



Dave Yost • Auditor of State

**City of Norwood
Hamilton County, Ohio**

**Fiscal Emergency Analysis
As of December 31, 2015 and June 30, 2016**

Local Government Services Section

City of Norwood, Hamilton County

Fiscal Emergency Analysis

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Declaration of Fiscal Emergency

The Auditor of State performed a fiscal analysis of the City of Norwood pursuant to Section 118.03 of the Ohio Revised Code. This analysis indicates and it is hereby declared that a fiscal emergency exists at the City of Norwood as defined in Section 118.03(A)(5) and 118.03(B) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Thomas Williams, Mayor of the City of Norwood; Donna Laake, President of Council of the City of Norwood; John Kasich, Governor; Timothy S. Keen, Director of the Office of Budget and Management; John Husted, Secretary of State; Josh Mandel, Treasurer of State; and Dusty Rhodes, Secretary of the Hamilton County Budget Commission.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST
Auditor of State

October 6, 2016

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City of Norwood, Hamilton County

Fiscal Emergency Analysis

Introduction

As provided by Section 118.04(A) of the Ohio Revised Code, Auditor of State Dave Yost initiated a fiscal analysis of the City of Norwood, Hamilton County (the City). The purpose of the analysis is to determine if the financial condition of the City justifies the declaration of a fiscal emergency.

A city is placed in fiscal emergency if any one of the six conditions described in Section 118.03 of the Ohio Revised Code exists. The six conditions are: 1) default on a debt obligation; 2) failure to make payment of all payroll; 3) an increase in the minimum levy of the city which results in the reduction in the minimum levy of another subdivision; 4) significant past due accounts payable; 5) substantial deficit balances in city funds; and 6) a sizeable deficiency when the city's treasury balance is compared to the positive cash balances of the city's funds.

The year-end conditions described under Conditions four, five, and six do not constitute a fiscal emergency if the City clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State's determination that the conditions no longer exist at the time of the determination.

This report identifies the procedures performed and the conclusions reached with respect to each condition as of December 31, 2015 and June 30, 2016, the date of determination.

Condition One – Default on Any Debt Obligation

Section 118.03(A)(1) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

A summary of the City's outstanding debt as of June 30, 2016 is as follows:

Debt Issue	Issue Date	Interest Rate	Issue Amount
2004 General Obligation Refunding Bonds	April, 2004	4.48%	\$6,545,752
OPWC Resurface Loan	January, 2004	0.00%	247,090
OPWC Montgomery Road Phase II Loan	January, 2005	0.00%	623,255
Cornerstone Tax Increment Financing Bonds	January, 2006	4-5.75%	12,500,000
Linden Pointe Tax Increment Financing Bonds	June, 2010	4 - 5.75%	3,595,000
2013 Tax Increment Financing Bonds	September, 2013	6- 7.00%	7,050,000
Installment Sale Agreement (Paycor)	June, 2015	5.00%	3,607,719
Rookwood Exchange Tax Increment Financing Bonds	September, 2013	6.50%	20,350,000
Police and Fire Pension	May, 1968	2.12%	3,009,917
OPWC Smith Road Waterline Loan	January, 2009	0.00%	529,890
Various Purpose General Obligation Bond Anticipation Note	March, 2015	3.90%	1,200,000

We obtained a list of outstanding debt and the amortization schedules from the City Auditor and Ohio Public Works Commission, to identify the last scheduled payments due before June 30, 2016, and confirmed with the City's bond counsel.

City of Norwood, Hamilton County

Fiscal Emergency Analysis

Debt Issue	Interest Rate	Principal or Interest Payment Date	Amount Due	Payments 30 Days past Due at 6/30/16
2004 General Obligation Refunding Bonds	4.48%	4/1/2016	\$292,735	\$0
OPWC Resurface Loan	0.00%	1/1/2016	6,177	0
OPWC Montgomery Road Phase II Loan	0.00%	1/1/2016	15,581	0
Cornerstone Tax Increment Financing Bonds	4 - 5.75%	12/1/2015	315,000	0
Linden Pointe Tax Increment Financing Bonds	5 - 7.00%	12/31/2015	40,000	0
2013 Tax Increment Financing Bonds	6 - 7.00%	2/1/2016 *	231,291	0
Installment Sale Agreement (Paycor)	5.00%	12/31/2015	41,152	0
Rookwood Exchange Tax Increment Financing Bonds	6.50%	6/1/2016 *	763,125	0
Police and Fire Pension	2.12%	5/1/2016	33,203	0
OPWC Smith Road Waterline Loan	0.00%	1/1/2016	8,831	0
Various Purpose General Obligation Bond Anticipation Note	3.90%	3/27/2016	1,200,000	0

* - Interest amounts shown as only interest owed on the debt through June, 2016.

