



OHIO AUDITOR OF STATE
KEITH FABER



**NORWALK CITY SCHOOL DISTRICT
HURON COUNTY
JUNE 30, 2019**

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OHIO AUDITOR OF STATE KEITH FABER



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Norwalk City School District
Huron County
134 Benedict Avenue
Norwalk, Ohio 44857

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norwalk City School District, Huron County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Norwalk City School District, Huron County, Ohio, as of June 30, 2019, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to management's discussion and analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

February 10, 2020

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Norwalk City School District
Huron County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

The discussion and analysis of the Norwalk City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- ❑ In total, net position increased \$59,292.
- ❑ Outstanding debt decreased from \$7,315,000 to \$6,475,000.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School District as a whole, entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities – Cash Basis* provide information about the activities of the whole School District. 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 School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2019, the general fund and the bond retirement fund are the School District's most significant funds.

Basis of Accounting

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and investments and changes in cash and investments resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Norwalk City School District
Huron County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2019?" The statement of net position and the statement of activities answer this question.

These two statements report the School District's *net position* and *changes in net position*. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District 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 School District's property tax base, current property tax laws in Ohio which restrict receipts growth, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the general fund and the bond retirement fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Reporting the School District's Fiduciary Responsibilities

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Norwalk City School District
Huron County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2019 compared to 2018.

(Table 1)
Net Position – Cash Basis

	Governmental Activities		
	2019	2018	Change
Assets			
Equity in Pooled Cash and Investments	\$ 9,118,574	\$ 9,377,306	\$ (258,732)
Cash and Cash Equivalents in Segregated Accounts	318,024	0	318,024
<i>Total Assets</i>	<u>9,436,598</u>	<u>9,377,306</u>	<u>59,292</u>
Net Position			
Restricted for:			
Capital Outlay	658,658	763,864	(105,206)
Debt Service	1,585,071	1,571,084	13,987
Other Purposes	304,441	361,071	(56,630)
Unrestricted	<u>6,888,428</u>	<u>6,681,287</u>	<u>207,141</u>
<i>Total Net Position</i>	<u>\$ 9,436,598</u>	<u>\$ 9,377,306</u>	<u>\$ 59,292</u>

Net position increased due to normal operations in fiscal year 2019.

A portion of the School District's net position, \$2,548,170 represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$6,888,428 may be used to meet the School District's ongoing obligations.

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Norwalk City School District
Huron County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Table 2 shows the changes in net position for fiscal year 2019 as compared to fiscal year 2018.

(Table 2)
Changes in Net Position – Cash Basis

	Governmental Activities		
	2019	2018	Change
Receipts			
Program Receipts			
Charges for Services and Sales	\$ 1,858,831	\$ 1,755,167	\$ 103,664
Operating Grants, Contributions and Interest	5,177,364	5,322,980	(145,616)
Capital Grants and Contributions	7,414	4,477	2,937
<i>Total Program Receipts</i>	<u>7,043,609</u>	<u>7,082,624</u>	<u>(39,015)</u>
General Receipts			
Property Taxes	9,251,489	9,134,586	116,903
Income Taxes	2,489,706	2,398,165	91,541
Grants and Entitlements not Restricted to Specific Programs	14,742,940	14,947,362	(204,422)
Investment Earnings	227,694	138,702	88,992
Miscellaneous	375,491	375,100	391
<i>Total General Receipts</i>	<u>27,087,320</u>	<u>26,993,915</u>	<u>93,405</u>
<i>Total Receipts</i>	<u>34,130,929</u>	<u>34,076,539</u>	<u>54,390</u>
Program Disbursements			
Instruction:			
Regular	12,605,075	12,185,466	419,609
Special	5,845,725	5,572,573	273,152
Vocational	517,034	445,570	71,464
Other	1,831,207	2,212,059	(380,852)
Support Services:			
Pupils	1,426,714	1,377,359	49,355
Instructional Staff	195,222	233,836	(38,614)
Board of Education	46,274	35,326	10,948
Administration	2,305,400	2,268,430	36,970
Fiscal	788,338	783,798	4,540
Business	21,209	25,788	(4,579)
Operation and Maintenance of Plant	2,674,369	2,759,876	(85,507)
Pupil Transportation	1,188,289	1,194,918	(6,629)
Central	526,238	680,351	(154,113)
Operation of Non-Instructional Services:			
Food Service Operations	932,543	908,483	24,060
Community Services	740,767	633,464	107,303
Extracurricular Activities	892,947	817,230	75,717
Capital Outlay	509,348	455,629	53,719
Debt Service:			
Principal Retirement	840,000	835,000	5,000
Interest and Fiscal Charges	184,938	196,456	(11,518)
<i>Total Program Disbursements</i>	<u>34,071,637</u>	<u>33,621,612</u>	<u>450,025</u>
<i>Change in Net Position</i>	<u>59,292</u>	<u>454,927</u>	<u>(395,635)</u>
<i>Net Position Beginning of Year</i>	<u>9,377,306</u>	<u>8,922,379</u>	<u>454,927</u>
<i>Net Position End of Year</i>	<u>\$ 9,436,598</u>	<u>\$ 9,377,306</u>	<u>\$ 59,292</u>

Certain receipts were reclassified in 2018 for comparability purposes.

