



Mary Taylor, CPA
Auditor of State

**CITY OF NORWOOD
HAMILTON COUNTY**

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HAMILTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwood, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and remaining fund information of the City of Norwood, Hamilton County, Ohio, as of December 31, 2007, and the respective changes in financial position and where applicable cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2007, the City modified their basis of accounting presentation and implemented financial statements that conformed with Generally Accepted Accounting Principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated [Date], 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit and do not express an opinion on this information.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 23, 2009

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007
Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Discussion and analysis of the City of Norwood's financial performance provides an overall review of the City's financial activities for the year ending December 31, 2007. 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 enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2007 are as follows:

- The City's total governmental activities' net assets increased \$4,752,565 which represents a 38 percent increase from 2006. Business-type activities net assets increased \$131,795 which represents a 5 percent decrease from 2006.
- For governmental activities, general receipts accounted for \$22,525,810 or 77 percent of all receipts. Program receipts in the form of charges for services, operating and capital grants, contributions, and interest accounted for \$6,615,548 or 23 percent of total receipts of \$29,141,358.
- The City had \$24,031,584 in disbursements related to governmental activities; only \$6,615,548 of these disbursements were offset by program specific charges for services, grants, contributions, and interest. General receipts (primarily property and municipal income taxes) were \$22,525,810.
- Enterprise funds reflected a total operating loss of \$222,207. The Water and Refuse funds reflected an operating income (or loss) of (\$266,216) and \$44,009, respectively. The water and refuse operations, decreased in net assets by \$131,795.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34 in compliance with the Generally Accepted Accounting Principles.

Report Components

The Statement of Net Assets and the Statement of Activities provide information about the cash 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.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007
Unaudited

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. 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 Assets and the Statement of Activities

The analysis of the City as a whole begins with the Statement of Net Assets 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 and liabilities 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 assets 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 Assets 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 this operation 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 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 spent in the near future on services provided to our

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007
Unaudited

residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets 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 assets for 2007 compared to 2006:

Table 1 Net Assets

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets:						
Current & Other Assets	\$32,941,626	\$30,371,587	\$1,710,998	\$1,508,967	\$34,652,624	\$31,880,554
Nondepr. Capital Assets	6,376,146	4,160,823	0	0	\$6,376,146	\$4,160,823
Depr. Capital Assets, Net	13,524,013	10,291,803	1,891,698	1,552,551	\$15,415,711	\$11,844,354
Total Assets	52,841,785	44,824,213	3,602,696	3,061,518	56,444,481	47,885,731
Liabilities:						
Current & Other Liabilities	4,824,487	4,654,316	621,298	255,296	5,445,785	4,909,612
Long-Term Liabilities				0	0	0
Due Within One Year	2,012,131	1,666,149	46,178	38,081	2,058,309	1,704,230
Due in More Than One Year	28,593,391	25,844,537	123,607	88,323	28,716,998	25,932,860
Total Liabilities	35,430,009	32,165,002	791,083	381,700	36,221,092	32,546,702
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	8,280,277	4,919,270	1,747,399	1,436,315	10,027,676	6,355,585
Restricted	18,837,344	19,396,312	0	0	18,837,344	19,396,312
Unrestricted	(9,705,845)	(11,656,371)	1,064,214	1,243,503	(8,641,631)	(10,412,868)
Total Net Assets	17,411,776	12,659,211	2,811,613	2,679,818	20,223,389	15,339,029

As mentioned previously, net assets of governmental activities increased \$4,752,565 or 38 percent during 2007. The primary reason contributing to the increase is an increase in cash balances due the rise in earnings tax revenues. 2007 was the first year for mandatory filing for income tax returns in the City. Revenues increased 14 percent. Capital asset additions for governmental activities also exceeded depreciation expense by \$5,790,161 for 2007.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007
Unaudited

Table 2 shows the changes in net assets for the year ended December 31, 2007. Since this is the first year the city has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to 2006 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$1,878,239	\$4,340,550	\$6,218,789
Operating Grants, Contributions and Interest	1,190,753	0	1,190,753
Capital Grants, Contributions and Interest	3,546,556	0	3,546,556
Total Program Revenues	6,615,548	4,340,550	10,956,098
General Revenues:			
Property Taxes	2,839,462	0	2,839,462
Income Taxes	15,692,244	0	15,692,244
Other Taxes	126,034	0	126,034
Grants and Entitlements Not Restricted to Specific Programs	1,381,070	0	1,381,070
Unrestricted Contributions	1,261,003	0	1,261,003
Investment Earnings	1,151,979	0	1,151,979
Gain on Sale of Capital Assets	0	0	0
Other	74,018	8,276	82,294
Total General Revenues	22,525,810	8,276	22,534,086
Total Revenues	29,141,358	4,348,826	33,490,184
Program Expenses:			
General Government	4,550,813	0	4,550,813
Security of Persons and Property:			
Police	6,514,479	0	6,514,479
Fire	7,324,613	0	7,324,613
Public Service	69,114	0	69,114
Public Health	1,059,730	0	1,059,730
Leisure Time Activities	492,524	0	492,524
Economic Development	111,048	0	111,048
Public Works	392,265	0	392,265
Transportation	1,832,601	0	1,832,601
Intergovernmental	56,521	0	56,521
Interest and Fiscal Charges	1,627,876	0	1,627,876
Refuse Collection	0	1,206,583	1,206,583
Water	0	3,367,657	3,367,657
Total Expenses	24,031,584	4,574,240	28,605,824
Increase in Net Assets Before Transfers	5,109,774	(225,414)	4,884,360
Transfers	(357,209)	357,209	0
Increase in Net Assets	4,752,565	131,795	4,884,360
Net Assets, January 1 (Restated)	12,659,211	2,679,818	15,339,029
Net Assets, December 31	\$17,411,776	\$2,811,613	\$20,223,389

Governmental program receipts represent only 23 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits, and grants.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007
Unaudited

General revenues of governmental activities represent 77 percent of the City's governmental receipts, and 70 percent of general revenue is local taxes. Property taxes make up 13 percent of the City's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

The City's business type activities, Water and Refuse Funds, account for 13 percent of the City's total receipts.

Governmental Activities

The 2.0% 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 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 public health services. In 2007 there was a substantial increase in earnings tax revenue. The primary reasons contributing to the increase was 2007 being the first year for mandatory filing for income tax returns in the City.

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Government. 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 58 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 19 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 Government that must be used to provide a specific service. The net Receipt (Disbursement) 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.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007
 Unaudited

(Table 3)

	Governmental Activities	
	Total Cost of Services 2007	Net Cost of Services 2007
	<u>2007</u>	<u>2007</u>
General Government		
Legislative & Executive	\$4,428,036	(\$3,716,906)
Judicial	122,777	151,680
Security of Persons and Property		
Police	6,514,479	(6,400,423)
Fire	7,324,613	(6,793,668)
Public Service	69,114	(69,114)
Public Health	1,059,730	(875,477)
Leisure Time Activities	492,524	185,966
Economic Development	111,048	(104,552)
Public Works	392,265	(392,265)
Transportation	1,832,601	2,283,120
Intergovernmental	56,521	(56,521)
Interest & Fiscal Charges	1,627,876	(1,627,876)
Total Expenses	<u>\$24,031,584</u>	<u>(\$17,416,036)</u>

The dependence upon property and income tax receipts is apparent as 83 percent of governmental activities are supported through these general receipts.

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 most recent increase of 8% took effect in February 2007. This increase in water rates was needed in order to continue the process of upgrading the City's antiquated water system and to reflect the ever increasing cost of water.

The Refuse Disposal Fund is used to account for moneys collected from Norwood citizens, business and industries for refuse disposal service; and to account for the payment of refuse disposal bills. The Refuse Disposal 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 (see the Table of Contents). These funds are reported using the accrual basis of accounting. In total, all governmental funds reported revenues of \$28,606,543 and expenses of \$29,857,400.

Within the General Fund, there were receipts of \$21,495,334 and expenditures of \$18,524,604. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$2,016,306 as the result of increased earnings tax revenue.

Within the Debt Service Fund, there were receipts of \$1,298,490 and expenditures of \$1,884,559. The fund balance of this fund decreased \$168,069.

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.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007
Unaudited

During 2007, the City amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to decreases in estimates income taxes and intergovernmental receipts. The difference between final budgeted receipts and actual receipts was \$2,466,983, which was due to an increase in income tax and intergovernmental revenue.

Final budgeted disbursements were below original budgeted disbursements due to a decrease in public health and legislative and executive expenses. Final disbursements were budgeted at \$ 18,360,994 for the General Fund. Actual disbursements were \$18,542,526, with a difference of \$181,532, due to cost relating to refuse and transportation.

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, 2007 amounts to \$14.4 million (net of accumulated depreciation).

	Governmental Activities		Business Type Activity		Total	
	2007	2006	2007	2006	2007	2006
Land	\$6,376,146	\$4,077,513	\$0	\$0	\$6,376,146	\$4,077,513
CIP	1,978,697	83,310	0	0	1,978,697	83,310
Buildings	2,105,075	2,065,579	0	0	2,105,075	2,065,579
Land Improvements	762,359	821,374	0	0	762,359	821,374
Vehicles	1,553,220	1,370,349	0	4,365	1,553,220	1,374,714
Furniture, Fixtures and Equipment	737,546	697,277	24,266	16,800	761,812	714,077
Infrastructure	6,387,116	5,337,224	1,867,432	1,531,386	8,254,548	6,868,610
Totals	\$19,900,159	\$14,452,626	\$1,891,698	\$1,552,551	\$21,791,857	\$16,005,177

The City had an increase in capital assets for both governmental and business-type activities.

Debt

At December 31st, 2007 the City had the following long-term debt outstanding:

<i>Description</i>	<i>Rate</i>	<i>Final Maturity</i>	<i>Amount Outstanding</i>
Loans:			
2003 OPWC – Williams Avenue Resurfacing	0%	January 1, 2024	\$ 197,672
1994 OPWC – Improvement Water	3%	January 1, 2010	78,639
2007 OPWC – Water Valve Replacement	0%	January 1, 2013	65,660
2003 OPWC – Montgomery Road Phase II	0%	January 1, 2024	514,186
Special Assessment Debt:			
2003 Central Parke Project	8.5%	March 1, 2015	2,085,643
General Obligation Bonds:			
Various Purpose Bonds	3.38%	April 1, 2015	6,195,752
2006 TIF Bond	4%-5.75%	December 1, 2031	12,203,490
2007 Linden Pointe TIF	4.5%	June 1, 2010	3,550,000
Total			\$24,891,042

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007
Unaudited

The City's overall legal debt margin was \$34,670,012 as of December 31, 2007. The more restrictive unovted legal debt margin was \$14,799,716 as of the same date. See Note 10 of the basc financial statements for more details.

ECONOMIC AND OTHER POTENTIALLY SIGNIFICANT MATTERS

Based on the results of a fiscal analysis performed by the Auditor of State's Local Government Services section, the City was placed in fiscal watch on October 7, 2004 and remains in fiscal watch today.

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, Ohio, 4645 Montgomery Road, Norwood, Ohio 45212.

City of Norwood
Statement of Net Assets
December 31, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$6,619,103	\$538,228	\$7,157,331
Cash and Cash Equivalents with Fiscal Agents	2,503,752	0	2,503,752
Accrued Interest Receivable	7,713	0	7,713
Accounts Receivable	157,199	1,172,770	1,329,969
Intergovernmental Receivable	904,226	0	904,226
Income Taxes Receivable	2,877,604	0	2,877,604
Property and Other Local Taxes Receivable	2,963,503	0	2,963,503
Revenue in Lieu of Taxes Receivable	14,759,662	0	14,759,662
Special Assessments Receivable	2,085,643	0	2,085,643
Deferred Charges	63,221	0	63,221
Capital Assets:			
Land	6,376,146	0	6,376,146
Land Improvements	1,482,809	0	1,482,809
Building and Building Improvements	4,256,410	54,890	4,311,300
Equipment	1,758,154	92,102	1,850,256
Vehicles	3,682,835	163,198	3,846,033
Infrastructure	14,193,908	3,042,546	17,236,454
Construction in Progress	1,978,697	0	1,978,697
Accumulated Depreciation:			
Land Improvements	(720,450)	0	(720,450)
Buildings & Building Improvements	(2,151,335)	(54,890)	(2,206,225)
Equipments	(1,020,608)	(67,836)	(1,088,444)
Vehicles	(2,129,615)	(163,198)	(2,292,813)
Infrastructure	(7,806,792)	(1,175,114)	(8,981,906)
<i>Total Assets</i>	<u>52,841,785</u>	<u>3,602,696</u>	<u>56,444,481</u>
LIABILITIES:			
Accounts Payable	152,777	227,116	379,893
Accrued Wages and Benefits	399,965	14,334	414,299
Contracts Payable	478,889	0	478,889
Intergovernmental Payable	979,954	379,848	1,359,802
Accrued Interest Payable	229,713	0	229,713
Deferred Revenue	2,561,062	0	2,561,062
Loans Payable	22,127	0	22,127
Long-Term Liabilities:			
Due Within One Year	2,012,131	46,178	2,058,309
Due in More Than One Year	28,593,391	123,607	28,716,998
<i>Total Liabilities</i>	<u>35,430,009</u>	<u>791,083</u>	<u>36,221,092</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	8,280,277	1,747,399	10,027,676
Restricted for Debt Service	15,873,066	0	15,873,066
Restricted for Capital Outlay	143,385	0	143,385
Restricted for Other Purposes	2,820,893	0	2,820,893
Unrestricted	(9,705,845)	1,064,214	(8,641,631)
<i>Total Net Assets</i>	<u>\$17,411,776</u>	<u>\$2,811,613</u>	<u>\$20,223,389</u>

City of Norwood
Statement of Activities
For the Year Ended December 31, 2007

	Program Revenues			Net(Expense)Revenue and Changes in Net			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$1,946	\$0	\$0	\$0	(\$1,946)	\$0	(\$1,946)
General Government:							
Legislative and Executive	4,426,090	709,439	1,691	0	(3,714,960)	0	(3,714,960)
Judicial System	122,777	274,457	0	0	151,680	0	151,680
Security of Persons and Property:							
Police	6,514,479	112,556	1,500	0	(6,400,423)	0	(6,400,423)
Fire	7,324,613	430,339	100,606	0	(6,793,668)	0	(6,793,668)
Public Services	69,114	0	0	0	(69,114)	0	(69,114)
Public Health	1,059,730	67,660	116,593	0	(875,477)	0	(875,477)
Lesiure Time Services	492,524	275,589	174,825	228,076	185,966	0	185,966
Community and Economic Development	111,048	0	6,496	0	(104,552)	0	(104,552)
Public Works	392,265	0	0	0	(392,265)	0	(392,265)
Transportation	1,832,601	8,199	789,042	3,318,480	2,283,120	0	2,283,120
Intergovernmental	56,521	0	0	0	(56,521)	0	(56,521)
Interest and Fiscal Charges	1,627,876	0	0	0	(1,627,876)	0	(1,627,876)
<i>Total Governmental Activities</i>	<u>24,031,584</u>	<u>1,878,239</u>	<u>1,190,753</u>	<u>3,546,556</u>	<u>(17,416,036)</u>	<u>0</u>	<u>(17,416,036)</u>
Business-Type Activities:							
Refuse Collections	1,206,583	1,250,592	0	0	0	44,009	44,009
Water	3,367,657	3,089,958	0	0	0	(277,699)	(277,699)
<i>Total Business-Type Activities</i>	<u>4,574,240</u>	<u>4,340,550</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(233,690)</u>	<u>(233,690)</u>
<i>Totals</i>	<u>\$ 28,605,824</u>	<u>\$ 6,218,789</u>	<u>\$ 1,190,753</u>	<u>\$ 3,546,556</u>	<u>(17,416,036)</u>	<u>(233,690)</u>	<u>(17,649,726)</u>
General Revenues:							
Taxes:							
Property Taxes					2,839,462	0	2,839,462
Income Taxes					15,692,244	0	15,692,244
Municipal Motor Vehicle Taxes					120,705	0	120,705
Other Taxes					5,329	0	5,329
Grants and Entitlements not Restricted to Specific Programs					1,381,070	0	4,456,715
Unrestricted Contributions					1,261,003	0	1,261,003
Investment Earnings					1,151,979	0	1,151,979
Miscellaneous					74,018	8,276	82,294
Transfers					(357,209)	357,209	0
<i>Total General Revenues and Transfers</i>					<u>22,168,601</u>	<u>365,485</u>	<u>25,609,731</u>
<i>Change in Net Assets</i>					<u>4,752,565</u>	<u>131,795</u>	<u>4,884,360</u>
<i>Net Assets Beginning of Year (Restated - See Note 3)</i>					<u>12,659,211</u>	<u>2,679,818</u>	<u>15,339,029</u>
<i>Net Assets End of Year</i>					<u>\$ 17,411,776</u>	<u>\$ 2,811,613</u>	<u>\$ 20,223,389</u>

City of Norwood
Balance Sheet
Governmental Funds
December 31, 2007

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$3,560,433	\$233,287	\$2,825,383	\$6,619,103
Cash and Cash Equivalents with Fiscal Agents	0	0	1,300,098	1,300,098
Accrued Interest Receivable	6,325	0	1,388	7,713
Accounts Receivable	157,199	0	0	157,199
Interfund Receivable	305,783	0	18,874	324,657
Intergovernmental Receivable	557,851	0	346,375	904,226
Income Taxes Receivable	2,877,604	0	0	2,877,604
Property and Other Local Taxes Receivable	2,954,272	0	9,231	2,963,503
Revenue in Lieu of Taxes Receivable	0	14,759,662	0	14,759,662
Special Assessments Receivable	0	2,085,643	0	2,085,643
Restricted Assets:	0	0	0	0
Cash and Cash Equivalents with Fiscal Agents	0	1,203,654	0	1,203,654
<i>Total Assets</i>	<u>\$10,419,467</u>	<u>\$18,282,246</u>	<u>\$4,501,349</u>	<u>\$33,203,062</u>
LIABILITIES:				
Accounts Payable	\$125,724	\$0	\$27,053	\$152,777
Accrued Wages and Benefits	384,721	0	15,244	399,965
Contracts Payable	2,750	0	476,139	478,889
Intergovernmental Payable	940,528	0	39,426	979,954
Interfund Payable	18,874	231,192	74,591	324,657
Deferred Revenue	5,057,233	16,845,305	286,187	22,188,725
Loans Payable	0	0	22,127	22,127
<i>Total Liabilities</i>	<u>6,529,830</u>	<u>17,076,497</u>	<u>940,767</u>	<u>24,547,094</u>
FUND BALANCES:				
Reserved:				
Reserved for Encumbrances	188,699	940	223,039	412,678
Unreserved, Undesignated, Reported in:				
General Fund	3,700,938	0	0	3,700,938
Special Revenue Funds	0	0	2,365,553	2,365,553
Debt Service Funds	0	1,204,809	0	1,204,809
Capital Projects Funds	0	0	971,990	971,990
<i>Total Fund Balances</i>	<u>3,889,637</u>	<u>1,205,749</u>	<u>3,560,582</u>	<u>8,655,968</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 10,419,467</u>	<u>\$ 18,282,246</u>	<u>\$ 4,501,349</u>	<u>\$ 33,203,062</u>

