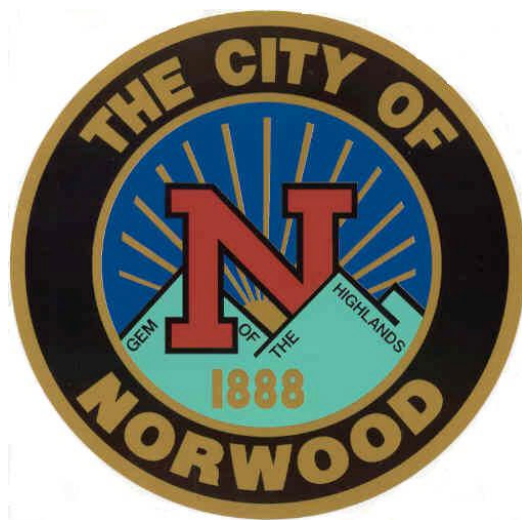


City of Norwood

Hamilton County, Ohio

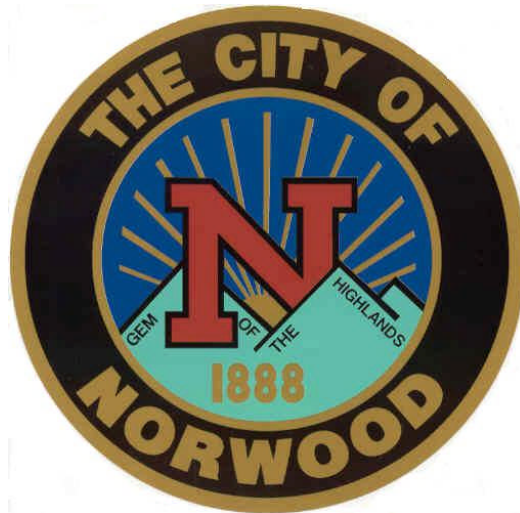
Financial Report

For the Year Ending
December 31, 2006



Financial Report

For the Year Ending
December 31, 2006



Prepared by the Auditors Office

James P Stith II
City Auditor

&

Marcus Patterson, MBA
Deputy Auditor

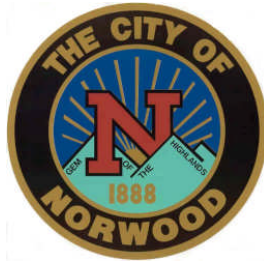


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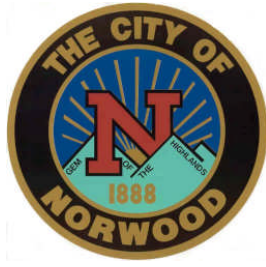
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Management Discussion and Analysis

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2006 are as follows:

- The City's total governmental activities' net assets increased \$1,368,795 , which represents a 7.5 percent increase from 2005. Business-type activities net assets decreased \$527,024 which represents a 20.9 percent decrease from 2005.
- For governmental activities, general receipts accounted for \$34,256,543 or 87.6 percent of all receipts. Program receipts in the form of charges for services, and grants, contributions, and interest accounted for \$4,838,444 or 12.4 percent of total receipts of \$39,094,987.
- The City had \$37,726,192 in disbursements related to governmental activities; only \$4,838,444 of these disbursements were offset by program specific charges for services, grants, contributions, and interest. General receipts (primarily property and municipal income taxes) were \$34,256,543.
- Enterprise funds reflected a total operating income of \$4,546,745. The Water and Refuse funds reflected an operating income (or loss) of \$(527,232) and \$(505), respectively. The water and refuse operations, decreased in net assets by \$527,024.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the City's modified cash basis of accounting.

Report Components

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the City as a whole.

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

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

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

Basis of Accounting

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

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

REPORTING THE CITY AS A WHOLE

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

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

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

In the statement of cash basis Net Assets and the cash basis Statement of Activities, the City is divided into two kinds of activities.

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements

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

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

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

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

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

THE CITY AS A WHOLE

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

Table 1
Net Assets

	2005	2006	2005	2006	2005	2006
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$4,114,269	\$ 5,088,874	\$931,751	\$448,021	\$5,046,020	\$5,536,895
Capital Assets	<u>14,193,066</u>	<u>14,587,256</u>	<u>1,595,845</u>	<u>1,552,551</u>	<u>15,788,911</u>	<u>16,139,807</u>
Total Assets	<u>18,307,335</u>	<u>19,676,130</u>	<u>2,527,596</u>	<u>2,000,572</u>	<u>20,834,931</u>	<u>21,676,702</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	14,193,066	14,587,256	1,595,845	1,552,551	15,788,911	16,139,807
Restricted	3,110,724	3,324,583	0	0	3,110,724	3,324,583
Unrestricted	<u>1,003,545</u>	<u>1,764,291</u>	<u>931,751</u>	<u>448,021</u>	<u>1,935,296</u>	<u>2,212,312</u>
Total Net Assets	<u>\$18,307,335</u>	<u>\$19,676,130</u>	<u>\$2,527,596</u>	<u>\$2,000,572</u>	<u>\$20,834,931</u>	<u>\$21,676,702</u>

As mentioned previously, net assets of governmental activities increased \$1,368,795 or 7.5 percent during 2006. The primary reasons contributing to the increase in cash balances are as follows:

Program receipts represent only 12.4 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits, and grants.

General revenues represent 87.6 percent of the City's total receipts, and over 49.6 percent of general revenue is local taxes. Property taxes make up 9.4 percent of the City's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

The City's business type activities, Water and Refuse Funds, account for 9.3 percent of the City's receipts.

