



Dave Yost • Auditor of State

**CITY OF NORWOOD
HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwood, Hamilton County, Ohio as of December 31, 2014, and the respective changes in fund position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21, based on an 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. As discussed in Note 18 to the financial statements, the City's General fund has a negative fund balance. The 2014 General Fund experienced a fund balance deficit at December 31, 2014 of (\$50,679). As noted in Note 18, management has no formal plan to address these losses and deficits. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

November 30, 2015

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**CITY OF NORWOOD
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Norwood's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and notes to the financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2014 are as follows:

- The City's total governmental activities' net position increased \$923,855 which represents an 93 percent increase from 2013. Business-type activities net position increased \$207,816 which represents a 11 percent increase from 2013.
- For governmental activities, general receipts accounted for \$21,216,538 or 88 percent of all receipts. Program receipts in the form of charges for services and operating grants accounted for \$2,828,340 or 12 percent of total revenues of \$24,044,878.
- The City had \$23,121,023 in expenses related to governmental activities; only \$2,828,340 of these expenses was offset by program specific charges for services. General revenues (primarily property and municipal income taxes) were \$21,216,538.
- Enterprise funds reflected a total operating income of \$207,816. The Water and Refuse funds reflected an operating loss of \$44,832 and operating income of \$252,648, respectively. The water and refuse operations increased in net positions by \$207,816.

OVERVIEW OF THE FINANCIAL STATEMENTS

Report Components

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

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

Basis of Accounting

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

**CITY OF NORWOOD
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

REPORTING THE CITY AS A WHOLE

Statement of Net Position and the Statement of Activities

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

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**CITY OF NORWOOD
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 positions for 2014 compared to 2013:

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current & Other Assets	\$15,418,969	\$14,987,356	\$1,520,955	\$1,529,659	\$16,939,924	\$16,517,015
Nondepr. Capital Assets	10,376,146	10,376,146	0	0	10,376,146	10,376,146
Depr. Capital Assets, Net	12,562,873	13,272,360	1,929,378	1,982,620	14,492,251	15,254,980
Total Assets	38,357,988	38,635,862	3,450,333	3,512,279	41,808,321	42,148,141
Liabilities:						
Current & Other Liabilities	3,167,794	3,185,297	760,307	1,007,437	3,928,101	4,192,734
Long-Term Liabilities						
Due Within One Year	3,654,369	1,806,952	38,623	42,582	3,692,992	1,849,534
Due in More Than One Year	25,449,382	28,315,259	485,861	504,534	25,935,243	28,819,793
Total Liabilities	32,271,545	33,307,508	1,284,791	1,554,553	33,556,336	34,862,061
Deferred Inflows of Resources:						
Property Taxes Not Levied	4,041,089	4,623,470	0	0	4,041,089	4,623,470
Payments in Lieu of Taxes	2,120,855	1,704,240	0	0	2,120,855	1,704,240
Total Assets	6,161,944	6,327,710	0	0	6,161,944	6,327,710
Net Positions:						
Net Invested in Capital Assets,	10,026,491	10,184,506	1,461,308	1,496,887	11,487,799	11,681,393
Restricted	3,262,003	3,100,546	0	0	3,262,003	3,100,546
Unrestricted	(13,363,995)	(14,284,408)	704,234	460,839	(12,659,761)	(13,823,569)
Total Net Assets	(\$75,501)	(\$999,356)	\$2,165,542	\$1,957,726	\$2,090,041	\$958,370

As mentioned previously, net positions of governmental activities increased \$923,855 during 2014.

Table 2 shows the changes in net positions for the years ended December 31, 2014 and 2013.

**CITY OF NORWOOD
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services and Sales	\$2,056,704	\$2,066,160	\$5,543,752	\$5,233,820	\$7,600,456	\$7,299,980
Operating Grants, Contributions and Interest	771,636	821,880	0	0	771,636	821,880
Capital Grants, Contributions and Interest	0	0	0	0	0	0
Total Program Revenues	2,828,340	2,888,040	5,543,752	5,233,820	8,372,092	8,121,860
General Revenues:						
Property Taxes	2,583,129	2,470,141	0	0	2,583,129	2,470,141
Income Taxes	14,360,641	14,516,209	0	0	14,360,641	14,516,209
Other Local Taxes	126,075	153,973	0	0	126,075	153,973
Payments in Lieu of Taxes	1,838,564	1,468,857	0	0	1,838,564	1,468,857
Grants and Entitlements Not Restricted to Specific Programs	2,214,915	3,291,289	0	0	2,214,915	3,291,289
Unrestricted Contributions	4,837	106,517	0	0	4,837	106,517
Interest	66,877	91,516	0	0	66,877	91,516
Other	21,500	26,217	0	0	21,500	26,217
Total General Revenues	21,216,538	22,124,719	0	0	21,216,538	22,124,719
Total Revenues	24,044,878	25,012,759	5,543,752	5,233,820	29,588,630	30,246,579
Program Expenses:						
General Government	3,646,593	3,869,499	0	0	3,646,593	3,869,499
Security of Persons and Property:						
Police	7,019,790	5,595,769	0	0	7,019,790	5,595,769
Fire	7,688,818	7,077,158	0	0	7,688,818	7,077,158
Public Services	8,750	13,173	0	0	8,750	13,173
Public Health Services	912,540	1,138,580	0	0	912,540	1,138,580
Leisure Time Services	394,524	1,800,102	0	0	394,524	1,800,102
Community and Economic Development	14,840	98,504	0	0	14,840	98,504
Transportation	1,623,558	1,253,905	0	0	1,623,558	1,253,905
Intergovernmental	472,277	458,901	0	0	472,277	458,901
Capital Outlay	0	(464,502)	0	0	0	(464,502)
Interest and Fiscal Charges	1,339,333	2,265,557	0	0	1,339,333	2,265,557
Water	0	0	3,990,782	3,946,027	3,990,782	3,946,027
Refuse	0	0	1,345,154	1,213,966	1,345,154	1,213,966
Total Expenses	23,121,023	23,106,646	5,335,936	5,159,993	28,456,959	28,266,639
Change in Net Position	923,855	1,906,113	207,816	73,827	1,131,671	1,979,940
Net Position at Beginning of Year	(999,356)	(2,905,469)	1,957,726	1,883,899	958,370	(1,021,570)
Net Position at End of Year	<u>(\$75,501)</u>	<u>(\$999,356)</u>	<u>\$2,165,542</u>	<u>\$1,957,726</u>	<u>\$2,090,041</u>	<u>\$958,370</u>

**CITY OF NORWOOD
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

Governmental program revenues represent only 12 percent of total governmental activities revenue and are primarily comprised of restricted intergovernmental revenues such as motor vehicle license and gas tax money, building permits, and grants.

General revenues of governmental activities represent 88 percent of the City's governmental receipts, and 89 percent of general revenues are local taxes. Property taxes make up 12 percent of the City's general revenues. The City's municipal income taxes make up 68 percent of general revenue. Other revenues are very insignificant and somewhat unpredictable revenue sources.

Security of Persons and Property: Fire expenses increased \$611,660 due to employee benefits being paid. Police expenses increased \$1,424,021 due to employee benefits being paid. Public Health expenses decreased \$226,040 due to decrease in employees. Interest and Fiscal Charge expenses decreased \$926,224 due to debt being paid.

The City's business-type activities, Water and Refuse Funds, account for 19 percent of the City's total revenues in 2014. Charges for Services and Sales in the business-type activities increased \$309,932 due to increases in water charges for services. Program expenses for the Water Fund increased \$44,755 due to increases in contractual services, while expenses in the Refuse Fund increased \$131,188 due to increase in contractual services.

Governmental Activities

The two percent earnings tax is the largest source of revenue for the City. Revenues generated by the earnings tax represent approximately 60 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.

