



CITY OF NORWOOD, OHIO

REGULAR AUDIT

For the Year Ended December 31, 2019

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS



OHIO AUDITOR OF STATE
KEITH FABER

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City Council
City of Norwood
4645 Montgomery Road
Norwood, Ohio 45212

We have reviewed the *Independent Auditor's Report* of the City of Norwood, Hamilton County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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



Keith Faber
Auditor of State
Columbus, Ohio

December 1, 2020

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HAMILTON COUNTY, OHIO
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HAMILTON COUNTY, OHIO
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Independent Auditor's Report

City of Norwood
Hamilton County
4645 Montgomery Road
Norwood, Ohio 45212

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Norwood, Hamilton County, Ohio, (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the designing, implementing, and maintaining internal control relevant to the 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 did not audit the financial statements of the City of Norwood Board of Health, which represent 100 percent of the assets and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Norwood Board of Health, is based solely on the report of the other auditors. 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, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Norwood, Hamilton County as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Certain Authoritative Guidance*. We did not modify our opinion regarding this matter.

As discussed in Note 22, based on an analysis performed by the Auditor of State's Local Government Services section, the City was placed in fiscal emergency on October 6, 2016 and remains in fiscal emergency today. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

As discussed in Note 23 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the County. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis on pages 4-14 and schedules of net pension/OPEB liabilities and pension/OPEB contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any assurance.

Members of Council
City of Norwood, Ohio
Independent Auditor's Report

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 23, 2020 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

October 23, 2020

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019
Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Norwood's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and notes to the financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2019 are as follows:

- The City's total governmental activities' net position increased \$20,062,319 from 2018. Business-type activities net position realized a decrease of \$187,174 from 2018.
- For governmental activities, general receipts accounted for \$32,808,702 of all receipts. Program receipts in the form of charges for services, operating and capital grants, contributions and interest accounted for \$3,061,231 of total revenues of \$35,869,933.
- The City had \$15,593,248 in expenses related to governmental activities; only \$3,061,231 of these expenses was offset by program specific charges for services. General revenues (primarily property and municipal income taxes) were \$32,808,702 but were sufficient to cover governmental expenses.
- Enterprise funds reflected a combined operating loss of \$187,174. The Water fund realized an operating loss of \$400,645 while the Refuse fund realized an operating income of \$213,471.

OVERVIEW OF THE FINANCIAL STATEMENTS

Report Components

The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole. Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the City as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and details regarding the information reported in the statements.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; the proprietary funds and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019
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Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

REPORTING THE CITY AS A WHOLE

Statement of Net Position and the Statement of Activities

The analysis of the City as a whole begins with the Statement of Net Position and the Statement of Activities. These statements provide information that will help the reader to determine if the City of Norwood is financially better off or worse off as a result of the year's activities. These statements include all assets, deferred outflows or resources, liabilities and deferred inflows of resources using the accrual basis of accounting which is similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes to those assets. These changes inform the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the City's financial well-being. Some of these factors include the City's tax base and the condition of capital assets.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities.

- Governmental Activities** – Most of the City's services are reported here including police, fire, street maintenance, parks and recreation, and general administration. Income taxes, property taxes, building permits and interest finance most of these activities.
- Business-Type Activities** – This activity includes the City's water fund and refuse fund. Service fees for these operations are charged based on the amount of usage or a usage fee. The intent is that the fees charged recoup operational costs.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS Fund Financial Statements

The analysis of the City's major funds is presented later in the Management's Discussion and Analysis section. Fund financial statements provide detailed information about the City's major funds – not the City as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the City Auditor, with approval of City Council, to help control, manage and report money received for a particular purpose or to show that the City is meeting legal responsibilities for use of grants. The City's major funds are the General Fund and the Debt Service Fund.

Governmental Funds – Most of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019
 Unaudited

spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds – When the City charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in the proprietary funds. Operations are accounted for in such a manner to show a profit or loss on the basis comparable with industries in the private sector.

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

THE CITY AS A WHOLE

Table 1 provides a summary of the City's net position for 2019 compared to 2018:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	Restated 2018	2019	Restated 2018	2019	Restated 2018
Assets:						
Current and Other Assets	\$23,370,613	\$18,891,842	\$4,102,212	\$1,893,414	\$27,472,825	\$20,785,256
Net Pension Asset	0	7,463	0	1,867	0	9,330
Nondepreciable Capital Assets	13,133,153	12,906,146	0	0	13,133,153	12,906,146
Depreciable Capital Assets, Net	12,909,675	12,465,939	1,685,071	1,714,835	14,594,746	14,180,774
Total Assets	\$49,413,441	\$44,271,390	\$5,787,283	\$3,610,116	\$55,200,724	\$47,881,506
Deferred Outflows of Resources:						
Pension	5,166,353	8,772,703	195,881	442,910	5,362,234	9,215,613
OPEB	2,314,977	92,541	36,070	7,008	2,351,047	99,549
Total Deferred Outflows of Resources	7,481,330	8,865,244	231,951	449,918	7,713,281	9,315,162

(Continued)

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019
Unaudited

Table 1
Net Position
(Continued)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Liabilities:						
Current and Other Liabilities	1,687,361	1,256,974	184,136	615,572	1,871,497	1,872,546
Long-Term Liabilities:						
Due Within One Year	2,371,876	2,238,502	40,689	47,085	2,412,565	2,285,587
Due in More Than One Year:						
Net Pension Liability	33,517,750	26,441,902	1,241,880	697,964	34,759,630	27,139,866
Net OPEB Liability	5,483,126	23,735,367	574,491	475,636	6,057,617	24,211,003
Other Amounts	48,562,159	50,252,895	433,441	465,807	48,995,600	50,718,702
Total Liabilities	91,622,272	103,925,640	2,474,637	2,302,064	94,096,909	106,227,704
Deferred Inflows of Resources:						
Property Taxes Not Levied	2,585,025	2,561,590	0	0	2,585,025	2,561,590
Payments in Lieu of Taxes	4,825,023	4,932,640	0	0	4,825,023	4,932,640
Pension	3,951,658	4,313,515	18,034	167,986	3,969,692	4,481,501
OPEB	4,080,169	2,186,389	3,199	38,575	4,083,368	2,224,964
Total Deferred Inflows of Resources	15,441,875	13,994,134	21,233	206,561	15,463,108	14,200,695
Net Position:						
Net Investment in Capital Assets	13,519,394	12,788,423	1,305,316	1,317,417	14,824,710	14,105,840
Restricted	6,771,721	5,585,889	0	0	6,771,721	5,585,889
Unrestricted	(66,395,850)	(84,541,366)	2,409,829	16,025	(63,986,021)	(84,525,341)
Total Net Position	(\$46,104,735)	(\$66,167,054)	\$3,715,145	\$1,333,442	(\$42,389,590)	(\$64,833,612)

The net pension liability (NPL) is one of the largest liabilities reported by the City at December 31, 2019, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The City also adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB and the net pension asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019
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GASB 68 and GASB 75 require the net pension liability (asset) and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB liabilities, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

For 2019, OP&F recognized a change in benefit terms for their OPEB plan. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years. These changes contributed to OPEB expense decreasing from \$1,500,704 in 2018 to a negative OPEB expense of \$16,200,537 for 2019.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2019 and 2018.

As mentioned previously, the net position of governmental activities increased \$20,062,319 during 2019. Although there was an increase in revenue, the overall expenses for 2019 decreased from 2018, mainly related to the changes in benefit terms that affected the Ohio Police and Fire OPEB plan.

Table 2 shows the changes in net position for the years ended December 31, 2019 and 2018.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services and Sales	\$1,428,245	\$1,715,813	\$6,319,868	\$5,909,363	\$7,748,113	\$7,625,176
Operating Grants, Contributions and Interest	966,848	0	0	0	966,848	0
Capital Grants, Contributions and Interest	666,138	0	0	0	666,138	0
Total Program Revenues	<u>\$3,061,231</u>	<u>\$1,715,813</u>	<u>\$6,319,868</u>	<u>\$5,909,363</u>	<u>\$9,381,099</u>	<u>\$7,625,176</u>
General Revenues:						
Property Taxes	3,026,313	2,577,539	0	0	3,026,313	2,577,539
Income Taxes	17,758,300	16,555,873	0	0	17,758,300	16,555,873
Other Local Taxes	677,849	186,510	0	0	677,849	186,510
Payments in Lieu of Taxes	6,525,440	5,578,106	0	0	6,525,440	5,578,106
Grants and Entitlements	3,574,774	1,892,070	0	0	3,574,774	1,892,070
Contributions and Donations	27,993	30	0	0	27,993	30
Unrestricted Interest	60,139	601	0	0	60,139	601
Other	244,883	15,576	3,025	0	247,908	15,576
Total General Revenues	<u>31,895,691</u>	<u>26,806,305</u>	<u>3,025</u>	<u>0</u>	<u>31,898,716</u>	<u>26,806,305</u>
Total Revenues	<u>34,956,922</u>	<u>28,522,118</u>	<u>6,322,893</u>	<u>5,909,363</u>	<u>41,279,815</u>	<u>34,431,481</u>

(Continued)

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019
 Unaudited

Table 2
Changes in Net Position
 (Continued)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program Expenses:						
General Government	5,443,749	4,724,822	0	0	5,443,749	4,724,822
Security of Persons and Property:						
Police	593,697	7,963,886	0	0	593,697	7,963,886
Fire	88,795	10,602,760	0	0	88,795	10,602,760
Public Services	123,222	51,337	0	0	123,222	51,337
Public Health Services	272,230	931,036	0	0	272,230	931,036
Leisure Time Activities	291,905	429,356	0	0	291,905	429,356
Community and Economic						
Development	595	661	0	0	595	661
Transportation	256,849	703,664	0	0	256,849	703,664
Intergovernmental	5,038,151	2,715,558	0	0	5,038,151	2,715,558
Interest and Fiscal Charges	3,484,055	3,757,056	0	0	3,484,055	3,757,056
Depreciation on Infrastructure					0	0
Sanitation					0	0
Sewer					0	0
Water	0	0	5,103,730	4,814,132	5,103,730	4,814,132
Refuse	0	0	1,403,312	1,521,433	1,403,312	1,521,433
Trash	0	0	0	0	0	0
Stormwater Utility	0	0	0	0	0	0
Total Expenses	<u>15,593,248</u>	<u>31,880,136</u>	<u>6,507,042</u>	<u>6,335,565</u>	<u>22,100,290</u>	<u>38,215,701</u>
Change in Net Position Before Special Item	20,276,685	1,731,368	(187,174)	(423,177)	20,089,511	1,308,191
Special Item:						
Transfer of Operations	<u>(214,366)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(214,366)</u>	<u>0</u>
Change in Net Position	20,062,319	1,731,368	(187,174)	(423,177)	19,875,145	1,308,191
Beginning Net Position - Restated (See Note 3)	<u>(66,167,054)</u>	<u>(67,898,422)</u>	<u>3,902,319</u>	<u>1,756,619</u>	<u>(62,264,735)</u>	<u>(66,141,803)</u>
Ending Net Position	<u><u>(\$46,104,735)</u></u>	<u><u>(\$66,167,054)</u></u>	<u><u>\$3,715,145</u></u>	<u><u>\$1,333,442</u></u>	<u><u>(\$42,389,590)</u></u>	<u><u>(\$64,833,612)</u></u>

Governmental program revenues represent only 9 percent of total governmental activities revenue and are primarily comprised of charges for services & sales, grants, and contributions.