Norwalk City School District
Huron County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

There was a decrease in other instruction disbursements in 2019 due to changes in open enrollment.

Governmental Activities

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements.

(Table 3)
Governmental Activities – Cash Basis

	Total Costs of Services		Net Costs of Services	
	2019	2018	2019	2018
Program Disbursements				
Instruction:				
Regular	\$ 12,605,075	\$ 12,185,466	\$ 11,240,804	\$ 10,847,584
Special	5,845,725	5,572,573	2,347,333	1,939,471
Vocational	517,034	445,570	323,937	235,087
Other	1,831,207	2,212,059	1,831,207	2,212,059
Support Services:				
Pupils	1,426,714	1,377,359	1,422,757	1,377,359
Instructional Staff	195,222	233,836	192,399	230,998
Board of Education	46,274	35,326	46,274	35,326
Administration	2,305,400	2,268,430	2,304,987	2,268,083
Fiscal	788,338	783,798	788,338	783,798
Business	21,209	25,788	21,209	25,788
Operation and Maintenance of Plant	2,674,369	2,759,876	2,641,940	2,759,876
Pupil Transportation	1,188,289	1,194,918	1,131,989	1,130,497
Central	526,238	680,351	515,438	669,551
Operation of Non-Instructional Services:				
Food Service Operations	932,543	908,483	17,930	41,956
Community Services	740,767	633,464	64,699	27,982
Extracurricular Activities	892,947	817,230	609,915	470,965
Capital Outlay	509,348	455,629	501,934	451,152
Debt Service:				
Principal Retirement	840,000	835,000	840,000	835,000
Interest and Fiscal Charges	184,938	196,456	184,938	196,456
Total	\$ 34,071,637	\$ 33,621,612	\$ 27,028,028	\$ 26,538,988

Certain amounts impacting net cost of services were reclassified in 2018 for comparability purposes.

The dependence upon tax receipts and general receipts entitlements from the state for governmental activities is apparent. Program receipts account for 21 percent of all governmental disbursements. The State foundation program is the largest area of support for the School District students.

Norwalk City School District
Huron County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$9,436,598 which is higher than the prior year balance of \$9,377,306.

The general fund had an increase in fund balance of \$197,795 in fiscal year 2019. This is primarily due to an increase in tax receipts partially offset by an increase in salaries and benefits expenses in the current year.

The bond retirement fund's fund balance increased \$13,987 in 2019.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2019, the School District amended its general fund budget. For the general fund the original budget basis receipts and other financing sources was \$28,933,589 which was reduced by \$63,396 for the final budget. Actual receipts and other financing sources of \$28,870,325 approximated the final budget.

For fiscal year 2019, the general fund original budget basis disbursements and other financing uses were \$28,898,963, which is \$445,153 lower than the final budgeted amounts of \$29,344,116. Actual disbursements and other financing uses of \$28,910,982 were \$433,134 lower than the final budget.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2019 and 2018.

(Table 4)
Outstanding Debt, at June 30

	Governmental Activities	
	2019	2018
<i>General Obligation Bonds</i>		
2015 Capital Improvement Refunding Bonds	\$ 6,475,000	\$ 7,315,000
<i>Total</i>	\$ 6,475,000	\$ 7,315,000

For further information regarding the School District's debt, refer to Note 11 of the basic financial statements.

Norwalk City School District
Huron County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Current Issues

Ohio's Biennial Budget, was signed into law by Governor Kasich on June 30, 2017. Norwalk City Schools is a formula district so the School District will basically receive the same state aid in fiscal year 2018 and fiscal year 2019 as in fiscal year 2017 unless enrollment varies. The biennial budget fiscal year 2020-2021 has not been determined as of July 12, 2019.

The School District has two union agreements, one with Norwalk Teachers' Association (NTA) and one with OAPSE Local #269. The current contract is for three years, July 1, 2018 through June 30, 2021 and includes a 1.5 percent base increase each year to the salary schedule along with annual step increases.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Joyce Dupont, Treasurer of Norwalk City School District, 134 Benedict Avenue, Norwalk, OH 44857 or treasurer@norwalktruckers.net.