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the City. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, which account for 64 percent of all governmental expenses. General government also represents a significant cost, about 16 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the City that must be used to provide a specific service. The Net (Expense) Revenue column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**CITY OF NORWOOD
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

Table 3
Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
General Government	\$3,646,593	\$2,738,189	\$3,869,499	\$2,600,359
Security of Persons and Property				
Police	7,019,790	6,815,877	5,595,769	5,375,617
Fire	7,688,818	6,942,776	7,077,158	6,374,039
Public Services	8,750	8,750	13,173	13,173
Public Health	912,540	813,305	1,138,580	1,051,799
Leisure Time Activities	394,524	394,524	1,800,102	1,800,102
Community and Economic Development	14,840	14,840	98,504	98,504
Transportation	1,623,558	752,812	789,403	57,030
Intergovernmental	472,277	472,277	458,901	458,901
Capital Outlay	0	0	0	0
Interest & Fiscal Charges	1,339,333	1,339,333	2,265,557	2,265,557
Total Expenses	<u>\$23,121,023</u>	<u>\$20,292,683</u>	<u>\$23,106,646</u>	<u>\$20,095,081</u>

The dependence upon property and income tax receipts is apparent as 70 percent of governmental activities are supported through these general revenues.

Business-Type Activities

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

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Information about the City's major governmental funds is presented in the fund financial statements. These funds are reported using the modified accrual basis of accounting. In total, all governmental funds reported revenues of \$24,399,029 and expenditures of \$23,442,015.

Within the General Fund, there were revenues of \$19,760,863 and expenditures of \$18,952,296. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$579,132 as the result of decreased expenses.

Within the Debt Service Fund, there were revenues of \$2,126,036 and expenditures of \$1,936,410. The fund balance of this fund increased \$419,061 due to increases in revenues including transfers.

Within the Linden Pointe Construction Fund, there were revenues of \$375,865 and expenditures of \$511,993. The fund balance of this fund decreased \$136,128 as the result of increased expenditures.

**CITY OF NORWOOD
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

Governmental Fund Budgeting Highlights

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

During 2014, the City amended its General Fund budget several times to reflect changing circumstances. Final budgeted revenues were above original budgeted revenues by \$1,212,407 due to increases in estimated property and income taxes revenues. The difference between final budgeted revenues and actual revenues was (\$526,285) which was due primarily to a decrease in income taxes and intergovernmental revenues.

Final budgeted expenditures were above original budgeted expenditures by \$584,699 due to overall increases in estimated expenditures. Final expenditures were budgeted at \$19,717,627 for the General Fund. Actual expenditures were \$20,366,364 with a difference of (\$648,737) due to expenditures being higher than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2014 amounts to \$24.8 million (net of accumulated depreciation).

Table 4
Capital Assets

	Governmental Activities		Business Type Activity		Total	
	2014	2013	2014	2013	2014	2013
Land	\$10,376,146	\$10,376,146	\$0	\$0	\$10,376,146	\$10,376,146
Buildings	2,144,534	2,200,949	6,682	0	2,151,216	2,200,949
Land Improvements	493,978	541,030	0	0	493,978	541,030
Vehicles	988,423	1,155,256	0	0	988,423	1,155,256
Furniture, Fixtures and Equipment	983,581	1,092,693	(8,514)	(4,242)	975,067	1,088,451
Infrastructure	7,952,357	8,282,432	1,931,210	1,986,862	9,883,567	10,269,294
Totals	<u>\$22,939,019</u>	<u>\$23,648,506</u>	<u>\$1,929,378</u>	<u>\$1,982,620</u>	<u>\$24,868,397</u>	<u>\$25,631,126</u>

The City had an decrease in capital assets for governmental activities due to budgetary short falls in spending while business-type activities had a slight decrease due to depreciation.

For more information on capital assets, refer to note 9 of the notes to the basic financial statements.

Debt

Table 5 summarizes debt outstanding at December 31, 2014 and 2013:

**CITY OF NORWOOD
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$3,875,713	\$3,875,713	\$0	\$0	\$3,875,713	\$3,875,713
Special Assessment Debt	340,874	655,044	0	0	340,874	655,044
OPWC Loans	428,999	472,516	468,070	485,733	897,069	958,249
Tax Increment						
Financing Bonds	19,276,640	19,469,260	0	0	19,276,640	19,469,260
Capital Leases	45,348	89,087	0	0	45,348	89,087
Police & Fire Pension	2,042,947	2,104,644	0	0	2,042,947	2,104,644
	<u>\$26,010,521</u>	<u>\$26,666,264</u>	<u>\$468,070</u>	<u>\$485,733</u>	<u>\$26,478,591</u>	<u>\$27,151,997</u>

The City's overall unvoted legal debt margin was \$39,327,186 as of December 31, 2014. The more restrictive unvoted legal debt margin was \$16,780,979 as of the same date.

For more information regarding long-term obligations and capital leases, refer to notes 10 and 11 of the notes to the basic financial statements.

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, 4645 Montgomery Road, Norwood, Ohio 45212.

**CITY OF NORWOOD, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Governmental Activities	Business-Type Activities	Totals
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$4,002,032	\$306,085	\$4,308,117
Accounts Receivable	650,117	1,223,701	1,873,818
Internal Balances	8,831	(8,831)	0
Intergovernmental Receivable	665,433	0	665,433
Income Taxes Receivable	3,199,969	0	3,199,969
Property Taxes Receivable	4,299,760	0	4,299,760
Payments in Lieu of Taxes Receivable	2,120,855	0	2,120,855
Special Assessments Receivable	340,874	0	340,874
Net Other Post Employment Benefits	131,098	0	131,098
Nondepreciable Capital Assets	10,376,146	0	10,376,146
Depreciable Capital Assets, Net	12,562,873	1,929,378	14,492,251
Total Assets	38,357,988	3,450,333	41,808,321
LIABILITIES:			
Accounts Payable	565,168	620,728	1,185,896
Accrued Wages Payable	640,782	18,503	659,285
Intergovernmental Payable	1,418,713	24,196	1,442,909
Contracts Payable	396,110	0	396,110
Accrued Interest Payable	147,021	0	147,021
Refundable Deposits	0	96,880	96,880
Long-Term Liabilities:			
Due Within One Year	3,654,369	38,623	3,692,992
Due in More Than One Year	25,449,382	485,861	25,935,243
Total Liabilities	32,271,545	1,284,791	33,556,336
DEFERRED INFLOW OF RESOURCES:			
Property Taxes Not Levied	4,041,089	0	4,041,089
Payments In Lieu Of Taxes	2,120,855	0	2,120,855
Total Deferred Inflows Of Resources	6,161,944	0	6,161,944
NET POSITION:			
Net Investment in Capital Assets	10,026,491	1,461,308	11,487,799
Restricted for:			
Debt Service	2,008,206	0	2,008,206
Capital Outlay	37,106	0	37,106
Security of Persons and Property	226,344	0	226,344
Leisure Time Services	169,115	0	169,115
Community and Economic Development	9,878	0	9,878
Transportation	121,613	0	121,613
Other Purposes	689,741	0	689,741
Unrestricted (Deficit)	(13,363,995)	704,234	(12,659,761)
Total Net Position (Deficit)	(\$75,501)	\$2,165,542	\$2,090,041

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest
Governmental Activities:			
General Government	\$3,646,593	\$908,404	\$0
Security of Persons and Property			
Police	7,019,790	203,913	0
Fire	7,688,818	700,799	45,243
Public Services	8,750	0	0
Public Health Services	912,540	99,235	0
Leisure Time Services	394,524	0	0
Community and Economic Development	14,840	0	0
Transportation	1,623,558	144,353	726,393
Intergovernmental	472,277	0	0
Interest and Fiscal Charges	1,339,333	0	0
Total Governmental Activities	<u>23,121,023</u>	<u>2,056,704</u>	<u>771,636</u>
Business-Type Activities:			
Water	3,990,782	3,945,950	0
Refuse	1,345,154	1,597,802	0
Total Business-Type Activities	<u>5,335,936</u>	<u>5,543,752</u>	<u>0</u>
Total Activities	<u>\$28,456,959</u>	<u>\$7,600,456</u>	<u>\$771,636</u>