**CITY OF NORWOOD, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

Total Governmental Fund Balances \$8,655,968

Amounts reported for governmental activities in the statement of net assets 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	6,376,146	
Infrastructure	14,193,908	
Construction in progress	1,978,697	
Other capital assets	11,180,208	
Accumulated depreciation	(13,828,800)	
Total capital assets	19,900,159	19,900,159

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	393,209	
Special Assessments	2,085,643	
Payment in Lieu of Taxes	14,759,662	
Due From Other Governments		
Charges for Services	106,679	
Shared Taxes and Local Government Revenue Assistance	749,902	
Income Taxes	1,524,855	
Interest Revenue	7,713	
	19,627,663	19,627,663

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis:

63,221

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

Accrued interest on bonds	(229,713)	
Bonds	(24,211,395)	
Discount on bonds	176,510	
Capital leases	(439,948)	
Loans	(711,858)	
Compensated absences	(3,470,556)	
Intergovernmental payable	(1,948,275)	
Total liabilities	(30,835,235)	(30,835,235)

Net Assets of Governmental Activities \$17,411,776

See accompanying notes to the basic financial statements

City of Norwood
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property Taxes	\$2,857,017	\$0	\$0	\$2,857,017
Income Taxes	15,649,829	0	0	15,649,829
Permissive Motor Vehicle License Taxes	0	0	120,705	120,705
Other Local Taxes	5,329	0	0	5,329
Payments in Lieu of Taxes	0	233,340	0	233,340
Special Assessments	0	177,483	0	177,483
Charges for Services	525,496	0	634,505	1,160,001
Licenses and Permits	322,863	0	16,773	339,636
Fines and Forfeitures	240,908	0	98,707	339,615
Intergovernmental	1,414,512	0	4,409,134	5,823,646
Interest	245,321	887,667	54,434	1,187,422
Rent	13,919	0	0	13,919
Contributions and Donations	150,300	0	454,283	604,583
Reimbursements	0	0	20,000	20,000
Other	69,840	0	4,178	74,018
<i>Total Revenues</i>	<u>21,495,334</u>	<u>1,298,490</u>	<u>5,812,719</u>	<u>28,606,543</u>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	3,392,283	0	798,712	4,190,995
Judicial System	102,493	0	10,030	112,523
Security of Persons and Property:				
Police	6,505,791	0	84,334	6,590,125
Fire	7,248,953	0	154,541	7,403,494
Public Services	54,640	0	0	54,640
Public Health	934,208	0	102,890	1,037,098
Lesiure Time Services	0	0	475,947	475,947
Community and Economic Development	0	4,445	91,551	95,996
Public Works	20,447	0	371,818	392,265
Transportation	147,240	0	1,332,331	1,479,571
Intergovernmental	0	31,070	56,252	87,322
Capital Outlay	87,500	0	5,545,975	5,633,475
Debt Service:				
Principal Retirements	31,049	447,483	127,368	605,900
Interest and Fiscal Charges	0	1,401,561	224,235	1,625,796
Issuance Costs	0	0	72,253	72,253
<i>Total Expenditures</i>	<u>18,524,604</u>	<u>1,884,559</u>	<u>9,448,237</u>	<u>29,857,400</u>
<i>Excess of Revenues Over(Under) Expenditures</i>	<u>2,970,730</u>	<u>(586,069)</u>	<u>(3,635,518)</u>	<u>(1,250,857)</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	0	418,000	550,194	968,194
General Obligation Bonds Issued	0	0	3,550,000	3,550,000
Inception of Capital Lease	87,500	0	298,245	385,745
Transfers Out	(1,041,924)	0	0	(1,041,924)
<i>Total Other Financing Sources and Uses</i>	<u>(954,424)</u>	<u>418,000</u>	<u>4,398,439</u>	<u>3,862,015</u>
<i>Net Change in Fund Balance</i>	2,016,306	(168,069)	762,921	2,611,158
<i>Fund Balance (Deficit) at Beginning of Year - Restated (See Note 3)</i>	<u>1,873,331</u>	<u>1,373,818</u>	<u>2,797,661</u>	<u>6,044,810</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$3,889,637</u>	<u>\$1,205,749</u>	<u>\$3,560,582</u>	<u>\$8,655,968</u>

**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, 2007**

Net Change in Fund Balances - Total Governmental Funds		\$2,611,158
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:		
Capital Asset Additions	5,709,852	
Current Year Depreciation	<u>(743,324)</u>	4,966,528
Donations of capital assets are not reported in the governmental funds. However, in the statement of activities, their value at the time of donation is reported as revenue.		
	<u>823,633</u>	823,633
Assets transferred from governmental activities to enterprise funds during the year.		
Capital Assets	<u>(283,479)</u>	(283,479)
When capital assets are disposed of, the cost of the capital assets is removed from the capital asset account in the statement of net assets resulting in a gain on sale of capital assets in the statement of activities.		
Loss on Disposal of Capital Assets	<u>(59,149)</u>	(59,149)
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	(17,555)	
Income Taxes	42,415	
Payments in Lieu of Taxes	(233,340)	
Special Assessments	(177,483)	
Due From Other Governments		
Charges for Services	30,529	
Fines, Licenses and Permits	(25,461)	
Shared Taxes and Local Government Revenue Assistance	92,287	
Interest	<u>(210)</u>	(288,818)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
OPWC Loan Payments	43,516	
Bond principal retirement	270,000	
Special assessment principal retirement	177,483	
Capital lease payments	<u>114,901</u>	605,900
Total long-term debt repayment		
Governmental funds report premiums, discounts and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities		
Bond issuance costs	72,253	
Amortization of bond issuance costs	(9,032)	
Amortization of bond discount	<u>(7,355)</u>	55,866
Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets the lease obligation is reported as a liability.		
		(385,745)
Note 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 assets and does not affect the statement of activities.		
Bond Proceeds	<u>(3,550,000)</u>	(3,550,000)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease Compensated Absences	211,563	
Decrease in Accrued Interest	14,307	
Decrease in Intergovernmental Payable	<u>30,801</u>	
Total additional expenditures		<u>256,671</u>
Change in Net Assets of Governmental Activities		<u><u>\$4,752,565</u></u>

See accompanying notes to the basic financial statements

City of Norwood
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property Taxes	\$2,257,579	\$2,257,760	\$2,775,696	\$517,936
Income Taxes	14,298,995	14,040,000	15,577,888	1,537,888
Other Local Taxes	3,753	3,685	5,329	1,644
Charges for Services	604,167	593,224	518,146	(75,078)
Licenses and Permits	268,744	263,876	322,863	58,987
Fines and Forfeitures	311,539	305,896	270,963	(34,933)
Intergovernmental	1,001,549	983,408	1,405,470	422,062
Interest	94,996	93,275	245,321	152,046
Rent	27,142	26,650	13,919	(12,731)
Contributions and Donations	52,756	51,800	150,300	98,500
Reimbursements	239,964	235,618		(235,618)
Other	34,179	33,560	69,840	36,280
Total Revenues	<u>19,195,363</u>	<u>18,888,752</u>	<u>21,355,735</u>	<u>2,466,983</u>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	5,009,185	3,924,846	3,542,828	382,018
Judicial System	146,910	113,020	110,643	2,377
Security of Persons and Property:				
Police	2,997,961	6,436,126	6,514,962	(78,836)
Fire	9,440,488	7,204,691	7,222,238	(17,547)
Public Services	70,114	56,305	57,816	(1,511)
Public Health	1,209,505	913,872	926,352	(12,480)
Public Works:				
Refuse	100,320	320	20,447	(20,127)
Transportation	2,307	2,307	147,240	(144,933)
Total Expenditures	<u>18,976,790</u>	<u>18,651,487</u>	<u>18,542,526</u>	<u>108,961</u>
Excess of Revenues Over(Under) Expenditures	<u>218,573</u>	<u>237,265</u>	<u>2,813,209</u>	<u>2,358,022</u>
OTHER FINANCING SOURCES AND USES:				
Transfers Out	(1,935,464)	(2,390,937)	(1,041,924)	1,349,013
Advances Out	0	(29,561)	(29,561)	0
Total Other Financing Sources and Uses	<u>(1,935,464)</u>	<u>(2,420,498)</u>	<u>(1,071,485)</u>	<u>1,349,013</u>
Net Change in Fund Balance	<u>(1,716,891)</u>	<u>(2,183,233)</u>	<u>1,741,724</u>	<u>3,924,957</u>
Fund Balance (Deficit) at Beginning of Year	<u>1,471,849</u>	<u>1,471,849</u>	<u>1,471,849</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>290,493</u>	<u>290,493</u>	<u>290,493</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>\$45,451</u>	<u>(\$420,891)</u>	<u>\$3,504,066</u>	<u>\$3,924,957</u>

City of Norwood
Statement of Fund Net Assets
Enterprise Funds
December 31, 2007

	<u>Water</u>	<u>All Other Enterprise Funds</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$316,654	\$221,574	\$538,228
Accounts Receivable	797,263	375,507	1,172,770
<i>Total Current Assets</i>	<u>1,113,917</u>	<u>597,081</u>	<u>1,710,998</u>
Noncurrent Assets:			
Capital Assets:			
Building and Building Improvements	54,890	0	54,890
Equipment	92,102	0	92,102
Vehicles	163,198	0	163,198
Infrastructure	3,042,546	0	3,042,546
Accumulated Depreciation:			
Buildings & Building Improvements	(54,890)	0	(54,890)
Equipments	(67,836)	0	(67,836)
Vehicles	(163,198)	0	(163,198)
Infrastructure	(1,175,114)	0	(1,175,114)
<i>Total Noncurrent Assets</i>	<u>1,891,698</u>	<u>0</u>	<u>1,891,698</u>
<i>Total Assets</i>	<u>3,005,615</u>	<u>597,081</u>	<u>3,602,696</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	5,959	221,157	227,116
Accrued Wages and Benefits	14,334	0	14,334
Intergovernmental Payable	379,848	0	379,848
Compensated Absences Payable	7,443	0	7,443
OPWC Loans Payable	38,735	0	38,735
<i>Total Current Liabilities</i>	<u>446,319</u>	<u>221,157</u>	<u>667,476</u>
Noncurrent Liabilities:			
Compensated Absences Payable - net of current portion	18,043	0	18,043
OPWC Loans Payable - net of current portion	105,564	0	105,564
<i>Total Noncurrent Liabilities</i>	<u>123,607</u>	<u>0</u>	<u>123,607</u>
<i>Total Liabilities</i>	<u>569,926</u>	<u>221,157</u>	<u>791,083</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	1,747,399	0	1,747,399
Unrestricted	688,290	375,924	1,064,214
<i>Total Net Assets</i>	<u>\$2,435,689</u>	<u>\$375,924</u>	<u>\$2,811,613</u>

City of Norwood
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2007

	<u>Water</u>	<u>All Other Enterprise Funds</u>	<u>Totals</u>
OPERATING REVENUES:			
Charges for Services	\$3,089,958	\$1,250,592	\$4,340,550
Other	8,276	0	8,276
<i>Total Operating Revenues</i>	<u>3,098,234</u>	<u>1,250,592</u>	<u>4,348,826</u>
OPERATING EXPENSES:			
Personal Services	606,137	0	606,137
Contractual Services	2,620,638	1,206,552	3,827,190
Materials and Supplies	75,044	0	75,044
Depreciation	61,291	0	61,291
Refunds	848	31	879
Other	492	0	492
<i>Total Operating Expenses</i>	<u>3,364,450</u>	<u>1,206,583</u>	<u>4,571,033</u>
<i>Operating Income (Loss)</i>	<u>(266,216)</u>	<u>44,009</u>	<u>(222,207)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest and Fiscal Charges	(3,207)	0	(3,207)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(3,207)</u>	<u>0</u>	<u>(3,207)</u>
<i>Income (Loss) Before Contributions and Transfers</i>	(269,423)	44,009	(225,414)
Capital Contributions	283,479	0	283,479
Transfers In	0	73,730	73,730
<i>Change in Net Assets</i>	14,056	117,739	131,795
<i>Net Assets (Deficit) at Beginning of Year - Restated (See Note 3)</i>	<u>2,421,633</u>	<u>258,185</u>	<u>2,679,818</u>
<i>Net Assets (Deficit) at End of Year</i>	<u>\$2,435,689</u>	<u>\$375,924</u>	<u>\$2,811,613</u>

**CITY OF NORWOOD, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Business-type Activities -		
	Water	All Other Enterprise Funds	Total
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$3,025,215	\$1,203,511	\$4,228,726
Cash Payments for Employee Services and Benefits	(561,954)	0	(561,954)
Cash Payments to Suppliers for Goods and Services	(2,485,314)	(1,079,783)	(3,565,097)
Other Operating Revenues	8,276	0	8,276
Other Operating Expenses	(492)	(31)	(523)
Utility Deposits Returned	(848)	0	(848)
Net Cash Provided by (Used for) Operating Activities	<u>(15,117)</u>	<u>123,697</u>	<u>108,580</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In	<u>0</u>	<u>73,730</u>	<u>73,730</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>0</u>	<u>73,730</u>	<u>73,730</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(116,959)	0	(116,959)
Proceeds from OPWC Loans	65,660	0	65,660
Principal Paid on OPWC Loans	(37,597)	0	(37,597)
Interest and Fiscal Charges Paid on OPWC Loans	(3,207)	0	(3,207)
Net Cash Used for Capital and Related Financing Activities	<u>(92,103)</u>	<u>0</u>	<u>(92,103)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(107,220)	197,427	90,207
Cash and Cash Equivalents Beginning of Year	<u>423,874</u>	<u>24,147</u>	<u>448,021</u>
Cash and Cash Equivalents End of Year	<u><u>\$316,654</u></u>	<u><u>\$221,574</u></u>	<u><u>\$538,228</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	(\$266,216)	\$44,009	(\$222,207)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	61,291	0	61,291
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(64,743)	(47,081)	(111,824)
Increase (Decrease) in Accounts Payable	(121,749)	126,769	5,020
Increase (Decrease) in Accrued Wages Payable	6,566	0	6,566
Decrease in Intergovernmental Payable	354,416	0	354,416
Increase (Decrease) in Compensated Absences Payable	15,318	0	15,318
Net Cash Provided by (Used for) Operating Activities	<u><u>(\$15,117)</u></u>	<u><u>\$123,697</u></u>	<u><u>\$108,580</u></u>

See accompanying notes to the basic financial statements

City of Norwood
Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2007

	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$469,325
Accounts Receivable	<u>1,140,910</u>
<i>Total Assets</i>	<u><u>\$1,610,235</u></u>
LIABILITIES:	
Intergovernmental Payable	\$765
Undistributed Monies	<u>1,609,470</u>
<i>Total Liabilities</i>	<u><u>\$1,610,235</u></u>

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CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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 - 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 City has no component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds, provided that they do not conflict with or contradict GASB pronouncements.

The City has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

The Statement of Net Assets 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 Assets 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.

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. Non-major 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 typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following funds are reported as 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.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund – This fund is used to account for payments received in lieu of taxes on property granted a tax exemption by the City and payment of principal and interest and fiscal charges on general long term debt. Payments received in lieu of taxes must be used for land purchases or infrastructure improvements as well as reimbursing Norwood City School District for a portion of the taxes lost as a result of the exemptions.

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

Proprietary Fund

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

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 accounts for the acquisitions, operations and maintenance of City facilities and services designated to be entirely, or predominately, self-supported from user charges for water.

Refuse Disposal Fund- This fund is used to account for moneys collected from Norwood citizens, business and industries for refuse disposal service; and to account for the payment of refuse disposal bills.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the City when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds. The Sewage agency fund is used to account for money received from billings that are collected on behalf of the Metropolitan Sewer District of Greater Cincinnati and then disbursed to them monthly. The Mayor's Court agency fund is used to account for fines and fees held for distribution to other governments and bonds posted by individuals.

Measurement Focus

Government-wide Financial Statements

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund financial statements.

Like the government-wide statements, all proprietary funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The Statement of Changes in Fund Net Assets presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets. 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. Governmental funds use the modified accrual basis of accounting. Proprietary funds and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, 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". "Available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal 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, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the year for which the taxes are levied or would have been levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, interest on investments, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance), grants, and charges for services.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but were levied to finance year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash balances of the City's funds, except cash held by fiscal agent, 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 2007, investments were limited to certificates of deposit and money market mutual funds. Investments are reported at fair value which is based on quoted market prices. For investments in money market mutual funds, the fair value is determined by the fund's current share price.

Interest income is distributed to the funds according to Ohio statutory requirements. Interest revenue credited to the General Fund during 2007 amounted to \$245,321, which includes \$35,271 assigned from other City funds.

Investments with original maturities of three months or less and investments of the cash management pool are reported as cash equivalents on the financial statements.

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Interfund Receivable" and "Interfund Payable". Interfund balances are eliminated on the government-wide Statement of Net Assets. These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net assets, 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.

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. Bonds, loans, capital leases, and long-term intergovernmental payables are recognized as liabilities on the governmental fund financial statements when due.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

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

Fund Balance Reserves

Reserves of fund balance in governmental funds indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for encumbrances and debt service.

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 electric, sanitation, sewer, telecommunications, water services and storm water, automotive maintenance services provided to other City departments, and self-insurance programs. 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 nonoperating.

Interfund Transactions/Internal Activity

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

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Capital Assets

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 Assets, 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 Assets and in the respective funds.