There were substantial increases in revenue in the areas of miscellaneous revenue, and earnings tax. Miscellaneous revenue increased 9179 percent; this reflects the one time repayment of the UDAG loan from the developer of the Rookwood Commons project. Earnings tax revenues increased 7.6 percent due to an increase in private business activity in the City.

Major areas of increase in expenditures included police, fire, and economic development. While some of the increase in police and fire expenditures is accounted for by an increase in personnel and salaries the main reason for this increase is the early payoff of its pension debt.

The City decreased its amount of outstanding debt by making an early payoff of its old pension liability to the Ohio Police and Fire Pension Fund.

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

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

	Table 2 Changes in Net Assets			
	Governmental Activities	Governmental Activities	Business- Type Activities	Business- Type Activities
	2005	2006	2005	2006
Receipts:				
Program Receipts:				
Charges for Services	\$ 2,696,915	\$ 2,869,005	\$ 3,638,802	\$ 4,019,008
Operating Grants and Contributions	1,322,204	1,882,825		
Capital Grants	201,383	86,614		
Total Program Receipts	<u>4,220,502</u>	<u>4,838,444</u>	<u>3,638,802</u>	<u>4,019,008</u>
General Receipts:				
Property Taxes Levied for:				
General Purposes	2,856,565	3,335,759		
Income Tax	12,703,014	13,662,821		
Grants and Entitlements not Restricted				
to Specific Programs	1,341,620	891,338		
Gifts and Donations	792,371	51,925		
Investment Earnings	83,953	105,507		
Miscellaneous	38,767	3,596,998	186,868	713
General Obligation Bonds Issued	10,097,359	12,612,145		
Total General Receipts	<u>27,913,649</u>	<u>34,256,493</u>	<u>186,868</u>	<u>713</u>
Total Receipts	<u>32,134,151</u>	<u>39,094,937</u>	<u>3,825,670</u>	<u>4,019,721</u>
Program Disbursements:				
General Government:				
Legislative and Executive	3,652,643	4,533,886		
Judicial	533,896	125,106		
Security of Persons and Property:				
Police	5,122,028	6,971,209		
Fire	6,746,135	8,785,588		
Public Health	550,666	970,323		
Leisure Time Activities	1,161,937	531,745		
Community and Economic Development	4,271,561	12,518,487		
Public Works	122,870	9,699		
Basic Utility Services	238,837	353,205		
Transportation	1,019,003	1,135,064		
Intergovernmental				
Capital Outlay	75,995	8,561		
Debt Service	6,329,863	1,783,319		
Water / Refuse			3,636,881	4,546,745
Total Disbursements	<u>29,825,434</u>	<u>37,726,192</u>	<u>3,636,881</u>	<u>4,546,745</u>
Increase(Decrease) in Net Assets	<u>2,308,717</u>	<u>1,368,745</u>	<u>188,789</u>	<u>(527,024)</u>

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

Governmental Activities

The 2.0% earnings tax is the largest source of revenue for the City. Revenues generated by the earnings tax represent approximately than 39.9% of the City's governmental activities revenue. The earnings tax is used to pay the cost of many city services including general government, security of persons and property, and public health services. In 2006 there was a substantial increase in earnings tax revenue due to an increase in local private business activities.

If you look at the Statement of Activities on page 5, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, which account for 41.8 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 12.4 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

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

(Table 3)

	Governmental Activities			
	Total Cost	Net Cost	Total Cost	Net Cost
	of Services	of Services	of Services	of Services
	2006	2006	2005	2005
General Government				
Legislative & Executive	\$4,533,886	(\$3,712,869)	\$3,652,643	(\$2,938,038)
Judicial	\$125,106	\$192,739	\$533,896	(\$467,602)
Security of Persons and Property				
Police	\$6,971,209	(\$6,769,405)	\$5,527,636	(\$4,420,760)
Fire	\$8,785,588	(\$8,378,260)	\$6,340,527	(\$5,827,808)
Public Service	\$9,699	\$76,922	\$361,707	(\$361,707)
Public Health	970,323	(783,342)	550,666	(373,438)
Leisure Time Activities	531,745	340,561	1,161,937	(819,635)
Economic Development	12,518,487	(12,356,438)	4,271,561	(4,066,225)
Basic Utilities	353,205	(353,205)	759,333	(759,333)
Transportation	1,135,064	647,429	1,019,003	76,139
Capital Outlay	8,561	(8,561)	75,995	(75,995)
Debt Service	1,783,319	(1,783,319)	6,329,863	(6,329,863)
Total Expenses	<u>\$37,726,192</u>	<u>(\$32,887,748)</u>	<u>\$30,584,767</u>	<u>(\$26,364,265)</u>

The dependence upon property and income tax receipts is apparent as 49.2 percent of governmental activities are supported through these general receipts.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. A noteworthy exceptions, however, was the City's public safety function. A large part of this increase is due to the payoff of an old retirement liability but it also reflects an increase in personnel and salary.

Business-Type Activities

The City's business-type activities include the City's water utility and refuse fund. The water utility provides public water service to businesses and residents. The most recent increase of 10% took effect in February 2006. This increase in water rates was needed in order to continue the process of upgrading the City's antiquated water system and to reflect the ever increasing cost of water.

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

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Information about the City's major governmental funds is presented in the Fund Financial statements (see the Table of Contents). These funds are reported using the modified cash basis of accounting. In total, all governmental funds reported revenues of \$34.2 million and expenses of \$42.2 million.

Within the General Fund, there were receipts of \$22,426,637 and disbursements of \$20,416,710. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$1,470,150 as the result of increased earnings tax revenue.