Conclusion: A fiscal emergency condition does not exist under Ohio Revised Code Section 118.03(A)(1). The City had not defaulted on any of its debt obligations for more than thirty days as of June 30, 2016.

Condition Two – Payment of All Payroll

Section 118.03(A)(2) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation, county, or township in the amounts and at the times required by law, ordinances, resolutions, or agreements, which failure of payment has continued:

- (a) For more than thirty days after such time for payment, or
- (b) Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We reviewed the payroll records of the City as of June 30, 2016. We reviewed the City Council’s ordinances and union agreements to determine the employees of the City, pay rates, frequency of payroll, and whether any extensions for the payment of payroll exist. We reviewed payroll reports and bank records to determine that payroll checks were issued on the scheduled pay dates.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Ohio Revised Code as of June 30, 2016. All employees have been paid in the amounts and at the times required by City ordinance and union agreements.

City of Norwood, Hamilton County

Fiscal Emergency Analysis

Condition Three – Increase in Minimum Levy

Section 118.03(A)(3) of the Ohio Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation, county, or township for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Hamilton County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Ohio Revised Code, in the minimum levy of the City for 2016, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Hamilton County Budget Commission indicated that the Commission had not taken any action in 2016 to increase the inside millage of the City and, therefore, no other subdivision's inside millage was reduced.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code as of June 30, 2016. The Hamilton County Budget Commission has not taken any action to increase the inside millage of the City, thus reducing another subdivision's millage.

Condition Four – Past Due Accounts Payable from the General Fund and All Funds

Section 118.03(A)(4) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year-end balance in the general fund, exceeded one-sixth of the fund receipts for that year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation, county, or township and that either had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in the respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable. Accounts due and payable shall not include any account, or portion thereof, that is being contested in good faith.

We prepared a schedule of accounts payable as of December 31, 2015, that were due and payable from the general fund, and that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2015, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities, including any interest and penalties. From this amount, we subtracted the year-end fund balance available in the general fund to determine if the accounts payable in excess of the available fund balance exceeded one-sixth of the general fund budget for that year.

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Fiscal Emergency Analysis

Schedule I

General Fund Accounts Payable Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2015

Fund	Payables Over 30 Days Past Due	General Fund Balance Available	Payables In Excess of Available Balance	One-Sixth of General Fund Budget	Accounts Payable in Excess of General Fund Budget
General	\$1,343,197	\$0	\$1,343,197	\$3,367,817	\$0

From the invoices provided to us, a schedule of accounts payable was prepared (as defined above) for all funds which were at least thirty days past due or to which a penalty was added as of December 31, 2015. From this amount, we subtracted the year-end fund balance available to pay such outstanding bills. We then determined if the accounts payable in excess of the available fund balance exceeded one-sixth of the available revenues during 2015, excluding non-recurring receipts of the general fund and of all special funds from which such accounts are lawfully payable.

Schedule II

All Funds Accounts Payable Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2015

Fund	Payables Over 30 Days Past Due	Fund Balance Available	Payables In Excess of Available Balance	One-Sixth of General Fund Budget/ Fund Receipts	Accounts Payable in Excess of Fund Receipts
General	\$1,343,197	\$0	\$1,343,197	\$3,367,817	\$0
Street Construction and Repair	26,550	876	25,674	109,345	0
State Highway	2,090	18,403	0	10,368	0
Cyprus Way Nature Park	360	61,764	0	0	0
Drug Law Enforcement	17,375	56,273	0	14,117	0
Health	75	176,734	0	18,236	0
Emergency Medical Services	3,341	0	3,341	11,114	0
Water	192	274,993	0	654,137	0
Clean Ohio Revitalization	12,364	3,310	9,054	19,294	0
Totals	\$1,405,544	\$592,353	\$1,381,266	\$4,204,428	\$0

Conclusion: Schedule II indicates that a fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code. Accounts payable from the general fund and all other funds were at least thirty days past due at December 31, 2015, did not exceed available fund balances plus one-sixth of general fund budget/fund receipts. An analysis as of the date of determination was not made because a fiscal emergency condition did not exist at year-end.