All purchased capital assets are valued at cost when historical records are available and estimated historical cost where no historical records exist. For certain assets, estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated capital assets are recorded at their fair market values on the date donated. 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 do not materially extend the useful life of the asset are expensed.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
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.

Bond Discounts/Issuance Costs

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. Issuance costs are amortized on a straight-line basis over the term of the bonds and are reported as deferred charges.

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets 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 assets 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 assets restricted for other purposes include funds for the operation of recreational activities, improving the living environment of the City, the operation of law enforcement programs, the operation of emergency services programs and the City's street repair and improvement program.

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

The government-wide statement of net assets reports \$19,486,941 of restricted net assets, none of which is restricted by enabling legislation.

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.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For the year-ended December 31, 2007, the City has presented financial statements that conform to generally accepted accounting principles for the first time since 2002.

The implementation of this change had the following effect on fund balance of the major and non-major funds of the City as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

The City also reclassified the Building Assessment Fund from a Special Revenue Fund to an Agency Fund.

	General Fund	Debt Service Fund	Nonmajor Funds	Total
Cash Balances December 31, 2006	\$1,764,291	\$1,373,818	\$3,156,198	\$6,294,307
Fund Reclassification	0	0	(937)	(937)
GAAP Adjustments	109,040	0	(357,600)	(248,560)
Fund Balances December 31, 2006	<u>\$1,873,331</u>	<u>\$1,373,818</u>	<u>\$2,797,661</u>	<u>\$6,044,810</u>

GASB Statement No. 34 Adjustments:

Deferred Assets:				
Delinquent Property Taxes				410,764
Accounts Receivable				101,611
Accrued Interest Receivable				7,923
Special Assessments				2,263,126
Municipal Income Tax				1,482,440
Intergovernmental Receivable				657,615
Payment in Lieu of Taxes Receivable				14,993,002
Capital Assets, Net				14,452,626
Accrued Interest Payable				(244,020)
Long-Term Liabilities				<u>(27,510,686)</u>
Governmental Activities, Net Assets December 31, 2006				<u>\$12,659,211</u>

	Water Fund	Refuse Fund	Total Business Type Activities
Cash Balances December 31, 2006	\$423,874	\$24,147	\$448,021
GAAP Adjustments	1,997,759	234,038	2,231,797
Net Assets December 31, 2006	<u>\$2,421,633</u>	<u>\$258,185</u>	<u>\$2,679,818</u>

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

While reporting financial position and results of operations 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 (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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 as a reservation of 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:

	General
GAAP Basis	\$2,016,306
Revenue Accruals	(227,099)
Expenditure Accruals	233,344
Encumbrances	(251,266)
Advances-Out	(29,561)
Budget Basis	\$1,741,724

NOTE 5 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Monies held by the City are classified by State statute into three categories.

Active monies 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 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.

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2007
 (Continued)

NOTE 5 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

Interim monies held by the City can 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above.
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2).
7. The State Treasurer's investment pool (STAR Ohio).

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. Investments may only be made through specified dealers and institutions.

Deposits

The City has no deposit policy for custodial risk beyond the requirements of State statute.

Investments

As of December 31, 2007, the City has the following investment:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Moody's Rating</u>
First American Treasury Obligation Money Market Mutual Fund	\$2,503,752	Average 90 Days	Aaa

Interest Rate Risk

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 6 – CITY EARNINGS 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 7 – PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the City. Property tax revenue received during 2007 for real and public utilities property taxes represents collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

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. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

Tangible personal property taxes received in 2007 were levied after October 1, 2006 on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments were 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due by September 20.

Real property taxes are payable annually or semi-annually. If paid annually, the 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30; with the remainder payable by September 20.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 7 – PROPERTY TAXES (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Norwood. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2007, and for which there is an enforceable legal claim. In the funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2007 operations, and the collections of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

The full tax rate for all City operations for the year ended December 31, 2007, was \$12.58 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$347,877,980
Public Utility Property	16,146,140
Tangible Personal Property	33,381,800
Total	\$397,405,920

NOTE 8 – RECEIVABLES

Receivables at December 31, 2007, consisted of property taxes, municipal income taxes, revenue in lieu of taxes, inter-fund, accounts, special assessments, 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, revenue in lieu of taxes, and special assessments. Property and income taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. Special assessments expected to be collected in more than one year for the City amounts to \$1,893,074. The City had delinquent special assessments of \$7,522 at December 31, 2007. Revenue in lieu of taxes will be received over the designated period established by the agreements.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Homestead and Rollback	\$95,964
State Local Government	328,230
Gasoline Excise Tax	198,367
Motor Vehicle License Tax	48,175
Cents per Gallon	99,832
Estate Tax	133,658
Total Intergovernmental Receivable	\$904,226

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 8 – RECEIVABLES (Continued)

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. To encourage improvements, Cornerstone at Norwood LLC was granted a 100 percent, 30 year exemption from paying any property taxes on the new construction; however, 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. A liability has been recorded for the payments due to the School District.

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, Linden Pointe LLC was granted a 100 percent, exemption from paying any property taxes on the new construction; however, 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. This exemption is in effect for the earliest of the following, the duration that the bonds issued in connection with this project are outstanding or 30 years. 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. A liability has been recorded for the payments due to the School District.

A receivable for the amount of the payments estimated to be received has been recorded in the respective TIF funds with a corresponding credit to deferred revenue on the modified accrual basis. On a full accrual basis, the entire amount of the receivable is recorded as revenue.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 9 - CAPITAL ASSETS (Continued)

	Restated Balance 12/31/06	Additions	Deletions	Balance at 12/31/07
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$4,077,513	\$2,298,633	\$0	\$6,376,146
Construction in Progress	83,310	1,895,387	0	1,978,697
Total Capital Assets, Not Being Depreciated	<u>4,160,823</u>	<u>4,194,020</u>	<u>0</u>	<u>8,354,843</u>
Capital Assets Being Depreciated				
Buildings	4,158,027	98,383	0	4,256,410
Land Improvements	1,482,809	0	0	1,482,809
Vehicles	3,257,118	425,717	0	3,682,835
Furniture and Fixtures and Equipment	1,610,265	147,889	0	1,758,154
Infrastructure	12,960,780	1,383,997	(150,869)	14,193,908
Total Capital Assets Being Depreciated	<u>23,468,999</u>	<u>2,055,986</u>	<u>(150,869)</u>	<u>25,374,116</u>
Less Accumulated Depreciation				
Buildings	(2,092,448)	(58,887)	0	(2,151,335)
Land Improvements	(661,435)	(59,015)	0	(720,450)
Vehicles	(1,886,769)	(242,846)	0	(2,129,615)
Furniture and Fixtures and Equipment	(912,988)	(107,620)	0	(1,020,608)
Infrastructure	(7,623,556)	(274,956)	91,720	(7,806,792)
Total Accumulated Depreciation	<u>(13,177,196)</u>	<u>(743,324)</u>	<u>91,720</u>	<u>(13,828,800)</u>
Total Capital Assets Being Depreciated, Net	<u>10,291,803</u>	<u>1,312,662</u>	<u>(59,149)</u>	<u>11,545,316</u>
Governmental Activities Capital Assets, Net	<u>\$14,452,626</u>	<u>\$5,506,682</u>	<u>(\$59,149)</u>	<u>\$19,900,159</u>

Additions to capital assets include \$823,633 in assets donated by outside entities, such as property developers.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 9 - CAPITAL ASSETS (Continued)

	Balance 12/31/06	Additions	Deletions	Balance at 12/31/07
<u>Business-Type Activities</u>				
Capital Assets Being Depreciated				
Buildings	\$54,890	\$0	\$0	\$54,890
Vehicles	163,198	0	0	163,198
Furniture and Fixtures and Equipment	73,253	18,849	0	92,102
Infrastructure	2,660,957	381,589	0	3,042,546
Total Capital Assets Being Depreciated	<u>2,952,298</u>	<u>400,438</u>	<u>0</u>	<u>3,352,736</u>
Less Accumulated Depreciation				
Buildings	(54,890)	0	0	(54,890)
Vehicles	(158,833)	(4,365)	0	(163,198)
Furniture and Fixtures and Equipment	(56,453)	(11,383)	0	(67,836)
Infrastructure	(1,129,571)	(45,543)	0	(1,175,114)
Total Accumulated Depreciation	<u>(1,399,747)</u>	<u>(61,291)</u>	<u>0</u>	<u>(1,461,038)</u>
Business-Type Activities, Net	<u>\$1,552,551</u>	<u>\$339,147</u>	<u>\$0</u>	<u>\$1,891,698</u>

Capital Assets Being Depreciated includes \$283,479 in assets transferred in from governmental activities.

Depreciation expense was charged to governmental programs as follows:

<u>Governmental Activities</u>	
General Government	\$214,108
Judicial	6,156
Security of Persons & Property	
Police	116,620
Fire	130,825
Community & Economic Development	577
Transportation	240,292
Public Health & Welfare	7,891
Public Service	14,474
Leisure Time Activities	12,381
Total Depreciation Expense	<u>\$743,324</u>

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 10 - LONG-TERM DEBT

A schedule of changes in bonds and other long-term obligations of the governmental activities of the City during 2007 follows:

Governmental Activities

Description	Balance 1/1/07	Increases	Decreases	Balance 12/31/07	Due Within One Year
General Obligation Refunding Bonds					
2006 - 4.48% - \$6,545,752	\$6,345,752	\$0	\$150,000	\$6,195,752	\$549,152
Special Assesment Debt 2003 - 8.5%					
\$3,500,000	2,263,126	0	177,483	2,085,643	192,569
OPWC Loan- Resurface					
Williams Ave 2003 - 0% - \$247,090	210,026	0	12,354	197,672	12,354
OPWC Loan - Montgomery Rd					
Phase II 2003 - 0% - \$623,255	545,348	0	31,162	514,186	31,162
Tax Increment Financing					
Bonds 2006 - 4%-5.75% - \$12,500,000	12,500,000	0	120,000	12,380,000	125,000
Discount on Debt Issue	(183,865)	0	(7,355)	(176,510)	0
Linden Pointe Tax Increment Financing					
Bonds 2007 - 4.35% - \$3,550,000	0	3,550,000	0	3,550,000	0
Capital Leases	169,104	385,745	114,901	439,948	112,780
Compensated Absences	3,682,119	245,771	457,334	3,470,556	956,588
Intergovernmental Payable	1,979,076		30,801	1,948,275	32,526
Total	<u>\$27,510,686</u>	<u>\$4,181,516</u>	<u>\$1,086,680</u>	<u>\$30,605,522</u>	<u>\$2,012,131</u>

The general obligation debt is tax-supported. Annually, City Council authorizes a transfer from the General Fund to the Debt Service Fund to service the tax-supported debt.

The special assessment debt is serviced by revenues received from special assessments and is also backed by the full faith and credit of the government as additional security.

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, twenty 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. These are interest free, twenty year loans and the maturity date is July 1, 2024.

In 2006, the Tax Increment Financing Bond was refinanced. TIF Revenues from all incremental property taxes 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 bond.

In 2007, the Linden Pointe Tax Increment Financing Bonds were issued in the amount of \$3,550,000. 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 "Linden Pointe". 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 bond.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 10 - LONG-TERM DEBT (Continued)

The City has entered into an agreement with Norwood City School District for reimbursement of a portion of taxes lost by the School District as a result of Tax Increment Financing agreements with developers. The City is allowed to grant an exemption from taxation for real or tangible personal property improvements. Pursuant to Section 5709.40, Ohio Revised Code, the City may negotiate and enter into agreements with the School District to compensate the School District for tax revenue the School District would have received had the property comprising the projects not been exempted from taxation by the City. The liability to the School District under these agreements was \$1,948,275 at December 31, 2007.

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.

Changes in the long-term obligations reported in business-type activities of the City during 2007 were as follows:

Business-Type Activities

Description	Balance 1/1/07	Increases	Decreases	Balance 12/31/07	Due Within One Year
1994 OPWC Loan - Improve Water Distribution System - 3% - \$489,978	\$116,236	\$0	\$37,597	\$78,639	\$38,735
2007 OPWC Water Distribution - 0% \$98,110	0	65,660	0	65,660	0
Compensated Absences	10,168	33,772	18,454	25,486	7,443
Total	<u>\$126,404</u>	<u>\$99,432</u>	<u>\$56,051</u>	<u>\$169,785</u>	<u>\$46,178</u>

During 1994, the City entered into a loan agreement with the Ohio Public Works Commission to help fund improvement of the water distribution system. The interest rate on the loan is 3% and the maturity date is January 1, 2010.

During 2007, the City entered into a loan agreement with the Ohio Public Works Commission to help fund improvement of the water distribution system. This is an interest free loan and the maturity date is January 1, 2013. Work on the project has not been fully completed, therefore, the loan amount has not been issued in full and a final payment schedule for this loan is not available.

As of December 31, 2007, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$34,820,012 and the unvoted debt margin was \$14,949,716.

Annual Long-Term Debt Requirements

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 10 - LONG-TERM DEBT (Continued)

Governmental Activities										
	Special Assessment Bonds		OPWC Loans		Tax Incremental Financing Bonds		Various Purpose Refinancing Bonds		General Obligation Bonds	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$192,569	\$177,280	\$43,518	\$0	\$125,000	\$739,322	\$549,152	\$252,683	\$0	\$154,425
2009	208,937	160,911	43,518	0	165,000	734,010	563,642	232,548	0	154,425
2010	226,697	143,152	43,518	0	180,000	726,585	591,359	210,303	3,550,000	154,425
2011	245,966	123,882	43,518	0	195,000	717,585	620,637	185,993	0	0
2012	266,873	102,975	43,518	0	235,000	707,347	651,565	157,922	0	0
2013-2017	944,601	164,944	217,590	0	1,510,000	3,328,763	2,048,454	452,063	0	0
2018-2022	0	0	217,590	0	2,365,000	2,809,784	1,170,944	271,896	0	0
2023-2027	0	0	59,088	0	3,565,000	1,952,690	0	0	0	0
2028-2031	0	0	0	0	4,040,000	650,380	0	0	0	0
Totals	<u>\$2,085,643</u>	<u>\$873,144</u>	<u>\$711,858</u>	<u>\$0</u>	<u>\$12,380,000</u>	<u>\$12,366,466</u>	<u>\$6,195,753</u>	<u>\$1,763,408</u>	<u>\$3,550,000</u>	<u>\$463,275</u>

Business Type Activities

OPWC Loans

Year	Principal	Interest
2008	\$38,735	\$2,071
2009	39,904	6,291
Totals	<u>\$78,639</u>	<u>\$8,362</u>

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 11 - CAPITAL LEASES – LESSEE DISCLOSURE

During 2007 and in prior years, the City entered into lease agreements for the purchase of equipment and vehicles. On July 17th 2006 the City entered into a lease purchase agreement with National City Bank for a Horton Ambulance for a total cost of \$198,055 to be paid in 5 annual payments of \$39,611 the first payment was due in 2007. On August 22nd 2007 the City entered into a lease purchase agreement with Baystone Financial Group for a Durapatcher machine for a total of \$67,376 to be paid in five annual installments of \$13,475. On June 6th 2007 the City entered into a Lease Purchase agreement with Tymco International Ltd for a Tymco Regenerative Air Street Sweeper for a total of \$102,286 to be paid in five annual installments of \$20,447. On February 9th 2007 the City entered into a lease purchase agreement with Navistar Leasing for 2 International Dump Trucks at a total of \$149,928 paid in five annual payments. On April 3rd 2007 the City entered into a lease purchase agreement with Ford Motor Credit for 3 Crown Victoria Sedan Police cars for a total of \$87,500 to be paid in three annual payments.

Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases"*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. 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 reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by leases have been capitalized in the Statement of Net Assets for governmental activities in the amount of \$554,848. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2007 totaled \$114,901.

The assets acquired through capital leases are as follows:

Asset	Asset Value	Accumulated Depreciation	Net Book Value December 31, 2007
Vehicles	\$554,848	\$58,360	\$496,488

The following is a schedule of future minimum payments on capital leases and the present value of the minimum lease payments at December 31, 2007.

Year	Governmental Activities
2008	\$137,695
2009	137,695
2010	106,646
2011	106,646
2012	13,475
Total Minimum Lease Payments	502,157
Less: Amount Representing Interest	(62,209)
Present Value of Minimum Lease Payments	\$439,948

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 12 - CONTINGENCIES

Litigation

There are pending against the City, various claims and lawsuits arising in the normal course of operations. Management is of the opinion that any resulting liability from these claims and lawsuits will not have a material adverse effect upon the City's financial condition.

Federal and State Grants

The City has received state grants for specific purposes that are subject to review by the grantor agencies. Such reviews could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. City management believes such disallowances, if any, will be minor.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007, the City participated in the Ohio Municipal League Joint Self-Insurance Pool (the "Pool"). The Pool was established in 1987, and is administered under contract by the Ohio Municipal League to provide a program of property and casualty self-insurance for its member organizations throughout the State of Ohio. The Pool's general objectives are to formulate, develop, and administer a program of self-insurance, to obtain lower costs for coverage, and to develop a comprehensive loss control program on behalf of the member political subdivisions. Political subdivisions joining the Pool may withdraw at the end of any coverage period upon 60 days prior written notice to the Pool. Under agreement, members who terminate participation in the Pool, as well as current members, are subject to a supplemental assessment or a refund, at the discretion of the board of trustees, depending on the ultimate loss experience of all the entities it insures for each coverage year. To date, there have been no assessments or refunds.

Insurance provided by the Pool are as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u>
Commercial Property	\$ 5,000	\$5,000,000
Emergency Medical Services	5,000	5,000,000
Personal and Advertising Inquiry	5,000	5,000,000
Auto Liability	5,000	1,000,000
General Liability	5,000	1,000,000
Municipal Attorney and Law Director Liability	50,000	1,000,000
Public Officials Liability	50,000	2,000,000
Law Enforcement Liability	5,000	5,000,000
Stop Gap	5,000	1,000,000

Settled claims have not exceeded coverage in any of the past three fiscal years. There has not been a reduction in coverage.