Norwalk City School District
Huron County, Ohio
Statement of Net Position - Cash Basis
June 30, 2019

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$ 9,118,574
Cash and Cash Equivalents in Segregated Accounts	<u>318,024</u>
<i>Total Assets</i>	<u><u>9,436,598</u></u>
Net Position	
Restricted for:	
Capital Outlay	658,658
Debt Service	1,585,071
Other Purposes	304,441
Unrestricted	<u>6,888,428</u>
<i>Total Net Position</i>	<u><u>\$ 9,436,598</u></u>

See accompanying notes to the basic financial statements.

Norwalk City School District
Huron County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2019

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Receipts and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 12,605,075	\$ 1,208,259	\$ 156,012	\$ 0	\$ (11,240,804)
Special	5,845,725	156,548	3,341,844	0	(2,347,333)
Vocational	517,034	0	193,097	0	(323,937)
Other	1,831,207	0	0	0	(1,831,207)
Support Services:					
Pupils	1,426,714	3,621	336	0	(1,422,757)
Instructional Staff	195,222	0	2,823	0	(192,399)
Board of Education	46,274	0	0	0	(46,274)
Administration	2,305,400	0	413	0	(2,304,987)
Fiscal	788,338	0	0	0	(788,338)
Business	21,209	0	0	0	(21,209)
Operation and Maintenance of Plant	2,674,369	2,195	30,234	0	(2,641,940)
Pupil Transportation	1,188,289	0	56,300	0	(1,131,989)
Central	526,238	0	10,800	0	(515,438)
Operation of Non-Instructional Services:					
Food Service Operations	932,543	229,464	685,149	0	(17,930)
Community Services	740,767	0	676,068	0	(64,699)
Extracurricular Activities	892,947	258,744	24,288	0	(609,915)
Capital Outlay	509,348	0	0	7,414	(501,934)
Debt Service:					
Principal Retirement	840,000	0	0	0	(840,000)
Interest and Fiscal Charges	184,938	0	0	0	(184,938)
					0
					0
<i>Totals</i>	<u>\$ 34,071,637</u>	<u>\$ 1,858,831</u>	<u>\$ 5,177,364</u>	<u>\$ 7,414</u>	<u>(27,028,028)</u>

General Receipts

Property Taxes Levied for:	
General Purposes	7,907,253
Debt Service	929,487
Capital Outlay	414,749
Income Taxes Levied for:	
General Purposes	2,489,706
Grants and Entitlements not Restricted to Specific Programs	14,742,940
Investment Earnings	227,694
Miscellaneous	375,491
<i>Total General Receipts</i>	<u>27,087,320</u>
<i>Change in Net Position</i>	59,292
<i>Net Position Beginning of Year</i>	<u>9,377,306</u>
<i>Net Position End of Year</i>	<u>\$ 9,436,598</u>

See accompanying notes to the basic financial statements.

Norwalk City School District
Huron County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2019

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 6,888,868	\$ 1,585,071	\$ 644,635	\$ 9,118,574
Cash and Cash Equivalents in Segregated Accounts	0	0	318,024	318,024
<i>Total Assets</i>	<u>\$ 6,888,868</u>	<u>\$ 1,585,071</u>	<u>\$ 962,659</u>	<u>\$ 9,436,598</u>
Fund Balances				
Nonspendable	\$ 440	\$ 0	\$ 0	\$ 440
Restricted	0	1,585,071	962,659	2,547,730
Committed	17,642	0	0	17,642
Assigned	627,696	0	0	627,696
Unassigned	6,243,090	0	0	6,243,090
<i>Total Fund Balances</i>	<u>\$ 6,888,868</u>	<u>\$ 1,585,071</u>	<u>\$ 962,659</u>	<u>\$ 9,436,598</u>

See accompanying notes to the basic financial statements.