City of Norwood, Hamilton County

Fiscal Emergency Analysis

Condition Five – Deficit Fund Balances

Section 118.03(A)(5), of the Ohio Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds as of December 31, 2015, by subtracting all accounts payable and encumbrances from the year-end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the receipts of those deficit funds. We then identified funds that may be transferred, as provided in Section 5705.14 of the Ohio Revised Code, to meet such deficits to arrive at the unprovided portion of the aggregate deficit.

Schedule III

Deficit Fund Balances
Ohio Revised Code Section 118.03(A)(5)
As of December 31, 2015

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds With Deficit Balances	One-Sixth of General Fund Budget/ Fund Receipts	Unprovided Portion of Aggregate Deficit
General	(\$171,380)	(\$2,415,913)	(\$2,587,293)	\$3,367,817	\$0
Street Construction and Repair	876	(70,901)	(70,025)	109,345	0
State Highway	18,403	(30,023)	(11,620)	10,368	(1,252)
Drug Law Enforcement	56,273	(48,956)	0	0	0
Health	176,734	(14,600)	0	0	0
Recreation	(1,405)	(4,041)	(5,446)	12,399	0
Emergency Medical Services	0	(36,706)	(36,706)	0	(36,706)
Water	274,993	(317,933)	(42,940)	654,137	0
Storm Water Management	0	(315)	(315)	0	(315)
Clean Ohio Revitalization	3,310	(12,364)	(9,054)	19,294	0
Totals	\$357,804	(\$2,951,752)	(\$2,763,399)	\$4,173,360	(38,273)
Funds Available for Transfer					0
Total Unprovided Portion of Aggregate Deficit Funds					(\$38,273)

Section 118.03(B) of the Ohio Revised Code provides in part:

Any year-end condition described on division (A)(5) of this section shall not constitute a fiscal emergency condition if the municipal corporation, county, or township clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State’s determination that such condition no longer exists at the time of the determination pursuant to Section 118.04 of the Revised Code. For the purposes of such demonstration, rather than at the end of the fiscal year, and there should be taken into account the moneys and marketable securities in the treasury of the municipal corporation, county, or township at the time of such demonstration that are, in the case of division (A)(5) of this section, held for the general fund or any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, provided

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that changes from the year-end condition resulting from transfers not authorized pursuant to Chapter 5705 of the Revised Code, borrowings or advances between funds shall not be taken into account to demonstrate improvement in any fiscal emergency condition.

We computed the adjusted aggregate sum of all deficit funds as of June 30, 2016, by subtracting all accounts payable and encumbrances from the year-end cash balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the receipts to those deficit funds. We then identified funds that may be transferred, as provided in Section 5705.14 of the Ohio Revised Code, to meet such deficits to arrive at the unprovided portion of the aggregate deficit.

Schedule IV

Deficit Fund Balances
Ohio Revised Code Section 118.03(B)
As of June 30, 2016

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Fund With Deficit Balances	One-Sixth of General Fund Budget/ Fund Receipts	Unprovided Portion of Aggregate Deficit
General	(\$32,029)	(\$3,369,405)	(\$3,401,434)	\$3,592,783	\$0
Street Construction and Repair	1,337	(211,355)	(210,018)	109,345	(100,673)
State Highway	12,003	(54,059)	(42,056)	10,368	(31,688)
Permissive Tax	203,609	(84,899)	0	0	0
Federal Forfeited Property	76,853	(9,143)	0	0	0
BJA Crime Prevention	891	(4,162)	(3,271)	0	(3,271)
Emergency Medical Services	0	(91,413)	(91,413)	0	(91,413)
E911	54,256	(33,474)	0	0	0
COPS	5,436	(4,000)	0	0	0
Bond Retirement	(289,704)	0	(289,704)	257,491	(32,213)
Water	271,223	(83,236)	0	0	0
Building Assessment	8,197	(10,616)	(2,419)	1,637	(782)
Total	\$312,072	(\$3,955,762)	(\$4,040,315)	\$3,971,624	(260,040)
Funds Available for Transfer					0
Total Unprovided Portion of Aggregate Deficit Funds					(\$260,040)

