u>

The City retired the bond anticipation notes during 2021.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Asset and Net OPEB Liability/Asset

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/asset and the net OPEB liability/asset 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.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

GASB 68/75 assumes the liability/asset 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/asset 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.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members 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.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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%.

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.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	State and Local	Public Safety	Law Enforcement
2021 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	**	***
2021 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 \$661,146 for 2021. Of this amount, \$10,407 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, 2021

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, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>Police</u>	<u>Firefighters</u>
2021 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2021 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
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 \$668,327 for 2021. Of this amount, \$2,364 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, 2020, 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	0.0327880%	0.133850%	
Proportion of the net pension liability current measurement date	<u>0.0334570%</u>	<u>0.122116%</u>	
Change in proportionate share	<u>0.000669%</u>	<u>-0.011734%</u>	
Proportionate share of the net pension liability	\$ 4,954,253	\$ 8,324,724	\$ 13,278,977
Pension expense	230,479	(135,239)	95,240

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13- DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2021, 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	\$ -	\$ 348,002	\$ 348,002
Changes of assumptions	-	139,609	139,609
City contributions subsequent to the measurement date	661,146	668,327	1,329,473
Total deferred outflows of resources	<u>\$ 661,146</u>	<u>\$ 1,155,938</u>	<u>\$ 1,817,084</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 207,241	\$ 324,307	\$ 531,548
Net difference between projected and actual earnings on pension plan investments	1,931,023	403,804	2,334,827
Total deferred inflows of resources	<u>\$ 2,138,264</u>	<u>\$ 728,111</u>	<u>\$ 2,866,375</u>

\$1,329,473 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, 2022.

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

	OPERS	OP&F	Total
Year Ending December 31:			
2022	\$ (815,168)	\$ (104,874)	\$ (920,042)
2023	(272,584)	(74,995)	(347,579)
2024	(787,149)	(45,116)	(832,265)
2025	(263,363)	(15,515)	(278,878)
2026	-	-	-
Total	<u>\$ (2,138,264)</u>	<u>\$ (240,500)</u>	<u>\$ (2,378,764)</u>

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2020, 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, 2020, are presented below.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 0.50%, simple through 2021, then 2.15% simple
Investment rate of return	
Current measurement date	7.20%
Prior measurement date	7.20%
Actuarial cost method	Individual entry age

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.40% simple through 2020 then 2.15% simple to 0.50% simple through 2021 then 2.15% simple.

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

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13- DEFINED BENEFIT PENSION PLANS - (Continued)

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

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 11.70% for 2020.

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

For each major asset class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	25.00 %	1.32 %
Domestic equities	21.00	5.64
Real estate	10.00	5.39
Private equity	12.00	10.42
International equities	23.00	7.36
Other investments	9.00	4.75
Total	100.00 %	5.43 %

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13- DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2020 was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate - The following table presents the proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.20%, 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 (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$9,450,264	\$4,954,253	\$1,215,827

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2021, are presented below.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13- DEFINED BENEFIT PENSION PLANS - (Continued)

Valuation date	1/1/20 with actuarial liabilities rolled forward to 12/31/20
Actuarial cost method	Entry age normal (level percent of payroll)
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25% per annum, compounded annually, consisting of
	inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of living adjustments	2.20% per year simple

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

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

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

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

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

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

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2020 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return **
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation		
Linked Bonds *	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
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 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.

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

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 11,589,081	\$ 8,324,724	\$ 5,592,785

NOTE 14 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. 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.

**CITY OF NORWALK
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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. 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.

**CITY OF NORWALK
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 2021, 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 2021, 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 2021 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2021.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

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 2021, 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.

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

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 \$15,886 for 2021. Of this amount, \$1,220 is reported as due to other governments.