Norwalk City School District
Huron County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 7,907,253	\$ 929,487	\$ 414,749	\$ 9,251,489
Income Taxes	2,489,706	0	0	2,489,706
Intergovernmental	16,752,291	132,476	2,927,267	19,812,034
Investment Income	227,694	0	9,428	237,122
Tuition and Fees	1,240,389	0	0	1,240,389
Extracurricular Activities	69,770	0	262,365	332,135
Gifts and Donations	37,211	0	69,045	106,256
Charges for Services	13,229	0	231,659	244,888
Rent	41,419	0	0	41,419
Miscellaneous	371,848	0	3,643	375,491
<i>Total Receipts</i>	<u>29,150,810</u>	<u>1,061,963</u>	<u>3,918,156</u>	<u>34,130,929</u>
Disbursements				
Current:				
Instruction:				
Regular	12,410,191	0	194,884	12,605,075
Special	4,485,530	0	1,360,195	5,845,725
Vocational	517,034	0	0	517,034
Other	1,831,207	0	0	1,831,207
Support Services:				
Pupils	1,422,809	0	3,905	1,426,714
Instructional Staff	192,850	0	2,372	195,222
Board of Education	46,274	0	0	46,274
Administration	2,305,054	0	346	2,305,400
Fiscal	755,169	23,038	10,131	788,338
Business	21,209	0	0	21,209
Operation and Maintenance of Plant	2,586,698	0	87,671	2,674,369
Pupil Transportation	1,188,289	0	0	1,188,289
Central	515,438	0	10,800	526,238
Extracurricular Activities	613,486	0	279,461	892,947
Operation of Non-Instructional Services:				
Food Service Operations	0	0	932,543	932,543
Community Services	61,777	0	678,990	740,767
Capital Outlay	0	0	509,348	509,348
Debt Service:				
Principal Retirement	0	840,000	0	840,000
Interest and Fiscal Charges	0	184,938	0	184,938
<i>Total Disbursements</i>	<u>28,953,015</u>	<u>1,047,976</u>	<u>4,070,646</u>	<u>34,071,637</u>
<i>Net Change in Fund Balances</i>	197,795	13,987	(152,490)	59,292
<i>Fund Balances Beginning of Year</i>	<u>6,691,073</u>	<u>1,571,084</u>	<u>1,115,149</u>	<u>9,377,306</u>
<i>Fund Balances End of Year</i>	<u>\$ 6,888,868</u>	<u>\$ 1,585,071</u>	<u>\$ 962,659</u>	<u>\$ 9,436,598</u>

See accompanying notes to the basic financial statements.

Norwalk City School District
Huron County, Ohio
Statement of Receipts, Disbursements and Changes in
Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts and Other Financing Sources	\$ 28,933,589	\$ 28,870,193	\$ 28,870,325	\$ 132
Disbursements and Other Financing Uses	28,898,963	29,344,116	28,910,982	433,134
Net Change in Fund Balance	34,626	(473,923)	(40,657)	433,266
<i>Fund Balance Beginning of Year</i>	6,471,212	6,471,212	6,471,212	0
Prior Year Encumbrances Appropriated	128,397	128,397	128,397	0
<i>Fund Balance End of Year</i>	<u>\$ 6,634,235</u>	<u>\$ 6,125,686</u>	<u>\$ 6,558,952</u>	<u>\$ 433,266</u>

See accompanying notes to the basic financial statements.

Norwalk City School District
Huron County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2019

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 204,768	\$ 63,709
Net Position		
Held in Trust for Scholarships	\$ 204,768	\$ 0
Held for Student Activities	0	63,709
<i>Total Net Position</i>	\$ 204,768	\$ 63,709

See accompanying notes to the basic financial statements.

Norwalk City School District
Huron County, Ohio
Statement of Changes in Fiduciary Net Position - Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2019

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 6,031
Interest	7,021
Miscellaneous	61,429
<i>Total Additions</i>	74,481
 Deductions	
Payments in Accordance with Trust Agreements	72,000
<i>Change in Net Position</i>	2,481
<i>Net Position Beginning of Year</i>	202,287
<i>Net Position End of Year</i>	\$ 204,768

See accompanying notes to the basic financial statements.

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

The Norwalk City School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a city school district as defined by Section 3311.04 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District.

Reporting Entity

The reporting entity is required to be composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and 1) the School District is able to significantly influence the programs or services performed or provided by the organization; or 2) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units. Management believes the financial statements included in the report represent all of the funds of the School District over which the School District has the ability to exercise direct operating control.

The School District participates in two jointly governed organizations and two insurance purchasing pools. These organizations are the Bay Area Council of Governments (BACG) and the Northern Ohio Educational Computer Association (NOECA), Huron-Erie School Employees Insurance Association (HESEIA), and the Workers' Compensation Group Rating Program. These organizations are presented in Notes 7 and 12 to the basic financial statements. The Norwalk Public Library, a related organization, is presented in Note 13.

Parochial Schools - Within the School District boundaries, the Norwalk Catholic Schools are operated through the Toledo Catholic Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools and are accounted for in the auxiliary services fund.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the School District's financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The School District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Basis of Presentation

The School District's basic financial statements consist of government-wide financial 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.

1. Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the School District's general receipts.

2. Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

C. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's major governmental funds:

General Fund – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund – The bond retirement debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed internally or externally.

2. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four categories: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's private purpose trust funds include various scholarships and endowments. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. The School District's agency fund accounts for various student managed activities and high school tournaments.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Investments” on the financial statements.