Each participant makes an annual "contribution" to the Pool for the coverage they are provided, based on rates established by the Pool, using anticipated and actual results of operations for the various coverages provided. Participants are also charged for a "surplus contribution" that is used to build the Pool's retained earning account to fund the activities of the Pool. During 2006, the City's contributions to the Pool totaled \$281,553.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 13 - RISK MANAGEMENT (Continued)

In the ordinary course of business, the Pool grants a portion of its exposure to other insurers. These arrangements limit the Pool's maximum net loss on individual risks. Treaty basis casualty excess of loss contracts in force at December 31, 2001 currently generally protects the Pool against individual losses over \$150,000.

Additionally, treaty basis property coverage protects the Pool against losses subject to a deductible of \$50,000 per occurrence. Previously the deductible was the lesser of \$50,000 per location or \$100,000 per occurrence. The Pool is, and ultimately the participants are, contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Plan Description- The City of Norwood participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling OPERS at (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5% of covered payroll, public safety members contributed 9.75%, and law enforcement members contributed 10.1%.

The City's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, a portion of the City's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$956,040, \$1,090,949 and \$1,047,906, respectively; 96 percent has been contributed for 2007 and 100 percent has been contributed for 2006 and 2005.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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 for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2007, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan.

The City's pension contributions to OP&F for police and firefighters were \$1,329,283 for the year ended December 31, 2007, \$1,466,929 for the year ended December 31, 2006, and \$1,125,286 for the year ended December 31, 2005. 78 percent has been contributed for 2007 and 100 percent has been contributed for 2006 and 2005.

NOTE 15 - POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part b premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 15 - POST-EMPLOYMENT BENEFITS (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan. The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$730,731, \$533,617 and \$438,913 respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post -employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person. 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 healthcare 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. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy – OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 15 - POST-EMPLOYMENT BENEFITS (Continued)

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare 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. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$283,082 and \$310,920 for the year ended December 31, 2007, \$370,160 and \$431,958 for the year ended December 31, 2006, and \$285,099 and \$330,526 for the year ended December 31, 2005. 76 percent has been contributed for police and 79 percent has been contributed for firefighters for 2007. 100 percent has been contributed for both police and firefighters for 2006 and 2005.

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. 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 - C-9 TRUST

In 1990, the City established a voluntary employee benefit association under I.R.C. §501(c)(9) (C-9 Trust) to provide certain welfare benefits to eligible employees of the City of Norwood and their beneficiaries. Employees become eligible to participate upon the effective date of their retirement, provided they are eligible for benefits under the ordinances of the City and are eligible for benefits under the City's Health Benefits Program. Benefits provided under the plan are funded on a pay-as-you go basis and consist of health care benefits not covered by other insurance carriers and are limited to \$2,000 per Plan Year for each Plan Participant. The plan is wholly funded by the City. There are approximately 163 participants currently eligible to receive benefits under this plan. The amount contributed by the City in 2007 was \$348,000. The City does not have fiduciary responsibility for this trust.

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2007
 (Continued)

NOTE 18 - INTERFUND ACTIVITY

Interfund balances at December 31, 2007, consisted of the following amounts and result from correcting misposted items and moving unrestricted balances to support the programs and projects accounted for in other funds.

		Receivable			
		All Other Governmental		Total	
Payable	General	General	Funds		
		\$0	\$18,874		\$18,874
	All Other Governmental Funds	<u>305,783</u>	<u>0</u>		<u>305,783</u>
	Total	<u>\$305,783</u>	<u>\$18,874</u>		<u>\$324,657</u>

Transfers made during the year ended December 31, 2007, were as follows:

		Transfers To		
		All Other Governmental Funds	Refuse Disposal	Total
Transfers From	General	<u>\$968,194</u>	<u>\$73,730</u>	<u>\$1,041,924</u>

Transfers from the General Fund were made to move unrestricted balances to support programs and projects.

NOTE 19 - COMPLIANCE

Ohio Revised Code, Section 733.43, states that the treasurer of a municipal corporation shall keep an accurate account of all monies received and disbursed by him. The City Treasurer did not prepare accurate cash reconciliations of the general account during 2007.

Ohio Revised Code, Section 733.11, requires that the city auditor shall keep the books of the city and exhibit accurate statements of all moneys received and expended. In 2007, there were several instances where receipts and disbursements were not properly classified.

Ohio Revised Code, Section 5705.10, provides, in part, that money that is paid into a fund must be used only for the purposes for which such fund has been established. The City had negative fund balances for five funds at December 31, 2007.

Ohio Revised Code, Section 5705.36(A)(4), requires a subdivision to obtain an amended certificate when revenue to be collected will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations. At December 31, 2007, the City had estimated receipts that exceeded actual receipts and the deficiency reduced available resources below the current level of appropriations in twenty-one funds.

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2007
 (Continued)

NOTE 19 - COMPLIANCE (Continued)

Ohio Revised Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. During 2007, thirty percent (30%) of the general non-payroll disbursements tested did not have certification prior to the obligation date and none of the three exceptions provided above were utilized. During 2007, eighteen percent (18%) of the unrecorded non-payroll liabilities tested did not have certification prior to the obligation date and none of the three exceptions provided above were utilized.

Ohio Administration Code, Section 117-2-02, states, in part that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions. The Estimated Resources in the City's financial accounting computer system did not include the updated amounts for the budgetary estimated revenues and on the official budgetary documents approved by Council and certified to the County Budget Commission in 14 of the 52 funds in 2007. The City's financial accounting computer system did not include the updated amounts for the budgetary appropriations on the official budgetary documents approved by Council for 23 of the 52 fund in 2007.

Ohio Revised Code, Section 5705.09(F), requires the City to establish a special fund for each class of revenues derived from a source other than a general property tax, which the law requires to be used for a particular purpose. The City did not establish a separate fund for the Tax Increment Revenue Anticipation debt proceeds received in 2007.

Ohio Admin. Code Section 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code. Also, Ohio Admin. Code Section 117-2-01(A) states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. The city has several labor agreements setting the leave requirements of the city. Employees had negative leave balances in 2007.

NOTE 20 - SHORT-TERM DEBT

In 2006, Al Neyer, Inc. loaned the City \$207,109 to purchase land for roadway paving, in conjunction with the Linden Point Tax Increment Financing. The City borrowed an additional \$57,853 in 2007. The entire liability will be retired in 2007 from the debt service fund.

	Balance 1/1/07	Increases	Decreases	Balance 12/31/07	Due Within One Year
Al Neyer, Inc. Loan	\$207,109	\$57,853	\$242,835	\$22,127	\$22,127

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

NOTE 21 - SUBSEQUENT EVENTS

On January 29, 2008 the City of Norwood entered in to a lease agreement with National City Bank for the purchase of the Cisco Call Manager Solution phone and data system. The total cost of \$225,802 will be paid in 60 monthly payments of \$4,419.

On May 23, 2008 the City of Norwood entered into a lease purchase agreement with Ford Motor Credit for 3 2008 Crown Victoria Sedan Police cars for a total of \$94,308 to be paid in three annual payments of \$31,436 each. The first payment was made on May 23, 2008.

On August 14, 2008 the City of Norwood entered into a lease purchase agreement with Sovereign bank for the purchase of a Seagrave Maurader II Fire Pumper. The total amount of the contract is \$407,402 to be paid in 5 annual payments of \$81,481 beginning on September 24th 2008.

NOTE 22 - FISCAL WATCH

On October 7, 2004, the Auditor of State placed the City in fiscal watch, under Section 118.022 (A)(4) of the Ohio Revised Code, based on the examination of a financial forecast for the year ending December 31, 2004 in which the Auditor of State certified a deficit in the General Fund of \$1,546,000 for the year ending December 31, 2004.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwood, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwood, Hamilton County, Ohio, as of December 31, 2006, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Economic Development Fund, and Permissive Tax Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 23, 2009

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2006
Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Discussion and analysis of the City of Norwood's financial performance provides an overall review of the City's financial activities for the year ending December 31, 2006, within the limitations of the City's modified cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2006 are as follows:

- The City's total governmental activities' net assets increased \$2,418,263 which represents a 13.2 percent increase from 2005. Business-type activities net assets decreased \$527,024 which represents a 20.9 percent decrease from 2005.
- For governmental activities, general receipts accounted for \$34,849,510 or 89.3 percent of all receipts. Program receipts in the form of services and sales, grants, contributions, and interest accounted for \$4,195,176 or 10.7 percent of total receipts of \$39,044,686.
- The City had \$36,626,423 in disbursements related to governmental activities; only \$4,195,176 of these disbursements were offset by program specific charges for services, grants, contributions, and interest.
- Enterprise funds reflected a total operating income of \$4,019,008 and a total operating loss of \$527,024. The Water and Refuse funds reflected an operating loss of \$527,232 and \$505, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

Report Components

The Statement of Net Assets and the Statement of Activities provide information about the cash 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.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2006
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The City has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the City's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and the Statement of Modified Cash Basis Activities

The Statement of Net Assets and the Statement of Activities reflect how the City did financially during fiscal year 2006, within the limitations of modified cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the City at year-end. The Statement of Activities compares cash disbursements with program cash receipts for each governmental program. Program cash receipts include charges paid by the recipient of the program's goods or services and grants, contributions and interest restricted to meeting the operation or capital requirements of a particular program. General receipts are all receipts not classified as program cash receipts. The comparison of cash disbursements with program cash receipts identifies how each governmental program draws from the City's general receipts.

These two statements report the City's cash position and the changes in cash position. Keeping in mind the limitation of the modified cash basis of accounting, you can think of these changes as one way to measure the City's financial health. Over time, increases or decreases in the City's cash positions is one indicator of whether the City's financial health is improving or deteriorating. When evaluating the City's financial condition, you should also consider other nonfinancial factors as well such as the City's property tax base and the condition of capital assets.

In the statement of cash basis Net Assets and the cash basis 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 this operation are charged based on the amount of usage or a usage fee. The intent is that the fees charged recoup operational costs.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2006
Unaudited

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, Permissive Tax Fund, the Economic Development Fund and the Cornerstone Tax Incremental Financing 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 spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets 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.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2006
 Unaudited

THE CITY AS A WHOLE

Table 1 provides a summary of the City's net assets at for 2006 compared to 2005 on a modified cash basis:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2005	2006	2005	2006	2005	2006
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$4,114,269	\$6,294,307	\$931,751	\$448,021	\$5,046,020	\$6,742,328
Capital Assets	14,193,066	14,431,291	1,595,845	1,552,551	15,788,911	15,983,842
Total Assets	18,307,335	20,725,598	2,527,596	2,000,572	20,834,931	22,726,170
Net Assets:						
Invested in Capital Assets, Net of						
Related Debt	14,193,066	14,431,291	1,595,845	1,552,551	15,788,911	15,983,842
Restricted	3,110,724	4,530,016	0	0	3,110,724	4,530,016
Unrestricted	1,003,545	1,764,291	931,751	448,021	1,935,296	2,212,312
Total Net Assets	\$18,307,335	\$20,725,598	\$2,527,596	\$2,000,572	\$20,834,931	\$22,726,170

As mentioned previously, net assets of governmental activities increased \$2,418,236 or 13.2 percent during 2006. The primary reasons contributing to the increase in cash balances are as follows:

Program receipts represent only 10.7 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits, and grants.

General revenues represent 89.3 percent of the City's total receipts, and about 50 percent of general revenue is local taxes. Property taxes make up 8.3 percent of the City's general receipts. The City's business type activities, Water and Refuse Funds, account for 9.3 percent of the City's receipts. The Refuse Fund was established in 2005 and saw an increase in revenue in 2006 due to a rate increase.

There was a decrease in expenditures for economic development due to the use of the Urban Development Block Grant in 2005 to make long term improvements to the City.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2006
 Unaudited

Table 2 reflects the changes in net assets in 2006 as compared to 2005.

Table 2
 Changes in Net Assets

	Governmental Activities		Business-Type	
	2005	2006	2005	2006
Receipts:				
Program Receipts:				
Charges for Services	\$ 2,696,915	\$ 2,415,988	\$ 3,638,802	\$ 4,019,008
Operating Grants and Contributions	1,322,204	1,692,574	0	0
Capital Grants	201,383	86,614	0	0
Total Program Receipts	4,220,502	4,195,176	3,638,802	4,019,008
General Receipts:				
Property Taxes Levied for:				
Property Tax	2,730,215	2,908,282	0	0
Income Tax	12,703,014	13,662,821	0	0
Municipal Motor Vehicle Taxes	122,075	124,156	0	0
Other Taxes	4,275	5,170	0	0
Payments in Lieu of Taxes		648,470		
Grants and Entitlements not Restricted to Specific Programs	1,341,620	1,057,386	0	0
Gifts and Donations	792,371	51,925	0	0
Investment Earnings	83,953	278,413	0	0
Miscellaneous	38,767	3,596,998	186,868	713
Bonds Issued		94,964		
General Obligation Bonds Issued	10,335,000	12,405,036	0	0
Other Financing Uses	(51,675)	0	0	0
Proceeds of Loans	0	207,109	0	0
Discount on Debt Issued		(191,220)		
Total General Receipts	27,913,649	34,849,510	186,868	713
Total Receipts	32,134,151	39,044,686	3,825,670	4,019,721
Program Disbursements:				
General Government:				
Legislative and Executive	3,652,643	4,026,306	0	0
Judicial	533,896	125,106	0	0
Security of Persons and Property:				
Police	5,122,028	7,747,210	0	0
Fire	6,746,135	9,184,698	0	0
Public Health	550,666	977,932	0	0
Leisure Time Activities	1,161,937	531,745	0	0
Community and Economic Development	4,271,561	405,503	0	0
Public Works	361,707	60,695	0	0
Interest and Fiscal Charges	759,333	1,142,480	0	0
Transportation	1,019,003	1,293,002	0	0
Intergovernmental	0	101,961	0	0
Capital Outlay	75,995	8,561	0	0
Debt Service	6,329,863	11,021,224	0	0
Water / Refuse	0	0	3,636,881	4,546,745
Total Disbursements	29,825,434	36,626,423	3,636,881	4,546,745
Increase(Decrease) in Net Assets	2,308,717	2,418,263	188,789	(527,024)

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2006
Unaudited

There was a substantial increase in earnings tax revenues of 8 percent due to an increase in private business activity in the City.

The dependence upon property and income tax receipts is apparent as 49 percent of governmental activities are supported through these general receipts.

There was a significant increase in miscellaneous revenue of \$3.5 million in UDAG loan payoff by the Rookwood Commons developer. These funds were then used to pay off the City's outstanding liability of \$1.8 million to the Ohio Police and Fire Pension Fund. This caused an increase in expenditures for police and fire.

Governmental Activities

The 2% earnings tax is the largest source of revenue for the City. Revenues generated by the earnings tax represent approximately than 40% of the City's 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 public health services. In 2006 there was a substantial increase in earnings tax revenue due to an increase in local private business activities.

If you look at the Statement of Activities on page 7, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursement for governmental activities is for security of persons and property, which account for 46 percent of all governmental disbursements. General government also represents a significant cost, about 11 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 Government that must be used to provide a specific service. The net Receipt (Disbursement) 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.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2006
Unaudited

(Table 3)

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
General Government				
Legislative & Executive	\$4,026,306	(\$3,205,289)	\$3,652,643	(\$2,938,038)
Judicial	125,106	192,739	533,896	(467,602)
Security of Persons and Property				
Police	7,787,181	(7,585,377)	5,122,028	(4,015,152)
Fire	9,184,698	(8,777,370)	6,246,135	(6,233,416)
Public Service	60,695	25,926	361,707	(361,707)
Public Health	977,932	(790,951)	550,666	(373,438)
Leisure Time Activities	531,745	340,561	1,161,937	(819,635)
Economic Development	405,503	(370,405)	4,271,561	(4,066,225)
Interest and Fiscal Charges	1,142,480	(1,142,480)	759,333	(759,333)
Transportation	1,293,002	26,826	1,019,003	76,139
Intergovernmental	101,961	101,961	0	0
Capital Outlay	8,561	(8,561)	75,995	(75,995)
Debt Service	10,981,224	(10,981,224)	6,329,863	(6,329,863)
Total Expenses	\$36,626,423	(\$32,431,247)	\$30,584,767	(\$26,364,265)

Business-Type Activities

The City's business-type activities include the City's water utility and refuse fund. The water utility provides public water service to businesses and residents. The most recent increase of 10% took effect in February 2006. This increase raised the rate to \$2.35 per 100 cubic ft with a required minimum charge of \$23.70. This increase in water rates was needed in order to continue the process of upgrading the City's antiquated water system and to reflect the ever increasing cost of water.

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

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2006
Unaudited

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 cash basis of accounting. In total, all governmental funds reported revenues of \$26,528,797 million and expenses of \$36,864,648 million.

Within the General Fund, there were receipts of \$22,426,637 and disbursements of \$20,126,219. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$760,746 as the result of increased earnings tax revenue.

The Permissive Tax Fund had receipts of \$124,156 and disbursements of \$209,098. The fund balance of the Permissive Tax Fund decreased \$84,942 as the result of increased expenditures for the Williams Ave Sewer Project. The Economic Development Fund had receipts of \$162,049 and disbursements of \$130,169. The fund balance of the Economic Development Fund increased \$31,880 as the result of income from the Community Development Block Grant and a decrease in expenditures.

The Cornerstone Tax Increment Financing Fund had a decrease in fund balance of \$109,664. This was mainly due to principal and interest payments exceeding payment in lieu of tax revenue and related interest revenue received on the payments in lieu of taxes.

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 funds are the General Fund, Permissive Tax Fund, and the Economic Development Fund.

During 2006, the City amended its General Fund, Permissive Tax Fund, and Economic Development Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to unexpected growth in tax receipts and the lump sum payoff of the UDAG loan from the Rookwood Commons developer. This is detailed on page 10. With the exception of this early loan repayment the difference between the final budgeted receipts and actual receipts was not significant. Final disbursements were budgeted at \$21,422,873 for the General Fund. Actual disbursements were \$20,416,710. This results in an increase in the fund balance of \$1,006,163 for 2006. Due to the City's status in fiscal watch most departments restricted their spending. This caused the actual disbursements to be under the budgeted amount.

The City has two major special revenue funds. In the Permissive Tax Fund, final budgeted revenues were below original budgeted revenues by \$7,600 and the difference between final budgeted revenues and actual revenues was \$844, due to decreases in estimated permissive motor vehicle license taxes. Final budgeted expenditures were above original budgeted expenditures by \$94,421 due to overall increases in estimated expenditures. Final expenditures were budgeted at \$544,194 above actual expenditures due to transportation expenditures being much lower than anticipated.