General Revenues:

Taxes:

 Property Taxes Levied For General Purposes
 Income Taxes
 Other Local Taxes
 Payments in Lieu of Taxes
 Grants and Entitlements not Restricted to Specific Programs
 Unrestricted Contributions
 Interest
 Other

Total General Revenues

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

See accompanying notes to the basic financial statements

Net (Expense) /Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$2,738,189)	\$0	(\$2,738,189)
(6,815,877)	0	(6,815,877)
(6,942,776)	0	(6,942,776)
(8,750)	0	(8,750)
(813,305)	0	(813,305)
(394,524)	0	(394,524)
(14,840)	0	(14,840)
(752,812)	0	(752,812)
(472,277)	0	(472,277)
(1,339,333)	0	(1,339,333)
<u>(20,292,683)</u>	<u>0</u>	<u>(20,292,683)</u>
0	(44,832)	(44,832)
0	252,648	252,648
<u>0</u>	<u>207,816</u>	<u>207,816</u>
<u>(20,292,683)</u>	<u>207,816</u>	<u>(20,084,867)</u>
2,583,129	0	2,583,129
14,360,641	0	14,360,641
126,075	0	126,075
1,838,564	0	1,838,564
2,214,915	0	2,214,915
4,837	0	4,837
66,877	0	66,877
<u>21,500</u>	<u>0</u>	<u>21,500</u>
<u>21,216,538</u>	<u>0</u>	<u>21,216,538</u>
923,855	207,816	1,131,671
<u>(999,356)</u>	<u>1,957,726</u>	<u>958,370</u>
<u>(\$75,501)</u>	<u>\$2,165,542</u>	<u>\$2,090,041</u>

**CITY OF NORWOOD, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Debt Service Fund	Linden Pointe Construction	All Other Governmental Funds	Total Governmental Funds
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$203,598	\$618,710	\$78,987	\$1,561,744	\$2,463,039
Cash and Cash Equivalents with Fiscal Agents	0	0	343,350	0	343,350
Accounts Receivable	650,117	0	0	0	650,117
Intergovernmental Receivable	332,545	0	0	332,888	665,433
Income Taxes Receivable	3,199,969	0	0	0	3,199,969
Property Taxes Receivable	4,290,930	0	0	8,830	4,299,760
Payments in Lieu of Taxes Receivable	0	1,745,092	375,763	0	2,120,855
Interfund Receivable	272,272	0	0	8,831	281,103
Special Assessments Receivable	0	340,874	0	0	340,874
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agents	0	1,195,643	0	0	1,195,643
Total Assets	\$8,949,431	\$3,900,319	\$798,100	\$1,912,293	\$15,560,143
LIABILITIES:					
Accounts Payable	\$192,522	\$0	\$0	\$372,646	\$565,168
Accrued Wages Payable	626,382	0	0	14,400	640,782
Contracts Payable	823	0	395,287	0	396,110
Intergovernmental Payable	1,378,179	0	0	40,534	1,418,713
Interfund Payable	0	0	0	272,272	272,272
Total Liabilities	2,197,906	0	395,287	699,852	3,293,045
DEFERRED INFLOWS OF RESOURCES:					
Property Taxes not Levied	4,041,089	0	0	0	4,041,089
Payments in Lieu of Taxes	0	1,745,092	375,763	0	2,120,855
Unavailable Revenue	249,841	340,874	0	279,957	870,672
Income Taxes	2,511,274	0	0	0	2,511,274
TOTAL DEFERRED INFLOWS OF RESOURCES	6,802,204	2,085,966	375,763	279,957	9,543,890
FUND BALANCES:					
Restricted	0	1,814,353	27,050	1,139,206	2,980,609
Committed	0	0	0	5,000	5,000
Assigned	446,192	0	0	0	446,192
Unassigned (Deficit)	(496,871)	0	0	(211,722)	(708,593)
Total Fund Balances (Deficit)	(50,679)	1,814,353	27,050	932,484	2,723,208
Total Liabilities and Fund Balances	\$8,949,431	\$3,900,319	\$798,100	\$1,912,293	\$15,560,143

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Total Governmental Fund Balances		\$2,723,208
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	10,376,146	
Depreciable capital assets	30,823,766	
Accumulated depreciation	<u>(18,260,893)</u>	
Total capital assets		22,939,019
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 reported as deferred inflows of resources in the funds:		
Property taxes	249,841	
Special assessments	340,874	
Due from other governments:		
Shared taxes and local government revenue assistance	279,957	
Income taxes	<u>2,511,274</u>	
Total		3,381,946
Certain assets are reported in governmental activities are not financial resources, and are therefore, not reported in governmental funds.		
Other Postemployment Benefits		131,098
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(147,021)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Discount on bonds	125,025	
Capital leases	(45,348)	
Bonds	(23,493,227)	
Loans	(428,999)	
Police & Fire Liability	(2,042,947)	
Compensated absences	<u>(3,218,255)</u>	
Total liabilities		<u>(29,103,751)</u>
Net Position of Governmental Activities		<u><u>(\$75,501)</u></u>

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Debt Service Fund	Linden Pointe Construction	All Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property Taxes	\$2,594,822	\$0	\$0	\$0	\$2,594,822
Income Taxes	14,611,208	0	0	0	14,611,208
Other Local Taxes	500	0	0	63,622	64,122
Permissive Motor Vehicle License Taxes	0	0	0	61,953	61,953
Payments in Lieu of Taxes	0	1,745,092	93,472	0	1,838,564
Special Assessments	0	314,170	0	0	314,170
Charges for Services	577,880	0	0	43,839	621,719
Fines, Licenses and Permits	933,033	0	0	353,677	1,286,710
Intergovernmental	1,011,148	0	282,290	1,605,217	2,898,655
Interest	0	66,774	103	0	66,877
Rent	13,892	0	0	0	13,892
Contributions and Donations	2,025	0	0	2,812	4,837
Other	16,355	0	0	5,145	21,500
Total Revenues	19,760,863	2,126,036	375,865	2,136,265	24,399,029
EXPENDITURES:					
Current:					
General Government	3,609,463	0	0	9,730	3,619,193
Security of Persons and Property:					
Police	6,691,379	0	0	236,434	6,927,813
Fire	7,592,531	0	0	81,896	7,674,427
Public Services	8,750	0	0	0	8,750
Public Health Services	822,884	0	0	105,182	928,066
Leisure Time Services	118,575	0	0	258,558	377,133
Community and Economic Development	0	0	0	14,263	14,263
Transportation	0	0	0	924,800	924,800
Intergovernmental	0	375,042	93,472	0	468,514
Capital Outlay	0	0	0	366,936	366,936
Debt Service:					
Principal Retirement	105,436	579,171	60,000	43,517	788,124
Interest and Fiscal Charges	3,278	982,197	358,521	0	1,343,996
Total Expenditures	18,952,296	1,936,410	511,993	2,041,316	23,442,015
Excess of Revenues Over (Under) Expenditures	808,567	189,626	(136,128)	94,949	957,014
OTHER FINANCING SOURCES (USES):					
Transfers In	0	229,435	0	0	229,435
Transfers Out	(229,435)	0	0	0	(229,435)
Total Other Financing Sources (Uses)	(229,435)	229,435	0	0	0
Net Change in Fund Balances	579,132	419,061	(136,128)	94,949	957,014
Fund Balances (Deficit) at Beginning of Year	(629,811)	1,395,292	163,178	837,535	1,766,194
Fund Balances (Deficit) at End of Year	(\$50,679)	\$1,814,353	\$27,050	\$932,484	\$2,723,208