During the year 2019, the School District invested in STAR Ohio, certificates of deposit and federal securities. 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 School 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 the fiscal year 2019, 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. All accounts of the participant will be combined for these purposes.

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2019 were \$227,694, which includes \$59,814 interest assigned from other School District funds.

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and investments." Investments with an initial maturity of more than three months that were not purchased from the cash management pool are reported as "investments."

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets. Depreciation is not recorded on these capital assets.

G. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

H. Long-term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported as other financing sources when cash is received and principal and interest payments are reported as disbursements when paid.

I. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets are recorded as receipts when the grant is received.

J. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Pensions and Other Post Employment Benefits (OPEB)

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

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

M. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net position and is displayed in separate components:

1. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the School District. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. At June 30, 2019, there was no net position restricted by enabling legislation.
2. Unrestricted net position – All other net position that do not meet the definition of “restricted.”

The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

FUND FINANCIAL STATEMENTS

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

1. Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
2. Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
3. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) 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.
4. Assigned - Amounts in the assigned classification are intended to be used by the School District 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 the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

5. 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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when a disbursement is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

N. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

During the course of normal operations, the School District may have numerous transactions between funds. The most significant include:

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

O. Receipts and Disbursements

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, operating grants, capital grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities, and food service operations.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2019.

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Q. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2019, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School District.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. These changes were incorporated in the School's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 3 - COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2019, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows, liabilities, deferred inflows, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget 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 cash basis are that:

- a. 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 a disbursement;
- b. Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the cash basis for the general fund are as follows:

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Net Change in Fund Balance

	General Fund
Cash Basis	\$ 197,795
Funds Budgeted Elsewhere**	(2,404)
Adjustment for Encumbrances	(236,048)
Budget Basis	\$ (40,657)

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes public school support fund, faculty funds, wellness plan fund, uniform school supplies fund and unclaimed monies.

NOTE 5 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, from the purchase date in an amount not to exceed 40 percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand - At June 30, 2019 the School District had \$6,550 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Investments."

Segregated Cash and Cash Equivalents - The building fund is maintained separately in a STAR Ohio account. The measurement amount of the deposits is reported as "Cash and Cash Equivalent in Segregated Accounts."

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Investments:

As of June 30, 2019, the School District had the following investments:

S&P Global Ratings	Measurement Amount	Investment Maturities (in months)			% Investments	
		0 - 12	12 - 36	Greater than 36		
	Net Asset Value:					
AAAm	STAR Ohio	\$ 4,356,888	\$ 4,356,888	\$ 0	\$ 0	62.67%
	Cost:					
N/A	Negotiable Certificates of Deposit	2,594,000	824,000	1,322,000	448,000	37.31%
AAAm	Federated Government Obligation	1,501	1,501	0	0	0.02%
	Totals	<u>\$ 6,952,389</u>	<u>\$ 5,182,389</u>	<u>\$ 1,322,000</u>	<u>\$ 448,000</u>	<u>100.00%</u>

Interest Rate Risk: The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: The credit ratings of the School District's investments are listed above.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2019, is 53 days and carries a rating of AAAM by S&P Global Ratings.

Concentration of Credit Risk: The School District places no limit on the amount the School District may invest in any one issuer.

NOTE 6 – PROPERTY TAXES AND INCOME TAXES

A. Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and are collected in 2019 with real property taxes.

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Huron County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 306,093,140	95.98%	\$ 330,042,270	96.10%
Public Utility Personal Property	12,809,270	4.02%	13,395,490	3.90%
 Total Assessed Valuation	 <u>\$ 318,902,410</u>	 <u>100.00%</u>	 <u>\$ 343,437,760</u>	 <u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 <u>\$ 48.90</u>		 <u>\$ 48.40</u>	

B. Income Taxes

The School District has a 0.5 percent income tax levy that is collected on earned income. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the general fund.

NOTE 7 – RISK MANAGEMENT

A. Workers' Compensation

The School District participates in a Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The School District evaluates enrollment fees and group quotes annually to determine the best value. In 2019 the School District used the OSBA program through CompManagement. Each year, the participating school districts or businesses pay an enrollment fee to the Program to cover the costs of administering the program. The intent of the Program is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Program.

B. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District maintains comprehensive insurance coverage with Assured Partners Insurance for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real

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property and contents are fully insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has not been a significant reduction in insurance coverage from the prior year.