The Permissive Tax Fund had receipts of \$ 124,156 and disbursements of \$ 218,098. The fund balance of the Permissive Tax Fund increased \$ 543,350 as the result of increased expenditures for the Williams Ave Sewer Project. The Economic Development Fund had receipts of \$ 162,049 and disbursements of \$ 194,266. The fund balance of the Economic Development Fund increased \$ 481,575 as the result of income from the Community Development Block Grant and a decrease in expenditures.

Governmental Fund Budgeting Highlights

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

During 2006, the City amended its General Fund, Permissive Tax Fund, and Economic Development Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to unexpected growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$ 21,578,435 for the General Fund. Actual disbursements were \$ 20,416,710 . This results in an increase in the fund balance of \$ 1,161,725 for 2006.

The City has two major special revenue funds. In the Permissive Tax Fund final disbursements were budgeted at \$ 762,292 while actual disbursements were \$ 218,098 . This results in an increase in the fund balance of \$ 544,194 for 2006. In the Economic Development Fund final disbursements were budgeted at \$ 665,621 while actual disbursements were \$ 194,266. This results in an increase in the fund balance of \$ 471,355 for 2006.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2006 amounts to \$16.1 million (net of accumulated depreciation).

	Governmental Activities		Business Type Activity		Total	
	2005	2006	2005	2006	2005	2006
Land	\$4,077,513	\$4,077,513	\$0	\$0	\$4,077,513	\$4,077,513
CIP		\$61,975				\$61,975
Land Improvements	884,362	821,374	0	0	884,362	821,374
Buildings	1,999,543	2,065,579	0	0	1,999,543	2,065,579
Equipment	536,806	703,277	14,792	16,800	551,598	720,077
Vehicles	1,298,933	1,520,314	8,646	4,365	1,307,579	1,524,679
Infrastructure	5,395,909	5,337,224	1,572,407	1,531,386	6,968,316	6,868,610
Totals	\$14,193,066	\$14,587,256	\$1,595,845	\$1,552,551	\$15,788,911	\$16,139,807

The City had an increase in capital assets for governmental activities and a decrease in capital assets for business type activities. There were no additions or deletions.

Debt

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

<i>Description</i>	<i>Rate</i>	<i>Final Maturity</i>	<i>Amount Outstanding</i>
Loans:			
2003 OPWC – Williams Avenue Resurfacing	0%	January 1, 2024	\$ 210,026
1994 OPWC – Improvement Water	3%	January 1, 2010	116,236
2003 OPWC – Montgomery Road Phase II	0%	January 1, 2024	545,348
Special Assessment Debt:			
2003 Central Parke Project	8.5%	March 1, 2015	2,263,126
General Obligation Bonds:			
Various Purpose Bonds	3.38%	April 1, 2015	6,345,752
2005 TIF Revenue Anticipation Notes	4.5%	December 1, 2031	12,316,135
Total			\$21,796,623

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

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

ECONOMIC AND OTHER POTENTIALLY SIGNIFICANT MATTERS

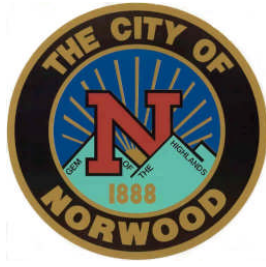
In September 2006, it was determined that the developer of the Rookwood Commons project wished to make a lump sum payment of approximately \$3,500,000 rather than continuing to make monthly payments on the 1988 Urban Development Action Grant/Loan (UDAG) that was given for the original Rookwood Development.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

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

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

REQUESTS FOR INFORMATION

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



Financial Statements

City of Norwood
Statement of Net Assets
December 31, 2006

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 5,088,874	\$ 448,021	\$ 5,536,895
Noncurrent Assets:			
Land	4,077,513		4,077,513
Capital Assets:			
Land Improvements	1,482,809		1,482,809
Building and Building Improvements	4,158,027	54,890	4,212,917
Equipment	1,616,265	73,253	1,689,518
Vehicles	3,414,556	163,198	3,577,754
Infrastructure	12,960,780	2,660,957	15,621,737
Construction in Progress	61,975		61,975
Accumulated Depreciation:			
Land Improvements	(661,435)		(661,435)
Buildings & Building Improvements	(2,092,448)	(54,890)	(2,147,338)
Equipments	(912,988)	(56,453)	(969,441)
Vehicles	(1,894,242)	(158,833)	(2,053,075)
Infrastructure	(7,623,556)	(1,129,571)	(8,753,127)
<i>Total Assets</i>	<u>19,676,130</u>	<u>2,000,572</u>	<u>21,676,702</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	14,587,256	1,552,551	16,139,807
Restricted for Debt Service	168,385		168,385
Restricted for Capital Outlay	157,092		157,092
Restricted for Other Purposes	2,999,106		2,999,106
Unrestricted	1,764,291	448,021	2,212,312
<i>Total Net Assets</i>	<u>\$ 19,676,130</u>	<u>\$ 2,000,572</u>	<u>\$ 21,676,702</u>