General revenues of governmental activities represent 91 percent of the City's governmental receipts. Property taxes make up 9 percent of the City's general revenues. The City's municipal income taxes make up 53 percent of general revenue. Other local taxes and payments in lieu of taxes make up 24 percent of general revenues. Other revenues are very insignificant and somewhat unpredictable revenue sources.

Security of Persons and Property: Fire expense decreased \$10,513,965. Police expense decreased \$7,370,189. Both of these decreases are mainly related to the change in benefit terms regarding the OP&F GASB 75 OPEB liability. Interest and Fiscal Charges decreased \$273,001 due to an decrease in debt payments. Transportation expense decreased \$446,815

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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due to employees being moved out of the department. Intergovernmental expense increased \$2,322,593 mainly due to a change in the way payments are made to the City's financial institution which services the City's debt. Leisure Time Activities expense decreased \$137,451 due to less construction projects done.

The City's business-type activities, Water and Refuse Funds, accounted for 15 percent of the City's total revenues in 2019. Charges for Services and Sales in the business-type activities increased \$410,505 due to increases in water charges for services. Program expenses for the Water Fund increased \$289,598 due to an increase in contractual services. Expenses in the Refuse Fund decreased \$118,121 due to a decrease in contractual services.

Governmental Activities

The two percent earnings tax is the largest source of revenue for the City. Revenues generated by the earnings tax represent approximately 54 percent of the City's total governmental activities revenue. The earnings tax is used to pay the cost of many City services including general government, security of persons and property, and community and economic development.

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the City. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, which account for 4 percent of all governmental expenses. General government also represents a significant cost, approximately 35 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the City that must be used to provide a specific service. The Net (Expense) Revenue column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost Of Services 2019	Net Cost of Services 2019	Total Cost Of Services 2018	Net Cost of Services 2018
General Government	\$5,443,749	\$5,020,933	\$4,724,822	\$3,830,372
Security of Persons and Property:				
Police	593,697	455,753	7,963,886	7,874,657
Fire	88,795	(687,636)	10,602,760	10,015,415
Public Services	123,222	123,222	51,337	51,337
Public Health Services	272,230	124,679	931,036	807,339
Leisure Time Services	291,905	291,344	429,356	429,356
Community and Economic Development	595	595	661	(20,431)
Transportation	256,849	(652,941)	703,664	703,664
Intergovernmental	5,038,151	4,372,013	2,715,558	2,715,558
Interest and Fiscal Charges	3,484,055	3,484,055	3,757,056	3,757,056
Total Expenses	\$15,593,248	\$12,532,017	\$31,880,136	\$30,164,323

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019
Unaudited

The dependence upon property and income tax receipts is apparent as 66 percent of governmental activities are supported through these general revenues.

Business-Type Activities

The City's business-type activities include the City's Water and Refuse Funds. The water utility provides public water service to businesses and residents.

The Refuse Fund is used to account for moneys collected from Norwood citizens, businesses and industries for refuse disposal service; and to account for the payment of refuse disposal bills. The Refuse Fund was established in 2005.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Information about the City's major governmental funds is presented in the fund financial statements. These funds are reported using the modified accrual basis of accounting. In total, all governmental funds reported revenues of \$35,078,830 and expenditures of \$31,986,314.

Within the General Fund, there were revenues of \$23,653,866 and expenditures of \$21,149,050. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$2,761,614 as the result of increased income and property tax revenue.

Within the Debt Service Fund, there were revenues of \$6,715,686 and expenditures of \$6,674,354. The fund balance of this fund increased \$41,332 due to debt and interest payments being paid.

Governmental Fund Budgeting Highlights

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

During 2019, the City amended its General Fund budget several times to reflect changing circumstances. Final budgeted revenues were less than original budgeted revenues by \$115,589 due to extended due time of income tax revenue. The difference between final budgeted revenues and actual revenues was \$1,907,016 which was due primarily to an increase in income and property taxes.

Final budgeted expenditures were more than original budgeted expenditures by \$2,469,242 due to overall increase in estimated separation obligations paid. Final expenditures were budgeted at \$23,399,364 for the General Fund. Actual expenditures were \$22,005,169 with a difference of \$1,394,195 due to expenditures being lower than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019 amounts to \$27.7 million (net of accumulated depreciation).

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019
Unaudited

Table 4
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$12,649,348	\$12,906,146	\$0	\$0	\$12,649,348	\$12,906,146
Construction in Progress	483,805	0	0	0	483,805	0
Buildings	1,858,108	1,918,874	6,116	6,229	1,864,224	1,925,103
Land Improvements	468,465	423,043	0	0	468,465	423,043
Vehicles	991,249	1,009,452	0	0	991,249	1,009,452
Furniture, Fixtures, and Equipment	1,618,434	1,469,459	26,000	0	1,644,434	1,469,459
Infrastructure	7,973,419	7,645,111	1,652,955	1,708,606	9,626,374	9,353,717
Total	\$26,042,828	\$25,372,085	\$1,685,071	\$1,714,835	\$27,727,899	\$27,086,920

For more information on capital assets, refer to note 10 of the notes to the basic financial statements.

Debt

Table 5 summarizes the outstanding long-term debt at December 31, 2019 and 2018:

Table 5
Outstanding Long-term Obligations at Year End

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$637,037	\$929,773	\$0	\$0	\$637,037	\$929,773
OPWC Loans	676,737	530,158	379,755	397,418	1,056,492	927,576
Tax Increment Financing Bonds	38,041,401	38,981,323	0	0	38,041,401	38,981,323
Notes	3,198,069	3,297,125	0	0	3,198,069	3,297,125
Capital Leases	790,855	1,008,731	0	0	790,855	1,008,731
Special Assessment Bond	2,615,000	2,635,000	0	0	2,615,000	2,635,000
Police and Fire Pension	1,692,364	1,768,499	0	0	1,692,364	1,768,499
Net Pension Liability						
OP&F	28,550,229	23,650,056	0	0	28,550,229	23,650,056
OPERS	4,967,521	2,791,846	1,241,880	697,964	6,209,401	3,489,810
Total Net Pension Liability	33,517,750	26,441,902	1,241,880	697,964	34,759,630	27,139,866
Net OPEB Liability						
OP&F	3,185,165	21,832,824	0	0	3,185,165	21,832,824
OPERS	2,297,961	1,902,543	574,491	475,636	2,872,452	2,378,179
Total Net OPEB Liability	5,483,126	23,735,367	574,491	475,636	6,057,617	24,211,003
Totals	\$86,652,339	\$99,327,878	\$2,196,126	\$1,571,018	\$88,848,465	\$100,898,896

The City's overall unvoted legal debt margin was \$26,677,898 as of December 31, 2019. The more restrictive unvoted legal debt margin was \$14,378,036 as of the same date.

For more information regarding long-term obligations and capital leases, refer to notes 11 and 12 of the notes to the basic financial statements.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019
Unaudited

ECONOMIC AND OTHER POTENTIALLY SIGNIFICANT MATTERS

On October 6, 2016, the Auditor of State declared the City of Norwood to be in a state of fiscal emergency in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a financial planning and supervision commission. The Commission is comprised of a representative of the Office of Budget and Management, a representative of the Treasurer of State, the Mayor, the President of Council, and three individuals appointed by the Governor who are residents of the City and meet certain criteria.

In accordance with Section 118.06 of the Ohio Revised Code, the City is required to submit to the Commission a financial recovery plan for the City which outlines the measures to be taken to eliminate the fiscal emergency conditions. The initial recovery plan was approved by the City on July 5, 2017. The last amended recovery plan is dated March 26, 2020.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Auditor's Office, City of Norwood, 4645 Montgomery Road, Norwood, Ohio 45212.

**CITY OF NORWOOD, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Governmental Activities	Business-Type Activities	Totals	Component Unit Board of Health
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$11,095,291	\$2,482,717	\$13,578,008	\$196,666
Accounts Receivable	170,093	1,628,326	1,798,419	0
Internal Balances	8,831	(8,831)	0	0
Intergovernmental Receivable	808,131	0	808,131	0
Due from Component Unit	2,707	0	2,707	0
Due from Primary Government	0	0	0	2,707
Income Taxes Receivable	3,501,591	0	3,501,591	0
Property Taxes Receivable	2,958,946	0	2,958,946	0
Revenue in Lieu of Taxes Receivable	4,825,023	0	4,825,023	0
Nondepreciable Capital Assets	13,133,153	0	13,133,153	0
Depreciable Capital Assets, Net	12,909,675	1,685,071	14,594,746	0
Total Assets	49,413,441	5,787,283	55,200,724	199,373
DEFERRED OUTFLOWS OF RESOURCES:				
Pension	9,555,846	375,697	9,931,543	0
OPEB	1,990,125	48,035	2,038,160	0
Total Deferred Outflows of Resources	11,545,971	423,732	11,969,703	0
LIABILITIES:				
Accounts Payable	255,337	35,246	290,583	1,187
Accrued Wages Payable	507,759	14,995	522,754	0
Intergovernmental Payable	222,700	7,216	229,916	0
Due to Component Unit	2,707	0	2,707	0
Due to Primary Government	0	0	0	2,707
Contracts Payable	449,901	0	449,901	0
Retainage Payable	33,904	0	33,904	0
Accrued Interest Payable	215,053	0	215,053	0
Refundable Deposits	0	126,679	126,679	0
Long-Term Liabilities:				
Due Within One Year	2,371,876	40,689	2,412,565	0
Due in More Than One Year				
Net Pension Liability	33,517,750	1,241,880	34,759,630	0
Net OPEB Liability	5,483,126	574,491	6,057,617	0
Other Amounts	48,562,159	433,441	48,995,600	0
Total Liabilities	91,622,272	2,474,637	94,096,909	3,894
DEFERRED INFLOW OF RESOURCES:				
Property Taxes Not Levied	2,585,025	0	2,585,025	0
Revenue In Lieu Of Taxes	4,825,023	0	4,825,023	0
Pension	3,951,658	18,034	3,969,692	0
OPEB	4,080,169	3,199	4,083,368	0
Total Deferred Inflows Of Resources	15,441,875	21,233	15,463,108	0
NET POSITION:				
Invested in Capital Assets	13,519,394	1,305,316	14,824,710	0
Restricted for:				
Debt Service	1,660,446	0	1,660,446	0
Capital Outlay	1,292,882	0	1,292,882	0
Fire	96,770	0	96,770	0
Police	109,004	0	109,004	0
Community Programs	24,782	0	24,782	0
Court Program	36,916	0	36,916	0
Parks and Recreation	31,149	0	31,149	0
Road Improvements	76,483	0	76,483	0
Transportation	1,819,618	0	1,819,618	0
Economic Development	6,045	0	6,045	0
Paycor	1,608,512	0	1,608,512	0
Health Programs	8,934	0	8,934	196,426
Indigent Driver	180	0	180	0
Unrestricted (Deficit)	(66,395,850)	2,409,829	(63,986,021)	(947)
Total Net Position (Deficit)	(\$46,104,735)	\$3,715,145	(\$42,389,590)	\$195,479