Net OPEB Liabilities/Assets, 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, 2019, rolled forward to the measurement date of December 31, 2020, 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, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. 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:

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.032680%	0.12211550%	
Prior Measurement Date	<u>0.032873%</u>	<u>0.13384950%</u>	
Change in Proportionate Share	<u>-0.0001930%</u>	<u>-0.01173400%</u>	
			<u>Total</u>
Proportionate Share of the Net			
OPEB Liability	\$0	\$1,293,834	\$1,293,834
OPEB (Asset)	(582,221)	-	(582,221)
OPEB Expense	(3,557,755)	56,776	(3,500,979)

**CITY OF NORWALK
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB 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 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, 2019, rolled forward to the measurement date of December 31, 2020.

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:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	6.00%
Prior Measurement date	3.16%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.00%
Municipal Bond Rate	
Current measurement date	2.00%
Prior Measurement date	2.75%
Health Care Cost Trend Rate	
Current measurement date	8.50% initial, 3.50% ultimate in 2035
Prior Measurement date	10.50%, initial 3.50%, ultimate in 2030
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

**CITY OF NORWALK
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 10.50% for 2020.

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.

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

For each major asset class that is included in the Health Care’s portfolio’s target asset allocation as of December 31, 2020, 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 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other investments	9.00	4.02
Total	<u>100.00 %</u>	<u>4.43 %</u>

Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2020. 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 2.00%. 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 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

Change in Benefit Terms - On January 15, 2020, 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 which are reported by the City at December 31, 2021. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Asset 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 6.00%, 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 (5.00%) or one-percentage-point higher (7.00%) than the current rate:

	1% Decrease (5.0%)	Current Discount Rate (6.0%)	1% Increase (7.0%)
City's proportionate share of the net OPEB (asset)	(\$144,772)	(\$582,221)	(\$941,838)

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 2021 is 8.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB (asset)	(\$596,410)	(\$582,221)	(\$566,344)

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes of assumptions	\$ 286,227	\$ 714,773	\$ 1,001,000
City contributions subsequent to the measurement date	-	15,886	15,886
Total deferred outflows of resources	<u>\$ 286,227</u>	<u>\$ 730,659</u>	<u>\$ 1,016,886</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 525,450	\$ 213,413	\$ 738,863
Net difference between projected and actual earnings on pension plan investments	310,099	48,081	358,180
Changes of assumptions	943,372	206,261	1,149,633
Total deferred inflows of resources	<u>\$ 1,778,921</u>	<u>\$ 467,755</u>	<u>\$ 2,246,676</u>

\$15,886 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, 2022.

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2022	\$ (779,394)	\$ 50,120	\$ (729,274)
2023	(542,063)	61,505	(480,558)
2024	(134,756)	43,557	(91,199)
2025	(36,481)	50,226	13,745
2026	-	21,265	21,265
Thereafter	-	20,345	20,345
Total	<u>\$ (1,492,694)</u>	<u>\$ 247,018</u>	<u>\$ (1,245,676)</u>

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	2.96%
Prior measurement date	3.56%
Cost of Living Adjustments	2.20% simple per year

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

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

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

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

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

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

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2020, are summarized below:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return **
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation		
Linked Bonds *	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	125.00 %	

Note: assumptions are geometric.

* levered 2.5x

** 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 2020, the total OPEB liability was calculated using the discount rate of 2.96%. For 2019, the total OPEB liability was calculated using the discount rate of 3.56%. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12% at December 31, 2020 and 2.75% at December 31, 2019, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 2.96% for 2020 and 3.56% for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034.

**CITY OF NORWALK
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)

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

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.96%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.96%), or one percentage point higher (3.96%) than the current rate.

	1% Decrease (1.96%)	Current Discount Rate (2.96%)	1% Increase (3.96%)
City's proportionate share of the net OPEB liability	\$1,613,337	\$1,293,834	\$1,030,281

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, 2021

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, 2021

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

Net Change in Fund Balance

	General fund	Parks & Recreation fund
Budget basis	\$ (11,483)	\$ 124,237
Net adjustment for revenue accruals	(219,821)	12,900
Net adjustment for expenditure accruals	(423,306)	28,784
Net adjustment for other sources/uses	242,632	-
Adjustment for encumbrances	232,952	28,036
GAAP basis	\$ (179,026)	\$ 193,957

NOTE 17 – TAX ABATEMENTS

As of December 31, 2021, 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 2021, the total property taxes abated under the City's CRA program amounted to \$52,219.