In the Economic Development Fund, final budgeted revenues were below original budgeted revenues by \$83,642 due to decreases in intergovernmental revenue. The difference between final budgeted revenues and actual revenues was \$8,851. Final budgeted expenditures were below original budgeted expenditures by \$41,438 due to overall decreases in estimated expenditures. Final expenditures were budgeted at \$429,519 above actual expenditures due to expenditures being much lower than anticipated.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2006
 Unaudited

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, 2006 amounts to \$16.1 million (net of accumulated depreciation).

	Governmental Activities		Business Type Activity		Total	
	2005	2006	2005	2006	2005	2006
Land	\$4,077,513	\$4,077,513	\$0	\$0	\$4,077,513	\$4,077,513
CIP	0	\$61,975	0	0	0	\$61,975
Land Improvements	884,362	821,374	0	0	884,362	821,374
Buildings	1,999,543	2,065,579	0	0	1,999,543	2,065,579
Equipment	536,806	697,277	14,792	16,800	551,598	714,077
Vehicles	1,298,933	1,370,349	8,646	4,365	1,307,579	1,374,714
Infrastructure	5,395,909	5,337,224	1,572,407	1,531,386	6,968,316	6,868,610
Totals	\$14,193,066	\$14,431,291	\$1,595,845	\$1,552,551	\$15,788,911	\$15,983,842

The City had an increase in capital assets for governmental activities and a decrease in capital assets for business type activities. The increase in governmental activities was due to the purchase of new equipment and vehicles and the improvement of infrastructure. The decrease in business type activities is due to depreciation of equipment and vehicles.

Debt

At December 31st, 2006 the City had \$21.9 million in debt outstanding.

<i>Description</i>	<i>Rate</i>	<i>Final Maturity</i>	<i>Amount Outstanding</i>
Loans:			
2003 OPWC – Williams Avenue Resurfacing	0%	January 1, 2024	\$ 210,027
1994 OPWC – Improvement Water	3%	January 1, 2010	116,236
2003 OPWC – Montgomery Road Phase II	0%	January 1, 2024	545,348
Special Assessment Debt:			
2003 Central Parke Project	8.5%	March 1, 2015	2,263,124
General Obligation Bonds:			
Various Purpose Bonds	3.38%	April 1, 2015	6,345,752
2005 TIF Revenue Anticipation Notes	4.5%	December 1, 2031	12,500,000
Total			\$21,980,487

The City's overall legal debt margin was \$43,117,915 as of December 31, 2006. The more restrictive unvoted legal debt margin was \$3,168,314 as of the same date. See Note 8 of the basic financial statements for more details.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2006
Unaudited

ECONOMIC AND OTHER POTENTIALLY SIGNIFICANT MATTERS

In September 2006, it was determined that the developer of the Rookwood Commons project wished to make a lump sum payment of approximately \$3,500,000 rather than continuing to make monthly payments on the 1988 Urban Development Action Grant/Loan (UDAG) that was given for the original Rookwood Development. The City contacted the United States Department of Housing and Urban Development (HUD) to determine if there were any restrictions on the reuse of these funds. In October 2006, it was determined by HUD, that the repayment made by the developer of Rookwood Commons, constituted miscellaneous revenue under the UDAG program and that there was no longer any restrictions on the reuse of these funds. In addition, the City passed Ordinance 48-2006 clarifying that the repayment of funds by the developer of the Rookwood Commons project shall not be deposited into the Economic Development fund created by Ordinance 53-1985, but rather shall be received by the City and appropriated as determined by Council.

On November 17, 2006, the City paid the Ohio Police and Fire Pension Fund \$1.8 million. This payment closed all past due employer contribution balances (including the old payment plan from the 1990s), applicable penalties and interest owed Ohio Police and Fire Pension.

Based on the results of a fiscal analysis performed by the Auditor of State's Local Government Services division the City was placed in fiscal watch on October 7, 2004 and remains in fiscal watch today.

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, Ohio, 4645 Montgomery Road, Norwood, Ohio 45212.

City of Norwood
Statement of Net Assets
December 31, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$6,294,307	\$448,021	\$6,742,328
Capital Assets:			
Land	4,077,513	0	4,077,513
Land Improvements	1,482,809	0	1,482,809
Building and Building Improvements	4,158,027	54,890	4,212,917
Equipment	1,610,265	73,253	1,683,518
Vehicles	3,257,118	163,198	3,420,316
Infrastructure	12,960,780	2,660,957	15,621,737
Construction in Progress	61,975		61,975
Accumulated Depreciation:			
Land Improvements	(661,435)	0	(661,435)
Buildings & Building Improvements	(2,092,448)	(54,890)	(2,147,338)
Equipments	(912,988)	(56,453)	(969,441)
Vehicles	(1,886,769)	(158,833)	(2,045,602)
Infrastructure	(7,623,556)	(1,129,571)	(8,753,127)
<i>Total Assets</i>	<u>20,725,598</u>	<u>2,000,572</u>	<u>22,726,170</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	14,431,291	1,552,551	15,983,842
Restricted for Debt Service	1,373,818	0	1,373,818
Restricted for Capital Outlay	157,092	0	157,092
Restricted for Other Purposes	2,999,106	0	2,999,106
Unrestricted	<u>1,764,291</u>	<u>448,021</u>	<u>2,212,312</u>
<i>Total Net Assets</i>	<u><u>\$20,725,598</u></u>	<u><u>\$2,000,572</u></u>	<u><u>\$22,726,170</u></u>

City of Norwood
Statement of Activities
For the Year Ended December 31, 2006

	<u>Program Revenues</u>			<u>Net(Expense)Revenue and Changes in Net</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government:							
Legislative and Executive	\$4,026,306	\$819,250	\$1,767	\$0	(\$3,205,289)	\$0	(\$3,205,289)
Judicial System	125,106	317,845	0	0	192,739	0	192,739
Security of Persons and Property:							
Police	7,787,181	95,212	106,592	0	(7,585,377)	0	(7,585,377)
Fire	9,184,698	387,636	19,692	0	(8,777,370)	0	(8,777,370)
Public Services	60,695	7	0	86,614	25,926	0	25,926
Public Health	977,932	77,991	108,990	0	(790,951)	0	(790,951)
Lesiure Time Services	531,745	298,190	574,116	0	340,561	0	340,561
Community and Economic Development	405,503	35,098	0	0	(370,405)	0	(370,405)
Transportation	1,293,002	384,759	881,417	0	(26,826)	0	(26,826)
Intergovernmental	101,961	0	0	0	(101,961)	0	(101,961)
Capital Outlay	8,561	0	0	0	(8,561)	0	(8,561)
Interest and Fiscal Charges	1,142,480	0	0	0	(1,142,480)	0	(1,142,480)
Debt Service:							
Principal Retirements	10,692,098	0	0	0	(10,692,098)	0	(10,692,098)
Issuance Costs	289,155	0	0	0	(289,155)	0	(289,155)
Total Governmental Activities	36,626,423	2,415,988	1,692,574	86,614	(32,431,247)	0	(32,431,247)
Business-Type Activities:							
Refuse Collections	1,124,365	1,123,860	0	0	0	(505)	(505)
Water	3,422,380	2,895,148	0	0	0	(527,232)	(527,232)
Total Business-Type Activities	4,546,745	4,019,008	0	0	0	(527,737)	(527,737)
Totals	\$41,173,168	\$6,434,996	\$1,692,574	\$86,614	(32,431,247)	(527,737)	(32,958,984)
General Revenues:							
Taxes:							
Property Taxes					2,908,282	0	2,908,282
Income Taxes					13,662,821	0	13,662,821
Municipal Motor Vehicle Taxes					124,156	0	124,156
Other Taxes					5,170	0	5,170
Payments in Lieu of Taxes					648,470	0	648,470
Grants and Entitlements not Restricted to Specific Programs					1,057,386	0	1,057,386
Unrestricted Contributions					51,925	0	51,925
Investment Earnings					278,413	0	278,413
Miscellaneous					3,596,998	713	3,597,711
Transfers							
Bonds Issued					12,500,000	0	12,500,000
Proceeds of Loans					207,109	0	207,109
Discount on Debt Issued					(191,220)	0	(191,220)
Total General Revenues and Transfers					34,849,510	713	34,850,223
Change in Net Assets					2,418,263	(527,024)	1,891,239
Net Assets Beginning of Year					18,307,335	2,527,596	20,834,931
Net Assets End of Year					\$20,725,598	\$2,000,572	\$22,726,170

City of Norwood
Balance Sheet
Governmental Funds
December 31, 2006

	<u>General Fund</u>	<u>Permissive Tax</u>	<u>Economic Development Fund</u>	<u>Cornerstone Tax Incentive Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:						
Equity in Pooled Cash and Cash Equivalents	\$1,764,291	\$552,352	\$545,674	\$132,172	\$2,094,385	\$5,088,874
Cash and Cash Equivalents with Fiscal Agents	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,205,433</u>	<u>0</u>	<u>1,205,433</u>
<i>Total Assets</i>	<u><u>\$1,764,291</u></u>	<u><u>\$552,352</u></u>	<u><u>\$545,674</u></u>	<u><u>\$1,337,605</u></u>	<u><u>\$2,094,385</u></u>	<u><u>\$6,294,307</u></u>
FUND BALANCES:						
Unreserved, Undesignated, Reported in:						
General Fund	\$1,764,291	\$0	\$0	\$0	\$0	\$1,764,291
Special Revenue Funds	0	552,352	545,674	0	1,901,080	2,999,106
Debt Service Funds	0	0	0	1,337,605	36,213	1,373,818
Capital Projects Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>157,092</u>	<u>157,092</u>
<i>Total Fund Balances</i>	<u><u>\$1,764,291</u></u>	<u><u>\$552,352</u></u>	<u><u>\$545,674</u></u>	<u><u>\$1,337,605</u></u>	<u><u>\$2,094,385</u></u>	<u><u>\$6,294,307</u></u>

City of Norwood
*Reconciliation of the Statement of Receipts, Disbursements and Changes
in Fund Balances of Governmental Funds to the Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended December 31, 2006*

Net Change in Fund Balances - Total Governmental Funds	\$2,180,038
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*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	930,234	
Depreciation Expense	(688,036)	
Excess of Capital Outlay over Depreciation Expense		242,198

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 disposal.

Loss on Disposal of Capital Assets		(3,973)
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<i>Change in Net Assets of Governmental Activities</i>	\$2,418,263
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See Accompanying Notes to the Basic Financial Statements

City of Norwood
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	<u>General Fund</u>	<u>Permissive Tax</u>	<u>Economic Development Fund</u>	<u>Cornerstone Tax Incentive Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:						
Property Taxes	\$2,483,782	\$0	\$0	\$0	\$424,500	\$2,908,282
Income Taxes	13,662,821	0	0	0	0	13,662,821
Permissive Motor Vehicle License Taxes	0	124,156	0	0	0	124,156
Other Local Taxes	5,170	0	0	0	0	5,170
Payments in Lieu of Taxes	0	0	0	648,470	0	648,470
Special Assessments	0	0	0	0	369,848	369,848
Charges for Services	578,060	0	35,098	0	547,148	1,160,306
Licenses and Permits	358,190	0	0	0	107,316	465,506
Fines and Forfeitures	299,550	0	0	0	97,947	397,497
Intergovernmental	1,264,495	0	0	0	965,021	2,229,516
Interest	105,507	0	126,951	45,955	23,592	302,005
Rent	22,831	0	0	0	0	22,831
Contributions and Donations	51,925	0	0	3,550	579,916	635,391
Other	3,594,306	0	0	0	2,692	3,596,998
<i>Total Revenues</i>	<u>22,426,637</u>	<u>124,156</u>	<u>162,049</u>	<u>697,975</u>	<u>3,117,980</u>	<u>26,528,797</u>
EXPENDITURES:						
Current:						
General Government:						
Legislative and Executive	3,096,800	0	0	0	778,227	3,875,027
Judicial System	110,110	0	0	0	27,307	137,417
Security of Persons and Property:						
Police	7,225,299	0	0	0	470,152	7,695,451
Fire	8,597,059	0	0	0	631,110	9,228,169
Public Services	52,605	0	0	0	0	52,605
Public Health	901,320	0	0	0	95,736	997,056
Lesiure Time Services	0	0	0	0	519,378	519,378
Community and Economic Development	0	0	130,169	292,052	0	422,221
Transportation	143,026	165,581	0	0	710,386	1,018,993
Intergovernmental	0	0	0	101,961	0	101,961
Capital Outlay	0	0	0	0	692,637	692,637
Debt Service:						
Principal Retirements	0	43,517	0	10,335,000	313,581	10,692,098
Interest and Fiscal Charges	0	0	0	687,295	455,185	1,142,480
Issuance Costs	0	0	0	289,155	0	289,155
<i>Total Expenditures</i>	<u>20,126,219</u>	<u>209,098</u>	<u>130,169</u>	<u>11,705,463</u>	<u>4,693,699</u>	<u>36,864,648</u>
<i>Excess of Revenues Over(Under) Expenditures</i>	<u>2,300,418</u>	<u>(84,942)</u>	<u>31,880</u>	<u>(11,007,488)</u>	<u>(1,575,719)</u>	<u>(10,335,851)</u>
OTHER FINANCING SOURCES AND USES:						
Transfers In	0	0	0	0	1,539,672	1,539,672
Bonds Issued	0	0	0	12,500,000	0	12,500,000
Proceeds of Loans	0	0	0	0	207,109	207,109
Discount on Debt Issued	0	0	0	(191,220)	0	(191,220)
Transfers Out	(1,539,672)	0	0	0	0	(1,539,672)
<i>Total Other Financing Sources and Uses</i>	<u>(1,539,672)</u>	<u>0</u>	<u>0</u>	<u>12,308,780</u>	<u>1,746,781</u>	<u>12,515,889</u>
<i>Net Change in Fund Balance</i>	760,746	(84,942)	31,880	1,301,292	171,062	2,180,038
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>1,003,545</u>	<u>637,294</u>	<u>513,794</u>	<u>36,313</u>	<u>1,923,323</u>	<u>4,114,269</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$1,764,291</u>	<u>\$552,352</u>	<u>\$545,674</u>	<u>\$1,337,605</u>	<u>\$2,094,385</u>	<u>\$6,294,307</u>

City of Norwood
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities - Modified Cash Basis
 December 31, 2006*

Total Governmental Fund Balances	\$6,294,307
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*Amounts reported for governmental activities in the
 Statement of Net Assets 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	4,077,513	
Construction in Progress	61,975	
Land Improvements	1,482,809	
Building and Improvements	4,158,027	
Equipment	1,610,265	
Vehicles	3,257,118	
Infrastructure	12,960,780	
Accumulated Depreciation	(13,177,196)	
Total Capital Assets		14,431,291

<i>Net Assets of Governmental Activities</i>	\$20,725,598
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See Accompanying Notes to the Basic Financial Statements

City of Norwood
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property Taxes	\$2,370,871	\$2,363,331	\$2,483,782	\$120,451
Income Taxes	10,017,566	13,500,000	13,662,821	162,821
Other Local Taxes	3,204	4,318	5,170	852
Charges for Services	417,861	563,123	578,060	14,937
Licenses and Permits	253,216	341,242	358,190	16,948
Fines and Forfeitures	220,326	296,919	299,550	2,631
Intergovernmental	712,833	1,247,085	1,264,495	17,410
Interest	67,526	91,000	105,507	14,507
Rent	16,941	22,830	22,831	1
Contributions and Donations	37,473	50,500	51,925	1,425
Reimbursements	97,098	130,852	0	(130,852)
Other	2,663,273	3,589,114	3,594,306	5,192
Total Revenues	<u>16,878,188</u>	<u>22,200,314</u>	<u>22,426,637</u>	<u>226,323</u>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	3,702,177	4,489,081	3,328,343	1,160,738
Judicial System	93,372	121,280	113,475	7,805
Security of Persons and Property:				
Police	5,328,871	6,970,745	7,247,434	(276,689)
Fire	6,354,639	8,784,755	8,623,648	161,107
Public Services	485	2,927	52,673	(49,746)
Public Health	886,767	939,552	908,045	31,507
Transportation	123,785	143,355	143,092	263
Total Expenditures	<u>16,490,096</u>	<u>21,451,695</u>	<u>20,416,710</u>	<u>1,006,163</u>
Excess of Revenues Over(Under) Expenditures	<u>388,092</u>	<u>748,619</u>	<u>2,009,927</u>	<u>(779,840)</u>
OTHER FINANCING SOURCES AND USES:				
Transfers Out	<u>(859,543)</u>	<u>(1,539,672)</u>	<u>(1,539,672)</u>	<u>0</u>
Net Change in Fund Balance	(471,451)	(791,053)	470,255	(779,840)
Fund Balance (Deficit) at Beginning of Year	806,893	806,893	806,893	0
Prior Year Encumbrances Appropriated	<u>193,002</u>	<u>193,002</u>	<u>193,002</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u><u>\$528,444</u></u>	<u><u>\$208,842</u></u>	<u><u>\$1,470,150</u></u>	<u><u>(\$779,840)</u></u>

City of Norwood
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Economic Development Fund
For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Charges for Services	\$ 50,288	\$ 32,614	\$ 35,098	\$ 2,484
Intergovernmental	186,552	120,584		(120,584)
Interest			126,951	126,951
Total Revenues	<u>236,840</u>	<u>153,198</u>	<u>162,049</u>	<u>8,851</u>
EXPENDITURES:				
Current:				
Community and Economic Development	652,625	666,989	181,668	485,321
Total Expenditures	<u>596,823</u>	<u>666,989</u>	<u>181,668</u>	<u>485,321</u>
Net Change in Fund Balance	(359,983)	(513,791)	(19,619)	(494,172)
Fund Balance (Deficit) at Beginning of Year	457,990	457,990	457,990	0
Prior Year Encumbrances Appropriated	55,802	55,802	55,802	0
Fund Balance (Deficit) at End of Year	<u>\$ 153,809</u>	<u>\$ 1</u>	<u>\$ 494,173</u>	<u>\$ (494,172)</u>