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Net Change in Fund Balances - Total Governmental Funds		\$957,014
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:		
Current Year Depreciation		(709,487)
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	(11,693)	
Special Assessments	(314,170)	
Due From Other Governments:		
Charges for Services	134,383	
Shared Taxes and Local Government Revenue Assistance	87,896	
Income Taxes	(250,567)	
Total		(354,151)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
General obligation bond principal retirement	325,000	
Special assessment debt principal retirement	314,170	
Police & Fire principal retirement	61,697	
Loan principal retirement	43,517	
Capital lease payments	43,739	
Total long-term obligation repayment		788,123
In the Statement of Activities, interest accrued on outstanding bonds and bond accretion, bond premiums, bond issuance costs and the gain/loss on refunding are amortized over the terms of the bonds, whereas in the governmental funds the expenditure is reported when the bonds are issued.		
Amortization of bond discount	(7,355)	
Accrued Interest	12,019	
Total		4,664
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in Compensated Absences		237,692
Change in Net Position of Governmental Activities		<u>\$923,855</u>

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
REVENUES:				
Property Taxes	\$2,504,068	\$2,664,333	\$2,594,822	(\$69,511)
Income Taxes	14,013,419	14,910,301	14,521,301	(389,000)
Other Local Taxes	483	513	500	(13)
Charges for Services	554,862	590,374	574,972	(15,402)
Fines, Licenses and Permits	880,681	937,046	912,599	(24,447)
Intergovernmental	974,340	1,036,700	1,009,653	(27,047)
Rent	13,406	14,264	13,892	(372)
Contributions and Donations	1,954	2,079	2,025	(54)
Other	15,783	16,793	16,355	(438)
Total Revenues	18,958,996	20,172,403	19,646,119	(526,284)
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	3,392,861	3,496,546	3,625,505	(128,959)
Judicial System	345,873	356,443	352,445	3,998
Security of Persons and Property:				
Police	6,675,626	6,879,632	7,268,130	(388,498)
Fire	7,733,577	7,969,914	8,069,077	(99,163)
Public Services	8,707	8,973	10,938	(1,965)
Public Health Services	859,945	886,224	919,927	(33,703)
Leisure Time Services	116,339	119,894	120,342	(448)
Capital Outlay	0	0	0	0
Debt Service:				
Principle Retirement	0	0	0	0
Total Expenditures	19,132,928	19,717,626	20,366,364	(648,738)
Excess of Revenues Over (Under) Expenditures	(173,932)	454,777	(720,245)	(1,175,022)
OTHER FINANCING USES:				
Advances Out	(100,000)	(100,000)	(100,000)	0
Transfers Out	(229,400)	(229,400)	(229,435)	(35)
Total Other Financing Uses	(329,400)	(329,400)	(329,435)	(35)
Net Change in Fund Balance	(503,332)	125,377	(1,049,680)	(1,175,057)
Fund Balance at Beginning of Year	(1,054,065)	(1,054,065)	(1,054,065)	0
Prior Year Encumbrances Appropriated	1,169,097	1,169,097	1,169,097	0
Fund Balance (Deficit) at End of Year	(\$388,300)	\$240,409	(\$934,648)	(\$1,175,057)

See accompanying notes to the basic financial statements

CITY OF NORWOOD, OHIO
STATEMENT OF FUND NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2014

	<u>Water</u>	<u>Refuse</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$104,979	\$103,426	\$208,405
Accounts Receivable	830,203	393,498	1,223,701
Total Current Assets	<u>935,182</u>	<u>496,924</u>	<u>1,432,106</u>
Noncurrent Assets:			
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	97,680	0	97,680
Depreciable Capital Assets, Net	1,929,378	0	1,929,378
Total Noncurrent Assets	<u>2,027,058</u>	<u>0</u>	<u>2,027,058</u>
Total Assets	<u>2,962,240</u>	<u>496,924</u>	<u>3,459,164</u>
LIABILITIES:			
Current Liabilities			
Accounts Payable	284,634	336,094	620,728
Accrued Wages Payable	18,503	0	18,503
Intergovernmental Payable	24,196	0	24,196
Interfund Payable	8,831	0	8,831
Compensated Absences Payable	20,960	0	20,960
OPWC Loans Payable	17,663	0	17,663
Total Current Liabilities	<u>374,787</u>	<u>336,094</u>	<u>710,881</u>
Current Liabilities Payable from Restricted Assets:			
Refundable Deposits	96,880	0	96,880
Noncurrent Liabilities:			
Compensated Absences Payable	35,454	0	35,454
OPWC Loans Payable	450,407	0	450,407
Total Noncurrent Liabilities	<u>485,861</u>	<u>0</u>	<u>485,861</u>
Total Liabilities	<u>957,528</u>	<u>336,094</u>	<u>1,293,622</u>
NET POSITION:			
Net Investment in Capital Assets	1,461,308	0	1,461,308
Unrestricted	543,404	160,830	704,234
Total Net Position	<u>\$2,004,712</u>	<u>\$160,830</u>	<u>\$2,165,542</u>

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITIONS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Water</u>	<u>Refuse</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services	<u>\$3,945,950</u>	<u>\$1,597,802</u>	<u>\$5,543,752</u>
OPERATING EXPENSES:			
Personal Services	815,089	0	815,089
Contractual Services	3,040,964	1,344,565	4,385,529
Supplies and Materials	71,995	0	71,995
Depreciation	60,037	0	60,037
Refunds	1,368	72	1,440
Other	<u>1,329</u>	<u>517</u>	<u>1,846</u>
Total Operating Expenses	<u>3,990,782</u>	<u>1,345,154</u>	<u>5,335,936</u>
Change in Net Position	(44,832)	252,648	207,816
Net Position (Deficit) at Beginning of Year	<u>2,049,544</u>	<u>(91,818)</u>	<u>1,957,726</u>
Net Position at End of Year	<u><u>\$2,004,712</u></u>	<u><u>\$160,830</u></u>	<u><u>\$2,165,542</u></u>

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Water</u>	<u>Refuse</u>	<u>Total</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$3,930,521	\$1,599,110	\$5,529,631
Cash Payments for Employee Services and Benefits	(815,497)	0	(815,497)
Cash Payments to Suppliers for Goods and Services	(3,158,592)	(1,570,690)	(4,729,282)
Utility Deposits Received	41,071	0	41,071
Utility Deposits Returned	(24,290)	0	(24,290)
Net Cash Provided by (Used for) Operating Activities	<u>(26,787)</u>	<u>28,420</u>	<u>1,633</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(6,795)	0	(6,795)
Principal Paid on OPWC Loans	(17,663)	0	(17,663)
Net Cash Used for Capital and Related Financing Activities	<u>(24,458)</u>	<u>0</u>	<u>(24,458)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(51,245)	28,420	(22,825)
Cash and Cash Equivalents at Beginning of Year	<u>253,904</u>	<u>75,006</u>	<u>328,910</u>
Cash and Cash Equivalents at End of Year	<u><u>\$202,659</u></u>	<u><u>\$103,426</u></u>	<u><u>\$306,085</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	(\$44,832)	\$252,648	\$207,816
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Depreciation	60,037	0	60,037
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(15,429)	1,308	(14,121)
Increase (Decrease) in Accounts Payable	(28,071)	(225,536)	(253,607)
Increase in Accrued Wages Payable	2,870	0	2,870
Decrease in Intergovernmental Payable	(12,374)	0	(12,374)
Increase Payable from Restricted Assets	15,981	0	15,981
Decrease in Compensated Absences Payable	(4,969)	0	(4,969)
Net Cash Provided by (Used for) Operating Activities	<u><u>(\$26,787)</u></u>	<u><u>\$28,420</u></u>	<u><u>\$1,633</u></u>