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants, Contributions and Interest
Governmental Activities:			
General Government	\$5,443,749	\$422,816	\$0
Security of Persons and Property			
Police	593,697	137,944	0
Fire	88,795	718,482	57,949
Public Services	123,222	0	0
Public Health Services	272,230	147,551	0
Leisure Time Services	291,905	0	561
Community and Economic Development	595	0	0
Transportation	256,849	1,452	908,338
Intergovernmental	5,038,151	0	0
Interest and Fiscal Charges	3,484,055	0	0
Total Governmental Activities	<u>15,593,248</u>	<u>1,428,245</u>	<u>966,848</u>
Business-Type Activities:			
Water	5,103,730	4,703,085	0
Refuse	1,403,312	1,616,783	0
Total Business-Type Activities	<u>6,507,042</u>	<u>6,319,868</u>	<u>0</u>
Total Primary Government	<u>\$22,100,290</u>	<u>\$7,748,113</u>	<u>\$966,848</u>
Component Unit	<u>\$596,217</u>	<u>\$156,426</u>	<u>\$420,904</u>

General Revenues:

Taxes:

 Property Taxes Levied For

 General Purposes

 Income Taxes

 Other Local Taxes

 Revenue in Lieu of Taxes

 Grants and Entitlements not

 Restricted to Specific Programs

 Unrestricted Contributions

 Interest

 Other

Total General Revenues

Special Item:

 Special Item - Transfer of Health Department Operations

Change in Net Position

Net Position (Deficit) at Beginning of Year -

 Restated (See Note 3)

Net Position (Deficit) at End of Year

See accompanying notes to the basic financial statements

Net (Expense)/Revenue and Changes in Net Assets				
Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total	Component Unit Board of Health
\$0	(\$5,020,933)	\$0	(\$5,020,933)	\$0
0	(455,753)	0	(455,753)	0
0	687,636	0	687,636	0
0	(123,222)	0	(123,222)	0
0	(124,679)	0	(124,679)	0
0	(291,344)	0	(291,344)	0
0	(595)	0	(595)	0
0	652,941	0	652,941	0
666,138	(4,372,013)	0	(4,372,013)	0
0	(3,484,055)	0	(3,484,055)	0
<u>666,138</u>	<u>(12,532,017)</u>	<u>0</u>	<u>(12,532,017)</u>	<u>0</u>
	0	(400,645)	(400,645)	0
	0	213,471	213,471	0
<u>0</u>	<u>0</u>	<u>(187,174)</u>	<u>(187,174)</u>	<u>0</u>
<u>\$666,138</u>	<u>(12,532,017)</u>	<u>(187,174)</u>	<u>(12,719,191)</u>	<u>0</u>
<u>\$0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(18,887)</u>
	2,847,153	0	2,847,153	0
	18,921,678	0	18,921,678	0
	893,628	0	893,628	0
	7,789,219	0	7,789,219	0
				0
	1,692,482	0	1,692,482	0
	561	0	561	0
	209,144	0	209,144	0
	454,837	0	454,837	0
	<u>32,808,702</u>	<u>0</u>	<u>32,808,702</u>	<u>0</u>
	(214,366)	0	(214,366)	0
	20,062,319	(187,174)	19,875,145	(18,887)
	<u>(66,167,054)</u>	<u>3,902,319</u>	<u>(62,264,735)</u>	<u>214,366</u>
	<u>(\$46,104,735)</u>	<u>\$3,715,145</u>	<u>(\$42,389,590)</u>	<u>\$195,479</u>

**CITY OF NORWOOD, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General Fund	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$4,638,286	\$614,507	\$4,303,505	\$9,556,298
Cash and Cash Equivalents with Fiscal Agents	0	0	343,350	343,350
Accounts Receivable	170,093	0	0	170,093
Intergovernmental Receivable	260,418	0	547,713	808,131
Due from Component Unit	2,707	0	0	2,707
Income Taxes Receivable	3,501,591	0	0	3,501,591
Property Taxes Receivable	2,950,651	0	8,295	2,958,946
Revenue in Lieu of Taxes Receivable	0	3,965,741	859,282	4,825,023
Advances to Other Funds	10,711	0	8,831	19,542
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agents	0	1,195,643	0	1,195,643
Total Assets	<u>\$11,534,457</u>	<u>\$5,775,891</u>	<u>\$6,070,976</u>	<u>\$23,381,324</u>
LIABILITIES:				
Accounts Payable	\$165,629	\$0	\$89,708	\$255,337
Accrued Wages Payable	507,759	0	0	507,759
Contracts Payable	0	0	449,901	449,901
Retainage Payable	0	0	33,904	33,904
Intergovernmental Payable	225,407	0	0	225,407
Advances From Other Funds	0	0	10,711	10,711
Total Liabilities	<u>898,795</u>	<u>0</u>	<u>584,224</u>	<u>1,483,019</u>
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes not Levied to Finance Current Year Operations	2,585,025	0	0	2,585,025
Revenue in Lieu of Taxes not Intended to Finance Current Year Operations	0	3,965,741	859,282	4,825,023
Unavailable Revenue	2,373,609	0	349,499	2,723,108
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,958,634</u>	<u>3,965,741</u>	<u>1,208,781</u>	<u>10,133,156</u>
FUND BALANCES:				
Nonspendable:				
Advances	10,711	0	8,831	19,542
Restricted	0	1,810,150	4,264,140	6,074,290
Committed	0	0	5,000	5,000
Assigned	2,121,778	0	0	2,121,778
Unassigned	3,544,539	0	0	3,544,539
Total Fund Balances	<u>5,677,028</u>	<u>1,810,150</u>	<u>4,277,971</u>	<u>11,765,149</u>
Total Liabilities and Fund Balances	<u>\$11,534,457</u>	<u>\$5,775,891</u>	<u>\$6,070,976</u>	<u>\$23,381,324</u>

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Total Governmental Fund Balances \$11,765,149

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the funds. These assets consist of:

Land and Construction in Progress	13,133,153	
Depreciable capital assets	34,509,255	
Accumulated depreciation	<u>(21,599,580)</u>	
Total capital assets		26,042,828

Some of the City's revenues will be collected after year-end,
but are not available soon enough to pay for the current period's expenditures
and therefore are deferred in the funds:

Property taxes	297,009	
Due from other governments:		
Charges for services	68,320	
Shared taxes and local government revenue assistance	579,714	
Income taxes	<u>1,778,065</u>	
		2,723,108

The net pension and net OEPB liability is not due and payable in the current
period; therefore, the liability and related deferred inflows/outflows are not
reported in the governmental funds:

Deferred Outflows - Pension	9,555,846	
Deferred Outflows - OPEB	1,990,125	
Deferred Inflows - Pension	(3,951,658)	
Deferred Inflows - OPEB	(4,080,169)	
Net Pension Liability	(33,517,750)	
Net OPEB Liability	<u>(5,483,126)</u>	
Total		(35,486,732)

In the Statement of Activities, interest is accrued on outstanding bonds, whereas
in governmental funds, an interest expenditure is reported when due. (215,053)

Long-term liabilities are not due and payable in the current period and therefore
are not reported in the funds. Those liabilities consist of:

Discount on bonds	153,599	
Capital leases	(790,855)	
Bonds	(41,447,037)	
Notes	(3,198,069)	
Loans	(676,737)	
Police & Fire Liability	(1,692,364)	
Compensated absences	<u>(3,282,572)</u>	
Total liabilities		<u>(50,934,035)</u>

Net Position of Governmental Activities (\$46,104,735)

See accompanying notes to the basic financial statements

CITY OF NORWOOD, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property Taxes	\$2,854,990	\$0	\$0	\$2,854,990
Income Taxes	18,152,621	0	0	18,152,621
Other Local Taxes	602,107	0	178,598	780,705
Permissive Motor Vehicle License Taxes	0	0	112,923	112,923
Revenue in Lieu of Taxes	0	6,693,584	1,095,635	7,789,219
Charges for Services	823,949	0	71	824,020
Fines, Licenses and Permits	507,507	0	144,642	652,149
Intergovernmental	57,093	0	3,162,788	3,219,881
Interest	186,176	22,102	14,060	222,338
Rent	14,586	0	0	14,586
Contributions and Donations	0	0	561	561
Other	454,837	0	0	454,837
Total Revenues	23,653,866	6,715,686	4,709,278	35,078,830
EXPENDITURES:				
Current:				
General Government	5,172,983	0	11,632	5,184,615
Security of Persons and Property:				
Police	6,130,706	0	113,980	6,244,686
Fire	8,688,333	0	51,133	8,739,466
Public Health Services	196,913	0	0	196,913
Leisure Time Services	230	0	196,837	197,067
Community and Economic Development	0	0	18	18
Transportation	12,138	0	247,085	259,223
Intergovernmental	302,138	2,756,962	1,952,488	5,011,588
Capital Outlay	0	0	963,022	963,022
Debt Service:				
Principal Retirement	582,606	910,000	216,227	1,708,833
Interest and Fiscal Charges	63,003	3,007,392	410,488	3,480,883
Total Expenditures	21,149,050	6,674,354	4,162,910	31,986,314
Excess of Revenues Over Expenditures	2,504,816	41,332	546,368	3,092,516
OTHER FINANCING SOURCES:				
Proceeds from Sale of Capital Assets	256,798	0	0	256,798
Proceeds of Loans	0	0	199,609	199,609
Total Other Financing Sources	256,798	0	199,609	456,407
SPECIAL ITEM:				
Transfer of Health Department Operations	0	0	(214,366)	(214,366)
Net Change in Fund Balances	2,761,614	41,332	531,611	3,334,557
Fund Balances at Beginning of Year	2,915,414	1,768,818	3,746,360	8,430,592
Fund Balances at End of Year	\$5,677,028	\$1,810,150	\$4,277,971	\$11,765,149

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances - Total Governmental Funds		\$3,334,557
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
	1,616,917	
Capital Assets Additions	(689,376)	
Current Year Depreciation	<u> </u>	
Total		927,541
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each sale.		
Proceeds from Sale of Capital Assets		(256,798)
Because some revenues will not be collected for several months after the City's year-end, they are not considered "available" revenues and are deferred in the governmental funds.		
Property Taxes	(7,837)	
Due From Other Governments:		
Charges for Services	(62,510)	
Shared Taxes and Local Government Revenue Assistance	92,393	
Income Taxes	<u>769,057</u>	
Total		791,103
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
General obligation bond principal retirement	1,262,735	
Note principal retirement	99,057	
Police & Fire principal retirement	76,135	
Loan principal retirement	53,030	
Capital lease payments	<u>217,876</u>	
Total long-term obligation repayment		1,708,833
In the Statement of Activities, interest accrued on outstanding bonds and bond accretion, bond premiums, bond issuance costs and the gain/loss on refunding are amortized over the terms of the bonds, whereas in the governmental funds the expenditure is reported when the bonds are issued.		
Amortization of bond discount	(10,078)	
Accrued Interest	<u>6,906</u>	
Total		(3,172)
Debt Proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
Loan Proceeds		(199,609)
Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.		
Pension	2,022,856	
OPEB	<u>43,362</u>	
Total		2,066,218
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability (asset) are reported as pension expense in the Statement of Activities.		
Pension	(4,354,817)	
OPEB	<u>15,990,247</u>	
Total		11,635,430
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Decrease in Compensated Absences		<u>58,216</u>
Change in Net Position of Governmental Activities		<u>\$20,062,319</u>