C. Employee Medical

In October 1981, the School District joined together with several other school districts in two counties to form the Huron-Erie School Employees Insurance Association (HESEIA), a public entity risk pool. Monthly payments are made to the Association for health, dental and vision insurance coverage. The pool agreement provides that HESEIA will be self-sustaining through member premiums, and HESEIA will purchase stop-loss insurance policies from commercial insurance carriers to cover any yearly claims in excess of 120 percent of the prior year's aggregate claims. Financial information can be obtained by writing to the North Point Educational Service Center, 1210 East Bogart Road, Sandusky, Ohio 44870.

NOTE 8 – OTHER EMPLOYEE BENEFITS

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 10 to 25 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent, Treasurer, Assistant Superintendent, Director of Support Services, Food Service Director and High School Principal.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Accumulation of sick leave is unlimited for all groups. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 85 days. Certified and classified employees earn ½ day irrevocable severance if they do not use their 2 days of personal leave in any given year. In addition, classified employees may earn an additional 1-2 days of irrevocable severance days if only 0-6 days of sick leave are used within a year. The accumulated irrevocable severance is paid to employees upon termination of employment, going forward it will be paid annually in January.

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a statewide, cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for

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employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2019.

The School District's contractually required contribution to SERS was \$505,486 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. From August 1, 2015–July 1, 2017, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 26 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2017–July 1, 2019, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. Effective July 1, 2017, employer contributions of 9.53 percent are placed in the investment accounts and the remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying one percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50 and termination of employment.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer

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to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,869,416 for fiscal year 2019.

Net Pension Liability

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.10346780%	0.11041053%	
Prior Measurement Date	<u>0.09854250%</u>	<u>0.10787215%</u>	
Change in Proportionate Share	<u>0.00492530%</u>	<u>0.00253838%</u>	
Proportionate Share of the Net Pension Liability	\$ 5,925,793	\$ 24,276,797	\$ 30,202,590

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, 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

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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 calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100% for female rates set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. 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 an arithmetic 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. The asset allocation, as used in the June 30, 2015, five-year experience study, is summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

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Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). 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, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District'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 School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 8,346,926	\$ 5,925,793	\$ 3,895,834

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

Post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016; pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the July 1, 2018 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net Pension Liability	\$ 35,453,065	\$ 24,276,797	\$ 14,817,601

NOTE 10 – DEFINED BENEFIT OPEB PLANS

Net OPEB Asset/Liability

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered

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payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$50,357.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$69,079 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Asset/Liability

The net OPEB asset/liability was measured as of June 30, 2018, and the total OPEB asset/liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB asset/liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.10481750%	0.11041053%	
Prior Measurement Date	<u>0.10032230%</u>	<u>0.10787215%</u>	
Change in Proportionate Share	<u>0.00449520%</u>	<u>0.00253838%</u>	
Proportionate Share of the Net OPEB Liability/(Asset)	\$ 2,907,921	\$ (1,774,000)	\$ 1,133,921

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Actuarial Assumptions - SERS

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018. The actuarial assumptions used in the valuation are based on results from the most recent actuarial experience study, which covered the five-year period ending June 30, 2015. The experience study report is dated April 2016. The total OPEB liability used the following assumptions and other inputs:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate	
Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Medical Trend Assumption	
Medicare	5.375 percent - 4.75 percent
Pre-Medicare	7.25 percent - 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The long-term expected rate of return on plan factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e., municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percent lower (6.25 percent decreasing to 3.75 percent) and one percent higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 3,528,533	\$ 2,907,921	\$ 2,416,512
		Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 2,346,158	\$ 2,907,921	\$ 3,651,794

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Health Care Cost Trend Rates	-5.23 percent to 9.62 percent, initial, 4.00 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Assumption Changes Since the Prior Measurement Date The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Benefit Term Changes Since the Prior Measurement Date The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Discount Rate The discount rate used to measure the total OPEB asset/liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset/Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset/liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset/liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB liability as of June 30, 2018, calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (1,520,642)	\$ (1,774,000)	\$ (1,987,275)

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (1,975,245)	\$ (1,774,000)	\$ (1,569,991)

NOTE 11 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Balance 6/30/2018	Additions	Reductions	Balance 6/30/2019	Amounts Due in One Year
Governmental Activities:					
2015 Refunding Bonds	\$ 7,315,000	\$ 0	\$ 840,000	\$ 6,475,000	\$ 855,000
<i>Total Governmental Activities</i>	<u>\$ 7,315,000</u>	<u>\$ 0</u>	<u>\$ 840,000</u>	<u>\$ 6,475,000</u>	<u>\$ 855,000</u>

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

2015 Unlimited Tax Refunding Bonds

On September 3, 2015, the School District issued \$8,390,000 of general obligation serial bonds at 1.25 – 3.0 percent. The bonds refunded \$8,445,000 of outstanding 2006 Refunding Bonds. The bonds were issued for a ten-year period with final maturity at December 1, 2025.