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014**

	Pension Trust	Agency
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$18	\$2,648,902
Accounts Receivable	0	1,389,114
	<u>0</u>	<u>1,389,114</u>
Total Assets	<u>\$18</u>	<u>\$4,038,016</u>
LIABILITIES:		
Accounts Payable	\$0	\$380
Intergovernmental Payable	0	4,022,241
Undistributed Monies	0	15,395
	<u>0</u>	<u>15,395</u>
Total Liabilities	<u>0</u>	<u>\$4,038,016</u>
NET POSITION:		
Held in Trust for OPEB	<u>18</u>	
Total Net Position	<u>\$18</u>	

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Pension Trust</u>
ADDITIONS:	
Employer Contributions	\$150,000
DEDUCTIONS:	
Distributions to Participants	<u>149,982</u>
Change in Net Position	18
Net Position at Beginning of Year	<u>0</u>
Net Position at End of Year	<u><u>\$18</u></u>

See accompanying notes to the basic financial statements

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**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt or the levying of their taxes. The City has no component units.

The City is associated with one organization, the Public Entities Pool of Ohio (PEP), which is defined as a shared risk pool. This organization is presented in Note 16 of the Basic Financial Statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Government-Wide Financial Statements

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

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 of the City 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 and deferred inflows of resources 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.

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

Linden Pointe Construction Fund – This fund is used to account for debt proceeds used for the construction of the Linden Pointe development area.

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary Fund

Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows. The City's only proprietary funds are 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 is used to account for the provision of water treatment and distribution to residential and commercial users within the City.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net 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 report resources held and administered by the City under a trust agreement for individuals, private organizations, or other governments, and are, therefore, not available to support City programs. 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 a pension trust fund and agency funds. The pension trust fund is used to account for post-employment healthcare benefits. The City's three agency funds are used to account for fines and fees held for distribution to other governments, and for the collection of sewer billings that are collected on behalf of the Metropolitan Sewer District of Greater Cincinnati, and then disbursed to them monthly.

Measurement Focus

Government-wide Financial Statements

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

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

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 and deferred inflows of resources generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore 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 Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined and "available" means that the resources will be collected within the current 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, payment in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes/payments in lieu of taxes is recognized in the year for which the taxes are levied or would have been levied (See Notes 6 and 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred inflows represent amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Deferred Inflows of Resources

The statement of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, unavailable revenue and income taxes. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue and income taxes are reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue and income taxes includes municipal income taxes, delinquent property taxes, special assessments, and other shared taxes and intergovernmental assistance including, intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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.

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cash and Cash Equivalents

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

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

During 2014, investments were limited to a money market mutual fund. For investments in money market mutual funds, the fair value is determined by the fund's current share price.

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.

Capital Assets and Depreciation

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

All 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.

All capital assets, except for land 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.

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Interfund Receivable" and "Interfund Payable". These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for any net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances".

Compensated Absences

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

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

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, and capital leases are recognized as liabilities on the governmental fund financial statements when due.

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislations. Restricted Assets in the governmental funds represent Cash and Cash Equivalents with Fiscal Agents set aside to satisfy bond indenture requirements for future debt payments.

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

Operating Revenues and Expenses

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

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 and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Bond Discounts

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

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

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position 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 court programs, telecommunications and public health programs.

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

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

Estimates

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. For 2014, the city has no nonspendable fund balances.

Restricted The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

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

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance.

Unassigned Unassigned fund balance is the residual classification for the General fund and includes all amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

3. FUND BALANCES

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

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

3. FUND BALANCES (Continued)

Fund Balances	General Fund	Debt Service	Linden Pointe TIF	All Other Governmental Funds	Total
Restricted for					
Community Programs	\$0	\$0	\$0	\$50,111	\$50,111
Court Program	0	0	0	60,625	60,625
Park & Recreation	0	0	0	169,115	169,115
Capital Improvements	0	0	0	5,056	5,056
Road Improvements	0	0	0	144,204	144,204
Fire	0	0	0	70,464	70,464
Police	0	0	0	158,146	158,146
Economic Development	0	0	0	9,878	9,878
Paycor	0	0	0	278,828	278,828
CORF	0	0	0	12,365	12,365
Health Programs	0	0	0	178,268	178,268
Debt Service	0	1,814,353	27,050	0	1,841,403
Indigent Driver Transportation	0	0	0	180	180
	0	0	0	1,966	1,966
<i>Total Restricted</i>	<u>0</u>	<u>1,814,353</u>	<u>27,050</u>	<u>1,139,206</u>	<u>2,980,609</u>
Committed to					
Other Purposes	0	0	0	5,000	5,000
Assigned to					
Other Purposes	446,192	0	0	0	446,192
Unassigned (Deficits):	<u>(496,871)</u>	<u>0</u>	<u>0</u>	<u>(211,722)</u>	<u>(708,593)</u>
<i>Total Fund Balances(Deficit)</i>	<u><u>(\$50,679)</u></u>	<u><u>\$1,814,353</u></u>	<u><u>\$27,050</u></u>	<u><u>\$932,484</u></u>	<u><u>\$2,723,208</u></u>

4. BUDGETARY BASIS OF ACCOUNTING

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

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Changes in Fund Balance

	<u>General</u>
GAAP Basis	\$579,132
Revenue Accruals	(114,744)
Expenditure Accruals	1,414,068
Encumbrances	(1,158,246)
Advances Out	35
Budget Basis	<u><u>\$720,245</u></u>

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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 can be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Commercial paper and bankers acceptances if training requirements have been met;
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
7. The State Treasurer's investment pool (STAROhio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is no default of principal, interest or coupons; or
3. Obligations of the City.

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.

Investments

As of December 31, 2014, the City's only investment was the First American Treasury Obligation Money Market Mutual Fund, which had a fair value of \$1,195,643 and an average maturity of 90 days at December 31, 2014. US Bank also had a market fair value of \$343,350.

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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

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.

6. MUNICIPAL INCOME TAX

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

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

7. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes were levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014, was \$11.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2014 property tax receipts were based are as follows:

Real Property	\$207,324,050
Public Utility Personal Property	<u>\$18,155,800</u>
Total	<u><u>\$225,479,850</u></u>

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

7. PROPERTY TAXES (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2014, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

8. RECEIVABLES

Receivables at December 31, 2014, consisted of property taxes, municipal income taxes, payments in lieu of taxes, accounts, special assessments, interfund, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible and will be received within one year with the exception of property taxes, income taxes, and 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 \$0. The City had no delinquent special assessments at December 31, 2014.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	
Homestead and Rollback	\$96,134
State Local Government	236,412
Gasoline Excise Tax	172,399
Motor Vehicle License Tax	77,469
Cents per Gallon	<u>83,019</u>
Total Intergovernmental Receivable	<u>\$665,433</u>

Revenue in Lieu of Taxes

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

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

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

9. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balance 12/31/2013	Additions	Deletions	Balance at 12/31/2014
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$10,376,146	\$0	\$0	\$10,376,146
Capital Assets Being Depreciated				
Buildings	4,713,229			4,713,229
Land Improvements	1,482,809	0	0	1,482,809
Vehicles	4,391,439	0	0	4,391,439
Furniture, Fixtures and Equipment	2,824,550	0	0	2,824,550
Infrastructure	17,411,739	0		17,411,739
Total Capital Assets Being Depreciated	<u>30,823,766</u>	<u>0</u>	<u>0</u>	<u>30,823,766</u>
Less Accumulated Depreciation				
Buildings	(2,512,280)	(56,415)	0	(2,568,695)
Land Improvements	(941,779)	(47,052)	0	(988,831)
Vehicles	(3,236,183)	(166,833)	0	(3,403,016)
Furniture, Fixtures and Equipment	(1,731,857)	(109,112)	0	(1,840,969)
Infrastructure	(9,129,307)	(330,075)	0	(9,459,382)
Total Accumulated Depreciation	<u>(17,551,406)</u>	<u>(709,487)</u>	<u>0</u>	<u>(18,260,893)</u>
Total Capital Assets Being Depreciated, Net	<u>13,272,360</u>	<u>(709,487)</u>	<u>0</u>	<u>12,562,873</u>
Governmental Activities Capital Assets, Net	<u>\$23,648,506</u>	<u>(\$709,487)</u>	<u>\$0</u>	<u>\$22,939,019</u>