Pursuant to Section 5709.82 of the Ohio Revised Code, the City of Norwalk and the Norwalk City School District and Edison Local School District in line with section 5709.82 of the Ohio Revised Code, created various compensation agreements. These agreements state various reimbursement percentages which require municipal income tax sharing when new income tax collections meet stipulations within the compensation agreements. Based on these agreements, the City compensated the Norwalk City School District \$15,915 and the Edison Local School District \$47,309 for the year ended December 31, 2021.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021.

B. Litigation

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

NOTE 19 - OTHER COMMITMENTS

A. Encumbrances

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

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 150,921
General capital improvement	187,096
Other governmental	<u>1,402,859</u>
Total governmental funds	<u>1,740,876</u>
Water	82,952
Sewer	1,000,767
Sanitation	264,343
Storm Water	<u>1,169</u>
Total proprietary funds	<u>1,349,231</u>
Total	<u>\$ 3,090,107</u>

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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:

Fund balance	General	General Capital Improvements	Parks & Recreation	Other Governmental	Total Governmental Funds
Nonspendable:					
Notes	\$ -	\$ -	\$ -	\$ 934,140	\$ 934,140
Unclaimed funds	36,609	-	-	-	36,609
Materials & supplies inventory	-	-	-	121,372	121,372
Total nonspendable	36,609	-	-	1,055,512	1,092,121
Restricted:					
Capital improvements	-	-	-	768,112	768,112
Economic development	-	-	-	262,623	262,623
Police and fire protection	-	-	-	234,654	234,654
Courts	-	-	-	1,223,710	1,223,710
Transportation	-	-	-	1,074,611	1,074,611
Other purposes	-	-	-	4,903	4,903
Total restricted	-	-	-	3,568,613	3,568,613
Committed:					
Capital improvements	-	814,940	-	115,962	930,902
Parks and recreation	-	-	280,404	34,470	314,874
Police and fire protection	-	-	-	27,469	27,469
Termination benefits	523,032	-	-	-	523,032
Total committed	523,032	814,940	280,404	177,901	1,796,277
Community environment	50	-	-	-	50
Security persons & property	43,756	-	-	-	43,756
Transportation	30	-	-	-	30
Subsequent year appropriations	830,219	-	-	-	830,219
General government	107,085	-	-	-	107,085
Total assigned	981,140	-	-	-	981,140
Unassigned	2,410,311	-	-	-	2,410,311
Total fund balances	\$ 3,951,092	\$ 814,940	\$ 280,404	\$ 4,802,026	\$ 9,848,462

**CITY OF NORWALK
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 21 – COVID-19

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORWALK

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net pension liability	0.033457%	0.032788%	0.032857%	0.033460%
City's proportionate share of the net pension liability	\$ 4,954,253	\$ 6,480,771	\$ 8,998,865	\$ 5,249,225
City's covered-employee payroll	\$ 4,623,514	\$ 4,448,514	\$ 4,117,629	\$ 4,251,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	107.15%	145.68%	218.54%	123.48%
Plan fiduciary net position as a percentage of the total pension liability	86.88%	82.17%	74.70%	84.66%

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

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

	2017	2016	2015	2014
	0.035504%	0.035929%	0.036343%	0.036343%
\$	8,062,356	\$ 6,223,356	\$ 4,348,406	\$ 4,279,741
\$	4,439,592	\$ 6,033,217	\$ 5,102,750	\$ 5,190,523
	181.60%	103.15%	85.22%	82.45%
	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 EIGHT YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability	0.12115500%	0.13384950%	0.12184500%
City's proportionate share of the net pension liability	\$ 8,324,724	\$ 9,016,817	\$ 9,945,772
City's covered-employee payroll	\$ 3,131,140	\$ 3,490,467	\$ 3,237,673
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	265.87%	258.33%	307.19%
Plan fiduciary net position as a percentage of the total pension liability	70.65%	69.89%	63.07%