See accompanying notes to the basic financial statements

CITY OF NORWOOD, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
REVENUES:				
Property Taxes	\$2,651,675	\$2,625,701	\$2,854,990	\$229,289
Income Taxes	16,879,637	16,714,293	18,173,867	1,459,574
Other Local Taxes	616,073	610,038	663,310	53,272
Charges for Services	632,633	726,878	781,581	54,703
Fines, Licenses and Permits	462,609	456,546	510,073	53,527
Intergovernmental	46,476	46,020	50,039	4,019
Interest	172,918	171,224	186,176	14,952
Rent	13,547	13,415	14,586	1,171
Other	422,464	418,328	454,837	36,509
Total Revenues	<u>21,898,032</u>	<u>21,782,443</u>	<u>23,689,459</u>	<u>1,907,016</u>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	4,653,887	5,212,682	4,945,157	267,525
Judicial System	434,289	485,155	436,698	48,457
Security of Persons and Property:				
Police	6,291,746	7,045,932	6,684,576	361,356
Fire	8,685,131	9,726,330	9,102,583	623,747
Leisure Time Services	3,417	3,417	1,300	2,117
Public Health Services	521,007	545,548	498,031	47,517
Transportation	11,757	13,186	12,138	1,048
Capital Outlay	6,467	6,467	0	6,467
Debt Service:				
Interest and Fiscal Charges	31,865	35,222	31,951	3,271
Principle Retirement	290,556	325,425	292,735	32,690
Total Expenditures	<u>20,930,122</u>	<u>23,399,364</u>	<u>22,005,169</u>	<u>1,394,195</u>
Excess of Revenues Over (Under) Expenditures	967,910	(1,616,921)	1,684,290	3,301,211
OTHER FINANCING SOURCES:				
Proceeds from Sale of Capital Assets	238,510	236,174	256,798	20,624
Net Change in Fund Balance	1,206,420	(1,380,747)	1,941,088	3,321,835
Fund Balance at Beginning of Year	1,664,021	1,664,021	1,664,021	0
Prior Year Encumbrances Appropriated	292,062	292,062	292,062	0
Fund Balance at End of Year	<u>\$3,162,503</u>	<u>\$575,336</u>	<u>\$3,897,171</u>	<u>\$3,321,835</u>

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
STATEMENT OF FUND NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2019**

	<u>Water</u>	<u>Refuse</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,796,515	\$559,523	\$2,356,038
Accounts Receivable	1,166,924	461,402	1,628,326
Total Current Assets	<u>2,963,439</u>	<u>1,020,925</u>	<u>3,984,364</u>
Noncurrent Assets:			
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	126,679	0	126,679
Depreciable Capital Assets, Net	1,685,071	0	1,685,071
Total Noncurrent Assets	<u>1,811,750</u>	<u>0</u>	<u>1,811,750</u>
Total Assets	<u>4,775,189</u>	<u>1,020,925</u>	<u>5,796,114</u>
DEFERRED OUTFLOWS:			
Pension	375,697	0	375,697
OPEB	48,035	0	48,035
Total Deferred Outflows	<u>423,732</u>	<u>0</u>	<u>423,732</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	35,246	0	35,246
Accrued Wages Payable	14,995	0	14,995
Intergovernmental Payable	7,216	0	7,216
Compensated Absences Payable	23,026	0	23,026
OPWC Loans Payable	17,663	0	17,663
Total Current Liabilities	<u>98,146</u>	<u>0</u>	<u>98,146</u>
Current Liabilities Payable from Restricted Assets:			
Refundable Deposits	126,679	0	126,679
Advances From Other Funds	8,831	0	8,831
Noncurrent Liabilities:			
Compensated Absences Payable	71,349	0	71,349
OPWC Loans Payable	362,092	0	362,092
Net Pension Liability	1,241,880	0	1,241,880
Net OPEB Liability	574,491	0	574,491
Total Noncurrent Liabilities	<u>2,258,643</u>	<u>0</u>	<u>2,258,643</u>
Total Liabilities	<u>2,483,468</u>	<u>0</u>	<u>2,483,468</u>
DEFERRED INFLOWS:			
Pension	18,034	0	18,034
OPEB	3,199	0	3,199
Total Deferred Inflows	<u>21,233</u>	<u>0</u>	<u>21,233</u>
NET POSITIONS:			
Invested in Capital Assets	1,305,316	0	1,305,316
Unrestricted	1,388,904	1,020,925	2,409,829
Total Net Position	<u>\$2,694,220</u>	<u>\$1,020,925</u>	<u>\$3,715,145</u>

See accompanying notes to the basic financial statements

CITY OF NORWOOD, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Water</u>	<u>Refuse</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services	<u>\$4,703,085</u>	<u>\$1,616,783</u>	<u>\$6,319,868</u>
OPERATING EXPENSES:			
Personal Services	1,058,352	0	1,058,352
Contractual Services	3,858,229	1,400,445	5,258,674
Supplies and Materials	104,739	0	104,739
Depreciation	68,764	0	68,764
Refunds	12,859	0	12,859
Other	<u>787</u>	<u>2,867</u>	<u>3,654</u>
Total Operating Expenses	<u>5,103,730</u>	<u>1,403,312</u>	<u>6,507,042</u>
Change in Net Position	(400,645)	213,471	(187,174)
Net Position at Beginning of Year - Restated (See Note 3)	<u>3,094,865</u>	<u>807,454</u>	<u>3,902,319</u>
Net Position at End of Year	<u><u>\$2,694,220</u></u>	<u><u>\$1,020,925</u></u>	<u><u>\$3,715,145</u></u>

See accompanying notes to the basic financial statements

CITY OF NORWOOD, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Water	Refuse	Total
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$4,525,656	\$1,594,927	\$6,120,583
Cash Payments for Employee Services and Benefits	(825,378)	0	(825,378)
Cash Payments to Suppliers for Goods and Services	(4,268,267)	(1,530,019)	(5,798,286)
Utility Deposits Received	33,600	0	33,600
Utility Deposits Returned	(33,220)	0	(33,220)
Net Cash Provided by (Used for) Operating Activities	<u>(567,609)</u>	<u>64,908</u>	<u>(502,701)</u>
Cash Flows from Noncapital Financing Activities:			
Short-Term Loan from Another Fund	<u>(147,710)</u>	<u>0</u>	<u>(147,710)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(39,000)	0	(39,000)
Principal Paid on OPWC Loans	<u>(17,663)</u>	<u>0</u>	<u>(17,663)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(56,663)</u>	<u>0</u>	<u>(56,663)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(771,982)	64,908	(707,074)
Cash and Cash Equivalents at Beginning of Year	<u>2,695,176</u>	<u>494,615</u>	<u>3,189,791</u>
Cash and Cash Equivalents at End of Year	<u><u>\$1,923,194</u></u>	<u><u>\$559,523</u></u>	<u><u>\$2,482,717</u></u>
Reconciliation of Operating Income to Net Cash			
<u>Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss)	(\$400,645)	\$213,471	(\$187,174)
Adjustments to Reconcile Operating Income (Loss) to Net Cash			
<u>Provided by (Used for) Operating Activities:</u>			
Depreciation	68,764	0	68,764
(Increase) Decrease in Assets:			
Deferred Outflows Pension	299,166	0	299,166
Deferred Outflows OPEB	31,227	0	31,227
Accounts Receivable	(177,429)	(21,856)	(199,285)
Increase (Decrease) in Liabilities:			
Accounts Payable	(291,653)	(126,707)	(418,360)
Accrued Wages Payable	(9,875)	0	(9,875)
Intergovernmental Payable	(3,581)	0	(3,581)
Deferred Inflows Pension	(81,803)	0	(81,803)
Deferred Inflows OPEB	31,469	0	31,469
Payable from Restricted Assets	380	0	380
Net Pension Liability	(1,348)	0	(1,348)
Net OPEB Liability	(11,182)	0	(11,182)
Compensated Absences Payable	<u>(21,099)</u>	<u>0</u>	<u>(21,099)</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>(\$567,609)</u></u>	<u><u>\$64,908</u></u>	<u><u>(\$502,701)</u></u>

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019**

	<u>Agency</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$1,316,229
Accounts Receivable	<u>1,668,397</u>
 Total Assets	 <u><u>\$2,984,626</u></u>
LIABILITIES:	
Accounts Payable	\$428,249
Intergovernmental Payable	2,401,761
Undistributed Monies	<u>154,616</u>
 Total Liabilities	 <u><u>\$2,984,626</u></u>

See accompanying notes to the basic financial statements

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Norwood, Ohio (the City) is a statutory municipal corporation, established in 1888 as a political subdivision of the State of Ohio, for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City operates under a mayor-council form of government. Legislative power is vested in a seven member council and a council president, each elected to four-year terms. The Mayor is elected to a four-year term and is the chief executive officer of the City. All City officials, with the exception of the Service Safety Director, are elected positions. The Service Safety Director is appointed by the Mayor.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds and departments, which comprise the legal entity of the City. The City provides the following services: public safety (police and fire), highways and streets, water, sanitation, health and social services, culture and recreation, public improvements, community development, planning and zoning and general administrative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt or the levying of their taxes.

The component unit column in the basic financial statements identifies the financial data of the City's discretely component unit, the City of Norwood Board of Health. It is discretely reported to emphasize that it is legally separate from the City.

City of Norwood Board of Health

The City of Norwood Board of Health (Board) was created as a legally separate organization under chapter 3709 of the Ohio Revised Code. Among its various duties, the Board provides for the prompt diagnosis and control of communicable diseases. The Board may also inspect businesses where food is manufactured, handled, stored, or offered for sale. The Board is operated by a five-member board with all members being appointed by the City. The rates charged by the Board are subject to the approval of City Council. In addition, the City provides funding to the Board, thus the City can impose will on the Board, and the Board imposes a financial burden to the City. Therefore, the Board of Health is

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

considered a discretely presented component unit of the City. Information for the component unit is identified in Note 25. Statements for the Board can be obtained from the City Auditor's Office.

The City is associated with one jointly governed organization, the Ohio Energy Special Improvement District, Inc. (SID) (see Note 18) and one shared risk pool, the Public Entities Pool of Ohio (PEP) (see Note 19).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Norwood have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Basis of Presentation

The City'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.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for the City's fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the City at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business segment is self-financing or draws from the general revenues of the City.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Fund Financial Statements

During the year, the City segregates transactions related to certain City 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 City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds utilized by the City: governmental, proprietary, and fiduciary.

Governmental Funds

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

General Fund – This is the chief operating fund for the City and it is used to account for all revenues and expenditures which are not accounted for in other funds. The primary sources of revenue for this fund are earnings taxes, property taxes and local government funds. The General Fund Balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, general obligation bond principal and interest and certain other long-term obligations when the City is obligated for the payment.

The other governmental funds of the City account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

Proprietary Fund

Proprietary funds focus on the determination of operating income, changes in net position, financial position, and cash flows. The City's only proprietary funds are enterprise funds.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Enterprise Funds

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Fund – This fund is used to account for the provision of water treatment and distribution to residential and commercial users within the City.

Refuse Fund – This fund is used to account for refuse services provided to residents, businesses and industries located within the City.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The City does not have any trust funds. Agency funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City's only fiduciary funds are agency funds. The City's agency funds are used to account for fines and fees held for distribution to other governments, and for the collection of sewer billings that are collected on behalf of the Metropolitan Sewer District of Greater Cincinnati, and then disbursed to them monthly.

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and deferred inflows of resources generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund financial statements.

Like the government-wide statements, all proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Fund Net Position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

For proprietary funds, the Statement Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined and "available" means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes/payments in lieu of taxes is recognized in the year for which the taxes are levied or would have been levied (See Notes 7 and 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted,

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: municipal income taxes, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance) fines and forfeitures, and grants.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide Statement of Net Position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 14 and 15.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, OPEB, and unavailable revenue. Property taxes and revenue in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, other local taxes, municipal income taxes, delinquent payments in lieu of taxes, intergovernmental grants, and charges for services. These amounts are deferred and recognized as revenue in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position. (See Notes 14 and 15)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Pensions/Other Postemployment Benefits (OPEB)

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

Budgetary Process

All funds, other than 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 ordinance, 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 Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department and fund. Budgetary modifications may only be made by ordinance of Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. 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 final budgeted amounts represent estimates from the amended certificate in force at the time final appropriations were passed by Council.