Depreciation expense was charged to governmental programs as follows:

<u>Governmental Activities</u>	
General Government	\$120,516
Security of Persons and Property:	
Police	76,041
Fire	147,004
Public Health Services	3,567
Leisure Time Services	17,391
Intergovernmental	3,763
Capital Outlay	22,801
Community and Economic Development	577
Transportation	317,827
Total Depreciation Expense	<u>\$709,487</u>

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

9. CAPITAL ASSETS (Continued)

	Balance 12/31/13	Additions	Deletions	Balance at 12/31/14
<u>Business-Type Activities</u>				
Capital Assets Being Depreciated				
Buildings	\$54,890	6,795	0	\$61,685
Vehicles	163,198	0	0	163,198
Furniture, Fixtures and Equipment	124,143	0	0	124,143
Infrastructure	3,560,384	0	0	3,560,384
Total Capital Assets Being Depreciated	<u>3,902,615</u>	<u>6,795</u>	<u>0</u>	<u>3,909,410</u>
Less Accumulated Depreciation				
Buildings	(54,890)	(113)	0	(55,003)
Vehicles	(163,198)	0	0	(163,198)
Furniture, Fixtures and Equipment	(128,385)	(4,272)	0	(132,657)
Infrastructure	(1,573,522)	(55,652)	0	(1,629,174)
Total Accumulated Depreciation	<u>(1,919,995)</u>	<u>(60,037)</u>	<u>0</u>	<u>(1,980,032)</u>
Business-Type Activities, Net	<u>\$1,982,620</u>	<u>(\$53,242)</u>	<u>\$0</u>	<u>\$1,929,378</u>

10. LONG-TERM DEBT

A schedule of changes in bonds and other long-term obligations of the governmental activities of the City during 2014 follows:

Governmental Activities

Types/Issues	Balance 1/1/14	Increases	Decreases	Balance 12/31/14	Due Within One Year
General Obligation Refunding Bonds					
2006 - 4.48% - \$6,545,752	\$2,100,713	\$0	\$0	\$2,100,713	\$292,735
General Obligation Refunding Bonds					
2013 - 7.5% - \$1,775,000	1,775,000	0	0	1,775,000	1,775,000
Special Assesment Debt 2003 - 8.5%					
\$3,500,000	655,044	0	314,170	340,874	340,874
OPWC Loan- Resurface					
Williams Ave 2003 - 0% - \$247,090	129,724	0	12,354	117,370	12,354
OPWC Loan - Montgomery Rd					
Phase II 2003 - 0% - \$623,255	342,792	0	31,163	311,629	31,162
Tax Increment Financing					
Bonds 2006 - 4%-5.75% - \$12,500,000	11,230,000	0	265,000	10,965,000	315,000
Discount on Debt Issue	(132,380)	0	(7,355)	(125,025)	0
Linden Pointe Tax Increment Financing					
Bonds 2010 - 5%-7% - \$3,595,000	3,535,000	0	60,000	3,475,000	40,000
Rookwood Exchange TIF					
Bonds 2013 - 6.5% - \$4,836,640.21	4,836,640	0	0	4,836,640	0
Capital Leases	89,087	0	43,739	45,348	45,348
2.12% Police & Fire Pension	2,104,644	0	61,697	2,042,947	64,347
Compensated Absences	3,455,947	405,928	643,620	3,218,255	737,549
Total	<u>\$30,122,211</u>	<u>\$405,928</u>	<u>\$1,424,388</u>	<u>\$29,103,751</u>	<u>\$3,654,369</u>

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

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

10. LONG-TERM DEBT (Continued)

The special assessment debt is serviced by revenues received from special assessments and is also backed by the full faith and credit of the City 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, 20 year loan and the maturity date is January 1, 2024.

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

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

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

In 2013, the Rookwood Exchange Tax Increment Financing Bonds were issued in the amount of \$4,836,640. TIF Revenues from all incremental property taxes are paid from parcels within the TIF district as defined by the City. These incremental taxes on the TIF district will be collected by the Hamilton County Auditor and disbursed to the City of Norwood for the payment of the bonds. This is a 30 year loan and the maturity date is December 1, 2041.

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.

Police and Fire Past Service Liability

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

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

Changes in the long-term obligations reported in business-type activities of the City during 2014 were as follows:

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

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

10. LONG-TERM DEBT (Continued)

Business-Type Activities

Types/Issues	Balance 1/1/14	Increases	Decreases	Balance 12/31/14	Due Within One Year
2009 OPWC Smith Road					
Waterline - 0% \$529,890	\$485,733	\$0	\$17,663	\$468,070	\$17,663
Compensated Absences	61,383	32,887	37,856	56,414	20,960
Total	<u>\$547,116</u>	<u>\$32,887</u>	<u>\$55,519</u>	<u>\$524,484</u>	<u>\$38,623</u>

As of December 31, 2014, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$39,327,186 and the un-voted debt margin was \$16,780,979.

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 Increment Financing Bonds	
	Principal	Interest	Principal	Principal	Interest
2015	\$340,874	\$28,974	\$43,516	\$355,000	\$1,215,467
2016	0	0	43,516	450,910	1,196,829
2017	0	0	43,516	475,844	1,170,557
2018	0	0	43,516	551,099	1,142,815
2019	0	0	43,516	581,696	1,126,267
2020-2024	0	0	211,419	3,756,017	4,986,079
2025-2029	0	0	0	5,576,792	3,613,515
2030-2034	0	0	0	4,198,720	1,799,291
2035-2039	0	0	0	2,819,987	808,331
2040-2043	0	0	0	510,575	70,008
Totals	<u>\$340,874</u>	<u>\$28,974</u>	<u>\$428,999</u>	<u>\$19,276,640</u>	<u>\$17,129,159</u>

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

10. LONG-TERM DEBT (Continued)

<u>Year</u>	Governmental Activities			
	Various Purpose Refinancing Bonds		Pension Liability - Police and Fire Pension	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$2,119,300	\$120,419	\$64,347	\$86,149
2016	292,735	73,379	67,111	83,385
2017	292,735	59,620	69,993	80,502
2018	292,735	45,862	73,000	77,496
2019				
2020-2024	878,206	53,888	414,812	337,667
2025-2029	0		511,885	240,594
2030-2034	0	0	631,674	123,805
2035-2038	0	0	210,124	8,851
Totals	\$3,875,713	\$353,168	\$2,042,947	\$1,038,449

<u>Year</u>	Business Type Activities OPWC Loans
	<u>Principal</u>
2015	\$17,662
2016	17,662
2017	17,662
2018	17,662
2019	17,662
2020-2024	88,310
2025-2029	88,310
2030-2034	88,310
2035-2039	88,310
2040-2043	26,520
	\$468,070

11. LEASES – LESSEE DISCLOSURE

In prior years, the City entered into capital leases for vehicles. By the terms of the agreements, ownership of the equipment is transferred to the City by the end of the four year lease term. The leases meet 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 reported as function expenditures on the budgetary statements.