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

	<u>Program Revenues</u>			<u>Net(Expense) Revenue and Changes in Net Assets</u>		<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
Governmental Activities:						
General Government:						
Legislative and Executive	\$ 4,533,886	\$ 819,250	\$ 1,767		\$ (3,712,869)	\$ (3,712,869)
Judicial System	125,106	317,845			192,739	192,739
Security of Persons and Property:						
Police	6,971,209	95,212	106,592		(6,769,405)	(6,769,405)
Fire	8,785,588	387,636	19,692		(8,378,260)	(8,378,260)
Public Services	9,699	7		86,614	76,922	76,922
Public Health	970,323	77,991	108,990		(783,342)	(783,342)
Leisure Time Services	531,745	234,890	637,416		340,561	340,561
Community and Economic Development	12,518,487	35,098	126,951		(12,356,438)	(12,356,438)
Transportation	1,135,064	901,076	881,417		647,429	647,429
Capital Outlay	8,561				(8,561)	(8,561)
Interest and Fiscal Charges	353,205				(353,205)	(353,205)
Debt Service:						
Principal Retirements	1,783,319				(1,783,319)	(1,783,319)
<i>Total Governmental Activities</i>	<u>37,726,192</u>	<u>2,869,005</u>	<u>1,882,825</u>	<u>86,614</u>	<u>(32,887,748)</u>	<u>(32,887,748)</u>
Business-Type Activities:						
Refuse Collections	1,124,365	1,123,860				(505)
Water	3,422,380	2,895,148				(527,232)
<i>Total Business-Type Activities</i>	<u>4,546,745</u>	<u>4,019,008</u>				<u>(527,737)</u>
<i>Totals</i>	<u>\$ 42,272,937</u>	<u>\$ 6,888,013</u>	<u>\$ 1,882,825</u>	<u>\$ 86,614</u>	<u>(32,887,748)</u>	<u>(527,737)</u>
General Revenues:						
Taxes:						
Property Taxes					3,206,433	3,206,433
Income Taxes					13,662,821	13,662,821
Municipal Motor Vehicle Taxes					124,156	124,156
Other Taxes					5,170	5,170
Grants and Entitlements not Restricted to Specific Programs					891,388	891,388
Unrestricted Contributions					51,925	51,925
Investment Earnings					105,507	105,507
Miscellaneous					3,596,998	713
Transfers						
Bond Anticipation Notes Issued					12,405,036	12,405,036
Proceeds of Loans					207,109	207,109
<i>Total General Revenues and Transfers</i>					<u>34,256,543</u>	<u>713</u>
<i>Change in Net Assets</i>					1,368,795	(527,024)
<i>Net Assets Beginning of Year</i>					18,307,335	2,527,596
<i>Net Assets End of Year</i>					<u>\$ 19,676,130</u>	<u>\$ 2,000,572</u>

City of Norwood
Balance Sheet
Governmental Funds
December 31, 2006

	<u>General Fund</u>	<u>Permissive Tax</u>	<u>Cornerstone Tax Incentitive Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 1,764,291	\$ 552,352	\$ 132,172	\$ 2,094,385	\$ 5,088,874
<i>Total Assets</i>	<u>\$ 1,764,291</u>	<u>\$ 552,352</u>	<u>\$ 132,172</u>	<u>\$ 2,094,385</u>	<u>\$ 5,088,874</u>
FUND BALANCES:					
Unreserved, Undesignated, Reported in:					
General Fund	1,764,291				1,764,291
Special Revenue Funds		552,352		1,901,080	2,999,106
Debt Service Funds			132,172	36,213	168,385
Capital Projects Funds				157,092	157,092
<i>Total Fund Balances</i>	<u>1,764,291</u>	<u>552,352</u>	<u>132,172</u>	<u>2,094,385</u>	<u>5,088,874</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,764,291</u>	<u>\$ 552,352</u>	<u>\$ 132,172</u>	<u>\$ 2,094,385</u>	<u>\$ 5,088,874</u>

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

Total Governmental Fund Balances \$5,088,874

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

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

Land	4,077,513	
Construction in Progress	61,975	
Land Improvements	1,482,809	
Building and Improvements	4,158,027	
Equipment	1,616,265	
Vehicles	3,414,556	
Infrastructure	12,960,780	
Accumulated Depreciation	(13,184,669)	
Total Capital Assets	<u>14,587,256</u>	<u>14,587,256</u>

Net Assets of Governmental Activities \$19,676,130

See Accompanying Notes to the Basic Financial Statements
See Accountants' Compilation Report

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

	<u>General Fund</u>	<u>Permissive Tax</u>	<u>Economic Development Fund</u>	<u>Cornerstone Tax Incentitive Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:						
Property Taxes	\$ 2,649,780			\$ 132,153	\$ 424,500	\$ 3,206,433
Income Taxes	13,662,821					13,662,821
Permissive Motor Vehicle License Taxes		124,156				124,156
Other Local Taxes	5,170					5,170
Special Assessments				516,317	369,848	886,165
Charges for Services	578,060		35,098		483,848	1,097,006
Licenses and Permits	358,190				107,316	465,506
Fines and Forfeitures	299,550				97,947	397,497
Intergovernmental	1,098,497		126,951		965,021	2,190,469
Interest	105,507				23,592	129,099
Rent	22,831					22,831
Contributions and Donations	51,925			3,550	643,216	698,691
Other	3,594,306				2,692	3,596,998
<i>Total Revenues</i>	<u>22,426,637</u>	<u>124,156</u>	<u>162,049</u>	<u>652,020</u>	<u>3,117,980</u>	<u>26,482,842</u>
EXPENDITURES:						
Current:						
General Government:						
Legislative and Executive	3,604,380				778,227	4,382,607
Judicial System	110,110				27,307	137,417
Security of Persons and Property:						
Police	6,770,324				109,155	6,879,479
Fire	8,597,059				224,027	8,821,086
Public Services	1,609					1,609
Public Health	899,711				95,736	995,447
Lesiure Time Services					519,378	519,378
Community and Economic Development			130,169	12,405,036		12,535,205
Transportation	143,026	165,581			710,386	1,018,993
Capital Outlay					692,637	692,637
Debt Service:						
Principal Retirements		43,517		451,874	1,287,928	1,783,319
Interest and Fiscal Charges				104,287	248,918	353,205
<i>Total Expenditures</i>	<u>20,126,219</u>	<u>209,098</u>	<u>130,169</u>	<u>12,961,197</u>	<u>4,693,699</u>	<u>38,120,382</u>
<i>Excess of Revenues Over(Under) Expenditures</i>	<u>2,300,418</u>	<u>(84,942)</u>	<u>31,880</u>	<u>(12,309,177)</u>	<u>(1,575,719)</u>	<u>(11,637,540)</u>
OTHER FINANCING SOURCES AND USES:						
Transfers In					1,539,672	1,539,672
Bond Anticipation Notes Issued				12,405,036		12,405,036
Proceeds of Loans					207,109	207,109
Transfers Out	(1,539,672)					(1,539,672)
<i>Total Other Financing Sources and Uses</i>	<u>(1,539,672)</u>			<u>12,405,036</u>	<u>1,746,781</u>	<u>12,612,145</u>
<i>Net Change in Fund Balance</i>	760,746	(84,942)	31,880	95,859	171,062	974,605
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>1,003,545</u>	<u>637,294</u>	<u>513,794</u>	<u>36,313</u>	<u>1,923,323</u>	<u>4,114,269</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 1,764,291</u>	<u>\$ 552,352</u>	<u>\$ 545,674</u>	<u>\$ 132,172</u>	<u>\$ 2,094,385</u>	<u>\$ 5,088,874</u>