The appropriations ordinance 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 appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year, including all supplemental appropriations.

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Cash and Cash Equivalents

Cash balances of the City's funds, except cash held by fiscal agents, are pooled and invested in order to provide improved cash management. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During 2019, the City invested in STAR Ohio. 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 City 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 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, 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.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as "Cash and Cash Equivalents."

Certain trust accounts that are held by the City, which include bond accounts and reserve accounts, are used to accumulate future principal and interest payments on bonds. These amounts are represented by "Restricted Assets: Cash and Cash Equivalents with Fiscal Agents". The City also utilizes a financial institution to service proceeds of debt. The balance in this account is presented as "Cash and Cash Equivalents with Fiscal Agents".

The City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during 2019 amounted to \$186,176 which includes \$128,941 assigned from other funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislations. Restricted

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Assets in the governmental funds represent Cash and Cash Equivalents with Fiscal Agents set aside to satisfy bond indenture requirements for future debt payments.

In the enterprise funds, water customer deposits are presented as Restricted Assets: Equity in Pooled Cash and Cash Equivalents.

Capital Assets and Depreciation

General capital assets are capital assets that are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values on the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacements.

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

Asset	Years
Buildings	45-100
Land Improvements	10-60
Vehicles	6-15
Furniture, Fixtures and Equipment	3-20
Infrastructure	40-100

The City's infrastructure consists of roads, bridges, curbs, gutters, sidewalks, water lines and storm water drainage systems.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "Interfund Receivable/Payable." Long-term interfund loan receivables/payables, reported as "Advances to Other Funds" or "Advances from Other Funds," are classified as nonspendable fund balance, which indicates that they are not in spendable form even

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though it is a component of net current assets. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees after one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

The entire compensated absences liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term bonds, notes, loans, capital leases, and the long-term police and fire pension are recognized as liabilities on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and refuse. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

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Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Bond Discounts

On the government-wide financial statements bond discounts are deferred and amortized over the term of the bonds using the straight-line (bonds outstanding) method, which approximates the effective interest method. Bond discounts are presented as reductions to the face amount of bonds payable.

On the governmental fund financial statements discounts are recognized in the period when the debt is issued.

Net Positions

Net positions represent the difference between assets and deferred outflows of resources compared to liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include funds for court programs, telecommunications and public health programs.

The long-term liability for the 2006 Tax Increment Financing Bonds and 2015 Rookwood Exchange Tax Increment Financing Bonds are not related to governmental activities because the proceeds were not used to construct a capital asset reported by the City. This liability is included in the calculation of unrestricted net position.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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Estimates

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

Fund Balance

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

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

Restricted The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. 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 or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resources providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that

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existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance. The City Auditor assigned fund balance to cover a gap between estimated revenue and appropriations in the 2020 appropriated budget.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all 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 City applies restricted resources first when expenditures are 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 expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION.

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The City evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

During 2019, it was discovered that, in prior years, certain revenues had been incorrectly posted into the City’s sewer custodial fund. It was determined that these revenues should have been posted into the City’s water fund. This correction had the following changes to net position at December 31, 2018:

	Water Fund	Business-Type Activities
Net Position at December 31, 2018	\$525,988	\$1,333,442
Posting correction	2,568,877	2,568,877
Restated Net Position at December 31, 2018	\$3,094,865	\$3,902,319

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NOTE 4 - FUND BALANCES

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

Fund Balances	General Fund	Debt Service Fund	All Other Governmental Funds	Total
Nonspendable				
Long-Term Advance	\$10,711	\$0	\$8,831	\$19,542
Restricted for				
Community Programs	0	0	24,782	24,782
Court Program	0	0	36,916	36,916
Park and Recreation	0	0	31,149	31,149
Capital Outlay	0	0	1,045,944	1,045,944
Road Improvements	0	0	67,652	67,652
Transportation	0	0	1,228,252	1,228,252
Fire	0	0	96,770	96,770
Police	0	0	109,004	109,004
Economic Developments	0	0	6,045	6,045
Paycor	0	0	1,608,512	1,608,512
Health Programs	0	0	8,934	8,934
Debt Service	0	1,810,150	0	1,810,150
Indigent Driver	0	0	180	180
<i>Total Restricted</i>	<u>0</u>	<u>1,810,150</u>	<u>4,264,140</u>	<u>6,074,290</u>
Committed to				
Purchases on Order	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>5,000</u>
Assigned to				
Future Appropriations	1,484,582	0	0	1,484,582
Purchases on Order	637,196	0	0	637,196
Total Assigned	<u>2,121,778</u>	<u>0</u>	<u>0</u>	<u>2,121,778</u>
Unassigned:	<u>3,544,539</u>	<u>0</u>	<u>0</u>	<u>3,544,539</u>
<i>Total Fund Balances</i>	<u>\$5,677,028</u>	<u>\$1,810,150</u>	<u>\$4,277,971</u>	<u>\$11,765,149</u>

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NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for the General Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

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

Net Changes in Fund Balance

	General
GAAP Basis	\$2,761,614
Revenue Accruals	35,593
Expenditure Accruals	(114,091)
Encumbrances	(742,028)
Budget Basis	\$1,941,088

NOTE 6 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

Active deposits are public monies determined to be necessary to meet current demands upon the City treasury. Active monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the

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current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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 held by the City may be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, 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, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAROhio);

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7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed thirty days.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Investments

Investments are reported at fair value. As of December 31, 2019, the City had the following investments:

<u>Measurement/ Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Rating</u>	<u>Percent of Total Investments</u>
Net Asset Value per Share: STAROhio	\$11,212,201	55.7 Days	AAAm	N/A

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. The above chart identifies the City's recurring fair value measurements as of December 31, 2019.

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For the Year Ended December 31, 2019

NOTE 7 - MUNICIPAL INCOME TAX

The City levies a municipal income tax of 2.0 percent on all salaries, wages, commissions, other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. However, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are distributed to the General Fund.

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2019 for real and public utility property taxes represents collections of 2018 taxes.

2019 real property taxes were levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2019, was \$11.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Real Property	\$222,849,550
Public Utility Personal Property	<u>23,147,700</u>
Total	<u><u>\$245,997,250</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December

CITY OF NORWOOD
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31, 2019, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2019 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2019, consisted of accounts, property taxes, municipal income taxes, revenue in lieu of taxes, advances to other funds, due from component unit, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible and will be received within one year with the exception of property taxes, income taxes, and revenue in lieu of taxes. Property, income taxes, and revenue in lieu of taxes although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	
Homestead and Rollback	\$93,974
Local Government	166,444
Gasoline Excise Tax	387,979
Motor Vehicle License Tax	37,796
On-behalf Grant	121,938
Total Intergovernmental Receivable	<u><u>\$808,131</u></u>

Revenue in Lieu of Taxes

In 2002, the City entered into the Cornerstone Tax Increment Financing Agreement between the City and Cornerstone at Norwood LLC, for the purpose of constructing the Cornerstone commercial facility and parking garage. In 2007, the City entered into an Urban Renewal Plan with Linden Pointe LLC, as the Redeveloper, for the purpose of constructing the Linden Pointe commercial and retail facility. To encourage improvements, Cornerstone at Norwood LLC and Linden Pointe LLC were granted a 100 percent exemption from paying any property taxes on the new construction. For Cornerstone at Norwood LLC, the exemption was granted for 30 years. For Linden Pointe LLC, the exemption is in effect for the earliest of the duration that the bonds issued in connection with this project are outstanding, or 30 years. Payments in lieu of taxes are made to the City in an amount equal to the real property taxes that otherwise would have been due in that current year. These payments are being used to finance public infrastructure improvements. Additional payments are made to the Norwood City School District since they are impacted by the exemption.

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A receivable for the amount of the payments estimated to be received in the following year has been recorded in the respective Debt Service and Linden Pointe Construction Funds, with a corresponding credit to deferred inflows of resources – revenue in lieu of taxes.

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance 12/31/2018	Additions	Deletions	Balance at 12/31/2019
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$12,906,146	\$0	\$256,798	\$12,649,348
Construction in Progress	0	483,805	0	483,805
Total Capital Assets, Not Being Depreciated	<u>12,906,146</u>	<u>483,805</u>	<u>256,798</u>	<u>13,133,153</u>
Capital Assets Being Depreciated				
Buildings	4,713,229	0	0	4,713,229
Land Improvements	1,482,809	56,368	0	1,539,177
Vehicles	4,907,144	87,364	0	4,994,508
Furniture, Fixtures and Equipment	3,783,503	365,571	0	4,149,074
Infrastructure	18,489,458	623,809	0	19,113,267
Total Capital Assets Being Depreciated	<u>33,376,143</u>	<u>1,133,112</u>	<u>0</u>	<u>34,509,255</u>
Less Accumulated Depreciation				
Buildings	(2,794,355)	(60,766)	0	(2,855,121)
Land Improvements	(1,059,766)	(10,946)	0	(1,070,712)
Vehicles	(3,897,692)	(105,567)	0	(4,003,259)
Furniture, Fixtures and Equipment	(2,314,044)	(216,596)	0	(2,530,640)
Infrastructure	(10,844,347)	(295,501)	0	(11,139,848)
Total Accumulated Depreciation	<u>(20,910,204)</u>	<u>(689,376)</u>	<u>0</u>	<u>(21,599,580)</u>
Total Capital Assets Being Depreciated, Net	<u>12,465,939</u>	<u>443,736</u>	<u>0</u>	<u>12,909,675</u>
Governmental Activities Capital Assets, Net	<u>\$25,372,085</u>	<u>\$927,541</u>	<u>(\$256,798)</u>	<u>\$26,042,828</u>

Depreciation expense was charged to governmental programs as follows:

<u>Governmental Activities</u>	
General Government	\$181,210
Security of Persons and Property:	
Police	96,811
Fire	84,420
Public Health Services	4,599
Leisure Time Services	39,060
Intergovernmental	26,563
Community and Economic Development	577
Transportation	256,136
Total Depreciation Expense	<u>\$689,376</u>

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	Balance 12/31/18	Additions	Deletions	Balance at 12/31/19
Business-Type Activities				
Capital Assets Being Depreciated				
Buildings	\$61,685	\$0	\$0	\$61,685
Vehicles	163,198	0	0	163,198
Furniture, Fixtures and Equipment	134,717	39,000	0	173,717
Infrastructure	3,560,384	0	0	3,560,384
Total Capital Assets Being Depreciated	3,919,984	39,000	0	3,958,984
Less Accumulated Depreciation				
Buildings	(55,456)	(113)	0	(55,569)
Vehicles	(163,198)	0	0	(163,198)
Furniture, Fixtures and Equipment	(134,717)	(13,000)	0	(147,717)
Infrastructure	(1,851,778)	(55,651)	0	(1,907,429)
Total Accumulated Depreciation	(2,205,149)	(68,764)	0	(2,273,913)
Business-Type Activities, Net	\$1,714,835	(\$29,764)	\$0	\$1,685,071

NOTE 11 - LONG-TERM DEBT

A schedule of changes in bonds and other long-term obligations of the governmental activities of the City during 2019 follows:

Types/Issues	Balance 12/31/18	Increases	Decreases	Balance 12/31/19	Due Within One Year
General Obligation Refunding Bonds:					
General Obligation Refunding Bonds 2006 - 4.48% - \$6,545,752	\$929,772	\$0	\$292,735	\$637,037	\$292,735
Long Term Note:					
Paycor Note 2015 - 5.00% - \$3,607,719	3,297,126	0	99,057	3,198,069	104,072
Special Assessment Bond:					
Central Park Special Assess. Bond 2017 - 6% - \$2,655,000	2,635,000	0	20,000	2,615,000	20,000
Tax Increment Financing Bonds:					
Tax Increment Financing Bonds 2006 - 4%-5.75% - \$12,500,000 Discount on Debt Issue	9,565,000 (95,605)	0	430,000 (7,355)	9,135,000 (88,250)	455,000 0
Linden Pointe Tax Increment Financing Bonds 2010 - 5%-7% - \$3,595,000	3,285,000	0	60,000	3,225,000	65,000
Tax Increment Financing Bonds 2013 - 6.00%-7.00% - \$7,050,000 Discount on Debt Issue	6,830,000 (68,072)	0	120,000 (2,723)	6,710,000 (65,349)	130,000 0
Rookwood Exchange TIF Bonds - 6.50% 2015 - \$20,350,000	19,465,000	0	340,000	19,125,000	365,000
Total Tax Increment Financing Bonds	\$38,981,323	\$0	\$939,922	\$38,041,401	\$1,015,000

(continued)

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Types/Issues	Balance 12/31/18	Increases	Decreases	Balance 12/31/19	Due Within One Year
<u>OPWC Loans:</u>					
OPWC Loan - Resurface					
Williams Ave 2003 - 0% - \$247,090	\$67,954	\$0	\$12,354	\$55,600	\$12,354
OPWC Loan - Montgomery Rd					
Phase II 2003 - 0% - \$623,255	186,977	0	31,163	155,814	31,163
OPWC Loan-Reconstruction					
Forest Ave. 2019 - 0% - \$199,609	0	199,609	0	199,609	6,654
OPWC Loan Beech Street Improv.					
2016 - 0% - \$20,420	19,060	0	680	18,380	680
OPWC Loan - Williams Avenue					
2017 - 0% - \$165,000	159,500	0	5,500	154,000	5,500
OPWC Loan - Hunter Ave. Improv.					
2017 - 0% - \$100,000	96,667	0	3,333	93,334	3,333
Total OPWC Loans	530,158	199,609	53,030	676,737	59,684
<u>Other Long-Term Obligations:</u>					
Capital Leases	1,008,731	0	217,876	790,855	202,956
2.12% Police & Fire Pension	1,768,499	0	76,135	1,692,364	79,405
Compensated Absences	3,340,788	782,921	841,137	3,282,572	598,024
Total Other Long-Term Obligations	6,118,018	782,921	1,135,148	5,765,791	880,385
<u>Net Pension Liability:</u>					
OP&F	23,650,056	4,900,173	0	28,550,229	0
OPERS	2,791,846	2,175,675	0	4,967,521	0
Total Net Pension Liability	26,441,902	7,075,848	0	33,517,750	0
<u>Net OPEB Liability:</u>					
OP&F	21,832,824	0	18,647,659	3,185,165	0
OPERS	1,902,543	395,418	0	2,297,961	0
Total Net OPEB Liability	23,735,367	395,418	18,647,659	5,483,126	0
Total Governmental Activities	\$102,668,666	\$8,453,796	\$21,187,551	\$89,934,911	\$2,371,876

The general obligation debt is supported through transfers from the General Fund to the Debt Service Fund.

During 2003, the City entered into a loan agreement with the Ohio Public Works Commission to help resurface Williams Avenue. This is an interest free, 20 year loan and the maturity date is January 1, 2024.

During 2003, the City entered into a loan agreement with the Ohio Public Works Commission for the Montgomery Road Phase II project. This is an interest free, 20 year loan and the maturity date is July 1, 2024.

In 2006, the Tax Increment Financing Bonds were refinanced. TIF revenues from all incremental property taxes are paid from parcels within the TIF district as defined by the City encompassing the project known as the "Cornerstone at Norwood". These incremental taxes on the TIF district will be collected by the Hamilton County Auditor and disbursed to the City of Norwood for the payment of the bonds.

In 2010, the City issued \$3,595,000 in Tax Increment Financing Bonds. A portion of the proceeds was used to retire the 2007 Linden Pointe Tax Increment Financing Bonds.

In 2015, Paycor Notes were issued in the amount of \$3,607,719. TIF Revenues from all incremental property taxes are paid from parcels within the TIF district as defined by the City. These incremental taxes on the TIF district will be collected by the Hamilton County Auditor and disbursed to the City of Norwood for the payment of bonds

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In 2015, the Rookwood Exchange Tax Increment Financing Bonds were issued in the amount of \$20,350,000. TIF Revenues from all incremental property taxes are paid from parcels within the TIF district as defined by the City. These incremental taxes on the TIF district will be collected by the Hamilton County Auditor and disbursed to the City of Norwood for the payment of bonds.

During 2017, the City entered into a loan agreement with the Ohio Public Works Commission for the Beech Street Improvement project. This is an interest free, 30 year loan and the maturity date is July 1, 2046. The OPWC is paid for by Permissive Tax collections.

During 2017, the City entered into a loan agreement with the Ohio Public Works Commission for the Williams Avenue project. This is an interest free, 30 year loan and the maturity date is July 1, 2047. The OPWC is paid for by Permissive Tax collections.

During 2017, the City entered into a loan agreement with the Ohio Public Works Commission for the Hunter Avenue Improvement project. This is an interest free, 30 year loan and the maturity date is July 1, 2047. The OPWC is paid for by Permissive Tax collections.

In 2017, the City issued Central Park Special Assessment Bonds. TIF revenues from all incremental property taxes are paid from parcels within the TIF district as defined by the City encompassing the project known as the "Central Park Bond". These incremental taxes on the TIF district will be collected by the Hamilton County Auditor and disbursed to the City of Norwood for the payment of the bonds.

During 2019, the City entered into a loan agreement with the Ohio Public Works Commission for the Forest Avenue Street Improvement project. This is an interest free, 30 year loan and the maturity date is July 1, 2049. The OPWC is paid for by Permissive Tax collections.

Compensated absences will be paid from the General, Transportation, Economic Development and Parks Funds. The capital lease liability will be paid from the General, Transportation and Fire Funds.

There is no repayment schedule for the net pension/OPEB liability. However, employer pension/OPEB contributions are made from the following funds: General Fund, Transportation Fund, and Health Fund. For additional information related to the net pension and net OPEB liabilities see Notes 14 and 15.

Police and Fire Past Service Liability

The City's accrued past service liability to the Ohio Police and Fire Pension Fund (OP&F) was determined and became a legal obligation to the State at the date the City became a participant in OP&F. The principal and interest payments are recorded in the security of persons and property expenditures in the general fund on the governmental fund statements.

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The Police and Fire Pension Liability is paid from special revenue fund taxes, and is recorded as an expenditure of Debt Service: Principal Retirement.

Changes in the long-term obligations reported in business-type activities of the City during 2019 were as follows:

Business-Type Activities

Types/Issues	Balance 12/31/18	Increases	Decreases	Balance 12/31/19	Due Within One Year
2009 OPWC Smith Road					
Waterline - 0% \$529,890	\$397,418	\$0	\$17,663	\$379,755	\$17,663
Compensated Absences	115,474	9,188	30,287	94,375	23,026
Net Pension Liability - OPERS	697,964	543,916	0	1,241,880	0
Net OPEB Liability - OPERS	475,636	98,855	0	574,491	0
Total	<u>\$1,686,492</u>	<u>\$651,959</u>	<u>\$47,950</u>	<u>\$2,290,501</u>	<u>\$40,689</u>

During 2009, the City entered into a loan agreement with the Ohio Public Works Commission to help fund improvements of the water distribution system. This is an interest free loan and the maturity date is January 1, 2041.

Compensated absences will be paid from the Water Fund. There is no repayment schedule for the net pension/OPEB liability. However, employer pension/OPEB contributions are made from the Water Fund. For additional information related to the net pension and net OPEB liabilities see Notes 14 and 15.

As of December 31, 2019, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$26,677,898 and the unvoted debt margin was \$14,378,036.

Annual Long-Term Debt Requirements

Principal and interest requirements to retire the City's long-term obligations outstanding at year-end are as follows:

Year	Note		Governmental Activities			Various Purpose	
	Principal	Interest	OPWC Loans	Tax Increment Financing Bonds		Principal	Interest
2020	\$104,072	\$158,619	\$59,684	\$1,015,000	2,656,366	\$292,735	18,345
2021	109,340	153,350	\$59,685	1,130,000	2,591,141	344,301	4,856
2022	114,876	147,815	\$59,685	1,210,000	2,516,076	0	0
2023	120,691	141,999	\$59,685	1,280,000	2,435,841	0	0
2024	126,801	135,889	\$53,508	1,415,000	2,350,636	0	0
2025-2029	737,046	576,405	80,839	8,840,000	10,184,788	0	0
2030-2034	943,482	369,969	80,839	8,890,000	6,943,179	0	0
2035-2039	941,762	108,998	80,839	9,250,000	3,882,034	0	0
2040-2044	0	0	80,839	5,165,000	649,650	0	0
2045-2049	0	0	61,134	0	0	0	0
Totals	<u>\$3,198,069</u>	<u>\$1,793,044</u>	<u>\$676,737</u>	<u>\$38,195,000</u>	<u>\$34,209,713</u>	<u>\$637,037</u>	<u>\$23,201</u>

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Year	Governmental Activities Pension Liability - Special Assessment Bond		Governmental Activities Police and Fire Past Service Liability		Business Type Activities OPWC Loans
	Principal	Interest	Principal	Interest	Principal
2020	\$20,000	156,900	\$79,405	\$71,090	\$17,663
2021	25,000	155,700	82,816	67,680	17,663
2022	30,000	154,200	86,373	64,123	17,663
2023	30,000	152,400	90,083	60,413	17,663
2024	40,000	150,600	93,952	56,544	17,663
2025-2029	250,000	714,000	533,871	218,608	88,315
2030-2034	385,000	623,700	658,806	93,673	88,315
2035-2039	575,000	486,900	67,057	1,425	88,315
2040-2044	835,000	285,000	0	0	26,495
2045-2049	425,000	38,700	0	0	0
Totals	<u>\$2,615,000</u>	<u>\$2,918,100</u>	<u>\$1,692,364</u>	<u>\$633,556</u>	<u>\$379,755</u>

NOTE 12 - LEASES - LESSEE DISCLOSURE

During 2019, the City entered into capital leases for various types of equipment and vehicles. In prior years, the City entered into capital leases for vehicles. By the terms of the agreements, ownership of the equipment is transferred to the City by the end of the four year lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets acquired by leases have been capitalized in the Statement of Net Position for governmental activities in the amount of \$2,593,950. A corresponding liability was recorded on the Statement of Net Position for governmental activities. Principal payments in 2019 totaled \$217,876.

The assets acquired through capital leases are as follows:

Asset	Asset Value	Accum. Depr.	Net Book Value Dec. 31, 2019
Vehicles	\$1,409,195	\$745,946	\$663,249
Furniture, Fixtures, and Equipment	1,184,755	329,622	855,133
Total	<u>\$2,593,950</u>	<u>\$1,075,568</u>	<u>\$1,518,382</u>

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The following is a schedule of future minimum payments on capital leases and the present value of the minimum lease payments at December 31, 2019:

Year	Governmental Activities
2020	\$234,350
2021	219,102
2022	219,102
2023	139,393
2024	30,636
2025	30,636
Total Minimum Lease Payments	873,219
Less: Amount Representing Interest	(82,364)
Present Value of Minimum Lease Payments	\$790,855

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of property and casualty losses, and injuries to employees.