City of Norwood
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Permissive Tax
For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Permissive Motor Vehicle License Taxes	\$132,600	\$125,000	\$124,156	(\$844)
EXPENDITURES:				
Current:				
Transportation	602,595	697,016	174,581	522,435
Debt Service:				
Principal Retirements	65,276	65,276	43,517	21,759
Total Expenditures	667,871	762,292	218,098	544,194
Net Change in Fund Balance	(535,271)	(637,292)	(93,942)	(545,038)
Fund Balance (Deficit) at Beginning of Year	637,292	637,292	637,292	0
Fund Balance (Deficit) at End of Year	<u>\$102,021</u>	<u>\$0</u>	<u>\$543,350</u>	<u>(\$545,038)</u>

City of Norwood
Statement of Fund Net Assets
Proprietary Funds
December 31, 2006

	<u>Water</u>	<u>All Other Enterprise Funds</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$423,874	\$24,147	\$448,021
<i>Total Current Assets</i>	<u>423,874</u>	<u>24,147</u>	<u>448,021</u>
Noncurrent Assets:			
Capital Assets:			
Building and Building Improvements	54,890	0	54,890
Equipment	73,253	0	73,253
Vehicles	163,198	0	163,198
Infrastructure	2,660,957	0	2,660,957
Accumulated Depreciation:			
Buildings & Building Improvements	(54,890)	0	(54,890)
Equipments	(56,453)	0	(56,453)
Vehicles	(158,833)	0	(158,833)
Infrastructure	(1,129,571)	0	(1,129,571)
<i>Total Noncurrent Assets</i>	<u>1,552,551</u>	<u>0</u>	<u>1,552,551</u>
<i>Total Assets</i>	<u>1,976,425</u>	<u>24,147</u>	<u>2,000,572</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	1,552,551	0	1,552,551
Unrestricted	423,874	24,147	448,021
<i>Total Net Assets</i>	<u>\$1,976,425</u>	<u>\$24,147</u>	<u>\$2,000,572</u>

City of Norwood
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2006

	Enterprise Funds		
	Water	All Other Enterprise Funds	Totals
OPERATING REVENUES:			
Charges for Services	\$2,895,148	\$1,123,860	\$4,019,008
Other	713	0	713
<i>Total Operating Revenues</i>	<u>2,895,861</u>	<u>1,123,860</u>	<u>4,019,721</u>
OPERATING EXPENSES:			
Personal Services	528,652	0	528,652
Contractual Services	2,752,492	1,123,500	3,875,992
Materials and Supplies	42,275	0	42,275
Depreciation	51,160	0	51,160
Refunds	7,008	865	7,873
Other	40,793	0	40,793
<i>Total Operating Expenses</i>	<u>3,422,380</u>	<u>1,124,365</u>	<u>4,546,745</u>
<i>Operating Income (Loss)</i>	(526,519)	(505)	(527,024)
<i>Net Assets (Deficit) at Beginning of Year</i>	<u>2,502,944</u>	<u>24,652</u>	<u>2,527,596</u>
<i>Net Assets (Deficit) at End of Year</i>	<u><u>\$1,976,425</u></u>	<u><u>\$24,147</u></u>	<u><u>\$2,000,572</u></u>

City of Norwood
Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2006

Agency Fund

ASSETS:

Current Assets:

Equity in Pooled Cash and Cash Equivalents

\$438,422

LIABILITIES:

Current Liabilities:

Undistributed Monies

\$438,422

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

Reporting Entity

The City operates under the Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services.

The accompanying general purpose financial statements comply with the provisions of the Governmental Accounting Standards Board (the GASB) Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's governing body and either (1) the City's ability to impose its will over the component unit, or (2) the potential that the component unit will provide a financial benefit to or impose a financial burden on the City. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. Based on the foregoing, the City as a reporting entity does not have any component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Basis of Accounting in Note 2, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. For governmental activities, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The City does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the City's accounting policies.

Basis of Presentation

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements

The statement of net assets and the statement of activities displaying information about the city as a whole. These statements include the financial activities of primary government, except for fiduciary funds. The statements usually distinguish between those activities that are governmental in nature and those that are considered business type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for good or services.

The Statement of Net Assets presents the cash balance and capital assets of the governmental and business-type activities of the City at year-end. The Statement of Activities compares disbursements with program receipts for each function of the City's governmental activities and for the business-type activities of the City. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the goods or services by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the City, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business type activity is self-financing on a modified cash basis or draws from the City's general receipts.

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. Non-major funds are aggregated and presented in a separate column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

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: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. The following funds are reported as the City's major governmental funds:

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Permissive Tax Fund – This special revenue fund is used to account for revenues derived from state collected, locally distributed motor vehicle license fees; and to account for all expenditures relating to specific road improvements approved by the County Engineer.

Economic Development Fund – This special revenue fund is used to account for revenues derived from the repayment of Urban Development Action Grants to the city; and to account for all expenditures relating to economic development.

Cornerstone Tax Incentive Fund – This debt service fund is used to account for property taxes collected for the payment of tax increment financing bonded debt with governmental commitment.

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

Proprietary Fund

The City classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

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 accounts for the acquisitions, operations and maintenance of City facilities and services designated to be entirely, or predominately, self-supported from user charges for water.

Refuse Disposal Fund- This fund is used to account for moneys collected from Norwood citizens, business and industries for refuse disposal service; and to account for the payment of refuse disposal bills.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature and do not involve measurement of results of operations. The City had the following significant agency fund.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sewage Fund – This fund is used to account for moneys collected from Norwood citizens, business and industries for sewer service; and to account for the payment of sewer bills.

Basis of Accounting

The City's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the City's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the City are described in the appropriate section in this note. As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount 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 for the General Fund, and certain Special Revenue Funds, including Street Maintenance and Repair Fund, State Highway Fund, Economic Development Fund, and EMS Fund, for each budgeted expenditure classification may not be exceeded are: personal services, contractual, materials and supplies, and other. The legal level of control for budgeted expenditures that may not be exceeded in the Debt Service Fund are principle retirement and interest. The legal level of control for all other funds has been established by Council at the object level within each department. Budgetary modifications may only be made by resolution 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.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City of Norwood considers all highly liquid investments, including restricted assets, with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents that are held separately in accounts at a financial institution for debt service are reported as "Cash and Cash Equivalents with Fiscal Agents".

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 Agent".

Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During the year, investments were limited to short term Certificate of Deposits from US Bank with an original maturity of more than three months at the time of purchase and money market mutual funds.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2006 amounted to \$105,507 which includes \$23,592 assigned from other funds.

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 equivalents.

Capital Assets

The City's general capital assets are capital assets which are associated with and generally arise from governmental activities. They result from disbursements, generally from the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by back-trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

The City's infrastructure consists of right-of-ways, water mains, storm system, manholes, roadway systems, sidewalks, and curbing. Infrastructure for the proprietary fund is the water system.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

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

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. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	45-100
Machinery and Equipment	3-20
Licensed Vehicles	6-15
 Infrastructure	 40-100

Net Assets

Net assets 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 assets 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 assets restricted for other purposes include resources restricted for transportation and Federal and State grants restricted to cash disbursement for specified purposes. The City's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets reports \$4,530,016 of restricted net assets, of which none is restricted by enabling legislation.

Inter-Fund Transactions

Transfers between governmental and business-type activities on the government-wide financial statement are reported in the same manner as general receipts. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without the requirement or repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2006
 (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The modified cash basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 3 – BUDGETARY BASIS FOR ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, the permissive tax fund, and the economic development fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an inter-fund receivable or payable (modified cash basis)).

The encumbrances outstanding at year end (budgetary basis) amounted to \$290,491 for the General Fund. The encumbrances outstanding at year end for the City’s two major special revenue funds amounted to \$9,000 for Permissive Tax Fund, and \$64,097 for Economic Development Fund. There were no outstanding advances at year end for any of these funds.

Net Changes in Fund Balance

	General	Permissive	Econ. Dev.
GAAP Basis	\$760,746	(\$84,942)	\$31,880
Encumbrances	(290,491)	(9,000)	(51,499)
Budget Basis	\$470,255	(\$93,942)	(\$19,619)

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Monies held by the City are classified by State statute into three categories:

Active monies 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.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS **(Continued)**

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

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

Interim monies held by the City can 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (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;
7. The State Treasurer's investment pool (STAR Ohio).

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.

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2006
 (Continued)

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

Deposits

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Based on the foregoing criteria, at December 31, 2006, \$100,000 of the City's deposits was insured by the FDIC and the remaining \$6,726,545 was collateralized with securities held by the pledging financial institution, or by its trust department, but not in the City's name as defined by the GASB. These deposits were, however, collateralized with securities held by a financial institution, but not in the City's name.

Investments

As of December 31, 2006, the City had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
First American Treasury Obligation		
Money Market Mutual Funds	<u>\$1,205,433</u>	Average 90 Days

Interest Rate Risk

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

Credit Risk

The First American Treasury Obligation Money Market Mutual Fund carries a rating of Aaa by Moody's. Ohio law requires that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The City has no investment policy that addresses credit risk.

NOTE 5 – CITY EARNINGS 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. The tax is the largest single source of General Fund revenue. Actual collections in 2006 were \$13,662,821.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real, property, public utility property, and tangible personal property located in the City. Property tax revenue received during 2006 for real and public utilities property taxes represents collections of 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) are for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

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. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments were 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due by September 20.

Real property taxes are payable annually or semi-annually. If paid annually, the 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30; with the remainder payable by September 20.

The full tax rate for all City operations for the year ended December 31, 2006, was \$12.58 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2006 property tax receipts were based are as follows:

Real Property	\$352,944,950
Public Utility Property	\$ 16,989,850
Tangible Personal Property	\$ 40,712,010

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
Governmental Activities				
Non-depreciable Capital Assets				
Land	\$ 4,077,513	\$ 0	\$ 0	\$ 4,077,513
Construction in Process	0	61,975	0	61,975
Total Non-depreciable Capital Assets	<u>\$ 4,077,513</u>	<u>\$ 61,975</u>	<u>\$ 0</u>	<u>\$ 4,139,488</u>
Depreciable Capital Assets				
Buildings	\$ 4,032,174	\$ 125,853	\$ 0	\$ 4,158,027
Land Improvements	1,488,519	0	(5,710)	1,482,809
Vehicles	3,088,014	169,104	0	3,257,118
Furniture & Equipment	1,336,561	368,204	(94,500)	1,610,265
Infrastructure	12,755,682	205,098	0	12,960,780
Total Depreciable Capital Assets	<u>\$22,700,950</u>	<u>\$ 868,259</u>	<u>\$ (100,210)</u>	<u>\$23,468,999</u>
Total	<u>\$26,778,463</u>	<u>\$ 930,234</u>	<u>\$ (100,210)</u>	<u>\$27,608,487</u>
Less Accumulated Depreciation for				
Land	\$ 0	\$ 0	\$ 0	\$ 0
Buildings	(2,032,631)	(59,817)	0	(2,092,448)
Land Improvements	(604,157)	(59,015)	1,737	(661,435)
Vehicles	(1,674,596)	(212,173)	0	(1,886,769)
Furniture & Equipment	(914,240)	(93,248)	94,500	(912,988)
Infrastructure	(7,359,773)	(263,783)	0	(7,623,556)
Total Accumulated Depreciation	<u>\$(12,585,397)</u>	<u>\$ (688,036)</u>	<u>\$ 96,237</u>	<u>\$ (13,177,196)</u>
Total Depreciable Capital Assets, Net	<u>\$ 10,115,553</u>	<u>\$ 180,223</u>	<u>\$ (3,973)</u>	<u>\$ 10,291,803</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,193,066</u>	<u>\$ 242,198</u>	<u>\$ (3,973)</u>	<u>\$ 14,431,291</u>

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

NOTE 7 - CAPITAL ASSETS (Continued)

	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
Business-type Activities				
Depreciable Capital Assets				
Buildings	\$ 54,890	\$ 0	\$ 0	\$ 54,890
Land Improvements	0	0	0	0
Vehicles	163,198	0	0	163,198
Furniture & Equipment	65,387	7,866	0	73,253
Infrastructure	2,660,957	0	0	2,660,957
Total Depreciable Capital Assets	<u>\$ 2,944,432</u>	<u>\$ 7,866</u>	<u>\$ 0</u>	<u>\$ 2,952,298</u>
Less Accumulated Depreciation for				
Buildings	\$ 54,890	0	\$ 0	54,890
Land Improvements	0	0	0	0
Vehicles	154,552	4,281	0	158,833
Furniture & Equipment	50,595	5,858	0	56,453
Infrastructure	1,088,550	41,021	0	1,129,571
Total Accumulated Depreciation	<u>1,348,587</u>	<u>51,160</u>	<u>0</u>	<u>1,399,747</u>
Total Depreciable Capital Assets, Net	<u>1,595,845</u>	<u>(43,294)</u>	<u>0</u>	<u>1,552,551</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,595,845</u>	<u>\$ (43,294)</u>	<u>\$ 0</u>	<u>\$ 1,552,551</u>

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

NOTE 7 - CAPITAL ASSETS (Continued)

Depreciation expense for 2006 was charged to governmental functions as follows:

Security of Persons & Property	
Police	\$97,310
Fire	134,330
Community & Economic Development	577
Transportation	274,009
Public Health & Welfare	7,891
Public Service	8,090
Leisure Time Activities	8,394
Legislative & Executive	151,279
Judicial	6,156
Total Depreciation Expense - Government Activities	<u><u>\$688,036</u></u>

NOTE 8 - DEBT

During 2003, the City entered into a loan agreement with the Ohio Public Works Commission to help resurface Williams Avenue and the second phase of work on Montgomery Road. These are interest free, twenty year loans 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 project. These are interest free, twenty year loans and the maturity date is July 1, 2024.

The special assessment debt is serviced by revenues received from special assessments and is also backed by the full faith and credit of the government as additional security. The special assessment debt is the Central Parke Project established in 2003. This debt has an interest rate of 8.5 percent and a final maturity date of March 1, 2015.

The general obligation debt is tax-supported. Annually, City Council authorizes a transfer from the General Fund to the Debt Service Fund to service the tax-supported debt. During 2004, the City's general obligation bonds were refunded at an interest rate of 3.38 percent with a final maturity date of April 15, 2015.

In 2005, the Tax Increment Financing Revenue Anticipation Notes were refinanced. TIF Revenues from all incremental property taxes 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 notes. This debt has an average interest rate of 4.5 percent and a final maturity date of December 1, 2031.

During 1994, the City entered into a loan agreement with the Ohio Public Works Commission to help fund improvement of the water distribution system. The interest rate on the loan is 3% and the maturity date is January 1, 2010.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

NOTE 8 - DEBT (Continued)

In September 2006, it was determined that the developer of the Rookwood Commons project wished to make a lump sum payment of approximately \$3,500,000 rather than continuing to make monthly payments on the 1988 Urban Development Action Grant/Loan (UDAG) that was given for the original Rookwood Development. The City contacted the United States Department of Housing and Urban Development (HUD) to determine if there were any restrictions on the reuse of these funds. In October 2006, it was determined by HUD, that the repayment made by the developer of Rookwood Commons, constituted miscellaneous revenue under the UDAG program and that there was no longer any restrictions on the reuse of these funds. In addition, the City passed Ordinance 48-2006 clarifying that the repayment of funds by the developer of the Rookwood Commons project shall not be deposited into the Economic Development fund created by Ordinance 53-1985, but rather shall be received by the City and appropriated as determined by Council.

On November 17, 2006, the City paid the Ohio Police and Fire Pension Fund \$1.8 million. This payment closed all past due employer contribution balances (including the old payment plan from the 1990s), applicable penalties and interest owed Ohio Police and Fire Pension.

A schedule of changes in bonds and other long-term obligations of the City during the current year are as follows:

Governmental Activities

Description	Balance 1/1/06	Increases	Decreases	Balance 12/31/06	Due Within One Year
General Obligation Bonds	\$6,495,752	\$0	\$150,000	\$6,345,752	\$150,000
Special Assesment Debt Obligations under Capital Leases	2,426,705	0	163,581	2,263,124	177,483
OPWC Loan- Resurface Williams Ave	0	169,104	0	169,104	30,293
OPWC Loan - Montgomery Rd Phase II	228,381	0	12,354	210,027	12,354
Tax Incremental Financing Bonds 2006	576,511	0	31,163	545,348	31,162
Neyer Loan	0	12,500,000	0	12,500,000	120,000
Estimated Liability For Unpaid Claims (Note 10)	0	207,109	0	207,109	0
2005 Rev. Anticipation Note	20,000	295	295	20,000	20,000
Total	10,335,000	0	10,335,000	0	0
	20,082,349	12,876,508	10,692,393	22,260,464	541,292

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

NOTE 8 - DEBT (Continued)

Business-Type Activities

Description	Balance 1/1/06	Additions	Principal Retirement	Balance 12/31/06	Due Within One Year
1994 OPWC Loan - Improve Water Distribution System	\$152,730	\$0	\$36,494	\$116,236	\$37,597
Total	152,730	0	36,494	116,236	37,597

Revenues from all sources have been sufficient to meet all of the City's debt service requirements through December 31, 2006.

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	Governmental Activities							
	Special Assessment Bonds		OPWC Loans		Tax Incremental Financing Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$177,483	\$192,366	\$43,518	\$0	\$120,000	\$744,122	\$150,000	\$267,448
2008	192,569	177,280	43,518	0	125,000	739,322	549,152	252,683
2009	208,937	160,911	43,518	0	165,000	734,011	563,642	232,548
2010	226,697	143,152	43,518	0	180,000	726,587	591,359	210,303
2011	245,966	123,882	43,518	0	195,000	717,587	620,637	185,993
2012-2016	1,211,474	267,919	217,590	0	1,395,000	3,403,651	2,407,284	550,365
2017-2021	0	0	217,590	0	2,160,000	2,936,324	1,463,675	160,516
2022-2026	0	0	130,554	0	3,275,000	2,155,740	0	0
2027-2031	0	0	0	0	4,885,000	953,250	0	0
Totals	\$2,263,126	\$1,065,510	\$783,324	\$0	\$12,500,000	\$13,110,594	\$6,345,749	\$1,859,856

Business Type Activities

OPWC Loans

Year	Principal	Interest
2007	\$37,597	\$3,208
2008	38,734	2,071
2009	39,905	900
Totals	\$116,236	\$6,179

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

NOTE 8 - DEBT (Continued)

The Ohio Revised Code provides that the net debt of a municipal corporation, when approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the un-voted net debt of municipal corporations cannot exceed 5.5% of the total taxable value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuations and expressed in terms of a percentage. At December 31, 2006, the City had \$19,601,127 of "total net debt." Special assessment bonds are excluded in calculating the total net indebtedness of the City.