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

Net Change in Fund Balances - Total Governmental Funds \$974,605

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

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

Capital Outlay	1,089,699	
Depreciation Expense	(695,509)	
		394,190
Excess of Capital Outlay over Depreciation Expense		

Change in Net Assets of Governmental Activities \$1,368,795

See Accompanying Notes to the Basic Financial Statements
See Accountants' Compilation Report

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property Taxes	\$ 2,370,871	\$ 2,649,779	\$ 2,649,780	\$ 1
Income Taxes	10,017,566	13,500,000	13,662,821	162,821
Other Local Taxes	3,204	4,318	5,170	852
Charges for Services	417,861	563,123	578,060	14,937
Licenses and Permits	253,216	341,242	358,190	16,948
Fines and Forfeitures	220,326	296,919	299,550	2,631
Intergovernmental	712,833	960,637	1,098,497	137,860
Interest	67,526	91,000	105,507	14,507
Rent	16,941	22,830	22,831	1
Contributions and Donations	37,473	50,500	51,925	1,425
Reimbursements	97,098	130,852		(130,852)
Other	2,663,273	3,589,114	3,594,306	5,192
Total Revenues	<u>16,878,188</u>	<u>22,200,314</u>	<u>22,426,637</u>	<u>226,323</u>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	3,658,946	4,488,041	3,835,923	652,118
Judicial System	94,021	121,113	113,475	7,638
Security of Persons and Property:				
Police	5,240,010	6,956,593	6,792,459	164,134
Fire	6,247,074	8,928,883	8,623,648	305,235
Public Services		2,461	1,677	784
Public Health	875,446	938,200	906,436	31,764
Transportation	122,000	143,144	143,092	52
Total Expenditures	<u>16,237,497</u>	<u>21,578,435</u>	<u>20,416,710</u>	<u>1,161,725</u>
Excess of Revenues Over(Under) Expenditures	<u>640,691</u>	<u>621,879</u>	<u>2,009,927</u>	<u>1,388,048</u>
OTHER FINANCING SOURCES AND USES:				
Transfers Out	<u>(859,543)</u>	<u>(1,539,672)</u>	<u>(1,539,672)</u>	
Total Other Financing Sources and Uses	<u>(859,543)</u>	<u>(1,539,672)</u>	<u>(1,539,672)</u>	
Net Change in Fund Balance	(218,852)	(917,793)	470,255	1,388,048
Fund Balance (Deficit) at Beginning of Year	806,893	806,893	806,893	
Prior Year Encumbrances Appropriated	<u>193,002</u>	<u>193,002</u>	<u>193,002</u>	
Fund Balance (Deficit) at End of Year	<u>\$ 781,043</u>	<u>\$ 82,102</u>	<u>\$ 1,470,150</u>	<u>\$ 1,388,048</u>

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Permissive Motor Vehicle License Taxes	\$ 132,600	\$ 125,000	\$ 124,156	\$ (844)
Total Revenues	<u>132,600</u>	<u>125,000</u>	<u>124,156</u>	<u>(844)</u>
EXPENDITURES:				
Current:				
Transportation		697,016	174,581	522,435
Debt Service:				
Principal Retirements		<u>65,276</u>	<u>43,517</u>	<u>21,759</u>
Total Expenditures		<u>762,292</u>	<u>218,098</u>	<u>544,194</u>
Excess of Revenues Over(Under) Expenditures	<u>132,600</u>	<u>(637,292)</u>	<u>(93,942)</u>	<u>543,350</u>
Net Change in Fund Balance	132,600	(637,292)	(93,942)	543,350
Fund Balance (Deficit) at Beginning of Year	<u>637,292</u>	<u>637,292</u>	<u>637,292</u>	
Fund Balance (Deficit) at End of Year	<u>\$ 769,892</u>		<u>\$ 543,350</u>	<u>\$ 543,350</u>