The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2018, PEP retained \$500,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2018 (the latest information available).

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	<u>2018</u>
Assets	\$38,432,610
Liabilities	<u>(14,705,917)</u>
Net Position	<u>\$23,726,693</u>

At December 31, 2018, the liabilities above include approximately \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$11.8 million of unpaid claims to be billed. The Pool's membership increased to 538 members in 2018. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the Government's share of these unpaid claims collectible in future years is approximately \$21,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

<u>Contributions to PEP</u>	<u>Amount</u>
2017	\$204,250
2018	\$190,095
2019	\$184,791

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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NOTE 14 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability (Asset) /Net OPEB Liability

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

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

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

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

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The proportionate share of each plan's unfunded benefits is presented as a net pension/OPEB asset or a long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note XX for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

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

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

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Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Final Average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint

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and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee *	10.0%
 2018 Actual Contribution Rates	
Employer:	
Pension **	14.0%
Post-employment Health Care Benefits **	0.0%
Total Employer	14.0%
Employee	10.0%

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

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

For 2019, the City's contractually required contribution was \$430,555 for the traditional plan, nothing was contributed for the combined plan and \$12,698 for the member-directed plan. Of these amounts, \$41,984 is reported as an intergovernmental payable for the traditional plan, \$0 for the combined plan, and \$1,289 for the member-directed plan.

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

Plan Description – City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced.

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Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3 percent or the percent increase, if any, in the Consumer Price Index over the 13 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

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

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
 2019 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	0.50%	0.50%
Total Employer	19.50%	24.00%
Employee	12.25%	12.25%

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Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,678,411 for 2019. Of this amount, \$177,707 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2019, the specific liability of the City was \$1,692,364 payable in semi-annual payments through the year 2035.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.02267200%	0.00000000%	0.34976700%	
Prior Measurement Date	<u>0.02224500%</u>	<u>0.00685300%</u>	<u>0.38534000%</u>	
Change in Proportionate Share	<u>0.00042700%</u>	<u>-0.00685300%</u>	<u>-0.03557300%</u>	
Proportionate Share of the:				
Net Pension Liability	\$6,209,401	\$0	\$28,550,229	\$34,759,630
Pension Expense	1,311,537	687	3,344,729	4,656,953

2019 pension expense for the member-directed defined contribution plan was \$12,698. The aggregate pension expense for all pension plans was \$4,669,651 for 2019.

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

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	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources:				
Differences between expected and actual experience	\$286	\$0	\$1,173,015	\$1,173,301
Changes of assumptions	540,544	0	756,906	1,297,450
Net difference between projected and actual earnings on pension plan investments	842,790	0	3,517,364	4,360,154
Changes in proportion and differences between City contributions and proportionate share of contributions	50,828	5,508	935,336	991,672
City contributions subsequent to the measurement date	430,555	0	1,678,411	2,108,966
Total Deferred Outflows of Resources	<u>\$1,865,003</u>	<u>\$5,508</u>	<u>\$8,061,032</u>	<u>\$9,931,543</u>
Deferred Inflows of Resources:				
Differences between expected and actual experience	\$81,533	\$0	\$26,660	\$108,193
Changes in proportion and differences between City contributions and proportionate share of contributions	17,704	0	3,843,795	3,861,499
Total Deferred Inflows of Resources	<u>\$99,237</u>	<u>\$0</u>	<u>\$3,870,455</u>	<u>\$3,969,692</u>

\$2,108,966 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
2020	\$570,167	\$678	\$1,177,788	\$1,748,633
2021	294,898	678	408,647	704,223
2022	78,186	678	208,445	287,309
2023	391,960	678	784,121	1,176,759
2024	0	678	(66,835)	(66,157)
Thereafter	0	2,118	0	2,118
Total	<u>\$1,335,211</u>	<u>\$5,508</u>	<u>\$2,512,166</u>	<u>\$3,852,885</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was

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determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018, are presented below.

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change was effective beginning with the 2018 valuation.

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

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts

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of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94 percent for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00% %	2.79%
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	<u>100.00% %</u>	<u>5.95%</u>

Discount Rate For 2018, the discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. For 2017, the discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

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	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	\$9,173,091	\$6,209,401	\$3,746,548
OPERS Combined Plan	0	0	0

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2018, are presented below.

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Future Salary Increases, including inflation	
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Increases	3.75 percent
Payroll Growth	
Cost of Living Adjustments	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent 3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	0.80%
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income *	23.00	2.60
High Yield Fied Income	7.00	4.80
Private Credit	5.00	7.50
U.S. Inflation Linked Bonds *	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assests	8.00	7.00
Private Real Estate	12.00	6.10
Total	120.00%	

Note: Assumptions are geometric.

* levered 2x

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OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 8.00 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, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$37,527,309	\$28,550,229	\$21,048,583

NOTE 15 - DEFINED BENEFIT OPEB PLANS

See Note 14 for a description of the net OPEB liability

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form

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of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

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

The City's contractually required contribution was \$5,291 for 2019. Of this amount, \$516 is reported as an intergovernmental payable.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

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

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contractually required contribution to OP&F was \$39,130 for 2019. Of this amount, \$4,203 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.02203200%	0.34976700%	
Prior Measurement Date	0.02190000%	0.38534000%	
Change in Proportionate Share	0.00013200%	-0.03557300%	
			Total
Proportionate Share of the Net OPEB Liability	\$2,872,452	\$3,185,165	\$6,057,617
OPEB Expense	\$262,862	(\$16,200,537)	(\$15,937,675)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$973	\$0	\$973
Changes of assumptions	92,611	1,651,036	1,743,647
Net difference between projected and actual earnings on pension plan investments	131,685	107,821	239,506
Changes in proportion and differences between City contributions and proportionate share of contributions	9,613	0	9,613
City contributions subsequent to the measurement date	5,291	39,130	44,421
Total Deferred Outflows of Resources	<u>\$240,173</u>	<u>\$1,797,987</u>	<u>\$2,038,160</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$7,794	\$85,337	\$93,131
Changes of assumptions	0	881,804	881,804
Changes in proportion and differences between City contributions and proportionate share of contributions	8,203	3,100,230	3,108,433
Total Deferred Inflows of Resources	<u>\$15,997</u>	<u>\$4,067,371</u>	<u>\$4,083,368</u>

\$44,421 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2020	\$100,177	(\$379,637)	(\$279,460)
2021	30,536	(379,637)	(349,101)
2022	21,834	(379,637)	(357,803)
2023	66,338	(347,026)	(280,688)
2024	0	(398,440)	(398,440)
Thereafter	0	(424,137)	(424,137)
Total	<u>\$218,885</u>	<u>(\$2,308,514)</u>	<u>(\$2,089,629)</u>

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical

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pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	3.71 percent
Prior Measurement date	3.31 percent
Health Care Cost Trend Rate:	
Current measurement date	10.0 percent, initial 3.25 percent, ultimate in 2029
Prior Measurement date	7.25 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age Normal

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change was be effective for the 2018 valuation.

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

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.6 percent for 2018.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	2.42%
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	<u>100.00%</u>	<u>5.16%</u>

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond

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Hamilton County, Ohio
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For the Year Ended December 31, 2019

rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	\$3,674,938	\$2,872,452	\$2,234,265

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuary's project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$2,761,050	\$2,872,452	\$3,000,758

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 For the Year Ended December 31, 2019

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	4.66 percent
Prior measurement date	3.24 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Discount Rate For 2019, the total OPEB liability was calculated using the discount rate of 4.66 percent. For 2018, the total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent for 2018 and 3.24 percent for 2017. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2031. The long-term expected rate of return on health care investments was applied to projected costs through 2031, and the municipal bond rate was applied to all health care costs after that date.

CITY OF NORWOOD
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 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2019

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	\$3,880,401	\$3,185,165	\$2,601,575

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

NOTE 16 - OTHER EMPLOYEE BENEFITS

Deferred Compensation

City employees may participate in the Ohio Public Employees Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. The Deferred pay and income earned on it is not subject to federal and State income until actually received by the employee. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Insurance

Medical/surgical benefits are provided to full-time City employees. The provider of these benefits is Anthem BC/BS Health Care. The City pays between 80 and 100 percent of the single monthly premiums depending on which plan and coverage is selected. The cost of the premium varies with each employee depending on the plan and coverage selected.

NOTE 17 - INTERFUND ACTIVITY

The General Fund advanced monies to the Parks Fund, the outstanding balance is \$10,711. The Permissive Tax fund advance monies to the Water Fund, the outstanding balance is \$8,831.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 18 - JOINTLY GOVERNED ORGANIZATION

The City participates in the Ohio Energy Special Improvement District, Inc. (SID), a 501(c)(3) not for profit corporation. The SID was created to encourage and participate in programs which maintain, improve, and expand the central business district as a viable business, cultural, and recreational community, to provide programming which will preserve the economic well-being and employment opportunities in the central business district, and to encourage and participate in programs to preserve the aesthetic, architectural, and historical character of the central business district. The SID is governed by an eight member board of trustees consisting of the Mayor of the City of Norwood, Ohio.

NOTE 19 - SHARED RISK POOL

The Public Entities Pool of Ohio (PEP) is a statutory entity created pursuant to section 2744.081, of the Ohio Revised Code, by the execution of an intergovernmental contract (“Participation Agreements”). PEP enables the subscribing subdivisions to pool risk for property, liability and public official liability. PEP has no employees, rather it is administered through contracts with various professionals.

Pursuant to a contract, the firm of Wells Fargo Insurance Services administers PEP. PEP is a separate legal entity. PEP subcontracts certain self-insurance, administrative and claims functions to a “Pool Operator,” currently Pottering Insurance. PEP has executed contracts with various professionals for actuary services, as independent auditors, as loss control representatives, as litigation management and defense law firms, as counsel to PEP and others as required.

PEP is governed by a seven member Board of Trustees elected by the members of PEP. The City makes an annual contribution to PEP for the coverage it is provided, based on rates established by PEP. Financial information may be obtained by writing to the Public Entities Pool of Ohio, 10100 Innovation Drive, Dayton, Ohio, 45342.

NOTE 20 - SIGNIFICANT COMMITMENTS

Contractual Commitments

The City has entered into various contracts for the construction and acquisition of capital assets. At December 31, 2019, the significant outstanding construction commitments are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At 12/31/19</u>
Highland Avenue	\$582,571	\$279,213	\$303,358
Section Avenue	186,350	144,592	41,758
Totals	<u>\$768,921</u>	<u>\$423,805</u>	<u>\$345,116</u>

CITY OF NORWOOD
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Governmental Funds:	
General Fund	\$744,478
Nonmajor Governmental Funds	530,895
Total Governmental Funds	<u>1,275,373</u>
Proprietary Funds:	
Water Fund	<u>135,111</u>
Total	<u><u>\$1,410,484</u></u>

NOTE 21 - CONTINGENCIES

Litigation

The City is party to legal proceedings. The City is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

Federal and State Grants

For the period January 1, 2019, to December 31, 2019, the City received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 22 - FISCAL EMERGENCY

On October 6, 2016, the Auditor of State declared the City of Norwood to be in a state of fiscal emergency in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a financial planning and supervision commission. The Commission is comprised of a representative of the Office of Budget and Management, a representative of the Treasurer of State, the Mayor, the President of City Council, and three individuals appointed by the Governor who are residents of the City and meet certain criteria. In accordance with Section 118.06 of the Ohio Revised Code, the City is required to submit to the Commission a financial recovery plan for the City which outlines the measures to be taken to eliminate the fiscal emergency conditions. The initial recovery plan was approved by the City on July 5, 2017. The last amended recovery plan is dated March 26, 2020.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 23 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 24 – TRANSFER OF OPERATIONS

Consistent with the provisions of Ohio Revised Code Section 3709.36, the City of Norwood's health department was reorganized as a legally separate organization (City of Norwood Board of Health) rather than continuing to operate as a department of the City. This change was effective January 1, 2019, and is being accounted for by the City as a transfer of operations. The Board is reported as a discretely presented component unit of the City. For 2019, the City is reporting a special item of \$214,366 for the loss on transfer of operations on the statement of activities and the statement of revenues, expenditures and changes in fund balances. Other than the special item, the City did not report any revenues or expenditures/expenses related to the health department.