Capital assets acquired by leases have been capitalized in the Statement of Net Position for governmental activities in the amount of \$1,520,385. A corresponding liability was recorded on the Statement of Net Position for governmental activities. Principal payments in fiscal year 2014 totaled \$75,558.

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

11. LEASES – LESSEE DISCLOSURE (Continued)

The assets acquired through capital leases are as follows:

Asset	Asset Value	Accum. Depr.	Net Book Value Dec. 31, 2014
Vehicles	\$1,294,583	\$714,559	\$580,024
Furniture, Fixtures, and Equipment	225,802	79,031	146,771
Total	\$1,520,385	\$793,590	\$726,795

The following is a schedule of future minimum payments on capital leases and the present value of the minimum lease payments at December 31, 2014.

Year	Governmental Activities
2015	\$47,017
Less: Amount Representing Interest	(1,669)
Present Value of Minimum Lease Payments	\$45,348

During 2014, the City entered into noncancelable operating leases for the use of vehicles. Operating lease payments are reported as function expenditures in governmental funds and on budgetary statements. Total operating lease payments in fiscal year 2014 totaled \$38,676 in the General Fund.

The following is a schedule of the future minimum operating lease payments:

Year Ending	Total Payments
2015	\$38,676
2016	38,676
2017	68,767
Total	\$146,119

12. 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. The City maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles, general liability and police professional liability. Settlements have not exceeded coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. The City pays the State Worker's Compensation system a premium based on a rate per \$100 of salaries. This rate is calculated on accident history and administrative costs.

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

13. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Plan Description - The City 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 percent 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which 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 visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.10 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions and 12.0 and 13.0 percent, respectively, for law enforcement and public safety members. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2014, member and employer contribution rates were consistent across all three plans.

The City's 2014 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.10 percent of covered payroll. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2.0 percent. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$1,167,947, \$1,136,140, and \$1,198,753, respectively. For 2014, 97.69 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions to the Member-Directed Plan for 2014 were \$19,239 made by the City and \$13,742 made by plan members.

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

13. DEFINED BENEFIT PENSION PLANS (Continued)

Ohio Police and Fire Pension Fund

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

Funding Policy - Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2014, through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014, through December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary.

Throughout 2014, employers were required to contribute 19.5 percent for police officers. The OPF Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. For 2014, the portion of employer contributions used to fund pension benefits was 19.0 percent of covered payroll for police officers. The City's contributions to OP&F for police and firefighters pension were \$483,239 and \$499,520 for the year ended December 31, 2014, \$483,239 and \$499,520 for the year ended December 31, 2013, and \$533,029 and \$764,195 for the year ended December 31, 2012, respectively. For 2014, 72.10 percent for police and 75.12 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. An apportion amount has been contributed for 2013 and 2012.

14. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide healthcare benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**CITY OF NORWOOD
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

14. POST-EMPLOYMENT BENEFITS (Continued)

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2.0 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to healthcare remained at 2.0 percent for both plans as recommended by the OPERS actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree 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 post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$116,795, \$113,614, and \$479,501, respectively. For 2014, 97.69 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Changes to the healthcare plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the passage of pension legislation under SB 343 and the approved healthcare changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the healthcare fund after the end of the transition period.

Ohio Police and Fire Pension Fund

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

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

14. POST-EMPLOYMENT BENEFITS (Continued)

OPF provides access to postretirement healthcare coverage for 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. The healthcare coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent of covered payroll for police. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for healthcare in two separate accounts. One for healthcare benefits under an IRS Code Section 115 trust and one for Medicare Part B premium reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For 2014, the employer contribution allocated to the healthcare plan was 0.5 percent of covered payroll. The amount of employer contribution allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OPF 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.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$47,653 and \$310,054 for the year ended December 31, 2014, \$40,270 and \$267,600 for the year ended December 31, 2013, and \$282,192 and \$299,033 for the year ended December 31, 2012. For 2014, 72.10 percent has been contributed for police and 75.12 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1968. As of December 31, 2014, the unfunded liability of the City was \$2,042,946, payable in semiannual installments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported on the government-wide financial statements.

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

15. OTHER EMPLOYEE BENEFITS

Deferred Compensation

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

Insurance

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

16. CITY ADMINISTERED OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City administers a single-employer defined benefit other post-employment benefit (OPEB) healthcare plan, the C-9 Trust. Although the assets of the plan are commingled for investment purposes, the plan's assets may only be used for payment of benefits to the members in accordance with the terms of the plan. The benefits of the plan conform to City ordinances, which are the legal authority for the plan. The provisions of the plan may be amended by City ordinance. The plan has minimal assets and does not issue separate financial statements.

Membership of the plan consisted of the following at December 31, 2011:

Retirees and beneficiaries receiving benefits	213	
Active employee plan members	<u>2</u>	
Total		215
Number of participating employers	1	

The C-9 Trust is a single-employer defined benefit post-employment healthcare plan. The plan covers retired employees of the City and their spouses. The plan provides for allowable insurance premiums plus reimbursement for uninsured expenses (deductibles, co-pays, etc.) up to \$2,250 per individual per year. The City's postemployment benefit coverage was established under, and is administrated in accordance with, Internal Revenue Code 501 (c) 9.

Summary of Significant Accounting Policies

Basis of Accounting – The financial statements for the C-9 Trust are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. **Method Used to Value Investments** – Investments are reported at fair value.

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

16. CITY ADMINISTERED OTHER POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy and Annual OPEB Cost

Retirees do not contribute to the plan. The plan is wholly funded by the City. City ordinance provides the authority for establishing and amending the funding policy. Rather than making advance funding contributions to the plan, the City pays allowable insurance premiums or reimbursements for uninsured expenses when due. For 2011, the City's total contribution to the plan was \$364,180, which exceeded the actuarially determined annual contribution.

Schedule of Employer Contributions

Year Ended Dec. 31	Annual Required Contribution	Percentage Contributed
2011	\$289,880	125.63%
2010	\$289,497	112.28%
2009	\$311,754	107.74%

The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and the changes in the City's net OPEB asset.

Valuation Date	ARC	Interest on Net OPEB Obligation	ARC Adjustment	Annual OPEB Cost	Contribution	Change in Net OPEB Obligation (Asset)	Net OPEB Obligation (Asset) Balance
December 31, 2009	\$311,754	\$0	\$0	\$311,754	\$335,871	(\$24,117)	(\$24,117)
December 31, 2010	289,660	(1,688)	2,475	290,447	325,043	(34,596)	(58,713)
December 31, 2011	289,880	(4,110)	6,025	291,795	364,180	(72,385)	(131,098)

Funded Status and Funded Progress

Schedule of Funding Process

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Unit Credit	Unfunded Actuarial Accrued Liability	Funded Ratio
12/31/2011	\$18	\$3,207,762	\$3,207,744	0.00%
12/31/2010	\$16	\$2,821,286	\$2,821,270	0.00%
12/31/2009	\$3	\$3,036,485	\$3,036,482	0.00%

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

16. CITY ADMINISTERED OTHER POST-EMPLOYMENT BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedule of employer contributions present trend information about the amounts contributed to the plan by the employer in comparison to the annual required contributions, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 43. The annual required contributions represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost for each year and amortize an unfunded actuarial liability (or funding excess) over a period not to exceed 30 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of the benefit cost born by the employer at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation Date	12/31/2011
Actuarial Cost Method	Unprojected Unit Credit
Asset Valuation Method	Market Value / No pre-funding
Amoritization Method	15 year amortization payment unfunded - level dollar open
Remaining Amoritization Period	15 years
Actuarial Assumptions:	
Mortality Table	RP-2000 Combined Mortality Table projected to 2012
Discount Rate (Interest Rate)	4.50% per annum compounded annually
Healthcare Cost Trend Rate	0% for uninsured reimbursement: thus we assume average annual claims will continue to remain level

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

17. INTERFUND ACTIVITY

Interfund balances at December 31, 2014, consisted of the following amounts and result from moving unrestricted balances to support the programs and projects accounted for in other funds.