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Charges for Services	\$ 50,288	\$ 32,614	\$ 35,098	\$ 2,484
Intergovernmental	186,552	120,584	126,951	6,367
Total Revenues	<u>236,840</u>	<u>153,198</u>	<u>162,049</u>	<u>8,851</u>
EXPENDITURES:				
Current:				
Community and Economic Development		665,621	194,266	471,355
Total Expenditures		<u>665,621</u>	<u>194,266</u>	<u>471,355</u>
Excess of Revenues Over(Under) Expenditures	236,840	(512,423)	(32,217)	480,206
Net Change in Fund Balance	236,840	(512,423)	(32,217)	480,206
Fund Balance (Deficit) at Beginning of Year	457,990	457,990	457,990	
Prior Year Encumbrances Appropriated	55,802	55,802	55,802	
Fund Balance (Deficit) at End of Year	<u>\$ 750,632</u>	<u>\$ 1,369</u>	<u>\$ 481,575</u>	<u>\$ 480,206</u>

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

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

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

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

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

Agency Fund

ASSETS:

Current Assets:

Equity in Pooled Cash and Cash Equivalents \$ 437,502

Total Current Assets 437,502

Total Assets 437,502

LIABILITIES:

Current Liabilities:

Undistributed Monies 89,282

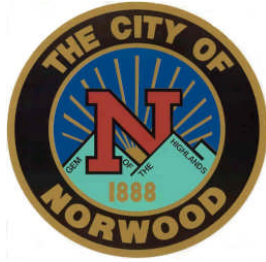
Total Current Liabilities 89,282

Total Liabilities 89,282

NET ASSETS:

Unrestricted 348,220

Total Net Assets \$ 348,220



Financial Notes

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

NOTE 1 - DECRPTION OF THE CITY AND REPORTING ENTITY

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

Reporting Entity

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

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

Fund Accounting

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

Governmental Funds

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

General Fund – This is the chief operating fund for the City and it is used to account for all revenues and expenditures which are not accounted for in other funds. The primary sources of revenue for this fund are earnings taxes, property taxes and local government funds.

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary Fund

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

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

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

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

Fiduciary Funds

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

Budgetary Process

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

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

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City of Norwood considers all highly liquid investments, including restricted assets, with an original maturity of three months or less to be cash equivalents.

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

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

Investments

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

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

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

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

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

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

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

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

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

The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for transportation and Federal and State grants restricted to cash disbursement for specified purposes. The City's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Inter-Fund Transactions

Transfers between governmental and business-type activities on the government-wide financial statement are reported in the same manner as general receipts.

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

Estimates

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

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

NOTE 3 – BUDGETARY BASIS FOR ACCOUNTING

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

The encumbrances outstanding at year end (budgetary basis) amounted to \$470,255 for the General Fund. The encumbrances outstanding at year end for the City's two major special revenue funds amounted to **(\$93,942)** for Permissive Tax Fund, and **(\$32,217)** for Economic Development Fund. There were no outstanding advances at year end for any of these funds.

Net Changes in Fund Balance

	<u>General</u>	<u>Permissive</u>	<u>Econ. Dev.</u>
GAAP Basis	760,746	(84,942)	31,880
Revenue Accruals	0	0	0
Expenditure Accruals	(97,489)	(9,000)	(8,295)
Encumbrances	(193,002)	0	(55,802)
Advances-Out	0	0	0
Budget Basis	<u>470,255</u>	<u>(93,942)</u>	<u>(32,217)</u>

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

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The City of Norwood combines the cash balances of individual funds to form a pool of cash and investments. Each fund reports its respective equity in cash as an element of its resources. In addition, several funds separately hold cash and investments. Earnings from the pooled cash and investments are allocated on a monthly basis to each participating fund based on month-end equity balances. The cash account of the Mayor's Court is held separately from those of other City funds.

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

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

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

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

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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

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

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Deposits

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

Cash deposits of the City as of December 31, 2006, are comprised of the following:

Demand Deposit Accounts	\$5,126,545
Certificates of Deposit	<u>1,700,000</u>
	<u>\$6,826,545</u>

The bank balance for all City deposits at December 31, 2006 was \$6,826,545. The difference between the bank balance and the amounts recorded by the City is caused by outstanding checks and returned checks.

The GASB has established credit risk categories for deposits:

- Category 1 - Deposits that are insured or collateralized with securities held by the City or its agent(s) in the City's name.
- Category 2 - Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent(s) in the City's name.
- Category 3 - Deposits that are uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent(s) but not in the City's name.

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

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

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

defined by the GASB. These deposits were, however, collateralized with securities held by a financial institution, but not in the City's name.

Investments

The State of Ohio statutes authorize the City to invest in obligations of the U.S. Treasury, agencies, and instrumentalities of the U. S. Government, and repurchase agreements. The City held no investments at December 31, 2006.

The City has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

NOTE 5 – CITY EARNINGS TAX

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

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

Income tax proceeds are distributed to the General Fund. The tax is the largest single source of General Fund revenue. Actual collections in 2006 were \$13,662,821.