At the date of refunding, \$8,613,993 (including premium and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2006 Refunding Bonds.

General obligation bonds will be paid from the bond retirement fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2019 are as follows:

Fiscal Year Ending June 30,	Serial Bonds	
	Principal	Interest
2020	\$ 855,000	\$ 171,157
2021	870,000	150,625
2022	895,000	124,149
2023	920,000	96,924
2024	950,000	68,874
2025 - 2026	1,985,000	57,312
Total	\$ 6,475,000	\$ 669,041

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

A. Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of various districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The item currently being purchased through the council of governments is natural gas. The only cost to the School District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each district. The Board of Directors of the BACG consists of one elected representative from each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent.)

Members of the Board serve two year terms that are staggered. Financial information can be obtained by contacting North Point ESC, who serves as fiscal agent, at 4918 Milan Road, Sandusky, Ohio 44870. The School District did not pay any fees to BACG during fiscal year 2019.

B. Northern Ohio Educational Computer Association (NOECA)

NOECA is a jointly governed organization among various districts, formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidation's in a ratio proportionate to their last twelve months' financial contributions. NOECA is governed by a Board of Directors consisting of superintendents of the member districts. The degree of control exercised by any participating district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the School District does not have an equity interest in NOECA because the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. The School District paid NOECA \$59,141 during fiscal year 2019 for USAS, USPS, student, library and EMIS state software. Financial information can be obtained by contacting Matt Bauer, who serves as Controller, at 4918 Milan Road, Sandusky, Ohio 44870.

NOTE 13 – RELATED ORGANIZATION

Norwalk Public Library

The School District is not involved in budgeting or management of the Norwalk Public Library facilities, nor does it subsidize or finance the operation of the library. The selection of directors and budget approval is conducted merely to comply with state code requirements.

NOTE 14 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2019, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

C. School District Funding

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional districts must comply with minimum hours of instruction, instead of minimum numbers of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. The impact of the final FTE adjustments on the fiscal year 2019 financial statements resulted in an immaterial amount due to ODE (payable).

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 15 - SET-ASIDES

Substitute House Bill 412, as amended, required the School District to “set aside” certain percentages of defined revenues for capital improvement and maintenance expenditures. As of April 10, 2001, any money on hand in a School District’s budget reserve set-aside account may at the discretion of the Board be returned to the School District’s general fund or may be left in the account and used by the Board to offset any budget deficit the School District may experience in future years. The amendment places special conditions on any refunds or rebates from the Bureau of Workers’ Compensation. These monies are to be used to offset a budget deficit for school facility construction, renovation or repair, for the textbooks or instructional materials; for purchase of school buses; or for teachers’ professional development.

During the fiscal year ended June 30, 2019, the reserve activity (cash basis) was as follows:

	Budget Stabilization	Capital Improvement
Set Aside Balance as of June 30, 2018	\$ 642,743	\$ 0
Current Year Set-Aside Requirement	0	491,519
Current Year Qualifying Disbursements	0	(574,549)
Total	\$ 642,743	\$ (83,030)
Balance Carried Forward to FY 2020	\$ 642,743	\$ 0

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside. The School District has prior year bond proceeds in connection with a school facilities project that may be carried forward to offset future set-aside requirements. The remaining balance of these bond proceeds as of June 30, 2019 is \$15,232,443.

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Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 16 – FUND BALANCE

Fund balance can be classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General	Bond Retirement	Other Governmental Funds	Total
Nonspendable for:				
Unclaimed Funds	\$ 440	\$ 0	\$ 0	\$ 440
Restricted for:				
Debt Service	0	1,585,071	0	1,585,071
Capital Outlay	0	0	658,658	658,658
Food Service	0	0	42,744	42,744
Extracurricular Activities	0	0	133,808	133,808
Local Grants	0	0	67,423	67,423
State Programs	0	0	53,440	53,440
Federal Programs	0	0	6,586	6,586
Total Restricted	<u>0</u>	<u>1,585,071</u>	<u>962,659</u>	<u>2,547,730</u>
Committed for:				
Wellness Fund	<u>17,642</u>	<u>0</u>	<u>0</u>	<u>17,642</u>
Assigned for:				
Encumbrances:				
Instruction	37,890	0	0	37,890
Support Services	180,309	0	0	180,309
Community Service	2,000	0	0	2,000
Extracurricular Activities	15,847	0	0	15,847
Public School Support	64,579	0	0	64,579
Subsequent Year Appropriations	<u>327,071</u>	<u>0</u>	<u>0</u>	<u>327,071</u>
Total Assigned	<u>627,696</u>	<u>0</u>	<u>0</u>	<u>627,696</u>
Unassigned	<u>6,243,090</u>	<u>0</u>	<u>0</u>	<u>6,243,090</u>
<i>Total Fund Balance</i>	<u>\$ 6,888,868</u>	<u>\$ 1,585,071</u>	<u>\$ 962,659</u>	<u>\$ 9,436,598</u>

NOTE 17 – SIGNIFICANT COMMITMENTS

A. Encumbrance Commitments

Outstanding encumbrances for governmental funds include \$236,182 for the general fund and \$280,399 in nonmajor governmental funds.