	Receivable		Total
	General Fund	All Other Governmental Funds	
Payable			
All Other Governmental Funds	\$272,272	\$0	\$272,272
Water Fund	0	8,831	8,831
Total	<u>\$ 272,272</u>	<u>\$ 8,831</u>	<u>\$ 281,103</u>

During 2014, the General Fund transferred money to the Debt Service Fund in the amount of \$229,435. Transfers from the General Fund were made to move unrestricted balances to support programs and projects.

18. COMPLIANCE AND ACCOUNTABILITY

Compliance

The City Auditor shall keep the books of the City and exhibit accurate statements. The City did not accurately record estimated receipts and appropriations in the accounting system.

Accountability

The General fund had deficit balances of \$50,679. The deficit in the General fund is due to expenditures exceeding the amount of revenue that was generated. The OPWC Improvement nonmajor Capital Project Fund and Transportation nonmajor Special Revenue Fund had deficit fund balances of \$90,046 and \$118,288, respectively. The General Fund is liable for any deficit in the nonmajor special revenue funds and will provide transfers when cash is required not when accruals occur.

19. CONTINGENCIES

Litigation

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

Federal and State Grants

For the period January 1, 2014 to December 31, 2014, the City received State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**CITY OF NORWOOD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

20. SHARED RISK POOL

The Public Entities Pool of Ohio (the Pool) is a public entity shared risk pool which provides various risk management services to its members. The Pool is governed by a seven member board of directors; six are member representatives or elected officials and one is a representative of the pool administrator, American Risk Pooling Consultants, Inc. Each member has one vote on all issues addressed by the Board of Directors.

Participation in the Pool is by written application subject to the terms of the pool agreement. Members must continue membership for a full year and may withdraw from the Pool by giving a 60 day written notice prior to the annual anniversary. Financial information can be obtained from the Public Entities Pool of Ohio, 6797 North High Street, Suite 131, Worthington, Ohio 43085.

21. 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 ended December 31, 2004 in which the Auditor of State certified a deficit in the General Fund of \$1,546,000 for the year ended December 31, 2004. Since that time, the Auditor of State has continued to monitor the City and to provide technical services to the City.

22. FISCAL DISTRESS/SUBSEQUENT EVENT

During 2014 the City experienced budgetary basis unaudited deficits in certain funds.

As of July 31, 2014, the following funds experienced significant budgetary basis deficits in the following funds:

Fund #	Fund	Unaudited cash Balance at July 31, 2015	Unaudited encumbrances at July 31, 2015	Unaudited budget-Basis (deficit) at July 31, 2015
01	General Fund	\$360,914	\$1,977,229	(\$1,616,315)
02	Street Maintenance & Repair	9,963	122,358	(112,395)
03	State Highway	474	14,021	(13,547)
13	Economic Development	3,219	3,256	(38)
20	Recreation Commission	0	9,835	(9,835)
27	EMS	0	44,499	(44,499)
81	Building Assessment	6,524	7,555	(1,031)
	Total	\$381,094	\$2,178,753	(\$1,797,660)

As of December 31, 2014, management has not adopted a plan to address these conditions nor determined when the situation will be resolved.



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 2015. wherein we noted the City is in Fiscal Watch and is experiencing significant deficits.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We identified a certain deficiency in internal control described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2014-003 to be a material weakness.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 and 2014-002.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

November 30, 2015

CITY OF NORWOOD
HAMILTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014

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

FINDING NUMBER 2014-001

Noncompliance

Ohio Rev. Code, § 5705.39, states that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals.

No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which such fund is established.

The following funds had appropriations in excess of estimated resources at December 31, 2014:

Fund	Final Appropriations at Year End	Estimated Resources	Variance
Water (50)	\$4,233,448	\$4,017,648	(\$215,800)
Refuse (51)	1,911,101	1,575,007	(336,094)
CORF (97)	180,063	150,000	(30,063)

Having expenditures in excess of appropriations could result in the City expending more money than it receives and could cause possible negative fund balances. The general fund had a negative budgetary fund balance at year end. A lack of funds may result in the City being unable to meet its current obligations.

We recommend the City ensure estimated resources are sufficient to cover appropriations at the time of certification or amendment.

FINDING NUMBER 2014-002

Noncompliance

Ohio Admin. Code § 117-2-02 (C)(1), requires all local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The following appropriation variances were noted between the legislatively adopted amounts and budgetary amounts posted to the accounting system at December 31:

Fund	Appropriation Resolution	Appropriations per the General Ledger/SSI	Variance
Federally Forfeited Property/DAG (11)	\$168,490	\$250,236	\$81,746
Drug Law Enforcement (12)	52,995	123,078	70,083
Economic Development (13)	5,496	20,643	15,147
Health Department Grants (15)	210,803	259,940	49,137
Debt Retirement (34)	229,440	599,320	369,880
Cornerstone Incentive (36)	2,420,129	1,306,165	(1,113,964)
Linden Pointe (37)	838,115	497,405	(340,710)
Capital Project Fund 1 (46)	0	130,000	130,000
Water (50)	3,915,812	4,138,987	223,175
Refuse (51)	1,575,007	1,911,101	336,094
Water Trust (72)	86,248	95,808	9,560
Separation Pay (77)	215,000	263,883	48,883
Fire Department Asset (83)	62,459	100,595	38,136
Cornerstone Incentive (84)	315,000	226,318	(88,681)
Linden Pointe TIF (85)	150,000	93,472.45	(56,527)
Fire Agency (88)	150,000	50,000	(100,000)
Property Investment Reinvestment (89)	0	208,875	208,875
Rookwood Service Payment (90)	0	273,066	273,066
Rookwood TIF (91)	136,535	277,170	140,635
Rookwood School TIF (92)	67,549	135,096	67,547
CORF (97)	150,000	180,063	30,063

**FINDING NUMBER 2014-002
(Continued)**

Failure to properly record appropriations in the accounting system may result in an inability of management and City Council to properly monitor the financial activity and budgetary status of City funds, and could result in overspending.

We recommend management periodically review amounts recorded in the budgetary system to ensure agreement with official budgetary documents.

FINDING NUMBER 2014-003

Material Weakness

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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

We noted the following condition based on the review of the City's financial statements and financial operations:

- The City posted Homestead and Rollback receipts in the amount of \$194,034 to taxes instead of the intergovernmental line item.
- The City's Governmental Activity Net Position and Fund Balance of the Debt Service Fund at the beginning and ending of the year was overstated by \$1,775,000 because the city posted debt proceeds twice in 2013 the Debt Service Fund, and the overstatement carried forward to 2014.

Lack of internal controls over accounting and financial reporting increases the risk that errors, theft or fraud could occur and not be detected in a timely manner. Failure to accurately post financial activity can lead to material misstatements in financial reporting. The financial statements were corrected for the second item listed above relating to debt proceeds. The other item was communicated to the City but was deemed not significant enough to require adjustment for 2014.

We recommend the City exercise due care when posting entries to the financial records and financial statements to ensure proper reflection of financial activity and required disclosures.

Officials' Response:

We did not receive a response from Officials to these findings.

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**CITY OF NORWOOD
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid;
2013-001	Ohio Rev. Code § 5705.36(A)(4) – Estimated receipts less than actual receipts	Yes	
2013-002	Ohio Rev. Code § 5705.41(B) – Expenditures in excess of appropriations	Yes	
2013-003	Ohio Admin. Code § 117-02-02(C)(1) – Integration of budgetary accounts	No	Reissued as 2014-002
2013-004	Material Weakness - Accurate books and financial statements	No	Reissued as 2014-003

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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
DECEMBER 17, 2015**