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

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

2018	2017	2016	2015	2014
0.12042200%	0.12652600%	0.12237900%	0.12726800%	0.12726800%
\$ 7,390,842	\$ 8,014,030	\$ 7,872,700	\$ 6,593,148	\$ 6,198,478
\$ 2,908,126	\$ 2,624,892	\$ 2,487,940	\$ 2,676,671	\$ 2,495,305
254.14%	305.31%	316.43%	246.32%	248.41%
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 NINE YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 661,146	\$ 647,292	\$ 622,792	\$ 576,468
Contributions in relation to the contractually required contribution	<u>(661,146)</u>	<u>(647,292)</u>	<u>(622,792)</u>	<u>(576,468)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,722,471	\$ 4,623,514	\$ 4,448,514	\$ 4,117,629
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%

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

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 552,630	\$ 532,751	\$ 723,986	\$ 612,330	\$ 674,768
<u>(552,630)</u>	<u>(532,751)</u>	<u>(723,986)</u>	<u>(612,330)</u>	<u>(674,768)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,251,000	\$ 4,439,592	\$ 6,033,217	\$ 5,102,750	\$ 5,190,523
13.00%	12.00%	12.00%	12.00%	13.00%

CITY OF NORWALK

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Police:</i>				
Contractually required contribution	\$ 330,596	\$ 344,098	\$ 389,102	\$ 330,825
Contributions in relation to the contractually required contribution	<u>(330,596)</u>	<u>(344,098)</u>	<u>(389,102)</u>	<u>(330,825)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,739,979	\$ 1,811,042	\$ 2,047,905	\$ 1,741,184
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	19.00%	19.00%
 <i>Fire:</i>				
Contractually required contribution	\$ 337,731	\$ 310,223	\$ 339,002	\$ 351,675
Contributions in relation to the contractually required contribution	<u>(337,731)</u>	<u>(310,223)</u>	<u>(339,002)</u>	<u>(351,675)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,437,153	\$ 1,320,098	\$ 1,442,562	\$ 1,496,489
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	23.50%	23.50%

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

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 310,842	\$ 271,348	\$ 254,802	\$ 282,264	\$ 262,406
<u>(310,842)</u>	<u>(271,348)</u>	<u>(254,802)</u>	<u>(282,264)</u>	<u>(262,406)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,636,011	\$ 1,428,147	\$ 1,306,677	\$ 1,447,508	\$ 1,345,672
19.00%	19.00%	19.50%	19.50%	19.50%
\$ 298,947	\$ 281,235	\$ 283,503	\$ 294,999	\$ 275,912
<u>(298,947)</u>	<u>(281,235)</u>	<u>(283,503)</u>	<u>(294,999)</u>	<u>(275,912)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,272,115	\$ 1,196,745	\$ 1,181,263	\$ 1,229,163	\$ 1,149,633
23.50%	23.50%	24.00%	24.00%	24.00%

CITY OF NORWALK

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE YEARS

	<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
City's proportion of the net OPEB liability	0.032680%		0.032873%		0.033319%		0.033950%		0.027920%
City's proportionate share of the net OPEB liability/(asset)	\$ (582,221)	\$ 4,540,615	\$ 4,344,011	\$ 3,686,720	\$ 2,820,015				
City's covered-employee payroll	\$ 4,623,514	\$ 4,448,514	\$ 4,117,629	\$ 4,251,000	\$ 4,439,592				
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	-12.59%	102.07%	105.50%	86.73%	63.52%				
Plan fiduciary net position as a percentage of the total OPEB liability	115.57%	47.80%	46.33%	54.14%	54.14%				