Conclusion: Schedules III and IV indicate that a fiscal emergency condition does exist under Section 118.03(A)(5) and 118.03(B) of the Ohio Revised Code as of December 31, 2015 and June 30, 2016, respectively. The unprovided portion of the aggregate deficit funds as of December 31, 2015, and June 30, 2016, is \$38,273 and \$260,040, respectively.

Condition Six – Treasury Deficiency

Section 118.03(A)(6), of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county, or township, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

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We verified the City’s reconciled bank balances to its fund cash balances as of December 31, 2015 which included adding reconciling factors to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet , to determine the treasury deficit. No further calculations were necessary because positive cash balances were greater than the treasury deficit at December 31, 2015.

Schedule V

Treasury Balances
Ohio Revised Code Sections 118.03(A)(6)
As of December 31, 2015

	<u>Amounts at December 31, 2015</u>
Bank Balances	
US Bank	\$7,275,565
<i>Adjustments for:</i>	
Other Adjustments	420,543
Payroll Account Adjustments	(130,869)
Outstanding Checks	(243,923)
<i>Total Adjustments</i>	<u>45,751</u>
 <i>Total Treasury Balance</i>	 <u>7,321,316</u>
 Less: Positive Fund Balances	
Street Construction and Repair	876
State Highway	18,403
Cyprus Way Nature Park	61,764
Permissive Tax	191,170
Mayor’s Court	62,818
Tree Board	2,750
C-9	18
Senior Dental	346
Federal Forfeited Property	123,448
Drug Law Enforcement	56,273
Economic Development	2,762
Urban Development	1,000
Health	176,734
Pace	43,755
Council on Aging	713
Federal Emergency Management Association	2,585
Bureau of Justice Assistance Crime Preventions	891
Linder Park	28,106
Recycle	3,774
Homeland Security	3,652
Development Impact	1,444
Waterworks/Linder	47,717
E911	37,437
COPS	5,136
Cornerstone Tax Increment Financing	454,068
	(continued)

City of Norwood, Hamilton County

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Schedule V

Treasury Balances
Ohio Revised Code Sections 118.03(A)(6)
As of December 31, 2015
(continued)

	<u>Amounts at December 31, 2015</u>
Less: Positive Fund Balances	
Linden Point Tax Increment Financing	\$25,704
Community Reinvestment	5,000
COPC	4,678
Capital Projects Parks	6,055
Water	274,993
Refuse Collection	165,465
Norwood Agency	877
Sewerage	2,969,195
Bureau of Crippled Children Services	8,220
Water Trust	109,719
Community Center	64
Robert McCullough Garden	4,100
Alcohol Education	4,788
Building Assessment	7,225
Police Vehicle Asset	172
Fire Department Fixed Asset	69,673
Cornerstone Special	1,195,470
Linden Point Capital	343,350
Fire Agency	19,860
Property Investment Reimbursement	502,779
Rookwood Debt	439,135
Indigent Driver	180
Clean Ohio Revitalization	3,310
Fixed Assets	6,467
Total Positive Balances	<u>7,494,119</u>
Treasury Deficit	(172,803)
One-sixth Treasury Receipts	6,481,462
Treasury Balance	<u><u>\$6,308,659</u></u>

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Ohio Revised Code as of December 31, 2015. There was no treasury deficiency at December 31, 2015.

Summary

A fiscal emergency is the existence of at least one of the above defined conditions. This analysis indicates that a fiscal emergency exists at the City of Norwood as defined in Sections 118.03(A)(5) and 118.03(B) of the Ohio Revised Code as presented in Schedules III and IV above as of December 31, 2015, and June 30, 2016.

City of Norwood, Hamilton County

Fiscal Emergency Analysis

Because the above procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you.

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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
OCTOBER 13, 2016