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

NOTE 6 – PROPERTY TAXES

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

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

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

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

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

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

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

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

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

NOTE 7 - CAPITAL ASSETS

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

	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
Governmental Activities				
Non-depreciable Capital Assets				
Land	\$ 4,077,513	\$ 61,975	\$	\$ 4,139,488
Construction in Process				
Total Non-depreciable Capital Assets	<u>4,077,513</u>	<u>61,975</u>		<u>4,139,488</u>
Depreciable Capital Assets				
Buildings	4,032,174	125,853		4,158,027
Building Improvements	1,488,519		(5,710)	1,482,809
Roads	12,755,682	205,098		12,960,780
Bridges				
Equipment	1,336,561	374,204	(94,500)	1,616,265
Vehicles	3,088,014	326,542		3,414,556
Total Depreciable Capital Assets	<u>22,700,950</u>	<u>1,031,697</u>	<u>(100,210)</u>	<u>23,632,437</u>
Less Accumulated Depreciation for				
Buildings	(2,032,631)	(59,817)		(2,092,448)
Building Improvements	(604,157)	(59,015)	1,737	(661,435)
Roads	(7,359,773)	(263,783)		(7,623,556)
Bridges				
Equipment	(914,240)	(93,248)	94,500	(912,988)
Vehicles	(1,674,596)	(219,646)		(1,894,242)
Total Accumulated Depreciation	<u>(12,585,397)</u>	<u>(336,188)</u>	<u>96,237</u>	<u>(13,184,669)</u>
Total Depreciable Capital Assets, Net	<u>10,115,553</u>	<u>398,163</u>	<u>(3,973)</u>	<u>10,447,768</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,193,066</u>	<u>\$ 398,163</u>	<u>\$ (3,973)</u>	<u>\$14,587,256</u>

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

NOTE 7 - CAPITAL ASSETS (Continued)

	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
Business-type Activities				
Non-depreciable Capital Assets				
Land	\$	\$	\$	\$
Construction in Process				
Total Non-depreciable Capital Assets				
Depreciable Capital Assets				
Land Improvements				
Buildings	\$54,890			54,890
Building Improvements				
Infrastructure	2,660,957			2,660,957
Equipment	163,198	7,866		171,064
Vehicles	65,387			65,387
Total Depreciable Capital Assets	2,944,432	7,866		2,952,298
Less Accumulated Depreciation for				
Land Improvements				
Buildings	54,890			54,890
Building Improvements				
Infrastructure	1,088,550	41,021		1,129,571
Equipment	50,595	5,858		56,453
Vehicles	154,552	4,281		158,833
Total Accumulated Depreciation	1,348,587	51,160		1,399,747
Total Depreciable Capital Assets, Net	1,595,845	(43,294)		1,552,551
Business-type Activities Capital Assets, Net	\$ 1,595,845	\$ (43,294)	\$	\$ 1,552,551

NOTE 7 - CAPITAL ASSETS (Continued)

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

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

Governmental Activities	
General Government	151,279
Judicial	6,156
Security of Persons & Property	
Police	97,310
Fire	134,330
Community & Economic Development	577
Transportation	281,482
Public Health & Welfare	7,891
Public Service	8,090
Leisure Time Activities	8,394
<u>Total Depreciation Expense - Government Activities</u>	<u>695,509</u>

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

NOTE 8 - DEBT

Bonds and loans payable at December 31, 2006, are comprised of the following individual issues:

<i>Description</i>	<i>Rate</i>	<i>Final Maturity</i>	<i>Amount Outstanding</i>
Loans:			
2003 OPWC – Williams Avenue Resurfacing	0%	January 1, 2024	\$ 210,026
1994 OPWC – Improvement Water	3%	January 1, 2010	116,236
2003 OPWC – Montgomery Road Phase II	0%	January 1, 2024	545,348
Special Assessment Debt:			
2003 Central Parke Project	8.5%	March 1, 2015	2,263,126
General Obligation Bonds:			
Various Purpose Bonds	3.38%	April 1, 2015	6,345,752
2005 TIF Revenue Anticipation Notes	4.5%	December 1, 2031	12,316,135
Total			\$21,796,623

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

During 2003, the City entered into a loan agreement with the Ohio Public Works Commission for the Montgomery Road project. These are interest free, twenty year loans and the maturity date is July 1, 2024.

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

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

In 2005, the Tax Increment Financing Revenue Anticipation Notes were refinanced. TIF Revenues from all incremental property taxes paid from parcels within the TIF district as defined by the City encompassing the project known as the "Cornerstone at Norwood". These incremental taxes on the TIF district will be collected by the Hamilton County Auditor and disbursed to the City of Norwood for the payment of the notes. This debt has an average interest rate of 4.5 percent and a final maturity date of December 1, 2031.

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

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

NOTE 8 - DEBT (Continued)

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

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

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

NOTE 8 - DEBT (Continued)

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

Governmental Activities

Description	Balance 1/1/06	Additions	Principle Retirement	Balance 12/31/06	Due Within One Year
General Obligation Bonds	\$6,495,752	\$0	\$150,000	\$6,345,752	\$417,449
Special Assesment Debt Obligations under Capital Leases	2,426,704	0	163,579	2,263,125	369,848
OPWC Loan- Resurface Williams Ave	0	169,104	0	169,104	39,611
OPWC Loan - Montgomery Rd Phase II	228,558	0	12,354	216,204	12,354
Tax Incremental Financing Bonds 2006	592,092	0	31,163	560,929	31,163
Estimated Liability For Unpaid Claims (Note 10)	0	12,500,000	0	12,500,000	120,000
	20,000	295	295	20,000	20,000
Total	9,763,106	12,669,399	357,391	22,075,114	1,010,425

Business-Type Activities

Description	Balance 1/1/07	Additions	Principle Retirement	Balance 12/31/07	Due Within One Year
1994 OPWC Loan - Improve Water Distribution System	\$170,573	\$0	\$37,597	\$132,976	\$37,597
Total	170,573	0	37,597	132,976	37,597

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

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

NOTE 8 - DEBT (Continued)