NOTE 25 – COMPONENT UNIT – CITY OF NORWOOD BOARD OF HEALTH

Description of Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the City of Norwood Board of Health (the Board) as a body corporate and politic. A five member Board and a Health Commissioner govern the Board. Consistent with the provisions of Ohio Revised Code Section 3709.36, the Board is a legally separate organization. Among its various duties, the Board provides for the prompt diagnosis and control of communicable diseases. The Board may also inspect businesses where food is manufactured, handled, stored, or offered for sale. The Board is operated by a board with all members being appointed by the City. The rates charged by the Board are subject to the approval of City Council.

Summary of Significant Accounting Policies

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Basis of Presentation

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

Fund Accounting

The Board uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Board's general fund and the grants special revenue fund are both governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Measurement Focus

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Board are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Board receives value without directly giving equal value in return, include grants. Revenue from grants are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursement basis.

Expenses/Expenditures

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Cash and Cash Equivalents

The City of Norwood's Auditor's Office is custodian for the Board's deposits. The City's deposit and investment pool holds the Board's assets, valued at the Auditor's Office reported carrying amount.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Transfer of Operations

Consistent with the provisions of Ohio Revised Code Section 3709.36, the City of Norwood's health department was reorganized as a legally separate organization rather than continuing to operate as a department of the City. This change was effective January 1, 2019, and is being accounted for as a transfer of operations in 2019. The Board is reported as a discretely presented component unit of the City of Norwood (See Note 1).

The amounts recognized as of the effective date of the transfer are:

	General Fund	Grant Fund	Total
Fund Balance at January 1, 2019	\$0	\$0	\$0
Adjustments:			
Assets	0	217,501	217,501
Liabilities	0	(3,135)	(3,135)
Total Adjusted Fund Balance at January 1, 2019	\$0	\$214,366	\$214,366
Adjusted Fund Balance at January 1, 2019			
Unassigned (Deficit)	\$0	\$214,366	\$214,366
		Board of Health at 1/1/19	
Assets			
Current and Other Assets		\$217,501	
Liabilities			
Current Liabilities		\$3,135	
Net Position			
Unrestricted		\$214,366	

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City of Norwood, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Public Employees Retirement System - Traditional Plan
 Last Six Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's Proportion of the Net Pension Liability	0.02672000%	0.02224500%	0.02241400%
City's Proportionate Share of the Net Pension Liability	\$6,209,401	\$3,489,810	\$5,089,838
City's Covered Payroll	\$3,062,250	\$2,938,277	\$2,901,125
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.77%	118.77%	175.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

2016	2015	2014
0.02444100%	0.02393400%	0.02393400%
\$4,233,490	\$2,886,707	\$2,821,507
\$3,039,567	\$2,934,125	\$3,177,538
139.28%	98.38%	88.80%
81.08%	86.45%	86.36%

City of Norwood, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the
 Net Pension Liability
 Ohio Public Employees Retirement System - Combined Plan
 Last Two Years (1)

	2019	2018
City's Proportion of the Net Pension Liability	0.00000000%	0.00685300%
City's Proportionate Share of the Net Pension Asset	\$0	\$9,330
City's Covered Payroll	\$0	\$28,062
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	0.00%	-33.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	126.64%	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

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

City of Norwood, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net OPEB Liability
Ohio Public Employees Retirement System - OPEB Plan
Last Three Years (1)

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.022032000%	0.021900000%	0.022130000%
City's Proportionate Share of the Net OPEB Liability	\$2,872,452	\$2,378,179	\$2,235,205
City's Covered Payroll	\$3,195,725	\$3,100,689	\$3,062,967
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.88%	76.70%	72.98%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

City of Norwood, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Six Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's Proportion of the Net Pension Liability	0.34976700%	0.38534000%	0.42762300%
City's Proportionate Share of the Net Pension Liability	\$28,550,229	\$23,650,056	\$27,085,212
City's Covered Payroll	\$8,055,832	\$12,902,347	\$8,632,814
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	354.40%	183.30%	313.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

2016	2015	2014
0.44499400%	0.39166280%	0.39166280%
\$28,626,776	\$20,289,766	\$19,075,207
\$6,367,270	\$7,696,906	\$5,493,037
449.59%	263.61%	347.26%
66.77%	71.71%	73.00%

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City of Norwood, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the
 Net OPEB Liability
 Ohio Police and Fire Pension Fund
 Last Three Years (1)

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.34976700%	0.38534000%	0.42762300%
City's Proportionate Share of the Net OPEB Liability	\$3,185,165	\$21,832,824	\$20,298,302
City's Covered Payroll	\$8,055,832	\$12,902,347	\$8,632,814
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	39.54%	169.22%	235.13%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

City of Norwood, Ohio
 Required Supplementary Information
 Schedule of the City's Contributions
 Ohio Public Employees Retirement System
 Last Seven Years (1)(2)

	2019	2018	2017	2016
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$430,555	\$428,715	\$381,976	\$348,135
Contributions in Relation to the Contractually Required Contribution	<u>(430,555)</u>	<u>(428,715)</u>	<u>(381,976)</u>	<u>(348,135)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$3,075,393	\$3,062,250	\$2,938,277	\$2,901,125
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>
Net Pension Liability - Combined Plan				
Contractually Required Contribution	\$0	\$0	\$3,648	\$3,482
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>(3,648)</u>	<u>(3,482)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$0	\$0	\$28,062	\$29,017
Pension Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>13.00%</u>	<u>12.00%</u>
Net OPEB Liability - OPEB Plan				
Contractually Required Contribution	\$5,291	\$5,339	\$35,037	\$63,916
Contributions in Relation to the Contractually Required Contribution	<u>(5,291)</u>	<u>(5,339)</u>	<u>(35,037)</u>	<u>(63,916)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (3)	\$3,075,393	\$3,195,725	\$3,100,689	\$3,062,967
OPEB Contributions as a Percentage of Covered Payroll	<u>0.17%</u>	<u>0.17%</u>	<u>1.13%</u>	<u>2.09%</u>

- (1) Information prior to 2013 is not available for traditional plan. Information prior to 2016 is not available for the combining plan.
- (2) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
- (3) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

<u>2015</u>	<u>2014</u>	<u>2013</u>
\$364,748	\$352,095	\$413,080
<u>(364,748)</u>	<u>(352,095)</u>	<u>(413,080)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,039,567	\$2,934,125	\$3,177,538
<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>

City of Norwood, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net Pension Liability				
Contractually Required Contribution	\$1,678,411	\$1,731,489	\$2,760,003	\$1,836,799
Contributions in Relation to the Contractually Required Contribution	<u>(1,678,411)</u>	<u>(1,731,489)</u>	<u>(2,760,003)</u>	<u>(1,836,799)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$7,826,068	\$8,055,832	\$12,902,347	\$8,632,814
Pension Contributions as a Percentage of Covered Payroll	<u>21.45%</u>	<u>21.49%</u>	<u>21.39%</u>	<u>21.28%</u>
Net OPEB Liability				
Contractually Required Contribution	\$39,130	\$40,279	\$64,512	\$43,164
Contributions in Relation to the Contractually Required Contribution	<u>(39,130)</u>	<u>(40,279)</u>	<u>(64,512)</u>	<u>(43,164)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.95%</u>	<u>21.99%</u>	<u>21.89%</u>	<u>21.78%</u>

(1) The City's Covered payroll is the same for Pension and OPEB.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$1,356,782	\$1,639,083	\$982,759	\$1,297,224	\$1,358,372	\$1,379,918
<u>(1,356,782)</u>	<u>(1,639,083)</u>	<u>(982,759)</u>	<u>(1,297,224)</u>	<u>(1,358,372)</u>	<u>(1,379,918)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,367,270	\$7,696,906	\$5,493,037	\$8,610,736	\$9,054,786	\$9,214,359
<u>21.31%</u>	<u>21.30%</u>	<u>17.89%</u>	<u>15.07%</u>	<u>15.00%</u>	<u>14.98%</u>
\$31,836	\$38,484	\$198,665	\$581,225	\$611,198	\$621,969
<u>(31,836)</u>	<u>(38,484)</u>	<u>(198,665)</u>	<u>(581,225)</u>	<u>(611,198)</u>	<u>(621,969)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.50%</u>	<u>0.50%</u>	<u>3.62%</u>	<u>6.75%</u>	<u>6.75%</u>	<u>6.75%</u>
<u>21.81%</u>	<u>21.80%</u>	<u>21.51%</u>	<u>21.82%</u>	<u>21.75%</u>	<u>21.73%</u>

CITY OF NORWOOD
Notes to the Required Supplementary Information
For the Year Ended December 31, 2019

Changes in Assumptions – OPERS Pension

Amounts reported beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used beginning in 2017 and in 2016 and prior are presented below:

	2019	2018 and 2017	2016 and prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Changes in Assumptions – OP&F Pension

Amounts reported beginning in 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

CITY OF NORWOOD
Notes to the Required Supplementary Information
For the Year Ended December 31, 2019

	2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Amounts reported beginning in 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

Amounts reported beginning in 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

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

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

CITY OF NORWOOD
Notes to the Required Supplementary Information
For the Year Ended December 31, 2019

Changes in Assumptions – OPERS OPEB

For 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. For 2019, the health care cost trend rate was 10 percent, initial; 3.25 ultimate in 2029. For 2018, the health care cost trend rate was 7.25 percent, initial; 3.25 percent ultimate in 2028.

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions – OP&F OPEB

For 2019, the single discount rate changed from 3.24 percent to 4.66 percent.

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

Changes in Benefit Terms – OP&F OPEB

For 2019, OP&F recognized a change in benefit terms. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards***

City of Norwood
Hamilton County
4645 Montgomery Road
Norwood, Ohio 45212

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwood, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 23, 2020, wherein we noted that the City is in Fiscal Emergency and that the City implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Certain Authoritative Guidance*. We also noted the financial impact of COVID-19 and the ensuing emergency measures that will impact subsequent periods of the City.

Internal Control over Financial Reporting

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

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

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

Members of Council
City of Norwood, Hamilton County
Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards

Compliance and Other Matters

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

Purpose of this Report

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

October 23, 2020

City of Norwood, Ohio
Schedule of Prior Audit Findings
For the Year Ended December 31, 2019

Finding Number	Description	Status	Comments
	<i>Government Auditing Standards:</i>		
2018-001	Ohio Revised Code § 5705.10 – Negative cash fund balance	Corrected	N/A

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF NORWOOD

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/15/2020

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

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