The Ohio Revised Code specifies that all special assessment debt is general obligation debt. All special assessment bond issues are, therefore, backed by the full faith and credit of the City.

The primary responsibility for the annual payments to special assessment bond holders is with the property owners on whose behalf the City has issued special assessment debt. The special assessments which cover both principal and interest due are collected by the Hamilton County Auditor each year with the property owners' tax payments. The collections are then sent to the City which pays the principal and interest due.

In the event of a default, a lien is put on the property and it is eventually sold by the county at a tax sale. The City is then reimbursed for any special assessment bond payments it makes.

NOTE 9 - CAPITAL LEASES – LESSEE DISCLOSURE

During 2006 and in prior years, the City entered into lease agreements for the purchase of equipment and vehicles. On July 17th 2006 the City entered into a lease purchase agreement with National City Bank for a Horton Ambulance for a total cost of \$169,104 to be paid in 5 annual payments of \$39,611.

The City leases buildings, vehicles and other equipment under noncancelable leases. Future lease payments are as follows):

Year	Amount
2007	\$39,611
2008	39,611
2009	39,611
2010	39,611
2011	39,611
Total	<u>\$198,055</u>

NOTE 10 - CONTINGENT LIABILITIES

The city is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the City's financial condition. Amounts grantor agencies pay to the City are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2006
 (Continued)

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the City participated in the Ohio Municipal League Joint Self-Insurance Pool (the "Pool"). The Pool was established in 1987, and is administered under contract by the Ohio Municipal League to provide a program of property and casualty self-insurance for its member organizations throughout the State of Ohio. The Pool's general objectives are to formulate, develop, and administer a program of self-insurance, to obtain lower costs for coverage, and to develop a comprehensive loss control program on behalf of the member political subdivisions. Political subdivisions joining the Pool may withdraw at the end of any coverage period upon 60 days prior written notice to the Pool. Under agreement, members who terminate participation in the Pool, as well as current members, are subject to a supplemental assessment or a refund, at the discretion of the board of trustees, depending on the ultimate loss experience of all the entities it insures for each coverage year. To date, there have been no assessments or refunds.

Insurance provided by the Pool are as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u>
Commercial Property	\$ 5,000	\$5,000,000
Emergency Medical Services	5,000	5,000,000
Personal and Advertising Inquiry	5,000	5,000,000
Auto Liability	5,000	1,000,000
General Liability	5,000	1,000,000
Municipal Attorney and Law	50,000	
Director Liability		1,000,000
Public Officials Liability	50,000	2,000,000
Law Enforcement Liability	5,000	5,000,000
Stop Gap	5,000	1,000,000

Settled claims have not exceeded coverage in any of the past three years. There has not been a reduction in coverage.

Each participant makes an annual "contribution" to the Pool for the coverage they are provided, based on rates established by the Pool, using anticipated and actual results of operations for the various coverages provided. Participants are also charged for a "surplus contribution" that is used to build the Pool's retained earning account to fund the activities of the Pool. During 2006, the City's contributions to the Pool totaled \$187,302.

In the ordinary course of business, the Pool grants a portion of its exposure to other insurers. These arrangements limit the Pool's maximum net loss on individual risks. Treaty basis casualty excess of loss contracts in force at December 31, 2001 currently generally protects the Pool against individual losses over \$150,000.

Additionally, treaty basis property coverage protects the Pool against losses subject to a deductible of \$50,000 per occurrence. Previously the deductible was the lesser of \$50,000 per location or \$100,000 per occurrence. The Pool is, and ultimately the participants are, contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

NOTE 11 - RISK MANAGEMENT (Continued)

The City participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for all cities in the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangements insures that each participant shares equally in the overall performance of the GRP.

The City's available legal debt margin of \$19,417,261 at December 31, 2006, is considered adequate for catastrophic loss coverage.

NOTE 12- DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

The City of Norwood participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling OPERS at (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2006 was 9.2 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.43 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City of Norwood's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$564,899, \$440,444, and \$448,833 respectively.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

NOTE 12- DEFINED BENEFIT PENSION PLANS (Continued)

Ohio Police and Fire Pension Fund

The City of Norwood contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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 for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City of Norwood is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City of Norwood's contributions to the Fund for police and firefighters were \$1,648,961 for the year ended December 31, 2006, \$1,635,979 for the year ended December 31, 2005, and \$1,506,054 for the year ended December 31, 2004, respectively.

On November 17, 2006, the City paid the Ohio Police and Fire Pension Fund \$1.8 million. This payment closed all past due employer contribution balances applicable penalties and interest owed Ohio Police and Fire Pension.

NOTE 13 - POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

NOTE 13 - POST-EMPLOYMENT BENEFITS (Continued)

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund post employment benefits were \$97,032. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively. On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay as you go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the post-employment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

NOTE 14 - 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. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

NOTE 14 - OTHER EMPLOYEE BENEFITS (Continued)

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 15 - C-9 TRUST

In 1990, the City established a voluntary employee benefit association under I.R.C. §501(c)(9) (C-9 Trust) to provide certain welfare benefits to eligible employees of the City of Norwood and their beneficiaries. Employees become eligible to participate upon the effective date of their retirement, provided they are eligible for benefits under the ordinances of the City and are eligible for benefits under the City's Health Benefits Program. Benefits provided under the plan are funded on a pay-as-you go basis and consist of health care benefits not covered by other insurance carriers and are limited to \$2,000 per Plan Year for each Plan Participant. The plan is wholly funded by the City. There are approximately 162 participants currently eligible to receive benefits under this plan. The amount contributed by the City in 2006 was \$325,000. The City does not have fiduciary responsibility for this trust.

NOTE 16 - TAX INCREMENT FINANCING (TIF) AGREEMENT

In November 2001, the City adopted a ordinance creating a tax incentive district. In December 2001, the City entered into a Tax Incentive agreement with Norwood City School District and Cornerstone at Norwood, LLC. The City agreed to act as a participant in these agreements, wherein they are required to establish a fund to collect all payments in lieu of taxes and make annual payments to Norwood City School District.

NOTE 17 - CONSTRUCTION AND CONTRACTUAL COMMITMENTS

The City has significant outstanding construction and contractual commitments in the form of road construction for the Williams Ave project and the Montgomery Road Carthage realignment project. Both of these projects are funded through Ohio Public Works Commission grants and loans.

NOTE 18 - COMPLIANCE

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both for such reports. Ohio Administrative Code, Section 117-2-03 (B), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

Ohio Revised Code, Section 733.43, states that the treasurer of a municipal corporation shall keep an accurate account of all monies received and disbursed by him. The City Treasurer did not prepare accurate cash reconciliations of the general account during 2006.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

NOTE 18 - COMPLIANCE (Continued)

Oho Revised Code, Section 733.11, requires that the city auditor shall keep the books of the city and exhibit accurate statements of all moneys received and expended. In 2006, there were several instances where receipts and disbursements were not properly classified.

Ohio Revised Code, Section 5705.36(A)(4), requires a subdivision to obtain an amended certificate when revenue to be collected will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations. At December 31, 2006, the City had estimated receipts that exceeded actual receipts and the deficiency reduced available resources below the current level of appropriations in ten funds.

Ohio Revised Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. During 2006, ten percent (10%) of the general non-payroll disbursements tested did not have certification prior to the obligation date and none of the three exceptions provided above were utilized. During 2006, thirteen percent (13%) of the unrecorded non-payroll liabilities tested did not have certification prior to the obligation date and none of the three exceptions provided above were utilized.

Ohio Administration Code, Section 117-2-01, states, in part that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions. The Estimated Resources in the City's financial accounting computer system did not include the updated amounts for the budgetary estimated revenues and on the official budgetary documents approved by Council and certified to the County Budget Commission in eight of the 50 funds in 2006. The City's financial accounting computer system did not include the updated amounts for the budgetary appropriations on the official budgetary documents approved by Council for 18 of the 50 fund in 2006.

Ohio Revised Code, Section 5705.09(F), requires the City to establish a special fund for each class of revenues derived from a source other than a general property tax, which the law requires to be used for a particular purpose. The City did not establish a separate fund for the Tax Increment Revenue Anticipation debt proceeds received in 2006.

Ohio Admin. Code Section 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code. Also, Ohio Admin. Code Section 117-2-01(A) states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. The city has several labor agreements setting the leave requirements of the city. Employees had negative leave balances in 2006.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

NOTE 19 - SUBSEQUENT EVENTS

On February 9, 2007 the City entered into a lease purchase agreement with Navistar Leasing for 2 International Dump Trucks a total of \$165,411 paid in five annual payments of \$33,082.

On April 3, 2007 the City entered into a lease purchase agreement with Ford Motor Credit for 3 Crown Victoria Sedan Police cars for a total of \$93,148 to be paid in three annual payments of \$31,049 each.

On June 1, 2007, the City issued \$3,550,000 in Linden Pointe Tax Increment Financing Bonds.

On June 6, 2007 the City entered into a Lease Purchase agreement with Tymco International Ltd for a Tymco Regenerative Air Street Sweeper of a total of \$92,367 to be paid in five annual installments of \$20,447.28.

On August 22, 2007 the City entered into a lease purchase agreement with Baystone Financial Group for a Durapatcher machine for a total of \$55,950 to be paid in five annual installments of \$13,475.

On January 29, 2008 the City of Norwood Entered in to a lease agreement with National City Bank for the purchase of the Cisco Call Manager Solution phone and data system. The total cost of \$225,802 will be paid in 60 monthly payments of \$4,419.

On May 23, 2008 the City of Norwood entered into a lease purchase agreement with Ford Motor Credit for 3 2008 Crown Victoria Sedan Police cars for a total of \$94,307.91 to be paid in three annual payments of \$31,436 each. The first payment was made on May 23, 2008.

On August 14, 2008 the City of Norwood entered into a lease purchase agreement with Sovereign bank for the purchase of a Seagrave Maurader II Fire Pumper. The total amount of the contract is \$407,402 to be paid in 5 annual payments of \$81,481 beginning on September 24th 2008.

NOTE 20 - FISCAL WATCH

On October 7, 2004, the Auditor of State placed the City in fiscal watch, under Section 118.022 (A)(4) of the Ohio Revised Code, based on the examination of a financial forecast for the year ending December 31, 2004 in which the Auditor of State certified a deficit in the General Fund of \$1,546,000 for the year ending December 31, 2004.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' 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

To City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwood, Hamilton County, Ohio (the City) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 23, 2009. For the year ended December 31, 2006, we noted the City uses a comprehensive basis of accounting other than generally accepted accounting principles. For the year ended December 31, 2007, the City modified their basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Government's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Government's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider findings 2007-002, 2007-003, and 2007-007 through 2007-009 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2007-002, 2007-003, and 2007-008 are also material weaknesses.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated November 23, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-009.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated November 23, 2009.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and City Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 23, 2009

CITY OF NORWOOD
HAMILTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 and 2006

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

FINDING NUMBER 2007-001

Noncompliance

Ohio Rev. Code, Section 117.38, provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both for such reports. If the Auditor of State has not prescribed a rule regarding the form of the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Admin. Code, Section 117-2-03(B), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. The City prepared its 2006 financial statements in accordance with the modified cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis-for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonable determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

Officials’ Response:

In 2008, the City of Norwood Auditor’s office prepared the 2007 financial reports were derived in accordance to GAAP. The 2008 financial reports were presented as a CAFR in accordance with GASB – 34.

FINDING NUMBER 2007-002

Noncompliance/Material Weakness

Ohio Rev. Code, Section 733.43, states that the treasurer of a municipal corporation shall keep an accurate account of:

(A) All moneys received by him, showing the amount thereof, the time received, from whom, and on what account received;

(B) All disbursements made by him, showing the amount thereof, the time made, to whom, and on what account paid.

The City Treasurer did not prepare accurate cash reconciliations during 2006 and 2007. The following issues were noted from review of the City’s financial records and bank statements:

**FINDING NUMBER 2007-002
(Continued)**

- At December 31, 2007 a \$90,226 reconciling item was used on the Treasurer's reconciliation to balance the book to the bank that had no supporting documentation and the City could provide no explanation. Without this unsupported reconciling item the bank's balance (including the positive payroll variance) is greater than the reconciled book balance. The Auditor of State audited year-end reconciliations for both 2006 and 2007 including the bank accounts identified above and the correct amounts for outstanding checks as identified above and determined that the City's bank balance is greater than the book balance by \$18,322 and \$78,555 respectively.
- At December 31, 2006 and December 31, 2007 the City's reconciled payroll account had unidentified bank balances of \$180 and \$142,768 respectively. Audit procedures identified an error in the December 31, 2007 payroll outstanding check list in the amount of \$8,132 causing the unidentified balance to increase to \$150,900.

At December 31, 2006 the City reported \$11,561 in returned checks dating from June 2004 through December 2006 that had been recorded as revenue on the City's financial records. At December 31, 2007 the City reported \$16,411 in returned checks dating from January 2006 through December 2007 that had been recorded as revenue on the City's financial records. This amount was needed to reduce the book amount in reconciling with the bank. These amounts represent revenue on the statements that needs to be voided due to the returned checks.

- The City had four accounts in 2006 and five accounts in 2007, the Rockwood Exchange account (Balance at December 31, 2006 - \$40,405 and December 31, 2007 - \$40,566), the Retiree's Health Care account (Balance at December 31, 2006 - \$5,802 and December 31, 2007 - \$(340)), the Cornerstone Escrow account (Balance at December 31, 2006 and December 31, 2007 - \$18,068), the Cornerstone TIF Reserve account (Balance at December 31, 2006 - \$1,205,433 and December 31, 2007 - \$1,203,654), and the Linden Pointe Project account (Balance at December 31, 2007 - \$1,296,591) that were not included in the draft financial statements, the books, or the monthly reconciliations. The City added balances and financial activity related to these accounts to the Audited Financial Statements.

Reconciliations are an effective tool to help management determine the completeness of recorded transactions and verify that all recorded transactions have been deposited with the financial institution. We recommend that the Treasurer properly reconcile their accounts on a monthly basis and provide the City Auditor with information related to any bank fees, interest revenue and expenses, or other items that did not originate in the daily receipt and disbursements activity of the City that is recorded by the City Auditor. Any variances should be immediately investigated and justified. We also recommend that Council or an appointee of Council, review and sign off on the reconciliation thereby indicating approval and promoting timeliness of reconciliations. The condition of the Treasurer's cash reconciliation allowed many of the posting errors noted in Finding 2007-003 to go undetected by the City. Failure to accurately prepare and reconcile the accounting records reduces the accountability over City funds and reduces Council's ability to monitor financial activity, increases the risk that errors, theft, or fraud could occur and not be detected in a timely manner.

Officials' Response:

In 2009, the City of Norwood's Treasurer's Office changed its policy in regards to outstanding checks, bank fees, interest revenue and voided revenue transactions to assist in reconciling the City's Bank Balance.

Any additional steps needed in order to comply with the State requirements and/or recommendations will be pursued.

FINDING NUMBER 2007-003

Noncompliance/Material Weakness

Oho Rev. Code, Section 733.11, states, in part, that the City Auditor shall keep the financial records of the city and exhibit accurate statements of all moneys received and expended.

Also, When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The City lacks management oversight in the posting of financial activity. There were several instances where activities were not properly classified:

- In the 2006 and 2007 financial statements, homestead and rollback revenue was posted to taxes rather than intergovernmental in the General Fund totaling \$165,998 and \$145,638 respectively, on the financial records and the draft financial statements presented for audit.
- In the 2006 financial statements, \$454,975 in Police Expense, \$1,609 in Public Health Expense, and \$50,996 in Public Service were incorrectly posted to Legislative & Executive Expense in the financial statements presented for audit for the General Fund.
- In the 2006 financial statements, the City did not properly reflect Revenue Bond Proceeds of \$12,500,000 which was used to refund \$10,335,000 of Bond Anticipation notes. The City posted the net revenue bond proceeds of \$12,405,036 as Bond Anticipation Notes Issued, and recorded an expense of \$12,405,036 as a Community and Economic Development Expense rather than recording debt retirement of \$10,335,000 for the retirement of the Cornerstone Tax Increment Financing (TIF) Bond anticipation notes and the related interest and fiscal charges, issuance costs, and discount on debt issuance. The City also failed to record Cornerstone TIF Restricted Cash with Fiscal Agent of approximately \$1,195,000 of the remaining revenue bond proceeds on the financial records and the draft financial statements presented for audit.
- In the 2006 and 2007 financial statements, interest expenses and interest earnings for the Cornerstone TIF Restricted Cash with Fiscal Agent account noted above were not recorded on the financial records and the draft financial statements presented for audit. The year end balances of this account were \$1,205,433 and \$1,203,654, respectively.
- In the 2006 financial statements, \$308,338 in Debt Service Interest Expenses, \$101,961 in Intergovernmental Expenses, and \$5,262 in Community Economic Development Expenses were incorrectly posted to Debt Service Principal Expense in the Cornerstone TIF Fund on the financial records and the financial statements presented for audit.
- In the 2006 financial statements, Payments-in-lieu of Taxes (TIF PILOT) totaling \$132,153 and \$516,317 were incorrectly posted to Property Tax Revenue and Special Assessment Revenue respectively in the Cornerstone TIF Fund on the financial records and the financial statements presented for audit.
- In the 2006 financial statements, the City posted interest from development loans as Intergovernmental Revenue rather than Interest Receipts totaling \$126,951 in the Economic Development Fund on the financial records and the financial statements presented for audit.