Annual Long-Term Debt Requirements

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

<i>Year Ending December 31</i>	General Obligation Bonds		<i>Year Ending December 31</i>	Special Assessment Bonds	
	<i>Principal</i>	<i>Interest</i>		<i>Principal</i>	<i>Interest</i>
2006	150,000	274,498	2006	163,579	206,270
2007	150,000	267,448	2007	177,483	192,366
2008	549,152	252,683	2008	192,569	177,280
2009	563,642	232,548	2009	208,937	160,911
2010	591,359	210,303	2010	226,697	143,152
2011-2015	2,735,186	662,979	2011-2015	1,457,440	391,801
2016-2020	1,463,675	229,309	2016-2020		
2021-2025	292,735	4,586	2021-2025		
Total	\$6,495,749	\$2,134,357		\$2,426,705	\$1,271,694

<i>Year Ending December 31</i>	OPWC Williams Ave		<i>Year Ending December 31</i>	OPWC Montgomery Rd II	
	<i>Principal</i>	<i>Interest</i>		<i>Principal</i>	<i>Interest</i>
2006	12,354	0	2006	31,164	0
2007	12,354	0	2007	31,164	0
2008	12,354	0	2008	31,164	0
2009	12,354	0	2009	31,164	0
2010	12,354	0	2010	31,164	0
2011-2015	61,770	0	2011-2015	155,820	0
2016-2020	61,770	0	2016-2020	155,820	0
2021-2025	49,416	0	2021-2025	124,656	0
2026-2030			2026-2030		
Total	\$234,726	\$0		\$592,116	\$0

<i>Year Ending December 31</i>	OPWC Water Distribution		<i>Year Ending December 31</i>	TIF Bonds 2006	
	<i>Principal</i>	<i>Interest</i>		<i>Principal</i>	<i>Interest</i>
2006	35,955	4,850	2006	0	682,112
2007	37,042	3,763	2007	120,000	744,122
2008	38,162	2,644	2008	125,000	741,722
2009	39,315	1,490	2009	165,000	734,010
2010	20,101	302	2010	180,000	726,586
2011-2015			2011-2015	1,260,000	3,469,800
2016-2020			2016-2020	1,970,000	3,049,601
2021-2025			2021-2025	3,040,000	2,344,220
2026-2030			2026-2030	4,515,000	1,233,180
			2031	1,125,000	69,750
Total	\$170,575	\$13,049		\$12,500,000	\$13,795,103

NOTE 8 - DEBT (Continued)

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

<i>Year Ending December 31</i>	Total	
	<i>Principal</i>	<i>Interest</i>
2006	424,217	1,167,731
2007	559,207	1,207,614
2008	979,565	1,174,330
2009	1,051,576	1,128,959
2010	1,092,839	1,080,343
2011-2015	5,670,216	4,524,580
2016-2020	3,651,265	3,328,910
2021-2025	3,506,807	2,348,806
2026-2030	4,515,000	1,233,180
2031	1,125,000	69,750
Total	\$22,575,692	\$17,214,203

The Ohio Revised Code provides that the net debt of a municipal corporation, when approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the un-voted net debt of municipal corporations cannot exceed 5.5% of the total taxable value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuations and expressed in terms of a percentage. At December 31, 2006, the City had \$19,417,261 of "total net debt." Special assessment bonds are excluded in calculating the total net indebtedness of the City.

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

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

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

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

NOTE 9 - CAPITAL LEASES – LESSEE DISCLOSURE

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

The City leases buildings, vehicles and other equipment under noncancelable leases. The City disbursed \$39,611 to pay lease costs for the year ended December 31, 20CY. Future lease payments are as follows):

Year	Amount
2007	\$39,611
2008	39,611
2009	39,611
2010	39,611
20xx	
2012-20XX	
Total	<u>\$169,068</u>

NOTE 10 - CONTINGENT LIABILITIES

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

Amounts grantor agencies pay to the City are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the City contracted with the Ohio Municipal League for various types of insurance as follows:

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

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

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

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

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

NOTE 12- DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

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

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

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

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

NOTE 12- DEFINED BENEFIT PENSION PLANS (Continued)

Ohio Police and Fire Pension Fund

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

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

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

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

NOTE 13 - POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

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

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

Ohio Police and Fire Pension Fund

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

The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care

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

NOTE 13 - POST-EMPLOYMENT BENEFITS (Continued)

funding and accounting is on a pay as you go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the post-employment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

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

NOTE 14 - OTHER EMPLOYEE BENEFITS

Deferred Compensation

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

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.

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

NOTE 15 - C-9 TRUST

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

NOTE 16 - TAX INCREMENT FINANCING (TIF) AGREEMENT

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

NOTE 17 - CONSTRUCTION AND CONTRACTUAL COMMITMENTS

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

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

NOTE 18 - ACCOUNTABILITY AND COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

Ohio Revised Code, Section 733.11, requires that the city auditor shall keep the books of the city and exhibit accurate statements of all moneys received and expended. In addition, Ohio Administration Code Section 117-2-02 states, in part that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions. In FY 2006, there were several instances where receipts and disbursements were not properly classified.

Ohio Revised Code, Section 5705.39, states that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission. The City had one fund, the General Fund, at December 31, 2006 where appropriations exceeded the estimated revenue by \$1000.

Ohio Revised Code, Section 5705.41 (B), states that no subdivision or taxing unit may make any expenditure of money unless it has been appropriated as provided in such chapter. Three funds, the Crime Prevention Fund, the 21st Century Grant Fund, and the EMS Fund had expenditures which exceeded their final appropriations at years end.

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

NOTE 19 - SUBSEQUENT EVENTS

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

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

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

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

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

On June 4th 2008 the City of Norwood entered into a lease purchase agreement with Ford Motor Credit for 3 2008 Crown Victoria Sedan Police cars for a total of \$94,307.91 to be paid in three annual payments of \$31,436 each. The first payment was made on May 23, 2008.

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