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

B. Contractual Commitments

At June 30, 2019, the School District had the following outstanding contractual commitments:

	Contract		Outstanding
	Amount	Expended	Commitment 6/30/2019
Dant Clayton	\$ 118,720	\$ 35,616	\$ 83,104
Leaders Industrial Surfaces	49,788	13160	36,628
Hills Interiors	24,970	0	24,970
Tusing Builders	32,438	0	32,438
All Glass Systems	17,385	0	17,385
NOECA	60,000	0	60,000
	<u>\$ 303,301</u>	<u>\$ 48,776</u>	<u>\$ 254,525</u>

Based on timing of when contracts are encumbered, contractual commitments identified above may or may not be included in the outstanding encumbrance commitments previously disclosed in this note.

**NORWALK CITY SCHOOL DISTRICT
HURON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
<u>Child Nutrition Cluster:</u>		
School Breakfast Program	10.553	\$113,841
National School Lunch Program		
Cash Assistance	10.555	564,893
Non-Cash Assistance (Food Distribution)	10.555	78,965
Total National School Lunch Program		<u>643,858</u>
Total Child Nutrition Cluster		<u>757,699</u>
Total U.S. Department of Agriculture		<u>757,699</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
<u>Special Education Cluster (IDEA):</u>		
Special Education_Grant to States	84.027	673,013
Special Education_Preschool Grants	84.173	19,190
Total Special Education Cluster (IDEA)		<u>692,203</u>
Title I Grants to Local Education Agencies	84.010	630,090
English Language Acquisition State Grants	84.365	18,298
Improving Teacher Quality State Grants	84.367	83,325
Student Support and Academic Enrichment Program	84.424	<u>6,010</u>
Total U.S. Department of Education		<u>1,429,926</u>
Total Expenditures of Federal Awards		<u>\$2,187,625</u>

The accompanying notes are an integral part of this schedule.

**NORWALK CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Norwalk City School District (the District) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C - INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar state grants. When reporting expenditures on this Schedule, The District assumes it expends federal monies first.

NOTE E - FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2019 to 2020 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Education Agencies	84.010	\$ 7,954
Special Education_Preschool Grants	84.173	\$ 7,867
English Language Acquisition State Grants	84.365	\$ 407
Improving Teacher Quality State Grants	84.367	\$ 12,225
Student Support and Academic Enrichment Program	84.424	\$ 41,270

OHIO AUDITOR OF STATE KEITH FABER



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

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

Norwalk City School District
Huron County
134 Benedict Avenue
Norwalk, Ohio 44857

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norwalk City School District, Huron County, Ohio (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 10, 2020, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and / or corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

February 10, 2020

OHIO AUDITOR OF STATE KEITH FABER



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

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

Norwalk City School District
Huron County
134 Benedict Avenue
Norwalk, Ohio 44857

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Norwalk City School District, Huron County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Norwalk City School District's major federal programs for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on each Major Federal Program

In our opinion, Norwalk City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State

Columbus, Ohio

February 10, 2020

**NORWALK CITY SCHOOL DISTRICT
HURON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

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

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

FINDING NUMBER 2019-001

Noncompliance Citation

Ohio Rev. Code § 117.38(A) provides that each public office “shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.”

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

Officials' Response:

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is most cost efficient.

3. FINDINGS FOR FEDERAL AWARDS

None



Norwalk City School District

134 Benedict Avenue
 Norwalk, Ohio 44857
 Phone: 419-668-2779
 Fax: 419-663-3302

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Finding was first reported in the audit of the 2015 financial statements. Ohio Rev. Code § 117.38(A) and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than accounting principles generally accepted in the United States of America.	Not corrected and reissued as Finding 2019-001 in this report.	This issue is due to the District choosing to file on a cash-basis of accounting due to the additional costs of preparing the financial statements according to Generally Accepted Accounting Principles (GAAP).



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CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2019

Finding Number:	2019-001
Planned Corrective Action:	Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.
Anticipated Completion Date:	N/A
Responsible Contact Person:	Joyce Dupont, Treasurer

OHIO AUDITOR OF STATE KEITH FABER



NORWALK CITY SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 25, 2020**