FINDING NUMBER 2007-003
(Continued)

- In the 2006 financial statements, the City incorrectly posted delinquent payments to Ohio Police and Fire Pension Fund and Special Assessment bond Interest Expense totaling \$974,347 to Principal Retirement rather than interest expense of \$206,269 and Ohio Police and Fire Pension Fund expenses of \$768,078 on the financial records and the financial statements presented for audit.
- In the 2006 and 2007 financial statements, \$63,300 of Charges for Services was incorrectly posted as Donated Revenue in the 21st Century Grant on the financial records and the financial statements presented for audit.
- In the 2007 financial statements, the City incorrectly recorded the August real estate tax settlement activity of \$209,000 between the General and Debt Service funds on the financial records and the financial statements presented for audit. Subsequent entries to correct the error resulted in the Debt Service having a negative cash fund balance of \$149,850 when the balance should have been a positive \$59,150. This error also contributed to the problems and variances in the cash reconciliation.
- In the 2007 financial statements, the City incorrectly posted \$81,321 in Personal Property Taxes to the Debt Service Fund instead of the General Fund on the financial records and the draft financial statements presented for audit.
- In the 2007 financial statements, the City incorrectly posted \$18,874 of Intergovernmental Revenue to the General fund rather than the Street Maintenance and State Highway on the financial records and the draft financial statements presented for audit.
- In the 2007 financial statements, \$147,240 in Transportation Expenses was incorrectly posted to Legislative and Executive Expenses in the financial statements presented for audit for the General Fund.
- In the 2007 financial statements, the City did not properly reflect Bond Anticipation Note proceeds of \$3,550,000, or the related expenses of \$2,253,409 on the financial records and the financial statements presented for audit. The City also failed to record the Linden Pointe TIF Restricted Cash with Fiscal Agent of \$1,296,591 of the remaining note proceeds and the related interest earnings and expenses on the financial records and the draft financial statements presented for audit.
- In the 2007 financial statements, the City failed to record Ohio Public Works Commission on behalf payments and the related infrastructure additions of \$1,066,243 for the Williams Avenue road project and \$956,000 for the Montgomery Carthage Realignment road project on the financial records and the draft financial statements presented for audit.
- In the 2007 financial statements, a Transfer In and Transfer Out of \$120,495 was incorrectly recorded between capital project funds in the draft financial statements presented for audit.
- In the 2007 financial statements, Donated Revenue of \$15,025 for the Health Department Grants Fund and \$228,076 for the Waterworks/Carl and Edyth Linder Park Fund was incorrectly posted to Intergovernmental Revenue.

**FINDING NUMBER 2007-003
 (Continued)**

- In the 2007 financial statements, the restatement of the December 31, 2006 fund balances for the re-implementation of GAAP financial statements understated the compensated absence liability by \$1,446,148 for Government Type Activities and \$10,168 for Business Type Activities. In addition, the liability was understated at December 31, 2007 by \$891,868 and \$25,486 for Government Type and Business Type Activities, respectively. These understatements were due to compensated absences liability only being accrued for sick and vacation leave balances, and not for comp-time, holiday time, Kelley days, and court time; and negative leave balances acting as a reduction to the liability.
- The financial statements did not include the carrying amount of the Mayor's Court general checking account for 2006 and 2007 of (\$1,410) and (\$2,378), respectively.

As a result of these errors, financial activities for certain line items and funds were incorrectly reported on the City's financial statements. Adjustments were posted to the financial statements and, where applicable, to the City's financial records to correct the above errors. We recommend due care be exercised when posting entries to the financial records and financial statement preparation to prevent errors and assist in properly reflecting the City's financial activity in the financial statements. Failure to accurately post financial activity can lead to material misstatements in financial reporting.

Officials' Response:

In 2008, the City of Norwood Auditor's office identified and corrected posting errors in the Web GAAP system. Moving forward, a procedure of reviewing for accuracy has been implemented.

FINDING NUMBER 2007-004

Noncompliance

Ohio Rev. Code, Section 5705.10(H), provides that money that is paid into a fund must be used only for the purposes for which such fund has been established.

We noted the following negative fund balances at December 31, 2007:

Fund	Amount
Senior Dental	\$179
Dag	898
EMS Fund	19,341
Bond Retirement	149,850
Separation Pay	24,611

Allowing expenditures to exceed appropriations resulted in negative fund balances and the use of City resources required for other services. We recommend the Fiscal Officer deny any payments until the Council has passed the necessary changes to the appropriation measure.

Officials' Response:

The City of Norwood Auditor's office has made the necessary adjustments and closely monitors each funds expenditures and appropriations.

FINDING NUMBER 2007-005

Noncompliance

Ohio Rev. Code, Section 5705.36(A)(4), states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency..

At December 31, 2006, the City had estimated receipts that exceeded actual receipts and the deficiency reduced available resources below the current level of appropriations in several funds.

Fund	Available Resources plus Beginning Fund Cash Balances	Current Year Appropriations plus Prior Year Carryover Appropriations	Excess
C-9 Trust	\$349,186	\$373,669	\$24,483
Council on Aging	48,258	51,400	3,142
Separation Pay	505,822	516,099	10,277
Cornerstone TIF	13,093,368	13,218,425	125,057
Williams Ave Imp	0	1,485,000	1,485,000
Montgomery, Carthage, & Norwood Ave.	136,614	300,000	163,386
Refuse Collections	1,148,513	1,153,293	4,780

At December 31, 2007, the City had estimated receipts that exceeded actual receipts and the deficiency reduced available resources below the current level of appropriations in several funds.

Fund	Available Resources plus Beginning Fund Cash Balances	Current Year Appropriations plus Prior Year Carryover Appropriations	Excess
C.W.N.P.	178,021	189,271	11,250
Senior Dental	10,349	68,298	57,949
Drug Law Enf	17,255	23,745	6,490
Health Dept	152,008	227,485	75,477
FEMA Grant	87,202	99,156	11,954
Linder Park Flower	2,773	39,882	37,110
EMS Fund	83,781	193,781	110,000
Waterworks	316,086	317,933	1,847
Police Academy	26,500	46,000	19,500
Separation Pay	448,188	554,013	105,825
Building Code Ass	5,358	9,937	4,579
Fire Dept Fixed Assets	32,205	37,289	5,084
Cornerstone TIF	1,005,135	1,104,255	99,120
Williams Ave Imp	0	1,485,000	1,485,000

**FINDING NUMBER 2007-005
 (Continued)**

Parks & Recreation	0	10,055	10,055
Montg,Carthage,Norwood	361,674	3,714,469	3,352,795
Water Fund	3,402,736	3,479,723	76,986

Failure to monitor budgetary activity could result in overspending and negative fund balances. We recommend that the City comply with the above Ohio Revised Code Section and obtain an amended certificate when necessary.

Officials' Response:

In 2008, the City of Norwood Auditor's office has been in regular contact with officials from Hamilton County and continues to share documentation for amended certificates. Financial reports are supplied to members of the Administration and the Finance Committee on a monthly basis to monitor and disclose expenditures from each department so as not to exceed appropriations as established by City Council.

FINDING NUMBER 2007-006

Noncompliance

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**FINDING NUMBER 2007-006
(Continued)**

- 3. Super Blanket Certificate** – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

General Non-payroll Disbursements

During 2006, 10% and during 2007, 30% of the transactions tested did not have certification prior to the obligation date and none of the three exceptions provided above were utilized.

Unrecorded Non-payroll Liabilities

During 2006, 13% and during 2007, 18% of the transactions tested did not have certification prior to the obligation date and none of the three exceptions provided above were utilized.

Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances.

Unless the City uses the exceptions noted above, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the City. When prior certification is not possible, "then and now" certification should be used.

We recommend the City officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the City incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response:

The City of Norwood Auditor's office is currently considering the establishment of a Blanket or Super Blanket Certificate.

FINDING NUMBER 2007-007

Noncompliance/Significant Deficiency

Ohio Admin. Code Section 117-2-01 states, in part that

(C) Internal control consists of the following five interrelated components:

- (1) Control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.

**FINDING NUMBER 2007-007
(Continued)**

- (2) Risk assessment, which is the entity's identification and analysis of relevant risks to the achievement of its objectives, forming a basis for determining how the risks should be managed.
- (3) Control activities, which are policies and procedures that help ensure management directives are carried out.
- (4) Information and communication, which are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
- (5) Monitoring, which is a process that assesses the quality of internal control performance over time.

For eight of the 50 funds in 2006 and for 14 of the 52 funds in 2007, the City's financial accounting computer system did not include the updated amounts for the budgetary estimated revenues and on the official budgetary documents approved by Council and certified to the County Budget Commission. For 18 of the 50 funds in 2006 and for 23 of the 52 funds in 2007, the City's financial accounting computer system did not include the updated amounts for the budgetary appropriations on the official budgetary documents approved by Council. Adjustments were posted to the applicable budget to actual statements that were drafted using the amounts from the City's financial accounting computer system. The variances are as follows for the financial statement opinion units:

Opinion Units	Estimated Resources Per Computer System	Estimated Resources Per Budgetary Documents	Variance of Estimated Resources Between the System and Documents
2006			
Economic Development Fund	\$153,602	\$153,198	\$404
Remaining Fund Information	11,125,936	10,973,167	152,769

Opinion Units	Estimated Resources Per Computer System	Estimated Resources Per Budgetary Documents	Variance of Estimated Resources Between the System and Documents
2007			
General Fund	\$19,209,543	\$19,906,543	\$(697,000)
Remaining Fund Information	13,357,822	14,276,241	(918,419)

**FINDING NUMBER 2007-007
(Continued)**

Opinion Units	Appropriations Per Computer System	Appropriations Per Budgetary Documents	Variance of Appropriations Between the System and Documents
2006			
Economic Development Fund	\$665,621	\$666,990	\$(1,369)
Remaining Fund Information	13,689,888	13,456,561	233,327

Opinion Units	Appropriations Per Computer System	Appropriations Per Budgetary Documents	Variance Appropriations Between the System and Documents
2007			
General Fund Fund	\$21,236,334	\$21,118,180	\$118,154
Water Fund	3,505,378	3,479,722	25,656
Remaining Fund Information	17,821,267	17,558,762	262,505

To promote the timely monitoring and accurate financial reporting of the City's budget we recommend that as updates in the budgetary estimated revenues are approved by the County Budget Commission they be input in the financial accounting computer system.

City Council did not denote approval of budget to actual information on a monthly basis. We recommend that City Council be provided monthly financial reports that include: a revenue report that would detail year to date budgeted estimated revenues compared to actual revenues; an expenditure report that details year to date budgeted appropriations compared to encumbrances and actual expenditures; and a cash position report that details unencumbered cash fund balances.

Officials' Response:

In 2008, the City of Norwood Auditor's office began providing monthly Auditor's reports detailing revenue, expenditures, and cash position reports for all keys and funds to the Administration and City Council. These reports were also made public through the Auditor's office. The Auditor's office has also upgraded the City's accounting system.

FINDING NUMBER 2007-008

Noncompliance/Material Weakness

Ohio Rev. Code Section 5705.09(F) requires the City to establish a special fund for each class of revenues derived from a source other than a general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure, and anticipated expenditures should be included in the City's appropriations.

During 2006, the City retired the 2005 Cornerstone Tax Increment Revenue Anticipation Notes of \$10,335,000 and re-issued \$12,500,000 in Cornerstone Tax Increment Revenue Bonds. The 2006 debt proceeds created a \$1,195,470 Cornerstone Tax Increment Debt Reserve Account. During 2007, the City issued \$3,550,000 in Linden Pointe Tax Increment Revenue Anticipation Notes. The City did not establish a separate fund for the Linden Pointe Tax Increment Revenue Anticipation Notes and the Cornerstone Tax Increment Debt Reserve Account. However, the Cornerstone Tax Increment Equivalent fund was established by the City pursuant to 5709.43 of the Ohio Revised Code in accordance with their Tax Incentive Agreement made and entered into with Norwood City School District. The City did not reflect the Cornerstone Debt Reserve Account or 2007 Linden Pointe debt proceeds on the records of the City, the budget, or the draft statements. The City should familiarize themselves and comply with the debt covenant requirements and applicable Ohio Revised Code Sections related to their Tax Increment agreements and debt indentures, and budget and record all related activity appropriately. As noted in finding 2007-003, adjustments were posted to the financial statements to reflect the unrecorded TIF Activity.

Officials' Response:

In 2008, the City of Norwood Auditor's office created separate funds for the Linden Pointe TIF and the Cornerstone TIF reserve.

FINDING NUMBER 2007-009

Noncompliance/Significant Deficiency

Ohio Admin. Code, Section 117-2-02(A), states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Ohio Admin. Code, Section 117-2-01(A), states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.

The Collective Bargaining Agreement between **The City of Norwood, Ohio, and Local #3278 and Ohio Council 8 Article 17 Section 5** states upon application filed with the City Auditor and approved by the supervisor not less than two weeks prior to commencement of a vacation period, any Local 3278 employee may receive vacation pay equal to the amount of two weeks vacation that he/she is entitled to that year, in advance.

The Collective Bargaining Agreement between **The City of Norwood, Ohio, and Local #914 and Ohio Council 8 Article 13 Section 7** states upon application filed with the City Auditor and approved by the Superintendent not less than two weeks prior to commencement of a vacation period, any employee may receive vacation pay equal to the amount of two weeks vacation that he/she is entitled to that year, in advance.

FINDING NUMBER 2007-009
(Continued)

The Labor Agreement By and Between **The City of Norwood, Ohio, and Local Union #445, International Association of Fire Fighters Article 8 Section B** states upon application filed with the City Auditor and approved by the Department Head not less than two weeks prior to commencement of a vacation period, any Fire employee may receive vacation pay equal to the amount of vacation that he is legally entitled to that year, in advance.

The Labor Agreement By and Between **The City of Norwood, Ohio, and The Bargaining Committee of Norwood, Ohio Police Division Article 18 Section B** states upon application filed with the City Auditor and approved by the employee's Department Head, any Police employee, may receive, in advance, the amount of vacation that they are legally entitled to within that calendar year.

The Labor Agreement By and Between **The City of Norwood, Ohio, and The Bargaining Committee of Norwood, Ohio Police Division, Article 7 Section 3** states that Police employees may elect to receive time in the court time bank for off-duty appearance(s) in lieu of pay. Court time is compensated at the greater of the actual time at the overtime rate or a minimum of three (3) hours at the overtime rate. The City has the option of making payment (for court time) rather than allowing such time to accrue. If an employee accumulates more than one hundred sixty (160) hours of court time, the City shall make payment for such overage as it occurs. Any such payment shall be made at the employee's prevailing rate of pay.

During testing of the City's employees leave balances, 20 of approximately 180 employees were identified as having a negative leave balance ranging from negative five hours to negative 99.25 hours in at least one of the available leave types of sick, vacation, comp time, holiday, kelly days, or court time at December 31, 2007. The negative leave balance and condition of the leave records contributed to the Compensated Absence adjustment noted in finding 2007-003. These negative variances were a result of the following:

- The City Auditor's office uses an Excel spreadsheet to tracks leave accruals and usage of approximate 180 employees earning and using up to 6 of 7 available leave types. The Excel spreadsheet is not linked to the payroll data entry of the payroll system and relies on manual data entry. The Excel spreadsheet is also prone to calculation errors when creating calculations for this many employees and leave types.
- During the audit period the Excel spreadsheet was not always kept up to date with complete and accurate postings of leave earnings and usage.
- The leave balances maintained by the City Auditor's office were not shared with the departments on a routine basis during the audit period. Therefore, supervisors approved timesheets using leave balances for their employees that may not have been accurate.
- The Excel leave spreadsheet and employee timesheets were not consistent in recording leave for the firefighters with some forms of leave recorded by tours (tour = one day) while others were recorded in hours, and in some cases both tours and hours were comingled in the same leave column causing calculation problems and variances.
- While the City does have policies for the accumulation and use of leave for their departments there was no indication that the monitoring of this process was consistently utilized to keep departments aware of the balances maintained by the City Auditor's Office.
- No applications for prior approval for the advancement of vacation leave were completed or received from the City Auditor and supervisor/department head.

**FINDING NUMBER 2007-009
(Continued)**

To address this control deficiency we recommend the following:

- Review software options to determine if better software is available to maintain leave balances. Since the City uses EGov for other accounting applications, EGov should be consulted if they have a program available which can maintain leave balances.
- Use due care when posting items to their leave records.
- The City should develop and implement internal controls in the City Auditor's office and at the department level to monitor employee leave balances to assure negative leave balances do not exist and leave balances are complete and accurate. Supervisors should monitor employees leave balances and not approve leave the employees do not have.
- Have all firefighters leave records and timesheets maintained and created in either hours or tours.
- Vacation should only be advanced when the proper application is approved as required by union agreements.

Failure to address these issues could result inaccurate and/or negative leave balances, potential improper payments and/or usage of leave, and possible misstatements to the financial statement accruals.

The City provided Documentation that the negative leave balances were corrected on March 23, 2009. The City corrected the negative balances through subsequent accruals, reduction of another leave type (excluding sick), corrections of previous posting errors, or withheld and adjusted leave hours from payouts at time of retirement and/or employee separation.

Officials' Response:

As stated these inaccuracies were discovered and corrected by the City of Norwood Auditor's office.

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**CITY OF NORWOOD
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number		Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-001	ORC 117.38 Not Filing GAAP Statements	No	Partially Corrected. Reissued as Finding 2007-001
2005-002	ORC 733.43 Treasurer shall keep accurate account of all moneys	No	Reissued as Finding 2007-002
2005-003	ORC 733.11 City Auditor shall keep the books of the city and exhibit accurate statements	No	Reissued as Finding 2007-003
2005-004	ORC 5705.39 Total appropriations from each fund shall not exceed the total of est. revenue	No	Reissued in the 2007 Management Letter.
2005-005	ORC 5705.10(H) Money paid into a fund must be used for the purpose of the fund	No	Reissued as Finding 2007-004
2005-006	ORC 5705.36(A)(4) Amended certificate when revenue to be collected will be less than the amount included in an office certificate	No	Reissued as Finding 2007-005
2005-007	ORC 5705.41(D)(1) No expenditure of money unless a certificate signed by the fiscal officer is attached.	No	Reissued as Finding 2007-006
2005-008	OAC 117-2-02 System vs. source documents for budget	No	Reissued as Finding 2007-007
2005-009	ORC 5705.09(F) Establish special fund for each class of revenue	No	Reissued as Finding 2007-008
2005-010	OAC 117-2-02 Public offices shall maintain an accounting system and records sufficient to enable proper recognition of funds	No	Reissued in the 2007 Management Letter.
2005-011	ORC 742.33(A) Pay pensions quarterly	No	Reissued in the 2007 Management Letter.
2005-012	ORC 5705.36(A) Certify to the County Auditor the total amount from all sources available for expenditures from each fund	Yes	



Mary Taylor, CPA
Auditor of State

CITY OF NORWOOD

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 12, 2010**