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

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

CITY OF NORWALK

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.122116%	0.133850%	0.121845%	0.120422%	0.126526%
City's proportionate share of the net OPEB liability	\$ 1,293,834	\$ 1,322,129	\$ 1,109,586	\$ 6,822,942	\$ 6,005,905
City's covered-employee payroll	\$ 3,131,140	\$ 3,490,467	\$ 3,237,673	\$ 2,908,126	\$ 2,624,892
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	41.32%	37.88%	34.27%	234.62%	228.81%
Plan fiduciary net position as a percentage of the total OPEB liability	45.42%	47.08%	46.57%	14.13%	14.13%

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

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

CITY OF NORWALK

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</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	\$ 4,722,471	\$ 4,623,514	\$ 4,448,514	\$ 4,117,629
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%

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

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 39,458	\$ 88,792	\$ 94,914	\$ 95,950	\$ 51,905
<u>(39,458)</u>	<u>(88,792)</u>	<u>(94,914)</u>	<u>(95,950)</u>	<u>(51,905)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,251,000	\$ 4,439,592	\$ 6,033,217	\$ 5,102,750	\$ 5,190,523
1.00%	2.00%	2.00%	2.00%	1.00%

CITY OF NORWALK

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Police:</i>				
Contractually required contribution	\$ 8,700	\$ 9,055	\$ 11,575	\$ 9,378
Contributions in relation to the contractually required contribution	<u>(8,700)</u>	<u>(9,055)</u>	<u>(11,575)</u>	<u>(9,378)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,739,979	\$ 1,811,042	\$ 2,047,905	\$ 1,741,184
Contributions as a percentage of covered-employee payroll	0.50%	0.50%	0.57%	0.54%
<i>Fire:</i>				
Contractually required contribution	\$ 7,186	\$ 6,559	\$ 8,474	\$ 6,810
Contributions in relation to the contractually required contribution	<u>(7,186)</u>	<u>(6,559)</u>	<u>(8,474)</u>	<u>(6,810)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,437,153	\$ 1,320,098	\$ 1,442,562	\$ 1,496,489
Contributions as a percentage of covered-employee payroll	0.50%	0.50%	0.59%	0.46%

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

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 25,374	\$ 22,205	\$ -	\$ -	\$ -
<u>(25,374)</u>	<u>(22,205)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,636,011	\$ 1,428,147	\$ 1,306,677	\$ 1,447,508	\$ 1,345,672
1.55%	1.55%	0.00%	0.00%	0.00%
\$ 29,641	\$ 22,916	\$ -	\$ -	\$ -
<u>(29,641)</u>	<u>(22,916)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,272,115	\$ 1,196,745	\$ 1,181,263	\$ 1,229,163	\$ 1,149,633
2.33%	1.91%	0.00%	0.00%	0.00%

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

PENSION - OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
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Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2014-2021.

Changes in assumptions :

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

- There were no changes in assumptions for 2018.
- For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.
- There were no changes in assumptions for 2020.
- There were no changes in assumptions for 2021.

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 2014-2021.

Changes in assumptions :

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

- There were no changes in assumptions for 2019.
- There were no changes in assumptions for 2020.
- There were no changes in assumptions for 2021.

**CITY OF NORWALK
HURON COUNTY**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

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. 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 not reflected in the current year financial statements, however, they 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.

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
- For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement
- For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement
- For 2021, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement

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.

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 from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.

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
- For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement
- For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement
- For 2021, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement

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

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

To the City Council and Management:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, 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, 2021, 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 15, 2022.

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.

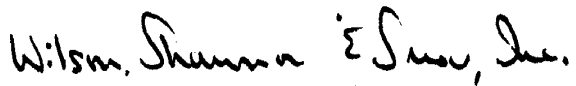
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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.

A handwritten signature in black ink that reads "Wilson, Shuman & Snow, Inc." The signature is written in a cursive style.

June 15, 2022
Newark, Ohio

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 7/19/2022

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

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